

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

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# Framing Thoughts: Structuring Supports for Providers to be Effective, Accessible, and Equitable While Maintaining Accountability

Gina Adams



November 3, 2022

# Converging issues present unique opportunity

- Pandemic resulted in a new (and long overdue) focus on providers
- Racial justice movement underscored the importance of addressing inequities
- Pandemic relief efforts challenged traditional child care policies and financing approaches and allowed for innovations
- Ongoing crisis means policymakers continue to struggle to understand how to support providers
- These realities provide researchers an important opportunity to help policymakers working to design/implement strategies to support providers that are *effective, equitable, and accessible*, all while *ensuring that public funds are spent wisely*

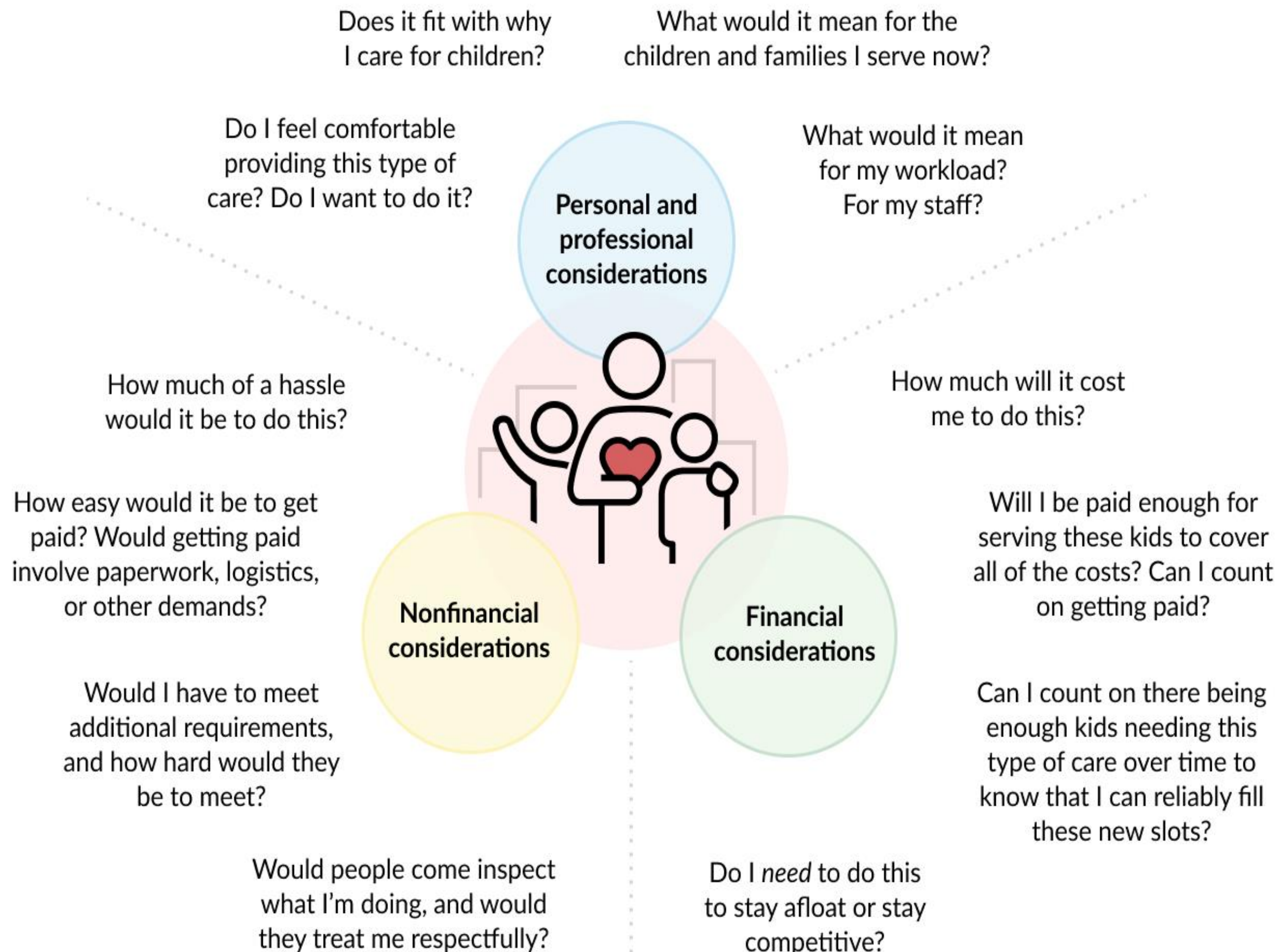
# Key focus – centering/understanding provider realities

- Work with providers to understand their realities – provider-centered research is essential to achieve all of these goals
- Explore their economic/financial realities, market pressures, motivations, considerations
- Understand how these differ across providers, provider types, communities, and reach out to include different voices – essential for equity
- Examine how policy goals, policy/program initiatives, design, and implementation intersect with these realities
- Challenge and question assumptions about how policies work – we know much less than we should

# An example of how provider realities shape effectiveness of policies

- Recent paper on what we know about using subsidy payment policies and practices to increase the supply of care
- Illustrates factors that can shape provider's access and responsiveness, potential effectiveness, equity considerations, and what might be reasonable in terms of accountability and outcomes
- These perspectives equally relevant for considering other provider-related efforts, including to inform policy design, identify access barriers, and consider effectiveness of different financing strategies (i.e., vouchers, subsidy-linked contracts, program-level grants or contracts)

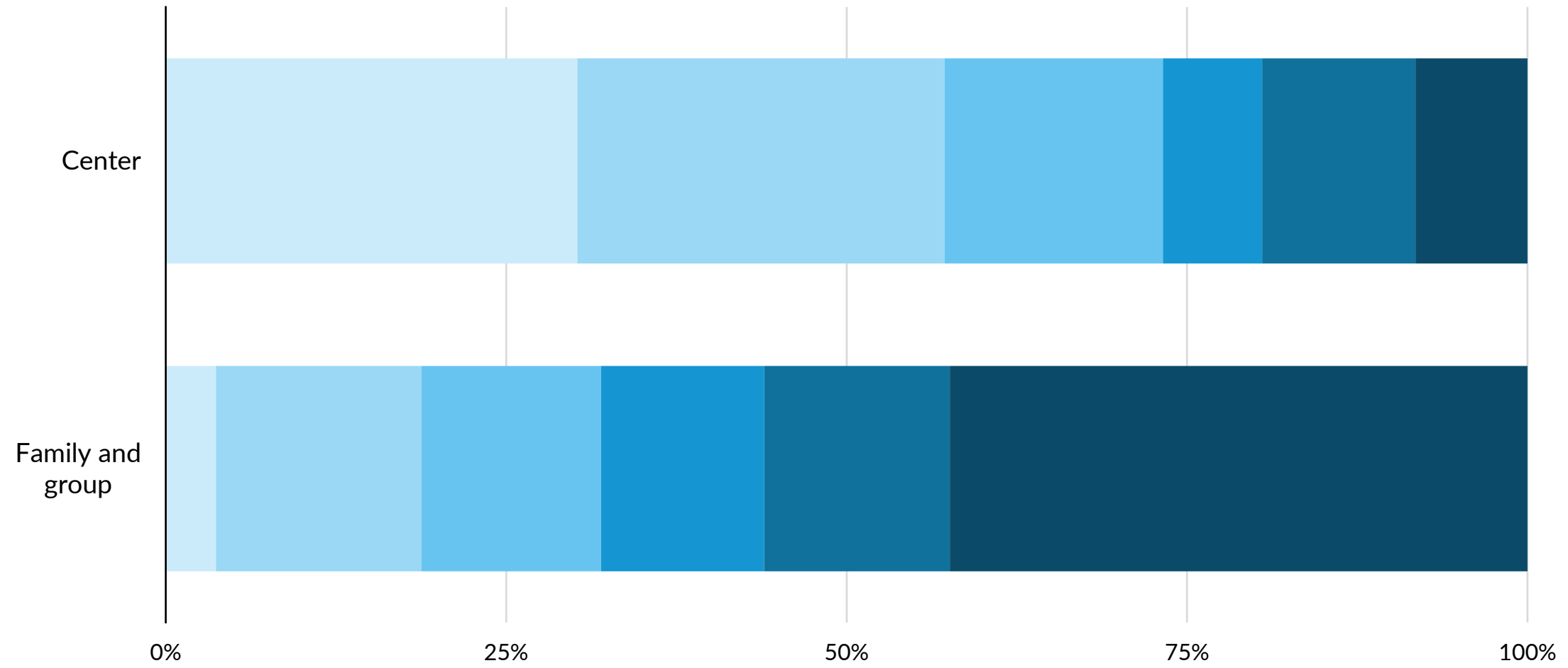
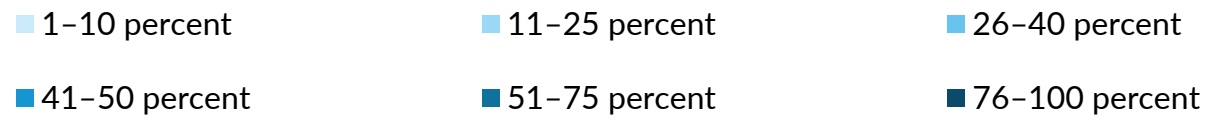
**Start by  
Understanding  
the Provider's  
Perspective:  
*What Factors  
Shape Their  
Decisions and  
Reactions to  
Policy  
Initiatives?***



# Percentage of Enrolled Children Receiving Subsidies among Providers Serving Children in the Subsidy System in Pennsylvania

## *Providers with at least one child receiving subsidies, July 2022*

Percentage of children receiving subsidies at each provider:



*Percentage of providers providing care for at least one child receiving subsidies*

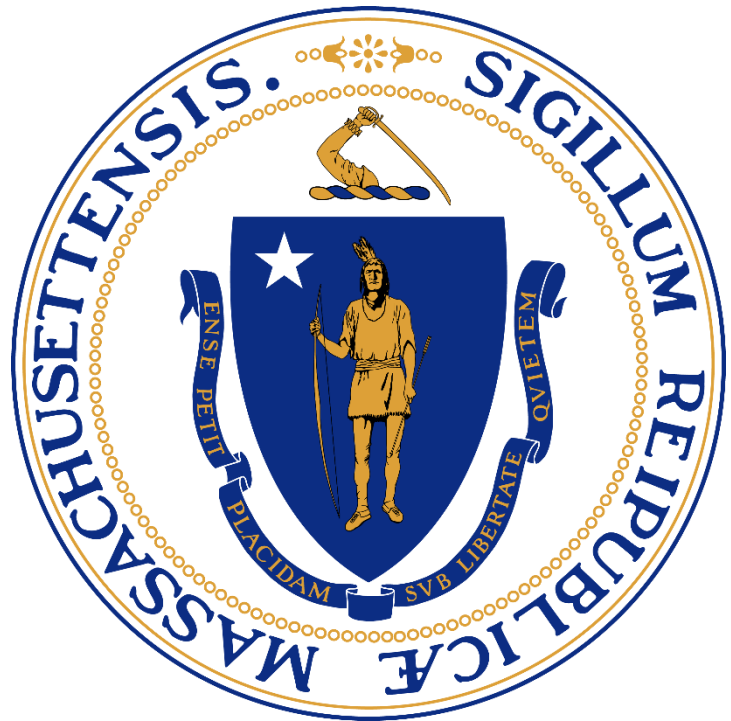
**Source:** Based on data available in Pennsylvania’s Enterprise to Link Information for Children Across Networks (PELICAN), provided by the Office of Child Development and Early Learning.

**Note:** This represents licensed providers who provided care for not only school-age children and had at least one child receiving subsidies.

# Some Related Resources

- Adams, Luetmer, and Todd, [\*Using Child Care Subsidy Payment Rates and Practices to Incentivize Expansions in Supply\*](#). Urban Institute, 2022.
- Adams and Pratt, [\*Assessing Child Care Subsidies through an Equity Lens: A Review of Policies and Practices in the Child Care and Development Fund\*](#). Urban Institute, 2021
- Adams, Ewen, and Luetmer, [\*Using Contracts to Support the Child Care Workforce: Thinking Outside the Box\*](#). Urban Institute, 2021
- Various authors/various reports, [\*Expanding Participation of Home-based Child Care Providers in Federal Programs and Services\*](#). Urban Institute, 2021
- Adams, Rohacek, and Snyder, [\*Child Care Voucher Programs: Provider Experiences in Five Counties\*](#). Urban Institute, 2008 (Plus several other related reports on providers and subsidies)





# Commonwealth of Massachusetts Department of Early Education and Care


*CCEEPRC 2023 Meeting  
June 28, 2023*


# Commonwealth Cares for Children (C3) History


Federal funds provided an opportunity for immediate intervention to address the child care crisis, and EEC launched the C3 grant program in July 2021


C3 was designed to **stabilize early care and education (ECE) programs** by supporting ECE providers' day-to-day operational and workforce costs. This investment was instrumental in maintaining families' access to child care, particularly at the start of the COVID-19 pandemic, by providing funds that helped keep programs open, and in helping to address some of the challenges child care programs face in recruiting and retaining a qualified workforce.

## C3 Design Principles:

 **Stability:** Support early care and education providers' operational and workforce costs to keep programs open and accessible to families, and maintain program quality despite COVID-19 challenges

 **Equity:** Support all early care and education providers, and provide additional support to programs in historically marginalized communities and those serving children from low-income families

 **Adequacy:** Support healthy finances and programs' ability to invest in adequate compensation for early educators

 **Simplicity:** The formula should not create a heavy burden on providers

# Developing the C3 Funding Formula

To disburse funds in accordance with C3 principles, EEC developed a funding formula in partnership with [Third Sector](#), a nonprofit technical assistance organization, to ensure providers would receive C3 funds at an appropriate scale relative to the number of children they can serve, and to provide additional support to programs serving higher need populations.\*

Below are components of the C3 formula used to disburse funds starting in July 2021, and the principles and rationales behind including these components in the formula:

Formula Component	Principle	Rationale
<b>Base payment</b>	Adequacy	Provide funding that could cover approximately 10% of operational costs
<b>Licensed capacity (not enrollment)</b>	Stability, Simplicity	Enrollment was variable and low during the COVID-19 pandemic. Consistent funding is necessary to stabilize programs
<b>Staffing adjustment</b>	Equity, Simplicity	Provide additional funding to programs with more costly offerings such as infant and toddler care, longer hours, or higher staff-to-child ratios than required for the ages of children they serve
<b>Equity adjustment</b>	Equity	Provide additional support to programs in historically marginalized communities and those serving children from low-income families, as they are typically underfunded

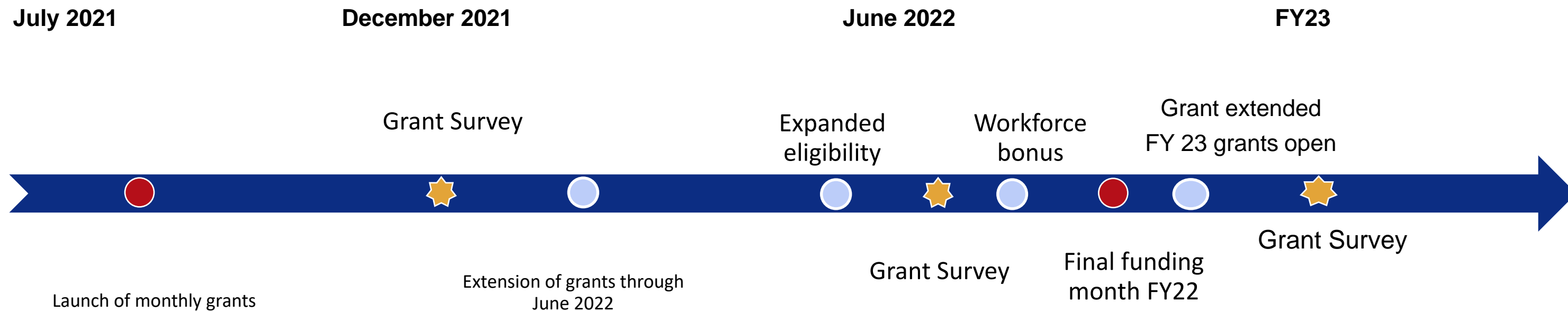
# C3 Timeline & Funding Overview



7,700 programs have received C3 funding to date



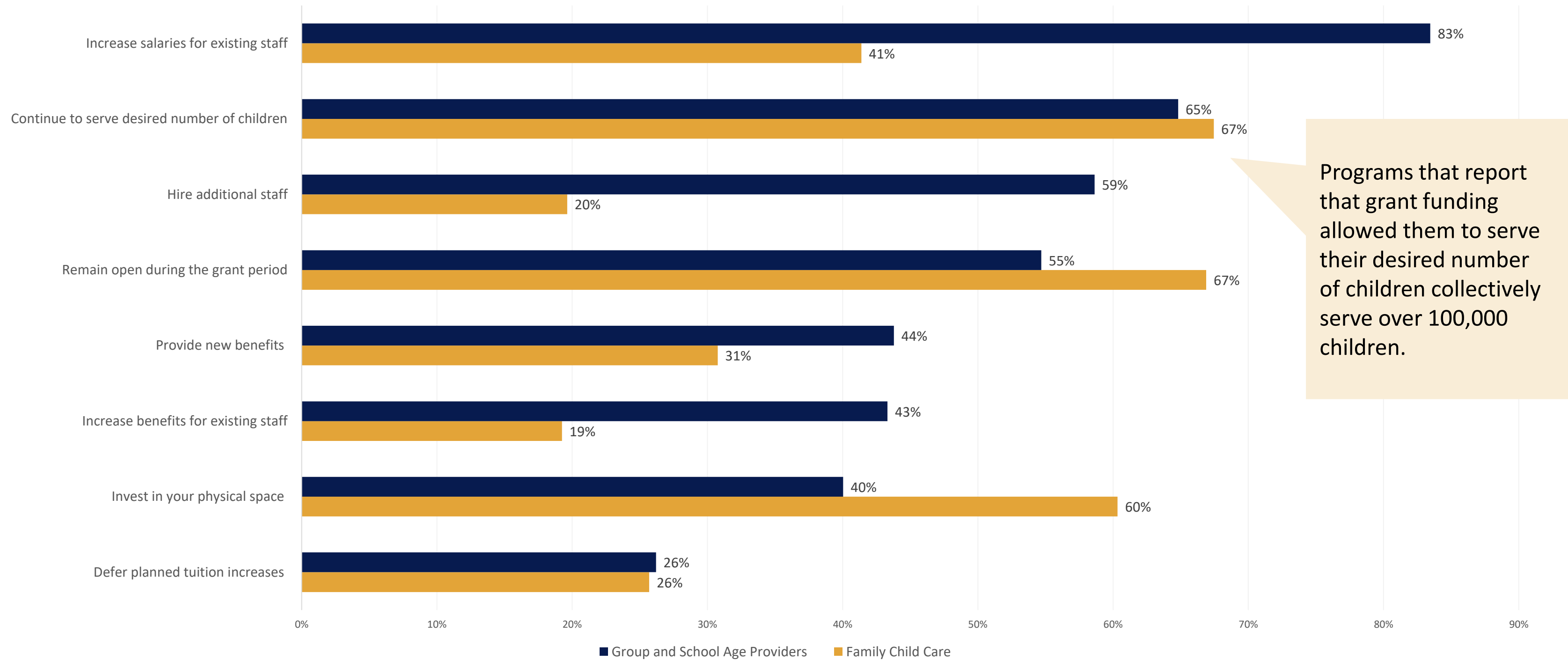
~\$920 million awarded to programs to date



- FY22 grants were funded through a combination of Federal funds from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act (ARPA).
- For FY23, C3 grants were initially extended at \$250M, with a combination of ARPA Supplemental funds and state dollars. An economic development bill passed last fall included an additional \$150M for the C3 program and this spring, Governor Healey signed a supplemental budget that included \$68M in additional funding for the C3 program to support grants through the end of the fiscal year.

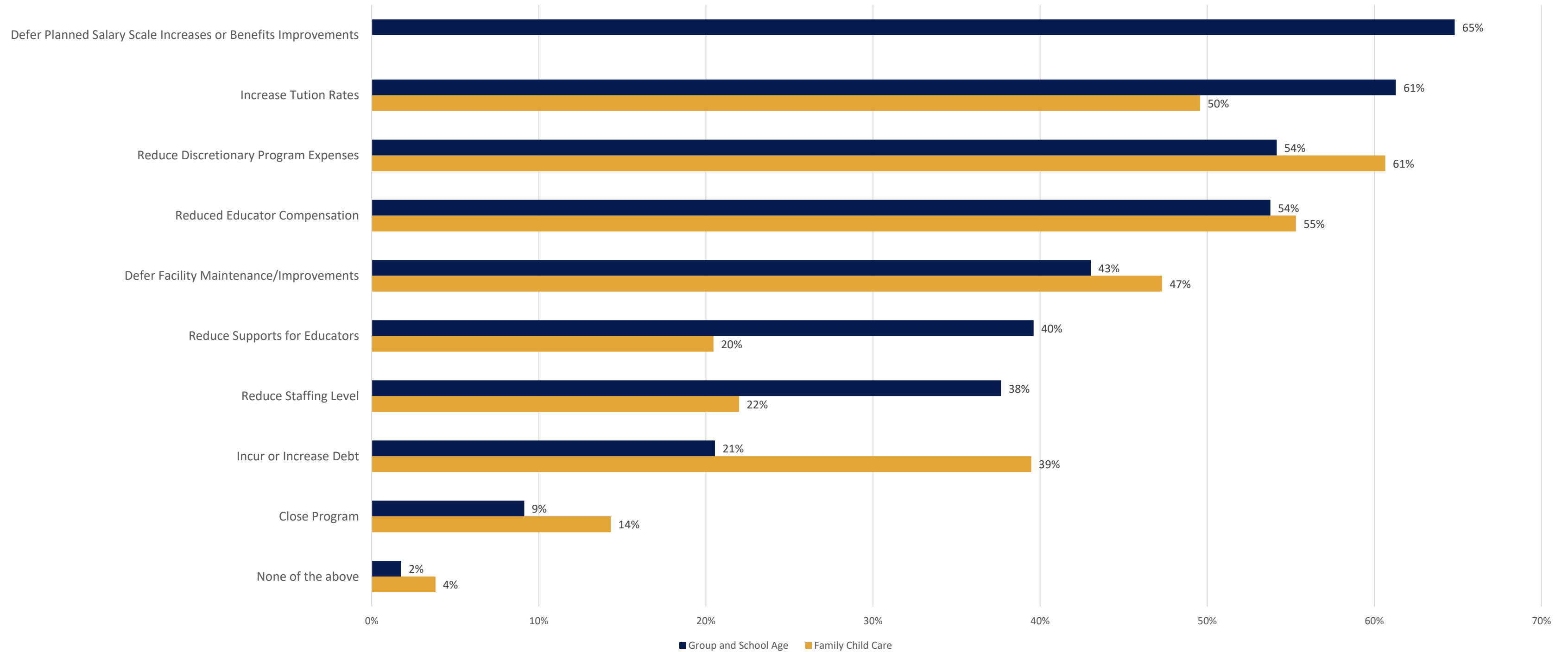
# C3 funds have helped programs remain open and serving children, hire staff, invest in staff and facilities, and defer family tuition increases

C3 Grants Funds Allowed My Program to...



# Families and educators would be significantly impacted if C3 funds were no longer available

Changes Providers Report that They Would Have to Make if C3 Were No Longer Available



# Many programs report that they would close if C3 funds were no longer available

Across the **751 providers** that report that they would have to close...

15,078

licensed seats

38%

are in the highest SVI communities (SVI > 0.75)

65%

serve children with subsidies

74%

are family child care providers

35%

do not serve children with subsidies

# C3 Key Learnings: Summary

- 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.



# Implications for System Financing

## Programs



Programs will increase their sustainability, engage in continuous quality improvement, and promote high-quality education and healthy development among children and youth.

### Key Takeaways:

- In Massachusetts, market rate data and in-depth cost analysis highlight the persistent gap for most programs between revenue and cost.
- C3 is playing a critical role in addressing this gap by providing operational supports and funds to invest in compensation and benefit increases for educators.
- C3 has helped to stabilize (maintain) capacity and avoid tuition increases, but staffing shortages continue to limit expanded capacity.
- C3 formula has been effective in targeting resources to both staffing and to programs serving EEC subsidized families and operating in vulnerable communities.
- C3 has strengthened the relationship between EEC and participating early education and care programs (~90% participation rate), providing new insight and data about the system.
- Data on the system and program efficacy will help inform future development and focus of C3 funding.

# Illinois' Story

- History of Uneven Funding
- ExceleRate Pilot—"Funding First" Innovation
- Pandemic Relief—Lessons Learned
- Smart Start Illinois—Plan for Sustained Impact at Scale



# Illinois' primary strategies for supporting higher-quality child care have historically emphasized accountability to high standards, and they have produced mixed—and uneven—results

The **Early Childhood Block Grant** provides funding for programs serving children ages 0-3 and 3-5 with high standards

- About half of child care centers in Chicago access this funding (and/or Early/Head Start), but in the rest of the state, less than 10% of child care centers access these funds
- Funds are distributed through a competitive grant that is re-competed every 5-7 years, and accountability systems are robust

The ExceleRate Illinois QRIS provides **tiered reimbursement** for programs reaching the Silver or Gold level of quality

- While the extra funding was useful for those providers who had achieved the higher levels in the QRIS, there was little advancement of programs through the levels
- Only approximately 1 in 4 centers serving subsidy children (and less than 1 in 20 homes) reached the Gold level

# ExceleRate Child Care Center Pilot



## Background

- “Funding-first” contracts piloted with 35 child care centers
- All located in rural communities with >40% child care subsidy enrollment
- Funding purposes:
  - Raise staff wages based on credential attainment
  - Add staff beyond licensing standards to provide adequate planning, collaboration and PD time
- Programs pay staff at/above State-developed wage scale and implement continuous quality improvement practices

## Lessons

- **Administration and reporting was complex;** with intermediary, developed an efficient administrative structure to minimize reporting burden and support accountability.
- Funding allows providers to **pay higher wages and implement a staffing pattern** allowing for reflective practice and continuous quality improvement.
- **Wage increases were insufficient** to optimally recruit and retain staff; raised grant amounts in July 2022 to support a significantly higher wage scale. Providers report the higher wages are beginning to show impact.

# Child Care Restoration Grants & Strengthen and Grow Child Care Grants



## Background

- Child Care Restoration Grants (CCRG) started in July 2020 to support re-opening with reduced group sizes.
  - Operated for 18+ months, with funding amounts decreasing over time as public health restrictions were lifted
  - Very simple application process, with some expenditure reporting required
- Strengthen & Grow Child Care (SGCC) began in 2022 with \$300 million ARPA funding
  - Up-front funding for licensed child care centers and homes
  - Providers invest at least 50% of the funding in personnel
  - Available to providers participating in child care subsidy with <75% of revenues from other public funding
  - Application required a simple budget plan, and recipients need to provide some expenditure reporting

## Lessons

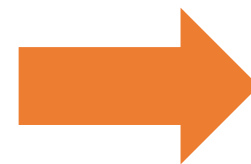
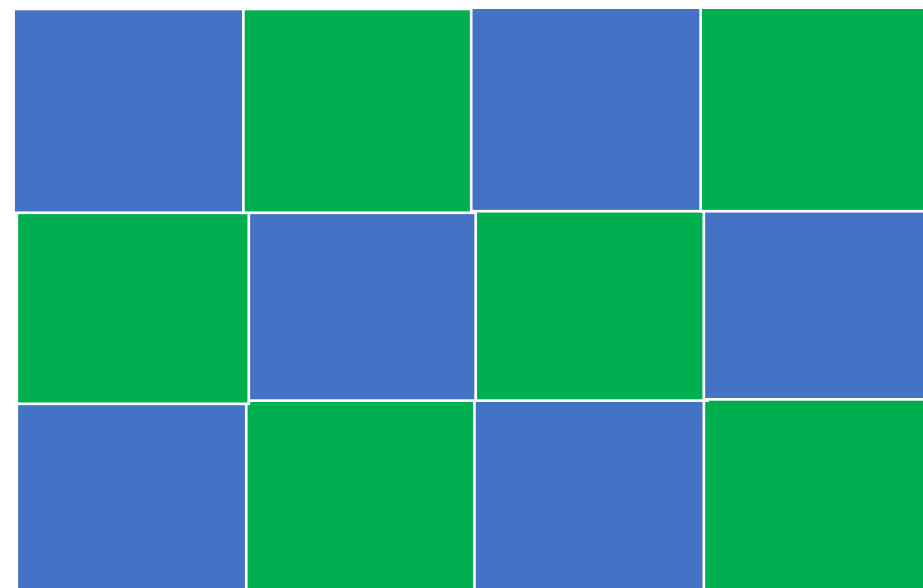
- **Very popular with providers:** 72% of eligible centers and over 90% of eligible homes participated in first round of SGCC.
- Intermediary demonstrated how to **effectively implement** the program at scale with minimal overhead.
- **Significant potential** (with sufficient funding) to address the early childhood compensation challenge.
- Providers struggle to complete even the most basic reporting on use of funds, but their **reporting improved over time** with consistent technical assistance

# Illinois is looking to implement at scale contracts that can increase teacher compensation and program quality

A business operations subsidy contract can provide the necessary resources to support **higher wages** for the child care workforce and **support quality** across the field.

- Private Pay
- Subsidy
- Contract

TODAY: Current Operating Cost

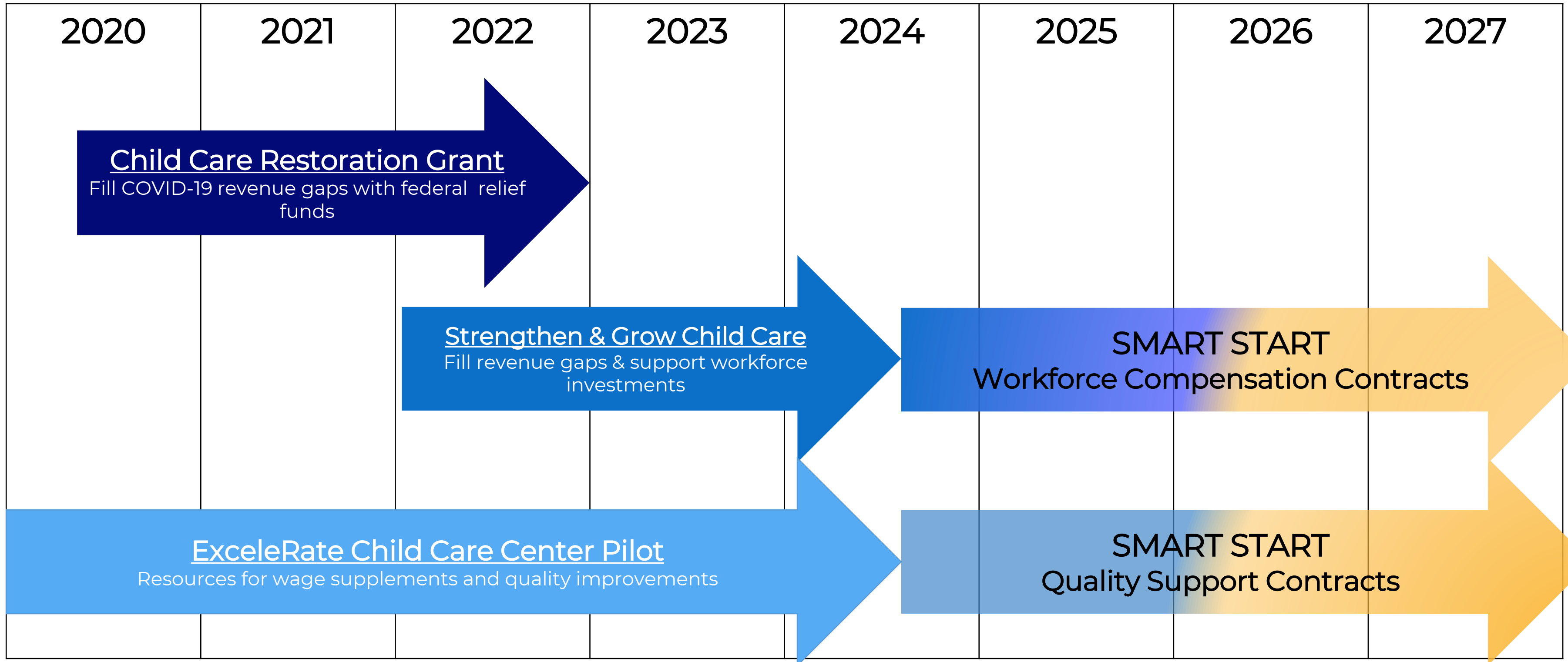


*Base Operating Contract remains consistent despite dynamic nature of subsidy and tuition*

PROPOSED: True Cost of Care



# Recent Innovations in Funding



## Workforce Compensation Contracts

In SFY24, SMART START will implement Illinois' evolution from Strengthen & Grow Child Care (SGCC) relief contracts to Workforce Compensation Contracts.

**Workforce Compensation Contracts will create financial reliability to increase access to higher wages and quality child care programs by:**

- Providing base funding that remains consistent despite the dynamic nature of subsidy and tuition
- Calculating base funding using a model that assumes wages at \$17 - \$19/hr. and the true cost of services
- Paying in advance (not in arrears)

## Quality Support Contracts

- **Quality Support Add-On:** Additional funding to Workforce Compensation Contract providers to work towards increasing capacity, high quality and readiness to implement pre-school and Head Start. This includes investments in:
  - Credential-based wage scale
  - More robust staffing patterns
- **Layered Funding Contracts:** A path toward consolidated funding for high quality providers with multiple public funding streams.





# Quality Supports

## *Early Childhood Workforce*

June 2023

# Quality Supports in DC

- Grant supports
- Increased compensation for early childhood educators



# Supply/Quality Building Grants

# DC allocated additional local and ARP funds to support child care

<b>Grant Program</b>	<b>Dates</b>	<b>Funding Stream</b>	<b>Amount</b>
Access to Quality Child Care	September 2022-October 2023	ARP Revenue Replacement for Government Services	\$10 million
Back-to-Work Child Care	September 2022-October 2024	ARP Coronavirus State Fiscal Recovery Fund	\$32 million



# OSSE continues to support grant programs to support child care recovery through September 2024

Program	Funding	Administered by	Grant dates*	Description
Access to Quality	\$10 million	LIIF	August 2022-September 2023	Grants for building investments to create, expand or improve new facilities to increase supply of quality infant and toddler seats.
Back to Work Child Care	\$32 million	LIIF	January 2022-September 2024	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.

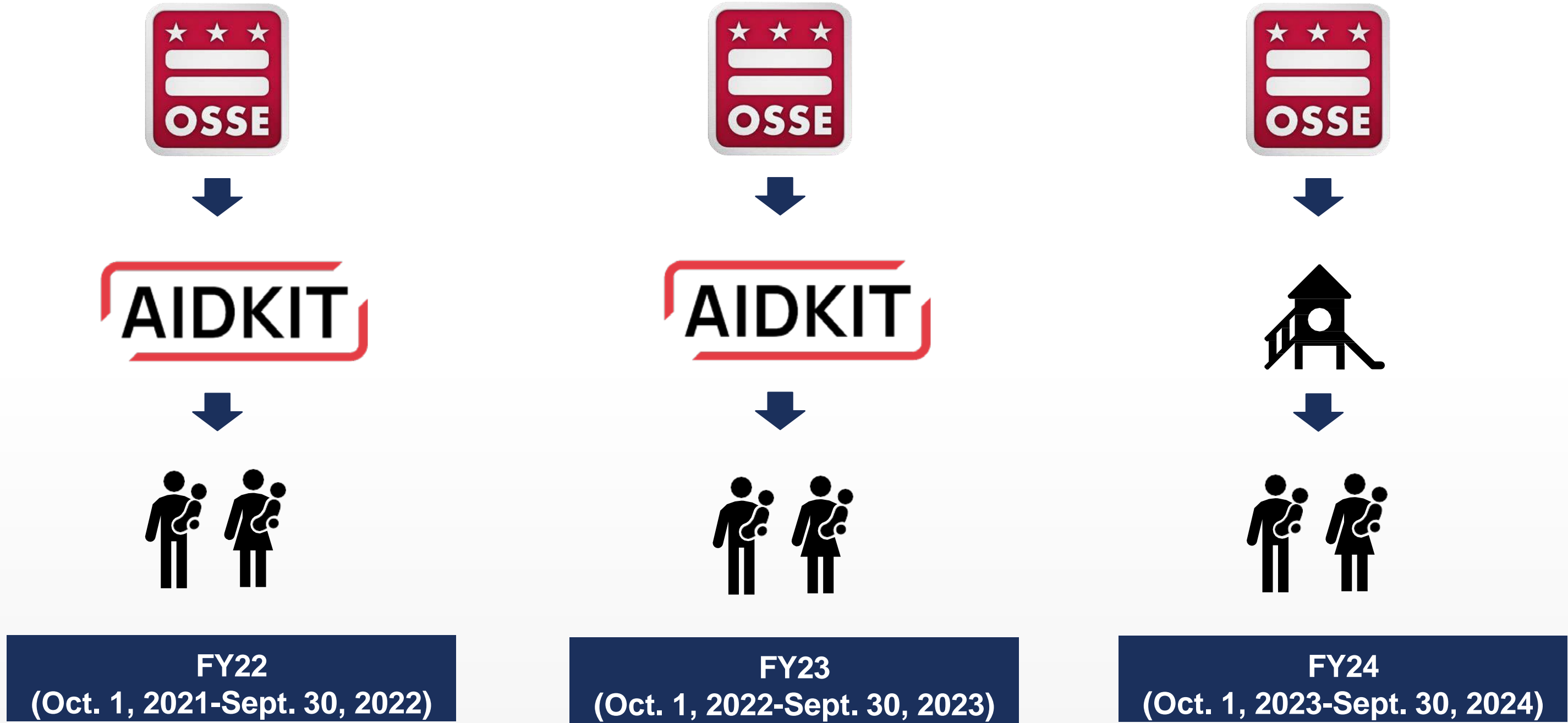
*\*Start/end date for the grant program as a whole; grants to individual providers may have different dates*





# Early Childhood Educator Pay Equity Fund

# Early Childhood Educator Pay Equity Fund



# Payment Amount

Staff Type	Time Status	
	Full-Time	Part-Time
ECE I: <ul style="list-style-type: none"> <li>• Assistant Teacher</li> <li>• Associate Caregiver</li> <li>• Montessori Assistant Teacher</li> </ul>	\$10,000	\$5,000
ECE II: <ul style="list-style-type: none"> <li>• Teacher</li> <li>• Expanded Home Provider</li> <li>• Home Provider</li> <li>• Montessori Teacher</li> </ul>	\$14,000	\$7,000





# How will the Early Childhood Educator Pay Equity Fund work in FY24?

Starting in [FY24](#) (October 2023), OSSE will shift to distributing funds to child development facilities.

Facilities that enter into an agreement with OSSE to pay staff at parity wages will receive a new funding stream

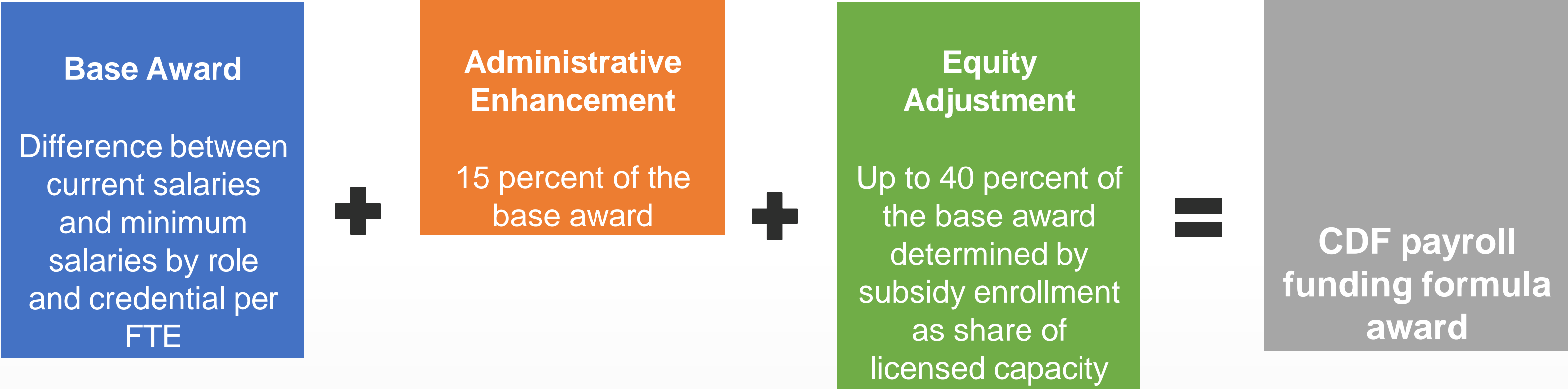


Pay Equity Funds will supplement parent tuition or subsidies to help child care providers cover the costs to increase compensation

# Minimum Salaries for Child Development Facilities Receiving CDF Payroll Funding Formula Awards

Role	Credentials	Minimum Salaries for FY24
Assistant Teacher or Associate Home Caregiver	Less than a Child Development Associate (CDA)	\$43,865
	CDA	\$51,006
	Associate degree or higher	\$54,262
Lead Teacher, Home Caregiver or Expanded Home Caregiver	CDA	\$54,262
	Associate degree	\$63,838
	Bachelor's degree or higher	\$75,103

# Child Development Facility (CDF) Payroll Funding Formula



# Intermediary organizations and use of blended and braided funding

Sources and allocation patterns of funding for subsidized child care in California

June 28, 2023

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Caroline Danielson and Darriya Starr



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PUBLIC POLICY  
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# PROSPR interviews identified CC service challenges and explained benefits of braiding funding

Key Themes from interviews of 12 experts; many involved in local-level ECE provision

Organizations interviewed included: educational institutions, city and county departments engaged in ECE services, parent perspective organizations, research organizations studying CC/ECE, and CC resource organizations.

## CHILDREN & FAMILIES

- Inadequate availability of providers meeting families' needs & preferences, especially in some areas
- Equity in serving special populations

## PROVIDERS

- Inadequate payment from current child care rates for costs & to sustain workforce, especially for serving special populations
- Administrative burden of participating in the subsidy system

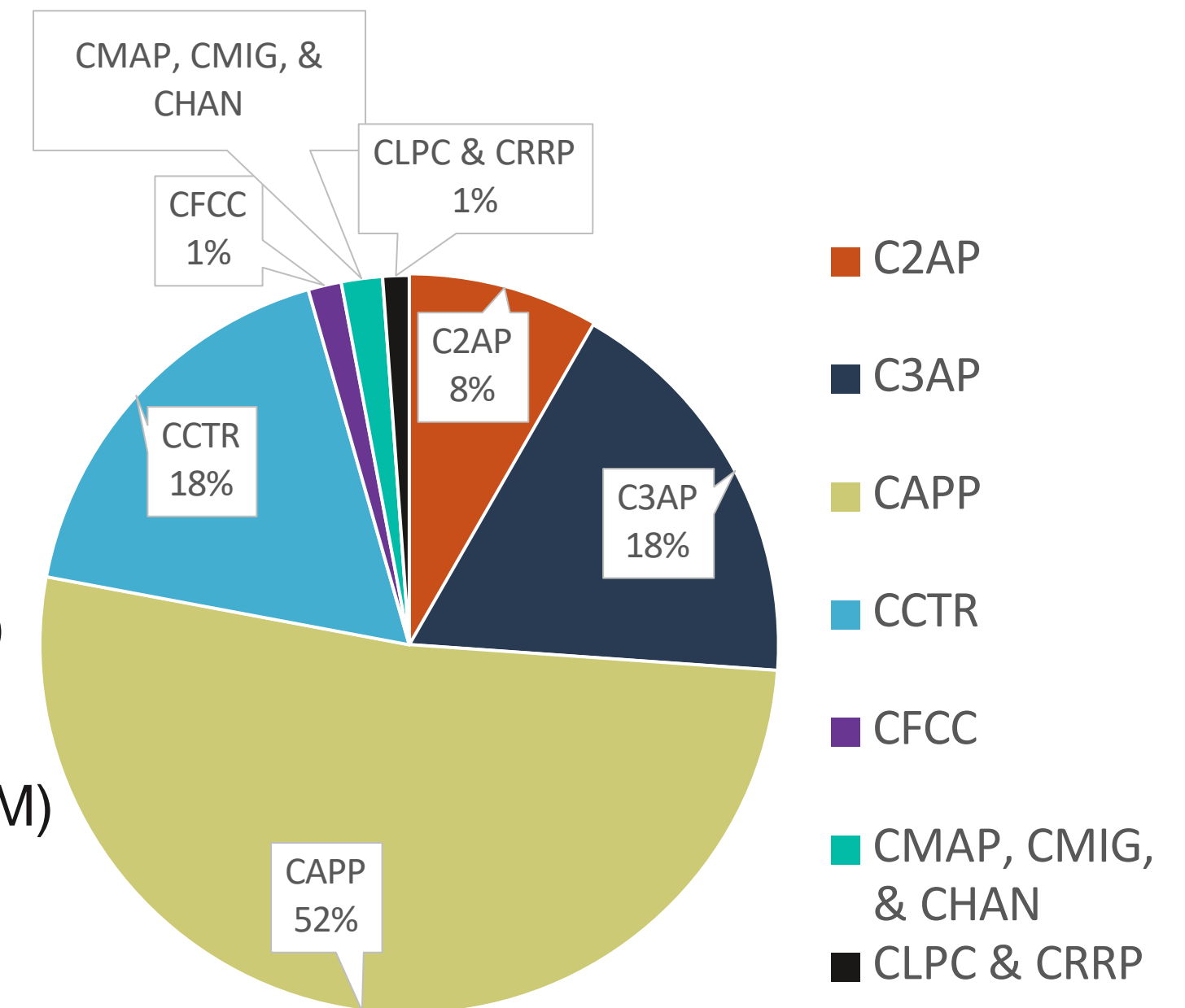
## POLICY

- Uncertainty around substitution between TK and CC/ECE
- Skepticism around state's reforms to subsidies
- Scarcity of centralized quantitative data sources; collection would require substantial effort

# We looked across funding streams with California Department of Social Services oversight

- C2AP: CalWORKs Stage 2 Program (\$309M)
- C3AP: CalWORKs Stage 3 Program (\$663M)
- CAPP: California Alternative Payment Program (\$1.9B)
- CCTR: General Child Care Programs (\$656M)
- CFCC: Family Child Care Homes (\$54M)
- CHAN: Severely Disabled Programs (\$1.8M)
- CLPC: Local Child Care and Development Planning Councils (\$4.4M)
- CMAP: California Migrant Alternative Payment Program (\$29M)
- CMIG: California Migrant Child Care and Development Program (\$36M)
- CRRP: California Resource and Referral Program (\$39M)

Maximum Reimbursable Amounts, FY22-23

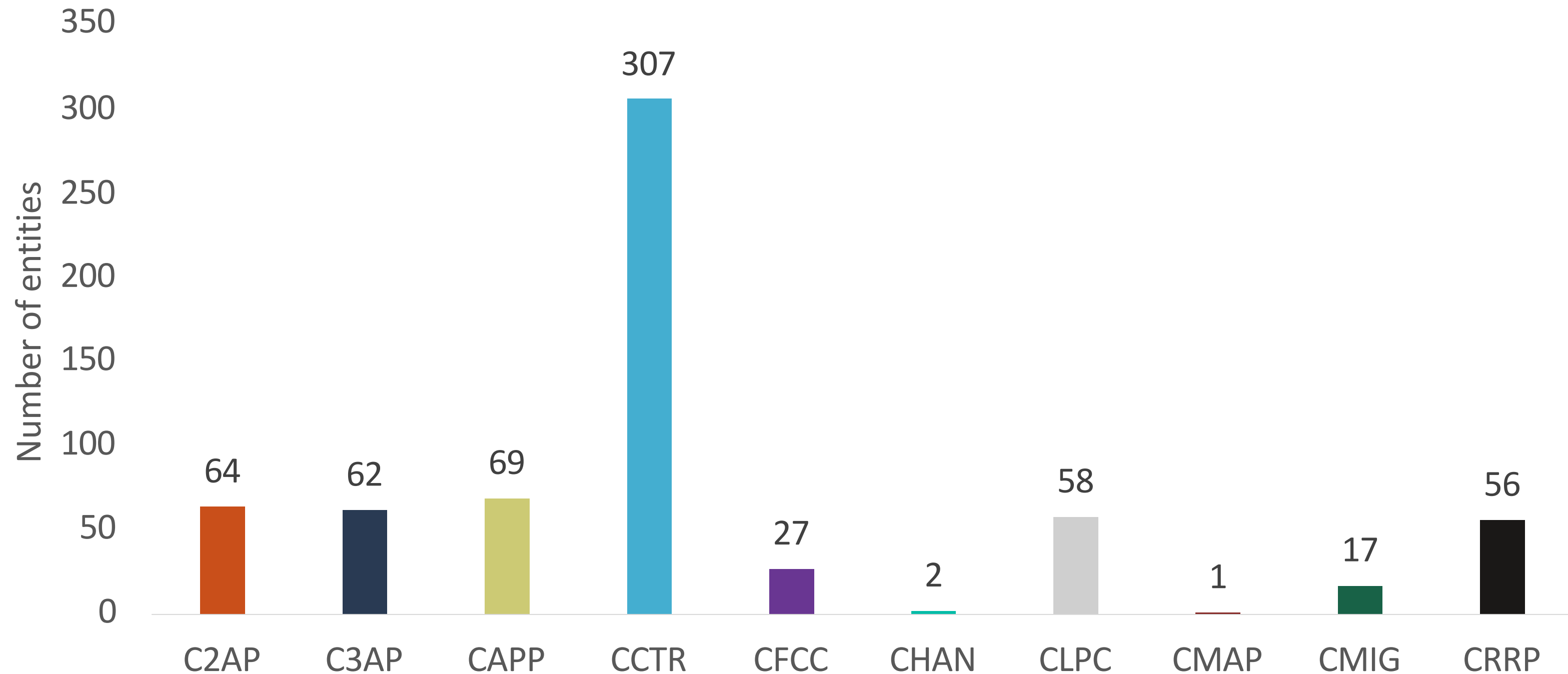


Source: CDSS CCB 22-24

# Multiple funding streams appear to aid some intermediaries in providing a wider range of services

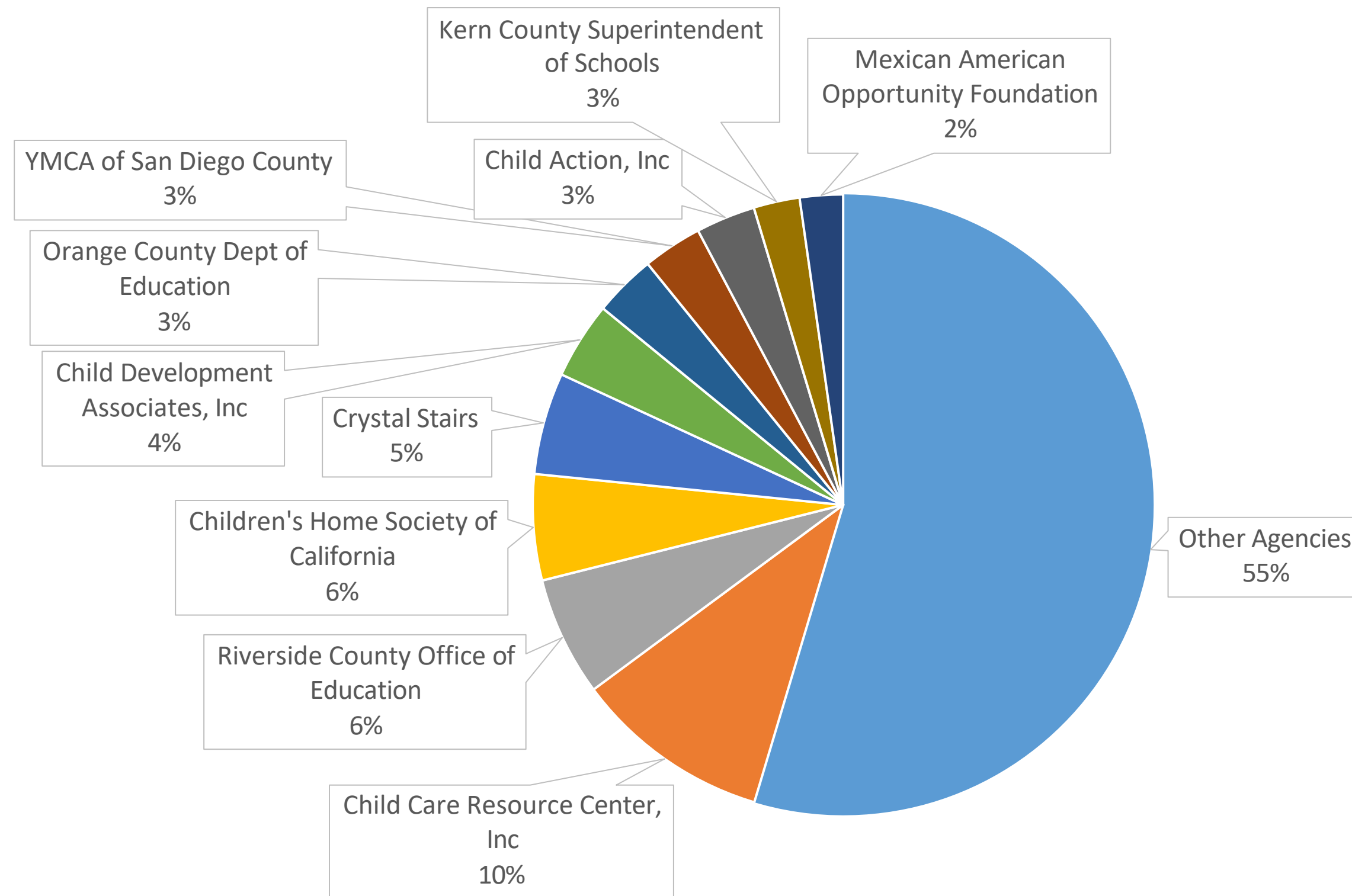
- Vouchers are the largest source of funding (CAPP, C2AP, C3AP)
- The General Child Care Program is used most often
  - CCTR is a Title 5 contracted program, state & federally funded
  - Often funds care at centers and family child care home networks
  - Agencies contracting are public, private, & local educational agencies
- Intermediaries may also provide
  - TANF/CalWORKs Stage 1 care (through contracts with counties)
  - state preschool (through contracts with the state Dept. of Education)
  - Head Start

# The number of intermediaries varies widely across funding streams

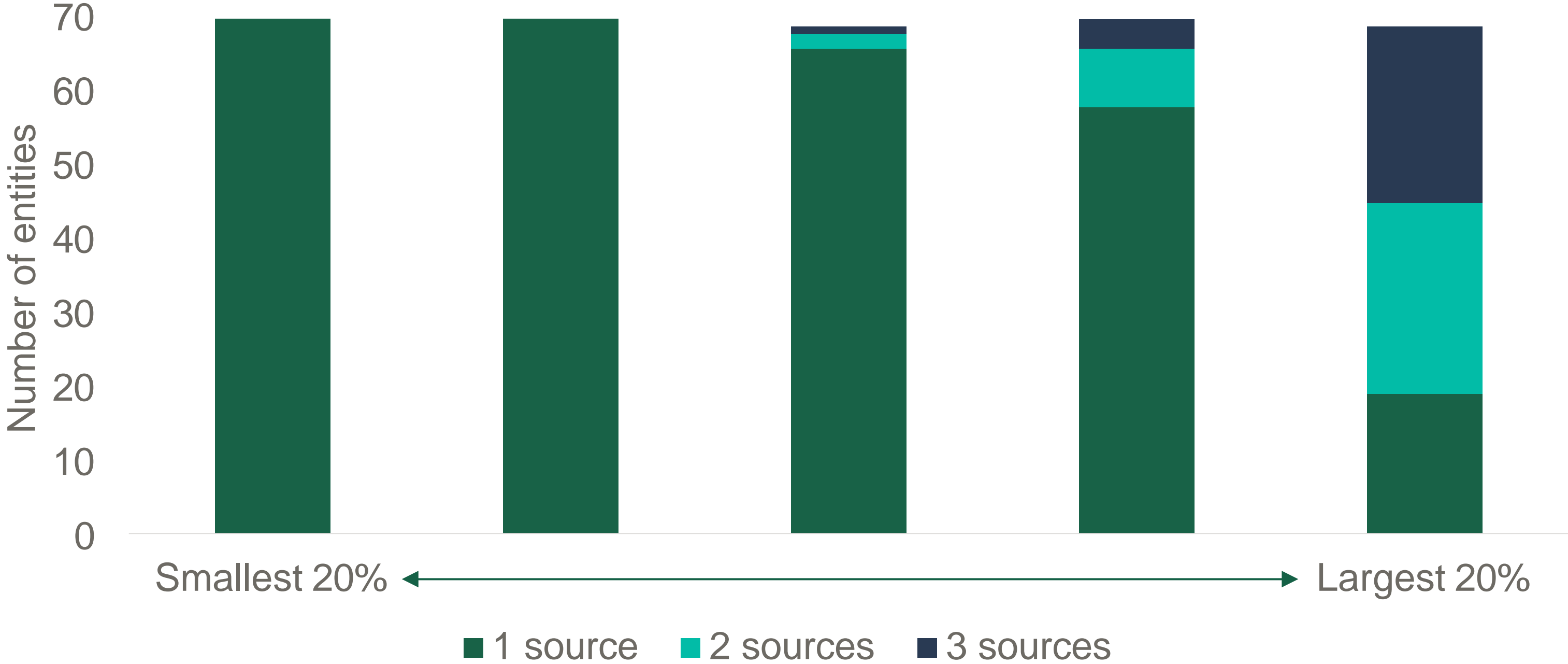




# The 10 largest agencies obtained nearly half of state funds



# The largest intermediaries administer multiple funding streams



# Notes on the use of these slides

These slides were created to accompany a presentation. They do not include full documentation of sources, data samples, methods, and interpretations. To avoid misinterpretations, please contact:

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Thank you for your interest in this work.

# Discussion

