The Future of American Early Childhood:

A Framework for Building High-Performing, Coherent Systems

WATERSHED
ADVISORS

Overview of the Framework

Decades of research has shown children,[1, 2, 3] families,[4] and state and local economies[5] benefit in meaningful ways when families have access to high-quality and affordable early childhood options. Although there are hard-working and visionary leaders at every level of the early childhood system, those leaders are often situated in siloed, incongruent systems, equipped with insufficient funding and authority to strengthen those systems. As a result, early childhood systems often fail to achieve their full potential because they lack coherence and coordination across all the fragmented funding sources that serve children birth through age five.

Now more than ever, states are uniquely positioned to change this. The pandemic has revealed how financially fragile the early childhood sector is, and yet how critical a strong early childhood system is to support children and working families. In recent years, the federal government has made historic investments in early childhood through Preschool Development Grants and the federal COVID-19 relief packages. State leaders should seize the opportunity to address inherent challenges in their early childhood systems.

State leaders should work every day to achieve a coherent early childhood system where:

- **All children** can access an affordable, high-quality early care and education that prepares them for success throughout the rest of K-12 schooling and life[6]

- **Working families** have the resources and supports to easily navigate the early childhood system and choose a high-quality early childhood option that supports their career and their child's development

- Families with children **learning at home or in informal care** environments have access to resources to meet the developmental needs of their children

- Early childhood **providers** are supported to focus on providing a high-quality experience for children, including attracting and retaining a qualified, diverse, and well-compensated **early childhood workforce**

- **School systems** are invested in the success of the early childhood system because it results in students arriving to school ready for success in kindergarten and reading by third grade

- The **local and state economies** benefit from thriving citizens and a high participation in the labor market

This playbook lays out the following key levers state leaders should focus on as they develop a plan that drives toward an early childhood system that supports the needs of all children and families.

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Watershed Advisors supports governments to design, implement, and scale transformative education plans. Watershed was founded by former leaders of the Louisiana Department of Education, whose nearly decade-long tenure was defined by nationally recognized innovation in early childhood education, curriculum and preparation, college and career pathways, student assessment, and school accountability.

Learn more at **watershed-advisors.com**.

Challenges in State Early Childhood Systems

State early childhood systems hold huge potential to transform children's readiness for school and their academic and social-emotional development. Further, access to reliable and affordable child care improves state and local economies by supporting parental participation in the labor market.

Unfortunately, most state systems are not set up to execute a clear, singular vision and plan to ensure all families can access a high-quality early childhood option for their children. Often, this is due to significant fragmentation in funding, regulations, and program requirements both at the federal level and within most state systems.[7,8]

In practice, this system fragmentation means families are often forced to navigate a disjointed and overly-burdensome system to enroll their child in a publicly-funded early childhood option and too often come up short. Individual early childhood providers are often left to piece together funding from many different sources, all with different regulatory requirements, and to shoulder the burden of supporting families through the application and enrollment process. **In sum, not only are most state systems not ensuring all families have their basic needs met, but the obstacles and confusion caused by system fragmentation actively contribute to the poor outcomes of historically disadvantaged children and families.[9]**

Because they direct and influence tens of billions of dollars for early childhood programs and services each year, **state leaders are uniquely positioned to create a unified and coherent early childhood system** that creates alignment across funding streams and programs to achieve an ambitious vision.

	In a coherent early childhood system:	**In most early childhood systems:**
Coordination	There is coordination at the state and local levels to ensure alignment across all funding sources, so families and providers have a streamlined and accessible experience.	Different funding sources have different regulations and program requirements, creating a disjointed and confusing experience for families and providers.
Universal Access	Every child whose family wants an early childhood slot can access an affordable and high-quality option.	Insufficient funding, availability of options, and coordination leads to persistent gaps in access.
Equitable Enrollment	Families enroll their child in a high-quality option of their choice through a simple and equitable coordinated enrollment process.	Families experience significant burdens when looking for information about, applying for and enrolling their child in early childhood programs.
Effective Teachers	Early childhood providers can attract and retain high-quality teachers who are effective because they have access to strong training, professional development, and instructional tools.	Teachers are undercompensated and under supported and lack access to intentional and consistent professional development. As a result, teachers struggle to grow their skills and competencies and turnover quickly.
High-Quality Classrooms	There is a shared system-wide definition of the quality of the experience children have in early childhood classrooms, and providers improve their quality year over year, leading to continued improvement in child outcomes.	Providers struggle to operate quality programs and too often close because of inadequate support and funding, contributing to a lack of high-quality options for families to choose from.

Levers to Achieve a Coherent Early Childhood System

State leaders should focus on the following levers, adjusting to their state context, to build coherence and impact in their early childhood system.

I **State governance**: Unify state governance to create a coherent statewide early childhood system that uses data to continually improve the experience of children and families

Current State

Most states' early childhood programs and funding sources are siloed across multiple agencies and under-prioritized by state leadership, resulting in incoherence and insufficient state investment.[10]

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Ideal State

States' early childhood programs and funding are unified under one captain, organized by function and focused on user experience, with a single driving vision focused on a quality care and education experience for children.

II **Local coordination**: Empower leaders closest to children and classrooms to develop a local plan focused on expanding families' access to high-quality early childhood options

Current State

Most states have no clearly defined or effective local partnership model, resulting in a lack of coordination and leadership in communities where families live and work. Families and providers end up bearing the burden of navigating the system.[11]

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Ideal State

States have a clear structure for local coordination, with those closest to children and families empowered with clear role definition, funding, and local autonomy to drive faster rates of improvement in both access and quality in their communities.

III **Quality**: Build and refine a quality rating and improvement system that clearly and simply defines the experiences children should be having at each age level regardless of setting, and drives improvement across all providers

Current State

Most states lack a single definition of the quality experience children should be having in classrooms in their current QRIS, that drives toward quality improvement across all publicly-funded early childhood programs.[12]

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Ideal State

States adopt a unified quality measurement system with aligned improvement supports for all program types that drives toward improvement in measures that are predictive of child outcomes.

IV **Early Childhood Workforce**: Recruit and retain a well-compensated and diverse teacher workforce, and develop that workforce toward a focused set of skills and competencies

Current State

Most states prioritize unrealistic goals for the early childhood workforce, teachers earn poverty wages, and the sector experiences crisis-level turnover rates.[13]

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Ideal State

States ensure that teachers have the necessary skills and competencies to be effective, and that providers are supported to recruit and retain qualified teachers, including by raising compensation.

V **Funding structures**: Use funding and funding policies to enable family choice and stabilize the volatile early childhood sector

Current State

Most states' subsidy reimbursement rates are far too low to cover true costs and payment practices are inconsistent with the private market, resulting in inadequate funding that leads to instability in the system as a whole.

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Ideal State

States increase CCDF subsidy rates to cover the costs for providing care and strengthen payment practices to mirror the private market, which increases the financial stability of the sector and leads to improved quality and workforce compensation and retention.

I. State Governance

States have the opportunity to design a unified and coordinated early childhood system that meets the needs of families and early childhood providers. This begins with the state empowering and elevating strong early childhood leadership in order to develop and execute a strong state plan.

Unfortunately, many state governance structures for early care and education do not operate as true systems, with different state agencies responsible for administering siloed early childhood programs, all with different program and regulatory requirements, with minimal coordination and alignment.[14] Because of this, unifying state governance is perhaps the single most critical step a state can take to drive toward a coherent early childhood system.[15]

LEVER 1: Unify state governance to create a coherent statewide early childhood system that uses data to continually improve the experience of children and families

Without a clearly defined lead at the state level, it will be difficult for states to achieve an early childhood system that best serves children, families, and early childhood providers in the communities where they live and work. It is critical that the state early childhood lead is empowered to execute a focused set of responsibilities and that there is accountability for achieving data-driven outcomes.

Questions for State Leaders

☐ *Does the state have a vision of what the early childhood system should deliver for all children and families, and how to achieve that?*

☐ *Is there a single, empowered state lead responsible for the success of the state's early childhood efforts?*

☐ *Can families access all available early childhood options through a single, streamlined process?*

In the last five years, the emerging national trend is to unify early childhood under the state education agency (e.g., Missouri, Virginia) or a standalone early childhood agency (e.g., New Mexico, Oregon, Colorado). And while there may be logistical, political, or financial hurdles to restructure current state agency responsibilities now, states can take meaningful steps toward increasing alignment and coordination across their state early childhood system in the meantime.

Steps for State Leaders

1 Designate a clear state lead who is responsible for the success of the state's early childhood system and focuses relentlessly on ensuring children are ready for school and beyond

2 Organize team structures and workstreams by function (e.g., enrollment, academic content, regional partnerships, health and safety, quality improvement, etc.), instead of funding source (e.g., CCDF, state preschool, MIECHV)

3 Establish a clear vision that defines what should be true for children, families, providers, and teachers at each age and that acts as a guiding light for all state-level decisions and strategy

4 Align the rules, regulations, processes, and data collection for all publicly-funded early care and education programs, so families have a seamless experience across all funding types, wherever possible

5 Develop strong, integrated data collection, analysis, and reporting processes and systems to ensure the state can use data to answer critical questions about the capacity and quality of the system and respond to gaps. (See Data Appendix)

6 Ensure the budgets for all available early childhood funding sources are developed in alignment with the state's unified early childhood plan, in service of the overarching vision

State Governance: State Examples

While many states have unified their early childhood goverance structures, recent state examples include:

Unifying in Standalone Early Childhood Agency

Colorado: Under the leadership of Gov. Jared Polis in 2021, the Colorado General Assembly enacted HB21-1304 to establish a unified early childhood system in Colorado, including the creation of a new, stand-alone Department of Early Childhood (DEC), which launched July 1, 2022.

- The act not only established the DEC but created a transition working group, working with a larger transition advisory group, to develop a transition plan for the coordination and administration of early childhood services and programs, backed by the support of many stakeholders.

New Mexico: In 2019, Gov. Lujan Grisham and the New Mexico Legislature created the Early Childhood Education and Care Department, which officially launched on July 1, 2020.

- The Department's aim is, "to create a more cohesive, equitable, and effective early childhood system in New Mexico. That means coordinating a continuum of programs from prenatal to five—and ensuring that families in every corner of the state can access the services they need."

Oregon: During the 2021 legislative session, the Oregon State Legislature passed HB3073 which establishes a new state early childhood agency in Oregon, called the Department of Early Learning and Care (DELC). The consolidation of all early childhood programs into DELC will take place beginning January 1, 2023, with final implementation by July 1, 2023.

- The goal of the new agency is to, "create a child care and early learning system that is more responsive to the needs of children, families and providers, particularly our most vulnerable families. A single agency positions Oregon to best support funding and expansion opportunities, grow the supply of child care and ensure equitable access in support of families, children, and providers."

Unifying in State Education Agency

Missouri: In January of 2021, in an executive order and with support from the Departments of Elementary and Secondary Education (DESE), Health and Senior Services (DHSS), and Social Services (DSS), Governor Mike Parson announced the unification of several early childhood programs into a single Office of Childhood within DESE.

- The consolidation took place in August 2021 and aims to "allow early childhood work across state government to become more streamlined and effective."

Virginia: In 2020, the Virginia General Assembly passed legislation directing the Board of Education (BOE) to establish a unified public-private system for early care and education, administered by the Virginia Department of Education (VDOE) with the goal of creating a single point of accountability for school readiness in the Commonwealth. On July 1, 2021 the oversight of the Child Care Development Block Grant and child care licensing transitioned to the VDOE. The VDOE also launched the first practice year of the new unified quality measurement and improvement system, VQB5.

Resources for State Leaders

- "Early Childhood Governance: A Toolkit of Curated Resources to Assist State Leaders" by Harriet Dichter, Lori Connors-Tadros, and Neal Horan (2021)
- "Early Childhood Governance: Getting There From Here" by Elliot Regenstein (2020)
- "Defining Highly Effective Offices of Early Learning in State Education Agencies and Early Learning Agencies" by Lori Connors-Tadros, Rolf Grafwallner, Jana Martella, and Thomas Schultz (2018)
- "Early Care and Education Governance: 50 State Comparison" by the Education Commission of the States (2020)

II. Local Coordination

Even with unified state governance, states need a formal state-local partnership model with designated leads and local infrastructure to achieve statewide, sustainable, and community-embedded impact. Unlike the role school districts play as a family's single point of entry for K-12 education, there is not a consistent model for the local coordination of early childhood services nationwide.[16,17]

While most states do have existing local organizational infrastructure (e.g., child care resource and referral agencies, Head Start grantees, shared services alliances, staffed family child care networks), most states do not typically have a true state-local partnership model in which a statewide network of local or regional early childhood leads act in partnership with the state, provide local coordination across all early childhood programs and services, and become a formal part of executing the state's early childhood vision.[18]

LEVER 2: Empower leaders closest to children and classrooms to develop a local plan focused on expanding families' access to high-quality early childhood options

States have an opportunity to establish a state-local partnership model that facilitates a community-

level family engagement and enrollment process and allows for local leadership, problem-solving, and innovation to drive faster rates of improvement in early childhood access and quality. A state-local partnership model has the potential to be most effective when local leads are empowered and funded by the state to implement a local plan for expanding access to high-quality early care and education in partnership with families, early childhood providers, and other community organizations.[19]

Steps for State Leaders

1

For each community, use a process to select a single local coordinating entity, who has demonstrated support from community partners, to serve as the formal local lead and carry out key roles and responsibilities

(Note: these local leaders may differ by community and may include existing organizations, such as child care resource and referral agencies, Head Start grantees, shared services alliances, school systems, etc.)

2

Clearly define the role and annual responsibilities of local leads in the form of policy and guidance to the field

3

Create an annual calendar of deliverables that each local lead will be accountable for carrying out

4

Provide sufficient support for local leads to develop a community-level plan for how to use available resources and generate additional resources to streamline the application and enrollment process and ensure all children have access to a high-quality early childhood option

Public-Facing Captain

Act as the single entity responsible for fiscal management and oversight of the local early childhood efforts, raise awareness of the benefits of early childhood in their community, and serve as the single point of contact for families and community partners

Strategic Planning

Develop and generate support for a unified community plan that is aligned to the goals and vision of the state, while also accounting for the specific local context

Coordinated Enrollment

Facilitate a locally-led, annual coordinated enrollment process to ensure equitable, streamlined enrollment for families eligible for B-5 spots

Local Stakeholder Engagement

Build relationships, trust, and credibility with community partners and families, support local adaptation to change, and seek feedback and input on funding decisions

Data Collection and Reporting

Collect and report key data elements to measure progress toward state and local goals and identify gaps; key data elements include data on child care supply and a count of children served across age, site, funding stream

Increase Investment

As they are ready, begin to work with advocates, city and county governments, and other local leaders to generate new support for and revenue to expand supply of, access to, and quality of B-5 spots

Local Coordinator Model: State Examples

- **North Carolina:** North Carolina's Smart Start network consists of 75 partnerships with counties or a combination of counties who use a mixture of public and private funds to serve families.
- Each partnership develops a needs assessment for their individual county or region and brings together the appropriate local resources to meet the community's needs.

- **Florida:** FLDOE distributes federal and state funding to the 30 regional early learning coalitions who are responsible for delivering local services and distributing local funding.
- The coalitions distribute funding based on a set hourly rate by type of delivery to public schools, accredited nonpublic schools, licensed child care centers, accredited faith-based centers, and licensed family child care homes.

- **West Virginia:** West Virginia has a structured pre-K collaborative system model that requires each county in the state to establish and maintain a county collaborative early childhood team. County teams are responsible for making joint decisions regarding the countywide pre-k program to best serve children and families of each community.
- Each county's collaborative core team must include representation from the county school system, the school system's preschool special needs program, a licensed child care program, and the Head Start program in that county. The team is responsible for meeting regularly to make key decisions focused on delivery of high-quality pre-K.

Resources for State Leaders

- "Local Governance for Early Childhood: Lessons from Leading States" by Vivian Terkel-Gat (2021)
- "The Nuts and Bolts of Building Early Childhood Systems through State/Local Initiatives" by Karen Ponder and Gretchen Ames, BUILD Initiative (2021)

III. Quality Rating and Improvement System

The quality of the experiences children have before they turn five is critically important for brain development.[20] The depth and frequency of positive, reciprocal interactions children have with the adults in their lives can be a powerful predictor of children's success in school and later in life.[21] Further, early educators need access to high-quality instructional tools, like curriculum and assessment tools, that support child development.

States have an opportunity to drive improvements in quality by designing a transformative quality rating and improvement system (QRIS) that provides families, policymakers, and other stakeholders valuable information about the quality of experiences that children have in classrooms. To do this, states should clearly articulate a vision for what early childhood classroom quality means, measure all early childhood classrooms against that definition of quality, and align all quality improvement supports to that definition.

LEVER 3: Build and refine a quality rating and improvement system that clearly and simply defines the experiences children should be having at each age level regardless of setting, and drives improvement across all providers

While most states have adopted a QRIS, those rating systems are often voluntary for providers, and as

Questions for State Leaders

☐ *Does the state have a clear definition of quality across all programs, funding types, and age groups?*

☐ *Is the current quality structure, QRIS or otherwise, collecting information over time correlated with or predictive of child outcomes?*

☐ *Is the current quality structure effectively driving improvement in every setting taking public funds (e.g., mandatory participation for publicly-funded providers, sufficient resources, supports, and funding to improve quality)?*

a result do not include all early childhood sites. Further, QRIS often focus on incentivizing sites to adopt program best practices (e.g., environmental factors, minimum health and safety practices, and other program features) that are not strongly tied to the quality of children's daily experiences.[22,23] As a result, the ratings produced by most QRIS cannot drive continuous, year-over-year improvement in the quality of experiences all children have.

Steps for State Leaders

1 Develop a clear definition of the experiences children should be having regardless of the setting in which they are being served

2 Include all early childhood providers in the state's QRIS, through a combination of incentives and policy requirements

3 Ensure the measures of quality used in the QRIS are research-based and predictive of child outcomes

4 Subsidize the costs of curriculum, such that every publicly-funded classroom in the state is equipped with high-quality instructional materials

5 Provide ample opportunities for training and professional development on curriculum and the measures used in the QRIS

6 Report the results from the QRIS annually and in a format designed to support families to make educated choices about where to enroll their children

Quality Rating and Improvement Systems: Case Study

As a result of the passage of Act 3, Louisiana mandates that every publicly-funded child care, Head Start, and pre-K participates in the state's unified quality rating system using the CLASS® tool, and annual performance profiles are published on Louisiana's School and Center Finder.

The CLASS® tool is a research-based and validated system of measures that both defines what quality looks like for the early childhood field and functions as a coaching and professional development tool across the state. A cadre of more than 1,200 local observers and coaches are trained to reliably use the CLASS® tool.

To drive improvement in classroom quality, as measured by the CLASS® tool, Louisiana aligned all of its quality improvement initiatives and strategies to CLASS®, including:[24]

- **Curriculum:** Through the Child Care Curriculum Initiative, early childhood providers are supported to purchase and adopt a Tier I curriculum.
- **Coaching:** The state's Child Care Resource and Referral agencies are contracted to provide coaching, training, and professional development aligned to CLASS®.
- **Intervention:** Sites that score below 3.75 on their overall CLASS® score are required to participate in a mandatory, yearlong site improvement planning process.
- **Financial incentives:** The state's package of School Readiness Tax Credits and Child Care Assistance Program bonus payments provide financial incentives for child care providers to make improvements in their CLASS® scores.
- **Teacher certification:** Within two years of their start date, lead teachers in early childhood classrooms are required to attain the Louisiana Early Childhood Ancillary Certificate (ECAC) from a state-approved ECAC program that uses a CLASS®-aligned preparation curriculum.

The alignment of all of these quality initiatives to Louisiana's early childhood quality north star, the CLASS® tool, has led to meaningful and research-validated[25] improvements in classroom quality year-over-year, with now more than 1,300 sites (~85%) rated Proficient or higher, with child care centers improving the most.[26]

Resources for State Leaders

- "Validation Studies for Early Learning and Care Quality Rating and Improvement Systems" by Lynn A. Karoly, RAND (2014)
- "Validation of the Quality Ratings Used in Quality Rating and Improvement Systems (QRIS): A Synthesis of State Studies" by Kathryn Tout et al, ChildTrends (2017)
- "The Value of Systemwide, High-Quality Data in Early Childhood Education" by Daphna Bassok and Anna Markowitz (2020)

IV. Workforce Development and Support

The work of an early childhood professional is incredibly challenging and dynamic, requiring important skills and competencies to be successful in the role. As a result, recruiting and retaining an effective early childhood workforce is paramount to achieving the vision for early childhood classroom quality and realizing the potential of investments in early childhood. Unfortunately, early childhood providers, especially in a child care setting, have difficulty recruiting high-quality early childhood educators, and an even harder time retaining them.[27] Studies find that teacher turnover in child care settings may be as high as 40% each year, much higher than estimates for annual K-12 teacher turnover.[28]

As a result, state efforts must be focused on supporting providers to recruit and retain a well-compensated and well-supported educator workforce.

LEVER 4: Focus on recruiting and retaining a well-compensated and diverse teacher workforce, and develop that workforce toward a focused set of skills and competencies

Given the crisis-level rates of teacher turnover in child care settings, in particular, state leaders should first focus on supporting early childhood providers to improve working conditions and compensation. Without addressing the root causes of turnover, investments in educator pipeline, professional development, and coaching will be wasted.

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Questions for State Leaders

☐ *Is the state examining key teacher workforce pipeline and retention challenges and implementing strategies to recruit and retain a diverse teacher workforce, including strategies to increase compensation?*

☐ *Has the state collected and analyzed workforce data to understand specific workforce challenges and identify solutions?*

☐ *Does the state have a defined set of skills and competencies for early educators directly tied to the vision of quality for classrooms?*

Steps for State Leaders

1 Support providers to increase retention, including through strategies[29] aimed at increasing or supplementing teacher compensation and benefits

2 Partner with institutions of higher education, including community colleges, to strengthen teacher and administrator preparation, and explore opportunities to reach untapped talent pools

3 Develop a simple set of core competencies and skills necessary for the early childhood workforce, and build a state-approved credential (e.g., CDA, AA) that is stackable with other credit-bearing opportunities and that emphasizes job-embedded training and coaching

4 Make funding and support available for teachers to attain a state-approved credential that is aligned to core competencies, once they enter the profession

5 Partner with high-quality providers to provide regular and ongoing opportunities for the workforce to participate in QRIS- and curriculum-aligned trainings, coaching, and professional development

Workforce Development and Support: State Examples

Understanding teacher retention: The Virginia Department of Education partnered with a research team at the University of Virginia to study the effects of incentives on reducing turnover in the early childhood educator workforce through Virginia's Teacher Recognition Program.

- With Preschool Development Grant Birth through Five (PDG B-5) funding, Virginia randomly assigned some child care centers, Head Start centers, and pre-K programs to offer teachers $1,500 if they remained in their position for eight months.
- The study found that the incentive had a large impact on teacher turnover in child care, in particular, where it cut turnover in half. At the end of the eight month period, 29% of center-based teachers that did not receive the incentive had left their jobs, compared to only 15% of center-based teachers that did receive the incentive.

Wage supplements for early childhood educators: North Carolina has two programs designed to supplement the wages of the low-paid child care educator workforce.

- The Infant-Toddler Educator AWARD$® (AWARD$) program provides education-based salary supplements to eligible early childhood teachers. To be eligible for AWARD$, applicants must work at least 35 hours/week with infants or toddlers; earn less than $20/hour; work in a licensed child care center or family child care home; and meet education attainment requirements. The AWARD$ amounts range from $2,000-$4,000.
- The Child Care WAGE$® Program provides education-based salary supplements to low-paid teachers, directors and family child care providers working with children between the ages of birth to five in participating counties.

A new early childhood credential: In an effort to professionalize the early childhood workforce and ensure that all teachers in early childhood classrooms develop a critical set of skills and competencies, Louisiana introduced the new Early Childhood Ancillary Certificate (ECAC).

- As of July 2018, all lead teachers in publicly-funded early childhood sites were required to complete ECAC coursework in a state board-approved teacher preparation program within two years of being hired at a publicly-funded early childhood site.
- ECAC programs train candidates on high-quality adult-child interactions (as measured by CLASS®), the use of child assessments, high-quality curriculum, and strategies to support children's growth and development across the birth through age five spectrum.
- Lead teachers who receive the ECAC and remain in the field of early childhood education are eligible for the highest levels of Louisiana's school readiness tax credit, which amounts to an annual wage supplement of $3,500.

Resources for State Leaders

- "Staffing and Compensation are at the Heart of Building a Better Early Childhood System" by Daphna Bassok, Anna J. Markowitz, Katherine Miller-Bains, and Isabelle Fares (2021)
- "Backgrounder on Compensation in Child Care" by Harriet Dichter, Mina Hong, and Asia Canady (2021)
- "Early Childhood Workforce Index – 2020" by Caitlin McLean, Lee J. E. Austin, Marcy Whitebook, and Krista L Olson (2020)

V. Funding Structures that Enable Equitable Access

A successful mixed delivery early childhood system includes diverse providers serving all ages before kindergarten through a mix of public funding (e.g., local, state, and federal) and private funding (e.g., tuition, philanthropy). However, the lack of alignment in requirements across funding sources and the enforcement from different levels of the system make it nearly impossible to coordinate efforts to serve the greatest number of children and families in a given community.

Challenges in funding are often common across provider types, particularly that funding rates are insufficient to cover the cost of care and education. This is particularly true for child care subsidy.

Vital to a successful early childhood system, child care centers and family child care homes typically operate on razor-thin margins and depend on public funding and support to serve low-income families. Most states' child care subsidy reimbursements are not set at a rate that matches the private market rate (i.e., what tuition paying families are charged), let alone a rate that covers the cost of providing high-quality care and education.[30] While states may face limiting factors in raising rates, state agencies have considerable influence over how they set up the rules and regulations to increase coordination with other program types, reduce unnecessary complexity, and increase access for needed services. Some states choose to keep reimbursement rates low to spread the limited subsidy funding further. However, as a result of low subsidy rates, even when low-income families qualify for child care subsidies, they often struggle to afford the difference between their

subsidy and the market rate, leading to significant underutilization. Furthermore, the child care providers who serve publicly-funded families do not have sufficient revenue to operate a stable business, retain an effective workforce, and provide high-quality care and education.

LEVER 5: Use funding and funding policies to enable family choice and stabilize the volatile early childhood sector

States should strengthen how they finance early care and education to ensure when a family qualifies for public funding for an early care and education slot, they have the same access to the available options as a tuition-paying family does. To achieve this, child care subsidy rates must better cover the costs for providing care and payment practices must incentivize providers to enroll children through public funds.

1 Set child care subsidy reimbursement rates at a level that better covers the costs of providing care to ensure that publicly-funded families can access the options available to them

2 Make child care subsidy payments based on monthly enrollment, rather than daily attendance, to mirror the private market and create more predictable revenue sources for providers

3 Incentivize costly and hard-to-provide care (e.g. nontraditional hours, infant/toddler care, care in child care deserts, etc.) through rate structures, such as cost-based rates, bonus payments, or other rate enhancements

4 Maximize family eligibility to provide as many families with subsidized early care and education as possible under federal rules

Funding Structures: State Example

Cost Estimation for Rate Setting

It is well-established that the price of child care in the private, tuition-paying market rarely covers the true cost of providing high-quality care, including the costs associated with staffing a well-prepared and well-compensated educator workforce.[31]

As a result, using the market rate to establish child care subsidy reimbursement rates perpetuates the fiscal challenges of the private child care market, contributing to sector-wide instability, poverty-level teacher wages, and challenges related to program quality.

New Mexico is one of the first states in the nation to use a cost estimation model to inform subsidy rates. **Louisiana**, too, recently approved new subsidy rates based on a narrow cost analysis, rather than market rates. This approach promises to incentivize child care providers to offer subsidy-funded care, stabilize the child care market, and ensure that families receiving subsidy can enroll in a provider of their choice.

Payments Based on Enrollment

In the private, tuition-paying child care market, it is typical for families to pay tuition for a full month, regardless of how many days their child attends. This model offers child care providers financial stability and predictability, and ensures that providers can cover their fixed monthly costs that do not vary by child attendance.

Prior to the COVID-19 pandemic, however, most states made subsidy payments to child care providers based on the child's daily attendance. This approach makes subsidy payments less predictable, and therefore less attractive, than private tuition payments, resulting in disincentives for providers to enroll subsidy-eligible children and financial instability for those that do.

As a result of the attendance challenges related to COVID-19, many states, including **Massachusetts**, shifted their reimbursements to be based on monthly enrollment, rather than daily attendance. This pandemic-related strategy has the potential to infuse much-needed financial stability into the child care market well after the immediate financial impacts of the pandemic.

Use of Grants and Contract

When administering child care subsidies, most states choose to use vouchers (i.e., funding follows the child if they transfer or disenroll mid-year). Some states have used grants or contracts to guarantee the funding for a set number of spots in a program for the year. This provides stable and predictable funding for providers and guarantees a fixed number of spots will be available for children eligible for subsidy.

Some states have used contracts to guarantee access to spots for particular, under-served groups. For example, **Georgia** uses contracts to guarantee available spots in high-quality centers for younger children—birth through age three—who are otherwise under-served. [32]

Resources for State Leaders

- "The True Cost of High-Quality Child Care Across the United States" by Simon Workman (2021)
- "Make Child Care More Stable: Pay by Enrollment" by Abbie Lieberman, Aaron Loewenberg, and Cara Sklar (2021)
- "Using the Access Framework to Guide Child Care Policy during the COVID-19 Crisis" by Patti Banghart & Elizabeth Bedrick (2020)

Conclusion

State early childhood leaders have a tremendous opportunity to strengthen their early childhood systems and implement bold and unified plans to achieve the vision that all children can access high-quality early care and education. The recent historic federal investments in early childhood create unprecedented opportunity and imperative to address system fragmentation and other persistent challenges in state early childhood systems. While every state context is different, state leaders should focus on the levers laid out in this framework as they develop a coherent plan that drives toward an early childhood system that supports the needs of all children and families.

	State Governance	Local Coordinator	Quality	Early Childhood Workforce	Funding Structures
Ideal State	States' early childhood programs and funding are unified in one state agency, organized by function and focused on user experience, with a single driving vision focused on a quality care and education experience for children.	States have a clear structure for local coordination, with those closest to children and families empowered with clear role definition, funding, and local autonomy to drive faster rates of improvement in both access and quality in their communities.	States adopt a unified quality measurement system with aligned improvement supports for all program types that drives toward improvement in measures that are predictive of child outcomes.	States ensure that teachers have the necessary skills and competencies to be effective, and that providers are supported to recruit and retain qualified teachers, including by raising compensation.	States increase CCDF subsidy rates to cover the costs for providing care and strengthen payment practices to mirror the private market, which increases the financial stability of the sector and leads to improved quality and workforce compensation and retention.
Current State	Most states' early childhood programs and funding sources are siloed across multiple agencies and under-prioritized by state leadership, resulting in incoherence and insufficient state investment.[33]	Most states have no clearly defined or effective local partnership model, resulting in a lack of coordination and leadership in communities where families live & work. Families and providers end up bearing the burden of navigating the system.[34]	Most states lack a single definition of the quality experience children should be having in classrooms in their current QRIS, that drives toward quality improvement across all publicly-funded early childhood programs.[35]	Most states prioritize unrealistic goals for the early childhood workforce, teachers earn poverty wages, and the sector experiences crisis-level turnover rates.[36]	Most states' subsidy reimbursement rates are far too low to cover true costs and payment practices are inconsistent with the private market, resulting in inadequate funding that leads to instability in the system as a whole.

For more information: contact@watershed-advisors.com

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Appendix: Data
Use data to drive decision-making by collecting and analyzing available information.

High Performing Systems: Ideal State
High-performing state early childhood systems use all available resources to support children birth to 5 to be healthy, thriving, and ready to learn and grow in school. To understand how to do this, all actors must have the information they need to make decisions.

	Elected Leaders	State Agencies	Local Leaders	Providers	Families
Ideal State	Understand the true demand for seats and services, exactly how many children go unserved each year, and the funding and policy changes needed to close the gap	Collect, use, and make available data that helps every stakeholder - families, providers, administrators, advocates, elected leaders - know how close or far the state is from achieving its vision for all children	At the community level, know how many children are in quality seats, what the gap is between demand and service, and what the drivers are to change that	Collect, use, and make available data that helps to predict future enrollment and vacancies, ensure classrooms are fully enrolled, predict staffing needs and capacity, and improve classroom quality	Know where there are vacancies in their community, and the quality and health/safety standards of available options to make informed decisions about where to enroll their children

Current State — Most states currently cannot answer the most basic questions about their system, like the number of children who need services or how many children are being served. Without answers to these questions, states will continue to rely on patchwork solutions to create incremental change, instead of making sure every available dollar is marshaled toward a unified vision for expanding access to high-quality early care and education. The effects of these poor data practices directly affect constituents, as providers cannot predict enrollment or revenue and families cannot make informed choices about their children's care.

Reaching the Ideal State
To understand how to better serve children, families, and providers, states must collect and analyze the right data. All data that are collected should address key questions that inform leaders at every level of the system (the state, local leaders, advocates, and elected officials). Rather than compliance requirements solely dictating the data that is collected, wherever possible state leaders should be intentional with data to ensure it enables them to answer the right questions.

Ideally, state agencies would invest in modernized Early Childhood Integrated Data Systems (ECIDS) that would collect and report data to answer these fundamental questions. However, many states are many years away from developing an ECIDS. In the short-term, there are ways state leaders can address the data limitations without a data system overhaul. For example, state leaders could institute an annual child count process, align the data fields collected by different programs, or charge and support local partners to assist in data collection in their communities.

The following questions are essential for stakeholders at all levels of the early childhood system to understand so that all decision-making can be intentional and grounded in data.

Appendix: Data

Fundamental Policy Questions

Landscape
- How many children birth to 5 reside in the state?
- What are their demographics (e.g., age, race, socio-economic status, gender identity, language, disability status)?
- How many children are currently being served through state funded programs?

System Capacity
- What is the current capacity (e.g., slots, teachers, space) of the system to serve children and families?
- How many providers are currently operating in the state?

Need and Demand
- How many children are in need of subsidized early care and education?
    - How does the current system capacity compare with this need?
    - How does current available funding compare with this need?
- What percent of children who are eligible for programs are actually accessing them?
- How do need and supply vary across the state?

Access to Quality
- How many children are being served at each level of quality, as measured by the state's QRIS? How does this vary by age? By region?
- How many sites accepting child care subsidy are growing in quality?

Workforce
- How many early childhood professionals work in the state?
- How many vacancies are there for early childhood professionals? Are they concentrated in a particular area?
- What is the turnover rate of early childhood professionals?
- What is the distribution of credentials or qualifications held by the workforce?

Operations
- How long does it take to process program eligibility for a family?
- How long does it take to process background checks for members of the workforce?
- How long does it take for providers to be licensed?