A4: Structuring Child Care Funding to Equitably Support Quality at Scale: Resource Access, Accountability Tradeoffs, and Necessary Supports

Wednesday, June 28, 2023

10:45 a.m. – 12:00 p.m. | *L'Enfant Ballroom ABCD (Livestreamed)*

1. **Descriptive Information**

A4: Structuring Child Care Funding to Equitably Support Quality at Scale: Resource Access, Accountability Tradeoffs, and Necessary Supports The appropriate design and delivery system for public investments to support equitable access to high-quality early education and care is undergoing considerable discussion. There is ongoing attention to simplifying resource access to be more equitable and to encourage provider innovation and discretion, while at the same time maintaining some accountability requirements to support efficiency and quality returns on investment. Both COVID-19 relief and Preschool Development Grant Birth through Five resources have provided opportunities to experiment with simplified and/or supported access to resources. In the case of stabilization funding, resources came with relatively less focus on accountability for their specific use. Moving forward, states have an opportunity to learn from recent experiences to improve resource access and understand what accountability measures most efficiently ensure that funding achieves its intended impact, as well as what intermediary supports may best facilitate access to adequate resources. Several states have partnerships with researchers to study these new and ongoing efforts to address resource simplification, supported access, and accountability levers in their funding mechanisms.	**Presenters** **Theresa Hawley**, Center for Early Learning Funding Equity, Northern Illinois University **Kathryn Kigera,** Office of the State Superintendent of Education, Washington, D.C. **Amy Checkoway,** Massachusetts Department of Early Education and Care **Gina Adams,** Urban Institute **Caroline Danielson,** Public Policy Institute of California **Scribe** **Lindsay Bell,** ICF **Number of Attendees:** 35

2. **Documents/Presentations Shared**

   Access and Accountability-CCEEPRC 2023-A4

3. **Brief Summary of Presentations**

- **Summary of Presentation #1:** Gina Adams, Urban Institute – Framing Thoughts: Structuring Supports for Providers to be Effective, Accessible, and Equitable While Maintaining Accountability
  - Have a unique opportunity now -- the pandemic raised the visibility of childcare providers, the public recognizing the fragility and complexity of providers
  - Racial justice movement highlighted equity issues
  - Pandemic relief challenged traditional child care policies and financing approaches
  - Opportunity for research to help make policies to support providers that are effective, equitable, accessible, and accountable

- Must work with providers to understand their realities – economic pressures, market pressures, motivations, differences across communities, differences across identities
  - Reaching out to providers to include different voices is essential for equity
  - Examine how policy goals map onto those realities and incorporate that complexity
- Challenge assumptions around how policies work
- Example of provider realities shaping effectiveness policies: Recent paper on what we know about using subsidy payment policies and practices to increase supply of care – describes factors that shape provider's access and responsive, potential effectiveness, equity considerations, and what's reasonable for accountability and outcomes
  - Three provider concerns: personal and professional considerations, financial considerations, nonfinancial considerations (refer to slide 6)
  - We often focus on financial considerations, but don't go deep enough
  - Percent of enrolled children receiving subsidies vs how much the providers get – will that change the pay of the providers?
  - Subsidy based contract linked to number of children in that classroom on subsidies – will that change, will you have consistent demand
  - Accessibility- access to funds varies by what providers are able to do and what resources they have—equity issue
  - Accountability – need to understand where providers are starting and what they can do with what they're given based on all the constraints they face
- Provider centered design – understand their priorities, who they trying to serve
- Same providers participate in research and respond every time, not the providers that are overburdened – we serve the providers that show up

- **Summary of Presentation #2:** Amy Checkoway, Massachusetts Department of Early Education and Care
  - Programs designed during the height of the pandemic – now in the midst of moving from basic stability to how things can work in the future
  - Commonwealth Cares for Children (C3) launched July 2021 – designed as immediate intervention to keep programs stable and keep them open during the pandemic
    - 4 principles at center of design: stability, equity, adequacy, simplicity
      - Stability: support providers' operational and workforce costs to keep programs open and accessible to families, and maintain program quality during pandemic
      - Equity: how to use the money to provide additional support to programs in historically marginalized communities and programs serving those with the most need
      - Adequacy: support programs' ability to invest in compensation for educators
      - Simplicity: funding stream that doesn't create too big of a burden on providers
    - Not a competitive program, open to all licensed and funded programs
    - Partnered with non-profit Third Sector in 2020 for technical assistance in designing a formula in line with the 4 principles (refer to slide 11)
    - 2021-present 7,700 programs received funding, $920 million awarded to programs
    - Monthly applications – provide basic info on capacity, staffing, and other formula needs
    - Extensive surveys twice a year on expenditures, recruitment & retention, and targeted questions (waitlist, capacity challenges, etc)
    - FY22 funded entirely by federal funds (CRRSAA and ARPA), mid-way through FY23 change to funding from a combination of federal and state funds
    - 3 stages of education journey right now: Stabilize, heal, transform
    - Lessons learned:
      - Programs are relying on C3 funds to support core operational expenses and maintain capacity for working families.
      - A significant number of programs report they would close without C3 funds.
      - C3 is supporting new investments in the workforce through increased compensation, benefits, and professional development.

            - C3 has helped programs mitigate the need for tuition/fee increases in the face of significant rising costs, benefiting a broad range of working families.
            - C3 has directed additional investment into programs serving low-income families: both families receiving subsidies and those living and/or working in socially vulnerable communities that are not accessing subsidies.
            - Some programs have been reluctant to make systemic investments (e.g., increase salaries) with C3 funds due to the uncertain nature of the funding to date.
        - Refer to slides 13-15 for data from program survey responses

- **Summary of Presentation #3:** Theresa Hawley, Center for Early Learning Funding Equity, Northern Illinois University
    - Need to provide more than one funding stream, Illinois is a leader in blending and braiding funding
    - Early Childhood Block Grant – state funding for program serving ages 0-5 with high standards
        - In Chicago that worked well, in the rest of the state less than 10% centers access these funds
        - Funds distributed through competitive processes, recompeted every 5 years, people know they may not get paid on time if state has budget crisis
    - ExceleRate Illinois QRIS - tiered reimbursement for high quality programs
        - Mostly people that have block grant are getting this funding – not equitable
        - Little advancement through the levels, good for programs that already reach higher quality levels
        - 1 in 4 centers serving subsidy children reach highest level
    - Why are they not using these funding streams?
        - Need to be paid first, use scaffolded approach
    - ExceleRate Child Care Center Pilot
        - Funding first contracts to 35 rural centers with >40% subsidy enrollment in the program
        - Purpose: raise staff wages, attach raises to credentials, add staff beyond licensing standards
        - Lessons:
            - Difficult application process at first, brought in someone with perspective of center director, changed approach
            - Set base minimums too low, changed to much higher wage scale and raised grant amounts
            - Staff turnover reduced, participation in quality improvement up, many more staff going back to school for new credentials
    - In pandemic, had to get money out quick to stabilize, people took up resources with the simple funding process – had federal resources to continue, add more resources as required
    - Strengthen & Grow Child Care Grants – launched 2022, $300 million in ARPA funds
        - Up-front funding, must invest at least half in personnel
        - 72% eligible centers and 90% homes used this funding stream
        - Most centers and homes struggled to fill out the basic reporting, improved with consistent technical assistance
    - Want to give different layers of funding outside of tuition and subsidy to get support for higher wages and quality of care; need a consistent base funding that covers operating costs
    - Smart Start Child Care – continue strengthening quality from Strengthen & Grow, evolve to workforce compensation contracts
        - Consistent base funding calculated using $17-$19/hour wages and true cost of services
        - Quality support add on contracts – invest in credential-based wages, robust staffing patterns

- **Summary of Presentation #4:** Kathryn Kigera, Office of the State Superintendent of Education, Washington, D.C.
    - Funding not restricted to programs participating in subsidized care
    - Supply & Quality Building Grants
        - Access to Quality Child Care - $10 million
            - Grants for building investments to create, expand or improve new facilities to increase supply of quality infant and toddler seats.
            - Not allowed with CCDF funds
        - Back to Work Child Care - $32 million

        - Ongoing financial assistance to child care providers in neighborhoods most impacted by the COVID-19 pandemic, coupled with business supports to enhance long-term sustainability
        - Done in cohorts to provide technical assistance
      - Both grants done through Low Income Investment Fund (LIIF)
        - Complete intake form then invited to apply with the support of LIIF
        - Meetings between agencies planning and preparing to support providers in this effort
  - Early Childhood Educator Pay Equity Fund
    - Funded through tax increase on wealthiest DC residents
    - Centers, family childcare homes, researchers, experts – developed this plan together and advise on implementation
    - Intermediary gives funds to eligible educators
    - Refer to slide 32 for pay rates
    - FY24 – facilities will have to opt in to participate, OSSE will distribute funds directly to facilities so they can increase compensation
    - Refer to slide 34 for minimum salaries based on credentials and positions
    - Formula: base award + administrative enhancement + equity adjustment (refer to slide 35)
    - Data systems are able to calculate the formula with the data from workforce registry
  - Question: What is the reasoning for switching to direct pay to providers?
    - From the beginning we understood that it is supplemental pay (need to file a 1099), need to move needle enough so its meaningful even if they hit a benefit cliff, give control to centers as independent businesses

- **Summary of Presentation 5:** Caroline Danielson, Public Policy Institute of California -- Intermediary organizations and use of blended and braided funding: Sources and allocation patterns of funding for subsidized child care in California
  - Interviews with local experts – heard about inadequate payment rates to sustain workforce, administrative burden of subsidies, need for different funding sources, inadequate availability of providers, inequities in serving special populations
  - Top funding streams: California Alternative Payment Program, General Child Care Programs, CalWORKS, CalWORKs childcare (refer to slide 38)
  - Vouchers largest sources of funding, different requirements – some allow different credentials
  - Numbers of intermediaries varies widely across funding streams, some general some much more funded
  - Top ten funded agencies make up almost half of state funds, over 400 entities have access to state funds
    - Largest intermediates administer multiple funding streams, smallest 40% of intermediaries administer only one funding stream (refer to slide 42)
  - Need to delve into administrative burden of administering multiple funding streams
  - **Question:** What are you seeing about role of intermediaries in helping providers access funding?
    - Well established pathways for vouchers, general childcare stream going more to local entities – are large entities that are combining the funding streams doing a better job? We don't know yet

4. **Brief Summary of Discussion**
    - **MA** - Tracking real time uptake of grants - overall uptake and by type of provider, and distribution of funds by characteristics – good ways to assess if formula is working as intended and look into ways to increase equity moving forward in how to structure program, increase outreach, and identify other possible issues leading to inequities
    - **DC –** to eliminate barriers: application direct to people on phone/computer, very easy to complete, translated to Spanish and Amharic, trained community based organizations to work as navigators as providers of support. 95% of providers have applied and 90% received funds, so numbers
    - **IL –** lack analytic capacity to analyze who is not participating in the program

    COVID funding did not emphasize accountability – what works about opportunities to put out "few-strings-attached" funding?

    - **DC** – all intermediaries use same application, gather same data
    - **MA** – goal of trying to make as easy as possible to share goals of the program; had immediate and high participation right away – due to pandemic and easy non-competitive application process. With a focus on

accountability we tend to want to track expenditure, not outcomes – what do we really need to know and why? Make sure information collected is essential
- Family providers don't think of income as compensation, need to think about how they think about compensation and outcomes and design accordingly

What might you think about in how we can study the trade off between equity and accountability?
- Researchers don't know enough about actual implementation, need to know the minute program implementation details – don't have enough people in research that understand those details. We don't understand enough about financing mechanisms, every contract is different but we treat them as the same thing. Taking things at face value too much
- Need to listen to the providers, if they see it as not worth it to engage in, they won't.

5. Summary of Key issues raised

- Engage providers in research so policy can address their needs, not what we assume their needs are
- Need to consider equity issues when engaging providers in research—the ones that need the most support and aren't being served well by current policy are often not able to participate. Need to consider all providers' perspectives
- Funding opportunities from the height of the pandemic were widely accessible to providers and helped keep them open and stable, but as that funding runs out, need to utilize the lessons learned from those programs to implement sustainable funding streams that invest in the workforce, increase access to high quality care, and serve all populations equally.
- Access and uptake to funding increased with lower barriers to application (strong outreach, application support, short applications, using existing data sources)
- Having more than one funding stream is important for sustainability, need more data on who is utilizing multiple funding streams and how their outcomes are affected
- Need more data that includes characteristics that can be used to measure equity