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## The Impact of Devolution on Organizational Effectiveness: An Exploratory Case Study of Faith-Based Child Care

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### Abstract

Although the foundations of President Bush's faith-based initiative could be traced back at least to Colonial times, the re-packaging of this idea has raised concerns about the role of the federal government in the affairs of faith based organizations, the professionalization of social services, rent seeking, and the crowding out of private funding. This paper aims to examine the local implications of decentralizing the provision of social services in Lee County, Florida. More specifically, we will identify how devolution has affected the organizational effectiveness of faith-based organizations in the day care sector. For this paper, organizational effectiveness was defined in terms of goal setting, efficient use of resources, and reputation. This initial exploratory study suggests that any devolutionary policy that aims to aggressively include faith-based organizations in the provision of social services will face the challenge of weak information flow mechanisms within the industry.

### Keywords

Devolution, Faith Based Organizations, Organizational Effectiveness, Exploratory and Qualitative Research

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## **The Impact of Devolution on Organizational Effectiveness: An Exploratory Case Study of Faith-Based Child Care**

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*Although the foundations of President Bush's faith-based initiative could be traced back at least to Colonial times, the re-packaging of this idea has raised concerns about the role of the federal government in the affairs of faith based organizations, the professionalization of social services, rent seeking, and the crowding out of private funding. This paper aims to examine the local implications of decentralizing the provision of social services in Lee County, Florida. More specifically, we will identify how devolution has affected the organizational effectiveness of faith-based organizations in the day care sector. For this paper, organizational effectiveness was defined in terms of goal setting, efficient use of resources, and reputation. This initial exploratory study suggests that any devolutionary policy that aims to aggressively include faith-based organizations in the provision of social services will face the challenge of weak information flow mechanisms within the industry. Key words: Devolution, Faith Based Organizations, Organizational Effectiveness, Exploratory and Qualitative Research*

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### **Introduction**

The foundations of President George W. Bush's efforts to expand the role in social services of faith-based and other community-serving groups could be traced back at least to the early 1990s. However, his re-packaging of the idea that faith-based organizations are indispensable partners to government social programs has re-ignited the national debate on the role of the federal government in the affairs of faith-based organizations, the appropriateness of indirect public funding for proselytization, the professionalization of religious social services, rent seeking, and the crowding out of private funding.

This exploratory paper aims to start a discussion of the local implications of federal and state policies that aim to decentralize social services with the help of faith based organizations. Specifically, we will conduct a case study to explore how past devolutionary policies have affected the organizational effectiveness of faith-based day care centers in Lee County, Florida. Our case study consists of secondary research and interviews of key informants directly involved in the child care industry in Florida. For this paper, faith-based providers will be defined as any childcare center associated with a religious 501(c) 3 organization. Organizational effectiveness will be defined in terms of organizations' goal setting, use of resources and reputation within the industry (Forbes, 1998). Although these

three components are tightly related, our exploration will be guided by the assumption that devolution is more likely to directly affect faith-based organization's reputation and goal setting and alter only indirectly their use of resources.

Even though this most recent national debate on devolution has mostly avoided the issue of child care, we have selected to discuss this industry since both secular and faith-based child care centers in Florida –and the nation- have experienced drastic changes in the way the state understands its relationship and obligations with this industry. These changes have given child care providers' vast experience dealing with institutional changes mandated or recommended by the state government, making this industry a model that illustrates the potential effects of initiatives that promote more involvement by local organizations on the provision of social services.

The next section provides a brief review of the literature on devolution, faith-based organizations, and the childcare industry. We then discuss our methodology and our findings. Finally, we conclude by providing suggestions on further research on this topic.

### **Devolution, Faith-based Organizations and Child Care Centers: A Review of the Literature**

#### **Legislation Changes: The Narrative**

The 1996 Personal Responsibility and Work Opportunity Act (PRWORA) is considered the first in a series of bills that attempted to bring the issue of faith-based provision of social services to the political forefront. More recently, the H.R.7 bill: Community Solutions Act of 2001 –commonly known as the “Faith-Based and Community Initiative”—marked yet another landmark. This was the first time one of the Houses of Congress passed a provision that dealt with the issue of faith-based provision of social services not as part of a welfare package, but as its own policy reform. Although the Senate passed a weaker version of this bill, H.R. 7 represents a significant change and trend in American legislation<sup>1</sup>. As Cnaan (1999) argues, “(p)owerful political and social trends already underway suggest that the United States is ready for a paradigm shift in which the religious community will become a major player in the delivery of social services” (p. 280).

The narrative used to explain the major contributions of HR 7 has emphasized that faith-based nonprofits are faced with unreasonable and costly barriers to participating in the decentralization of social services. As a recent study commissioned by the Centers for Faith Based & Community Initiatives explains it: “(t)here exists a widespread bias against faith and community-based organizations in Federal social service programs. Charitable Choice has been almost entirely ignored by Federal administrators, who have done little to help or

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<sup>1</sup> HR 7 differs from the 1996 Act in the following ways: PRWORA *allowed* faith-based organizations to receive federal funding for social services; HR7 *encourages* them to do so; PRWORA concerns the auditing or regulation of the funds provided under such programs; HR7 concerns the funds and the actual performance of such programs; both PRWORA and HR7 state that segregated funds shall be subject to audit. HR7 additionally requires faith-based organizations to annually conduct a self-audit as well as a plan of timely corrective action. HR7 adds that any faith-based activity shall be voluntary and offered separate from the actual social service. A faith-based organization's employment practices exemption under section 702 of the Civil Rights Act of 1964 would be preserved.

require State and local governments to comply with the new rules for involving faith-based providers” (see The White House, 2001).

### **Research on Devolution**

These modest legislative changes and proposals have occurred despite numerous inconclusive results on the effectiveness of devolution and faith-based provision of social services.

The economic and political justifications and the impact of decentralizing the provision of social services have been widely debated in the literature (see Cordes, 2000; De Vita, 1998; Kettle, 2000; Salamon, 1995, 1992; Smith & Lipski, 1993; Young, 1999). As Kettle (2000) reported, the resulting partnerships among for profit and nonprofit organizations and government agencies operate “through an elaborate network of contracting, intergovernmental grants, loans and loan guarantees, regulations and other indirect administrative approaches” (p. 6), and have been a distinctive tradition of U.S. welfare policy and practice since Colonial times. (See Cnaan, 1999; Cordes, 2000; Salamon 1992; Wineburg 2001; Young 1999). Scholars and politicians justify this method of delivery of social services by arguing that it increases competition and efficiency and that it allows the government to respond more rapidly to social needs. Devolving responsibilities to local organizations alleviates, it is argued, the political and administrative constraints government agencies face when initiating new programs in terms of hiring new staff and locating facilities for new programs (Smith & Lipsky, 1993, p. 192). Furthermore, it improves the reputation of the government by allowing more institutional pluralism, thus addressing issues of distrust and dislike of extensive government involvement. (See Cordes, 2000; Salamon, 1992; Young, 1999). But, as Salamon (1995) explains, “that support of the nonprofit sector has a meaningful theoretical foundation and that such support has grown in both scale and scope are still not proof that the resulting partnership is good either for government or for the nonprofit sector” (p. 101). Devolution has often failed to provide the expected results because of, among other things, the absence of meaningful competition among providers and effective measures of performance.

Too often, decisions about whether to contract out services have been made under the pressures of unreasonable program deadlines, with too little information, and with little opportunity to search out potential contractors. As a consequence, governments have often had to accept the services the prevailing network of providers could supply rather than seeking those organizations that can actually provide for the needs of the target population. (p. 108-109)

### **The Case for Provision of Social Services by Faith-Based Organizations**

Most faith-based organizations are formed to provide a gathering place for communal worship. A great deal of resources is spent, however, on serving as a venue for community events, and providing in-kind and financial support to other local, national and international social service agencies (Cnaan, 1999). The research on the effectiveness of these programs is inconclusive. Even though these organizations have a long history of partnership with

government in the provision of social services, many practitioners, scholars and politicians question the wisdom behind the recent federal faith-based initiatives. In particular, scholars have raised concerns about the “new arrangements or partnerships -if any- (that) will be formed between government and faith-based groups, and how these arrangements will satisfy constitutional guarantees of separation between church and state.” (De Vita, 1998; see also Chaves, 2001; Chaves, Konieczny, & Beyerlein, 1999; Wineburg, 2001). De Vita (1998) points out that: “there have been no large-scale, systematic studies of what types of community-based programs local congregations actually provide” (pp. 222-223) and that it is “still largely untested...whether local congregations have the capacity or desire to increase their level of involvement... (p. 223).” Some even argue that the current trend seems more toward the favoritism of religion than actual policy aimed at ending bad welfare (Wineburg, 2001, p. 77).

Furthermore, studies reveal that the issue of the desirability of provision of social services by faith-based organizations is not limited to differences between secular and faith-based organizations. In fact, race, political affiliation, budget size, and geographical settings play a significant role on how faith-based agencies view devolution. For instance, Catholic and more liberal Protestant congregations are significantly more likely to indicate interest in applying for government funds to support their social service activities than are conservative and evangelical congregations. Black congregations are, studies reveal, five times more likely than other congregations to seek public funds (Chaves, 2001, Chaves et al., 1999).

Finally, some researchers argue that devolution may not be as important for faith-based organizations as it is for secular ones. These studies show, for instance, that most of the extra money faith-based organizations receive from the federal government does not affect directly the survival of their programs. The situation is different for secular organizations. In general, (1) there is a lack of venture capital in secular nonprofit organizations due to the perception of low returns for investors; (2) salaries and fixed costs tend to be higher for secular organizations; (3) faith-based organizations have access to seed money from parent organizations and donations from their congregation to support an excess demand for additional social services (see James, 1987).

Leaders of faith-based organizations raise additional concerns. “(Faith-based organizations) opposed to charitable choice...do not, of course, oppose congregations engaging in social services to the poor; they are opposed to the deeper entanglement between church and state that charitable choice implies” (Chaves et al., 1999, p. 1) In terms of their organizational effectiveness, these initiatives can potentially alter the mission of the organization as well as the reputation of the organization within their clients and members. Although faith-based organizations often engage in a variety of social service functions, many contest that they really exist primarily to serve the spiritual needs of their members and not for the provision of social services (Salamon, 1992, p. 22).

### **Faith-Based Provision of Child Care**

Fueled by the increased involvement of women in the work force, *Day Care* constitutes 22% of all social services provided in the United States, second only to “individual and family services” (Salamon, 1992, p. 83).

Faith-based organizations have played an important role in meeting the excess demand for childcare services:

Nearly a third of all day care centers in the United States are housed in religious buildings, making the religious community the largest provider of day care in the country. Half of these programs are provided by the congregation's themselves, the other half by independent, usually not-for-profit organizations. (Cnaan, 1999, p. 176)

The availability of suitable classroom space, their geographical ubiquity, and their tax-exempt status make faith-based organizations perfect candidates for the provision of childcare services. More important, some parents appreciate the opportunity to put their children in a center that will teach values that are consistent with the religious teachings of their congregations (see Brookings Institute, 2001).

In general, the federal government has stayed away from direct provision of childcare services. Federal financial support for both secular and faith-based childcare centers has taken place, however, for the past 30 years. For instance, since its establishment in the 1960s, the Head Start program has partnered with faith-based organizations, particularly those housed in churches with predominantly African-American congregations. In the 1980s, Title XX Block Grant Funds were made available to faith-based childcare programs on a widespread basis. Finally, the 1990 Child Care Development Block Grant (CCDBG) represented the first significant effort to legislatively define church-state relations in the provisions of a social service program. Setting the foundations for future policy initiatives, the legislation distinguished between certificates -also called vouchers- and grants or contracts. Under the certificate system, parents take their vouchers directly to the provider, implying parental choice. Since this method of payment is viewed as the result of an agreement between parents and providers, the state is not perceived as providing direct assistance to a faith based childcare provider, thus preserving the boundaries between church and state. More recently, the 1996 welfare law eliminated the federal entitlement to childcare assistance for families receiving or leaving the Assistance for Families with Dependent Children program and combined the sources of federal funding into a single Child Care Development Fund (CCDF) block grant. More important, it increased state discretion in designing and operating childcare programs (Parizek, Falk, & Spar, 1998).

### **Child Care in Florida**

Similar to the federal government, the state of Florida has stayed away from the direct provision of childcare services, while playing a crucial role in the regulation and subsidization of this industry.

In 1927, the Florida Legislature established the first minimum childcare standards in the state. By 1941, these standards had extended to licensing and inspection requirements. In 1974, Florida joined other states in mandating the licensure of childcare providers and the development of minimum childcare standards for every county in the state. The licensing process imposed training and educational requirements for personnel in this industry. Similar to many other states, faith-based centers in Florida can be exempted from state

licensing if they are accredited by a state-recognized accrediting agency<sup>2</sup>. This has created incentives for faith-based organizations to seek accreditation by nationally recognized professional organizations. For instance, studies on the childcare industry in Miami-Dade, Florida reveal that the majority of the (nationally) accredited facilities in the childcare industry in this county are run by faith-based organizations (Witte, Queralt, Witt, & Griesinger, 2001). It was not until 1978 when the state first intervened directly in this industry by providing subsidized child care to at-risk and economically disadvantaged children. More recently, Florida's 1996 Welfare Reform Law (commonly known as WAGES or Work and Gain Economic Sufficiency Act) required that adult recipients of cash assistance participate in work activities as soon as their youngest child is three months old. A dramatic increase in funding for childcare subsidies followed this welfare reform to compensate for the expected increase in demand for childcare. In fact, from 1995 to 1999, the budget for childcare subsidies in Florida increased by more than 150%. However, the 1996 law also required even higher training and credential standards for child care personnel, potentially increasing the cost of childcare provision (Witte et al., 2001).

Until recently, the Department of Children and Families (DCF), a state agency, administered all three aspects of the state involvement in this industry: licensing, subsidization and training. At the local level, DCF contracted with 25 community childcare coordinating agencies to administer the childcare subsidy program. The last reforms in this industry came as the State started to de-emphasize the *custodial* role of childcare centers to instead provide incentives for a more *developmental* approach to childcare. In 1999, the legislation created the Florida Partnership for School Readiness (FPSR) to oversee programs that ensure childcare facilities prepare children for their first year of school. A state entity, it has formed partnerships with approximately 57 local school readiness coalitions. In addition, local agencies managing and dispersing subsidized checks now receive their funding from FPSR.

To summarize, there is a wealth of research on the effect of devolution on the organizational effectiveness of nonprofit organizations. Similar research on faith-based organizations is, however, very limited. Given the potential important role faith based organizations could play in the way social services are provided in the United States, it is important to understand how it may affect their goals, reputation and use of resources. Having determined that this is a relative new issue in the literature, we have selected to follow a qualitative research approach to help us understand its underlying dynamics. Our approach is exploratory in nature as we try to understand the key independent variables that influence this issue (see Silverman, 2000).

## Methodology

We are studying the case of Lee County's (Florida) Day Care industry to explore the implications of devolution on faith-based organizations. By selecting this case study, we can

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<sup>2</sup> According to Florida Statute 402.316: Exemptions- (1) The provisions of ss. 402.301-402.319, except for the requirements regarding screening of child care personal, shall not apply to a child care facility which is an integral part of church or parochial schools conducting regularly scheduled classes, courses of study, or educational programs accredited by, or by a member of, and organization which publishes and requires compliance with its standards for health, safety, and sanitation.

concentrate on one specific unit of analysis and use a variety of data collection procedures (see Platt, 1992; Yin, 1994). In specific,

1) We interviewed key informants associated with the different layers of the local childcare industry<sup>3</sup>. We conducted on-site interviews with

a) Regulators and Referrals agencies (the heads of the child care unit and a representative of the contract unit at the Department of Children and Family, and the contract manager of the local child care coordinating agency (Child Care of Southwest Florida – CCSWFL). A different set of questions was asked to each key informant. The interviews were intended as an exploratory exercise that would illuminate the questions we would ask providers.

b) Childcare Providers: Four (4) nonprofit childcare center directors were interviewed. All four were asked the same questions. To explore the differences between secular and faith-based organizations and their responses to the faith-based initiative, we selected two (2) faith based childcare centers, (one State-licensed, one not licensed by the State) and two (2) secular child care centers, (one State-licensed and one not licensed by the State). These providers were randomly selected from a list of 141 “Active Centers in Lee County” provided by Child Care of Southwest Florida. This list represents all childcare centers that are part of the referral database this organization keeps<sup>4</sup>. Organizations were contacted via phone and/or e-mail to request an interview. If the organization could not grant us an interview, we called the next organization in the list. (See Appendix A for questionnaire. See Appendix B for more details on participants.)

2) Extensive field notes were taken during the interview. They were then expanded after leaving the site. During the interviews, we requested brochures, and any other literature that explained in more detail the issues we were discussing.

3) Estimating some of these topics to be controversial, we did not audio record the interviews.

### **Data Collection and Analysis**

After each interview, notes were typed to map the course of the conversation as well as produce a coherent picture of the information obtained. This re-writing was based upon actual statements (i.e. words/phrases that were correctly recorded for future repositioning inside of quotations) of the interviewees, brochures or any other written material obtained during the interview as well as any corresponding notes by the interviewer (including their

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<sup>3</sup> The following precautions were taken to protect the informant’s rights: 1) the research objectives were explained both when contacted for the interview and before beginning the interview; 2) the way the data would be used was explained before the interview; 3) the key informants were informed of who else would be participating in the case study; 4) when requested, key informants received a copy of first draft of paper; 5) all key informants remain anonymous. There was no permission granted from a relevant institutional review board. The key informants were asked to participate on a volunteer basis. 6) The brochures and other documents/literature obtained from providers are not referenced to maintain confidentiality. Information compiled for Table 1, for instance, was taken directly from these documents. To our knowledge, none had to concur with their review board (congregation, board of trustees, etc.) for permission.

<sup>4</sup> From our own estimations, faith-based organizations represent 31-35% of all centers; 79-83% of those not licensed and 21-22% of those licensed. Child Care of Southwest Florida does not classify these organizations based on their religious affiliation. For our estimations, organizations with names connected to a church or religious themes were considered faith-based organizations.

memory of the interview). For us, it was important to correctly position the interviewee on the topics discussed according to the feeling(s) portrayed. This more formal set of data was then categorized according to the relative interview question(s). In most cases, field notes matched the order of questions asked during the interview. In the case of the Regulators and Referral Agencies, however, being that the interview questions were mostly open-ended, many of the responses became conversations (that dabbed into other parts of the interview question guide and beyond). In this case, some responses were moved to match up with other topics in the interview (no matter what topic/questions brought about the response).

## 1) Categorizing the answers

### *Categories to study*

Upon initiation, our design was to focus in depth on merely faith-based versus secular childcare providers (in response to the analysis of recent media).

Faith – Based Provider	Secular Provider
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After our interview with CCSWFL – which was our first introduction to licensing, we then saw the need to represent this licensing factor and reorganized to form the following research categories:

Faith-Based (Not-Licensed) Provider	Faith Based Licensed Provider
Secular (Not-Licensed) Provider	Secular Licensed Provider

After this initial step was accomplished, we categorized each response in terms of how they related to our definition of organizational effectiveness (i.e., Do their answers relate to goal setting, reputation or use of resources?)

## 2) How was the data analyzed?

Analysis took place during the interviews as well as after all the data was obtained. We refer to the prior as parallel analysis and the later as post analysis.

### *Parallel Analysis*

So much was researched prior concerning the subject that the researchers were well equipped to begin analysis at the sites immediately. This analysis was formed from what the researchers obtained at sites themselves (i.e., the physical attributes: the buildings, location, the staff, the messages/posters on the walls, etc.) as well as the discourse with the interviewees. For example, being aware of the highly promoted assumption that faith-based (unregulated) providers must not provide equal quality service to that of regulated governmental providers, the researchers were able to automatically look and listen for evidence of this phenomena in the surroundings of the site as well as in the choice of words and/or feelings shown by the interviewees. It was important to pick up if the interviewees were themselves aware of this stereotype.

### *Post Analysis*

After the data were collected, the post analysis focused on the purpose of the research: to determine the effects of devolution on organizational effectiveness. The data was sorted according to relevance to the three categories (variables) used to determine effectiveness. Any information not pertaining to these entities was disregarded and the remaining data were refined down to the base finding(s). Once the data were refined, we wanted to determine if there existed similarities in the frame of explanation used by the interviewees. We looked at the data using different angles trying to analyze if responses were more similar for our Faith-Based providers and for our Secular providers (making the licensing factor less significant), or if they were more similar for our Licensed Providers and for our Exempt providers (making the religious, school, or secular backgrounds/affiliations less significant). In other words, we were trying to determine which of our providers were on the same page concerning the factors used to determine organizational effectiveness. This was for the purpose of attempting to begin (due to the exploratory scope of this study) a general assumption about what type of provider would be more likely disrupted or empowered by increased devolution (i.e., we are attempting to find support for our hypothesis that ‘devolution is more likely to affect faith-based organization’s reputation and goal setting then their use of resources’).

### **3) Quality Control – Validity of procedures**

It is the reality of our research that our interviews were not always satisfactory to our research purpose. Our childcare providers were chosen from the CCSWFL list and in accordance of the voluntary acceptance to participate by the key informants. The number of sites (including DCF and CCSWFL) was also chosen according to time and resources available, and should be expanded for future studies. More importantly, given our resources, we were able to interview only directors and/or decision-making agents within this organization.

Finally, the researchers recognize they failed to keep their original copies of their field notes, but rather preserved their typed records. These formal records were the ones used as the foundation for the analysis of the data.

### **4) Quality Control – Trustworthiness**

The validity of this study, being both of an explorative and small-scale nature, was largely left in the hands our subjects. Although the researchers were attempting to uncover the independent variables that affect this dynamic, at this exploratory stage this translated into a quest for the ‘culture stories’ relayed by the organizations concerning their working environment (inclusive of partners and competition). Needless to say, it was most important that the responses received were taken at face value. Even if (and in some cases they were) the responses were contradictory to what was found from previous literature/studies, in the media, and within other interviews, it was necessary that the beliefs of the respondents be unchallenged. This is because, in most cases, beliefs and perceptions -- more so than actual realities -- determine the acceptance or rejection of policy. It is this kind of reality (perceived reality) that the research attempted to expose: how the key informants viewed devolution –

their knowledge of what it was, how they believed it to affect business, and resultant feelings toward, their opinions of licensing and faith-based service, and lastly their perception of the goals, reputation, and resource condition of their own establishments.

To summarize, when analyzing their answers and the brochures we received, we wanted to uncover how the key informants explained to nonmembers of the child care industry the complex issues related to the day to day operations of child care centers and how government policies affect their organizational effectiveness. We examined the nature and sources of the frame of explanation used by the interviewees. We paid close attention to what narrative or "story" these interviewees were telling us; what cultural tools they were using to explain the child care world to us; of what stereotypes they are aware; which stereotype they wanted to eliminate; and which one they wanted to preserve.

### **Analysis**

We present our analysis based on the categories we discussed in the previous section. A summary of this discussion can be found in Table 1.

### **Goal Setting**

a. Regulators and Referral Agencies: Child Care of Southwest Florida (CCSWFL)'s brochures and websites trace in some detail how their mission statement has changed as a result of devolutionary policies. This organization went from a nonprofit organization managing a few child care centers in Lee County and the surrounding area to the local state-contracted provider of resources (e.g., staff training, technical assistance), referrals, and child care subsidy management. This shift in responsibilities represented a diminution of the role of the Department of Children and Families (DCF) in this industry. Our key informant from DCF's contracts unit explained this shift in very technical terms: "this is all explained in Florida Statutes 402". This key informant explained to us that the social services are experiencing the effects of legislators responding to calls by their constituents for more local input. Reflecting the changes in policy emphasis and voters' preferences, this response has been called different names in the last decade: privatization of social services, devolution and, more recently, community-based provision.

b. Providers: Even though none of the four providers has a policy against government funding, they all expressed concern about the consequences of accepting government funding. For secular nonprofits, the concern they had about devolution was expressed in terms of independence. For faith-based providers, on the other hand, devolution is viewed as a policy that may affect their mission of spiritual development -- by interfering not only with their religious curriculum but also with the type of staff they hire. "I have worked seventeen years in (faith-based organizations)," one of them said, "Our effectiveness on community services is evident. Accepting federal funding would only restrict our effectiveness; it would restrict our principles." One of the FBO key informants was in favor of a more indirect support from the government through charitable donations as a way of ensuring their spiritual mission.

**Table 1**  
**How does Devolution Affect Organizational Effectiveness?:**  
**Summary of Findings**

<b>Agency What do they do?</b>	<b><i>Does it affect their reputation?</i></b>	<b>Does it affect the way they handle their resources?</b>	<b>Does it impact goal attainment?</b>
<p>Department of Children and Family September, 2001</p> <p>DCF monitors and licenses day care centers in the Florida.</p>	<ul style="list-style-type: none"> <li>• Difficulty defining who their clients are.</li> <li>• These calls for privatization aim to improve the image that government agencies are unresponsive to community input.</li> <li>• Term “privatization” or “devolution” is not used. They refer to these policies as “community- based”.</li> </ul>	<ul style="list-style-type: none"> <li>• Their main funding comes from the Federal and State government. There is no difference on how the Fed and State monies are distributed.</li> <li>• More time is spent on carefully drafting accessible request for proposals and clearly defined program evaluation rubrics.</li> </ul>	<ul style="list-style-type: none"> <li>• Difficulty defining what their goal is.</li> <li>• They are complying with Florida Statutes Chapter 287 2</li> </ul>
<p>Child Care of Southwest Florida (CCSF) September, 2001</p> <p>CCSF is the Community Child Care Coordinating agency.</p> <p>Goals:</p> <ul style="list-style-type: none"> <li>• To provide childcare services for low-income families.</li> <li>• To coordinate and conduct required training classes for all child care providers in the district.</li> <li>• To provide a Resource &amp; Referral service to all families at no costs.</li> </ul> <p>They have run their own child care centers for many years.</p>	<ul style="list-style-type: none"> <li>• They respond to the Florida Partnership for School Readiness, city and county contracts, school boards, the Florida Children’s Forum, U.S. Sugar Corporation, United Way and private contributions.</li> <li>• No reported reaction from parents after they took on this new obligations</li> </ul>	<ul style="list-style-type: none"> <li>• More staff is needed. More efforts are spent on conducting needs assessments, referral and other resources.</li> </ul>	<ul style="list-style-type: none"> <li>• Their goal of provision of child care has been expanded as defined by their association with the new Florida Partnership for Schools</li> </ul>
<p><b>Secular Licensed Day Care center #1</b></p> <p><b>Written brochures on their mission statements were not provided.</b></p>	<ul style="list-style-type: none"> <li>• Federal requirements (e.g. accepting subsidized clients) are not likely to affect their relationship with their clients. The clients are selected by the center based on their willingness to follow pre-established pedagogical standards.</li> <li>• They assess clients needs by asking parents, conducting surveys, through an advisory committee (a community teacher-parent group)</li> </ul>	<ul style="list-style-type: none"> <li>• Resources are spent on complying with federal and state requirements (e.g., criminal background checks, staff-child ratios,</li> <li>• They are free to apply for private grants.</li> <li>• No policy on federal funding but they do not apply for it.</li> <li>• They pursue joint ventures only with other schools that pursue similar pedagogical goals.</li> <li>• State licensing ensures certain level of quality.</li> </ul>	<ul style="list-style-type: none"> <li>• Their mission statement is not affected by federal regulations.</li> </ul>

<p><b>Secular Licensed Day Care Center # 2</b></p> <p>Mission:</p> <p><b>Mission –</b></p> <p><b>“(Provider) is dedicated to academic excellence within a caring and supportive community emphasizing character, leadership, and service.”</b></p> <p><b>Vision –</b></p> <p><b>“We strive to prepare students of ability, promise and diverse backgrounds for success in the art of leading a meaningful life.”</b></p> <p><b>Licensing: Not licensed by the State.</b></p> <p><b>Provider is Accredited by FL Kindergarten Council and FL Council of Independent Schools.</b></p>	<ul style="list-style-type: none"> <li>• Anyone can apply to be accepted; clients (children/students) are treated as a case study and it is determined whether the client is ready for provider: Clients will be turned away if commitment to provider is foreseen to result in a negative experience for the client (child/student).</li> <li>• Reputation is assessed by clients (parents of children/students): provider has a 94% return rate, and clients give more than required tuition amount; they also give other monetary gifts and volunteer their time.</li> <li>• Clients (parents) also receive questionnaire about services, and express their opinions of services openly and often.</li> <li>• Clients’ needs are assessed in case study style evaluation that includes testing.</li> <li>• Service is assessed through questionnaires given to workers of all levels (teacher’s aid to board member).</li> <li>• Subject areas (of children / clients) are reviewed annually, and the provider noted that not just an ‘objective’ measure is used in evaluation.</li> <li>• Business would not be affected, according to provider, because clients chose the provider based upon its excellence.</li> </ul>	<ul style="list-style-type: none"> <li>• Tuition accounts for about 80% of resources.</li> <li>• Also pursued is philanthropy and grants such as the E-Ford Foundation.</li> <li>• Don’t have a policy against government funding, but the next closest thing. Provider guards independence and would not pursue vouchers!</li> <li>• An outside audit is conducted by board of trustees - the finance committee. Such is also apart of accreditation process – 5-year renewal process.</li> <li>• Joint ventures only exist in the form of visitors.</li> </ul>	<ul style="list-style-type: none"> <li>• Mission is a part of internal culture; can be found on the walls</li> <li>• Staff teaches with it; involve it with their work; are asked how they are implementing it</li> <li>• It is apart of parent seminars as well as the agenda and/or process of a 5-year strategic planning group.</li> <li>• Key informant made the statement, “that this is the most mission driven school I’ve ever been in.”</li> </ul>
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<p>1) Faith Based Licensed # 1</p> <p>They offer a half day care from 8:45 to 11:45</p>	<ul style="list-style-type: none"> <li>• It is open to the public. Preference is given to members of the congregation. They have a long waiting list. First come first served.</li> <li>• Don't know if reputation would be affected. They see their waiting list as a result of a positive reputation. It is an asset they need to cultivate.</li> </ul>	<ul style="list-style-type: none"> <li>• They are licensed through the state, the United Methodist Association of Preschools and the National Association for the Education of Young Children.</li> <li>• Licensing affects the quality of the program. It is a minimum requirement. They exceed DCF requirements. Why take exception?</li> <li>• A member of the congregation runs the facility. This may change if they accept Federal money.</li> <li>• Resources are spent on complying with federal and state requirements (e.g., criminal background checks, staff-child ratios)</li> <li>• They are not currently pursuing joint ventures with other secular or faith based organizations.</li> <li>• They have applied for grants and conduct fundraising activities. No federal funding.</li> <li>• They have no policy that prohibits them from doing so.</li> <li>• The board makes funding decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• The school is committed to the developmental needs of the children and encourages physical, intellectual and spiritual growth. Their involvement with the Federal government may affect this mission statement.</li> <li>• They are not keen to doing this: because it would exclude them from teaching Christian values</li> <li>• She has worked 17 years on FBO. The effectiveness of FBO is evident (on community services). Accepting federal funding would only restrict their effectiveness: it would restrict their principles. We would have a look at this initiative and the possibility of getting federal funding closely.</li> <li>• She heard church members on both sides of the issue.</li> </ul>
<p>Faith Based Not licensed # 2</p> <p>Mission:</p> <p><b>Vision (for children) –</b></p> <p><b>“Our goal is to provide a quality Preschool Program that enables children to achieve their fullest potential. Children need to grow socially, physically, mentally, and spiritually. Our staff has been trained to teach, set goals and design activities geared to the age of your child, to best challenge and encourage this</b></p>	<ul style="list-style-type: none"> <li>• Open to public: more like client choice – client is told of provider's religious inclusion in services.</li> <li>• Children's (client's) needs are determined by Head Child Care Director, who evaluates the program and the child daily, and will adjust according to the child's individual needs.</li> <li>• Business would not be affected since provider only does word of mouth advertising, and such a method, according to the provider, has proved successful.</li> </ul>	<ul style="list-style-type: none"> <li>• There are weekly fees for child care provision, and if that is short, funds are taken from the Church.</li> <li>• Once, government funding was pursued (vouchers), but the provider claimed to have felt like a collection agent, and so will more than likely not pursue such funding again.</li> <li>• There is no external audit, just an internal audit – a financial report – submitted to the</li> </ul>	<ul style="list-style-type: none"> <li>• Mission is shared at quarterly staff meetings and at conventions involving the provider's licensor.</li> </ul>

<p><b>growth.</b></p> <p>We recognize each child as a unique gift from God to each of his or her parents, and we pledge to always show God's love by our words and deeds."</p> <p>Licensing: Not Licensed by the State.</p> <p>Provider is licensed by the FL League of Christian Schools (FLOCS), which is a member of the Association of Christian Teachers and Schools (ACTS)</p>		<p>board of the church.</p> <ul style="list-style-type: none"> <li>Joint ventures are only pursued in Training exercises, such as that which is conducted at the local Community College for child care workers.</li> </ul>	
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Similar to the information on their brochures and websites, all four key informants informed us that they provide children with an opportunity for intellectual and/or physical growth. We could not establish, however, if this developmental approach to childcare has been implemented before or after the formation of the FPSR.

### Use of Resources

a. Regulators and Referral Agencies: For DCF, requests for more community-based provision have reduced their involvement in the state and local childcare industry. This in turn caused some staff and resources to be reassigned to other social services areas. For CCSWFL, the responsibilities of a local coordinating agency have meant the need for more resources in terms of staff to conduct needs assessment, referral and resource provision and new facilities. The contract unit of DCF pointed out that with devolution more resources have been shifted towards carefully drafting accessible request for proposals and clearly defined program evaluation rubrics. Admittedly, resources on publishing and advertising calls for grants and contracts to a wide audience have not increased recently.

More important, the legislation changes may alter the way resources are allocated among providers. Our key informants from DCF illustrated this possibility by explaining to us the type of discussions that are taking place locally as a result of the formation of the FPSR. The local coalition for this partnership is composed of local business and political leaders and community child care professionals. A representative of faith-based childcare providers must be part of this coalition. One of the requirements to be part of this coalition is the licensing history of the providers. This poses an obvious obstacle for non-licensed providers to be on the local board. The coalition is currently debating whether this should be modified. If this were to happen, we were told, having a representative of an exempt childcare center will change policies associated with the disbursement of resources. Our key informant at DCF's expressed concern that devolutionary policies may encourage more exempt providers (faith-based or not) to abuse the system. This would mean, our key informant explained, that DCF would need to spend more resources on *babysitting* non-licensed organizations to make sure they are procuring a safe place for children.

b. Providers: From our interviews with the four child care providers, it would seem that the regulatory role of the government in this industry has prompted the creation of a

culture within this sector that associates *licensing* with quality. This provides incentives for these organizations to spend resources on complying with staff-child ratio<sup>5</sup>, criminal background checks, and training.

The issue of state licensing and quality is clouded, however, by some level of misunderstanding as to what it means to be exempted. Our key informants from licensed organizations expressed concern that their non-licensed counterparts' quality level is affected negatively by this exemption. One of them stated that "by not providing licensing, (faith-based organizations) do themselves a disservice." Another key informant suggested that we made this disparity in licensing requirements the topic of our paper. On the other hand, the exempted organizations agreed that licensing was important: "accountability is important." This process can take place, they argue, through an independent agent as well as with the state.

For some of the providers, involvement with the federal government has proven too onerous: a good deal of resources was spent on tracking down payments and completing paperwork. The exempted faith based center we interviewed claimed that the process of managing vouchers, created a collection agency atmosphere of trying to track down the money.

## Client Reputation

a. Regulators: Our key informant from DCF's child care unit, with thirty (30) years of experience in this industry, confidently stated that devolution has made things better for the child care industry. DCF's childcare unit sends out a survey to all childcare center directors to ask about their experiences with DCF. The key informants stated that DCF has a "97% satisfaction rate." Both informants indicated that they themselves could not believe this high score. After all, they explained, DCF does enforce licensing standards and cracks down on providers that are not meeting standards. They tried to make sense of this high score by explaining that DCF also provides technical assistance and training to childcare centers. They are not "the big bad wolf." In fact, they stated, "most providers like for DCF to come out and do checks."

b. Providers: Our four childcare providers reported assessing their clients' needs periodically. Secular organizations confidently argued that their reputation would not be affected by entering into a more active relationship with the federal government. After all, one of them argued, clients chose their services "based upon its excellence not sources of funding". For faith-based organizations, the answers were more ambivalent. One of them candidly admitted she did not know what the reaction of her clients would be. For these organizations, this is the type of topic that would engage their advisory board, their congregation and the clients. One of the key informants reported that her congregation informally started that discussion and that the opinions of the congregation were pretty divided.

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<sup>5</sup> The State's staff to child ratios are as follows: For infants is 1:4; 1 year olds, 1:6; 2 year olds, 1:11; 3 year olds, 1:15; 4 year olds, 1:20; 5 year olds, 1:25.

## **Conclusions and Further Research Recommendations**

There is abundant research on the effect of devolution on the organizational pursuit of goals, resources, and reputation of nonprofit organizations. On the other hand, similar research on faith-based organization is limited.

This paper attempted to expand the literature on the subject by exploring the local implications of policies that seek to more aggressively include faith-based organizations in the process of devolution. Our understanding of the dynamics of this issue is limited by the agents, who we selected to interview. Most of them were managers or decisions makers, who, admittedly, provide us with only a cursory view of this issue. It is recommended, as it is expanded below, that a more comprehensive network analysis is conducted were as many stakeholders to this issue are interviewed.

In general, our findings suggest that for the state regulatory agency and the local childcare coordinating agency these devolutionary policies have significantly affected their mission and use of resources. By referring to statutes and other government documents, the key informants from these organizations felt that they had been given clear mandates, guidance and structure from the legislature as to the nature and extent of these changes and their new responsibilities.

The narrative the actual childcare providers used to explain the potential impact of devolution is different. Four main related issues became apparent about how these providers perceive they could be affected by more aggressive devolutionary policies:

1) Licensing and quality: It is apparent that the issue of licensing offers one of the best illustrations of the nature of the dynamics that exist between this industry and the state government and the potential conflicts that devolution may bring. Studies indicate that the quality of childcare is low throughout the nation (see Brookings Institute, 2001). These studies reveal that only one in seven centers provides a level of quality that promotes healthy development. This situation is even more prevalent for faith-based centers, with lower staff-to-child ratios, less trained teachers and administrators, lower staff wages and lower labor costs and total expended costs per child hour. For most practitioners, licensing requirements are one tool to correct the quality deficiency among childcare centers. In fact, most states require faith-based operated childcare programs to meet the same set of licensing regulations that apply to secular providers. About 14 states exempt or partially exempt child care centers that are operated by faith-based organizations from licensing requirements. Generally, however, states that offer exempt status still require them to register with the state regulatory agency and certify that they meet minimum health and safety standards. Even though licensing requirements in most states do not deal with issues of creed, many faith-based organizations look for national accreditation as a way to ensure their spiritual mission is not affected<sup>6</sup>.

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<sup>6</sup> Other factors that may affect the quality of faith-based childcare centers have been suggested (Brookings Institute, 2001): Faith-based organizations providers seek to keep their prices affordable to parents. They accomplish this by using the subsidies received from their congregations to lower fees rather than improving the quality of their services; faith-based organizations' isolation from the mainstream early childhood community does not allow them to take advantage of networking and informal training opportunities; Vouchers work like subsidies and only address issues of child care affordability. Faith-based organizations cannot directly use the revenue received from these vouchers to deal with issues of quality.

2) **Misunderstanding on the nature and role of the state and faith based organizations in the child care industry:** One of the major unexpected results of our study was that, in general, there seems to be a lack of understanding among local secular child care practitioners and, even more worrisome, among state regulators about the nature of faith based centers. On the other hand, faith-based providers (and our exempted secular organization) expressed some level of distrust of state involvement in the industry. Childcare licensing and accreditation requirements illustrate this point. We know from the literature that many practitioners view licensing as an indicator of quality. This translates, on the one hand, into the perception that non-licensed organizations do not provide adequate childcare services. In Florida, exempted organizations are obligated, however, to pursue more lengthy and strict national accreditation status, which is considered by some scholars the true indicator of quality. On the other hand, faith-based providers argue that pursuing state licensing will affect their mission of providing spiritual development for their children. However, state-licensing requirements do not stipulate any curriculum or creed constraints. Our exempt providers both indicated that their accreditation agencies had highly similar standards as the state, but then claimed to be very wary of state regulation and requirements. At the same time, there are childcare facilities that could be exempt, but choose to be licensed to ensure that their “reputation” is not affected. A potential source of misunderstanding is the constant changes associated with licensing requirements. Licensing requirements are often upgraded, and policy changes “happen everyday”. Although upgrading licensing requirements may be an indicator of quality improvement, it may not only pose costly hassles for providers but also may create uncertainty within the industry. As one key informant noted, although the law states that a provider cannot get out of licensing, licensed faith based organizations have re-structured their organization to become a new exempt provider to get out of being licensed.

3) **This misunderstanding creates barriers for faith-based organizations to fully take advantage of devolutionary policies:** On the one hand, as long as congregation members, advisory councils and leaders of faith based agencies perceive that any type of government involvement may interfere with their spiritual mission, very little efforts are going to be made to take advantage or get involved in any governmental faith-based initiative. On the other hand, as long as State agencies perceive that these initiatives may relax standards that affect the well being of children, those faith-based organizations that do decide to participate in these initiatives will have to spend additional amounts of resources justifying their inclusion into the process, potentially making it unfeasible for them to pursue these funds.

4) **In our estimation, any future Charitable Choice reform will face the same perception problem.** Future research on this topic should engage in network analysis of the childcare industry. In specific, it would be interesting to analyze the way information flows among the different parties in this industry. For instance, how faith based and secular child care centers learn about new state mandates and regulations; how the state explains and justifies these mandates; how child care providers learn about new training and funding opportunities provided by the government, what specific steps they take to communicate these opportunities to their congregations and what specific steps they take to make their decisions about getting involved in these initiatives.

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## Appendix A

### Questionnaire

**Please remind key informant that we will not use either his or her name or the name of the organization in the paper. Questions in parenthesis could be used as follow ups.**

- 1) What is the affiliation of your childcare facility to this organization/congregation?  
AND/OR Are you locally/nationally operated? Is this a franchise?
- 2) Do you provide child services only to members of this congregation? To Nonmembers? Describe (((How do you choose your clients?)))) For secular nonprofits: What are the requirements for admission?
- 3) Who runs the day care facility? (((Is this person a member of the congregation?))))
- 4) How do you staff this facility?
  - 4.1. In general, what are the professional credentials of your staff?
  - 4.2. Do you run a criminal background check on new employees?
  - 4.3. What is the staff-child ratio?
  - 4.4. Do you rely on volunteers? What qualifications do they need?
- 5) Besides fees, what are your other sources of income?
  - 5.1. Have you pursued federal/state/local funding? For what? Why?
  - 5.2. Would you be pursuing federal/state/local funding? For what? Why?
  - 5.3. Do you have a policy against receiving federal/state/local funding?
- 6) Who makes these funding decisions? ((((((For instance, who decides if your organization is going to pursue federal funding)))))))?
  - 6.1. How does your organization address scrutiny of finances by outsiders? ((((((Do you have an external audit? By whom and how often? Do you belong to an alliance of organizations dedicated to financial accountability?)))))))
- 7) Are you currently pursuing joint ventures with secular/faith-based organizations?
- 8) It seems to us that one of the main (most distinct) differences between FBO and secular organizations is that FBO can opt NOT to get licensed. What is your view on day care licensing?
- 9) What is your Mission Statement?
- 10) How is this mission statement shared with the staff?
- 11) Do you review or evaluate your programs periodically? ((((((What do you evaluate? What things do you measure?)))))))
  11. 1. How are you evaluated?
- 12) What do you make of Bush's initiative? Is your organization preparing for this? Elaborate: how the key informant feels this increased FBO involvement may affect their market, if it is needed in the community, and/or if they are for or against it...and why?
- 13) Do you think your organization has access to information about government funding?

- 14) How are customer/client needs assessed? (((How do you determine if or when client needs change? Who makes these determinations? How are changes in those needs addressed?))).
- 15) For FBO: What are your clients' views on FBOs involvement with the government?

## Appendix B

### Description of Participants

#### Participants:

##### *How were the key informants selected at the sites?*

In general, the heads of the establishment or of the particular relevant departments were chosen as the key informant for the interviews.

##### *General Description*

#### Regulators and Referrals agencies:

All participants were females, had more than five years experience in the industry and were highly comfortable and candid about the process. The main difference comes from one of the participants from DCF. Her responses were rather technical (e.g., referring to specific Statutes to explain current changes.)

#### Faith Based Participants:

	Key Informant #1	Key Informant #2
Title/Position:	Pastor (former director of preschool and day care center).	Current director of preschool and day care center.
Gender	Male	Female
Comfortable with Interview?	Comfortable	Comfortable yet succinct.
Other/Notes	He was formerly associated with a Church that was licensed by the state.	None

#### Secular Participants:

	Key Informant #1	Key Informant #2
Title/Position:	Head of School	Head of Lower School (younger children)
Gender	Male	Female
Comfortable with Interview?	Comfortable	Not comfortable.

Other/Notes		Given her level of comfort, it was necessary to ask some questions twice to gather more information.
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#### **Author's Note**

Javier Stanziola currently works as a part of the NESTA Policy and Research Team. Prior to joining NESTA, he worked at the New Economics Foundation as a Senior Evaluation Manager and as an Assistant Professor of Economics and Social Sciences at Florida Gulf Coast University. His research has used quantitative, qualitative and participatory methods to explore issues like the impact arts activities and organizations have on community redevelopment and housing affordability. He may be contacted at NESTA, Policy Research Team, Fishmongers' Chambers, 110 Upper Thames Street, London, UK, EEC4R 3TW; Telephone: 020 7645 9618; E-mail: javier.stanziola@nesta.org.uk

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