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**CASE STUDY<sup>1</sup>**  
**FINANCING AN EARLY CARE AND EDUCATION SYSTEM  
FOR THE STATE OF GREENFIELDS**

You are part of an Advisory Committee that has been established by the Governor and Legislature of the State of Greenfields. The Committee is charged with developing a comprehensive early care and education (ECE) system for children 0-5 years of age that maximizes resources and support by building on the State's current structures and resources. (While additional resources will be needed – and the Governor expects to develop a budget request to accompany the plan – she wants to show that all existing ECE resources will be tapped and that the system will be consistent and efficient.)

The enabling legislation charged the Advisory Committee with establishing a plan that includes multiple components, such as standards, quality assurance, professional development and program development, consumer and practitioner and public engagement, and financing. Our task is to explore the financing component—to provide an outline of how to finance each component of the comprehensive ECE system.

**The Context**

The Governor of Greenfields—Susan Sunlight—is a moderate Republican who loves children. She really wants Greenfields to be a terrific place to raise children. But she is also keenly focused on economic development and strengthening the State's business climate. Greenfields has a small State budget surplus this year, however, the Campaign for Greenfield Citizens is pushing for a tax cut and nearly every State agency has submitted a request for increased funds. While Governor Sunlight would like to launch a children's agenda and is not opposed to government support for early education, she often questions the liberal 'tax and spend' approach to policy and prefers market-based financing approaches. Additionally, she is in her first term and therefore needs to think carefully about public opinion and support for reelection.

The Greenfield legislature includes many members who care about children, but most are fiscally conservative. The State Senate is led by the Republicans and the House is led by Democrats.

Greenfield includes several moderately sized cities. A couple of these cities have launched local ECE efforts, led by either an employer group (in a city that serves as headquarters for several national corporations) or a local United Way Success by Six effort. Leaders in these communities would like to see higher income eligibility levels and reimbursement rates for child care subsidies as well as more support for quality

<sup>1</sup> Mitchell, A., & Stoney, L. (2006). Retrieved February 4, 2008, from [www.earlychildhoodfinance.org/2006financemeeting/CaseStudy.doc](http://www.earlychildhoodfinance.org/2006financemeeting/CaseStudy.doc)

improvement in the system as a whole. One of the State's largest cities – Browning -- has lost the manufacturing business that kept it alive for many years and is currently struggling to serve large numbers of poor and near-poor families. Browning advocates and policymakers want an increased percentage of State child care funds so that they can offer more child care assistance to poor families—not higher eligibility ceilings or higher rates.

### **ECE Systems that Currently Exist in Greenfields**

*Child Care Subsidies* are available for families receiving (or at risk of) Temporary Assistance for Needy Families (TANF) as well as employed parents with incomes at or below 200 percent of the Federal poverty level (or about 70 percent of the State Median Income). Child Care Market Rate ceilings are currently set at the 70<sup>th</sup> percentile, based on data from a survey conducted in 2004. Any legal child care provider can participate in the child care subsidy system. Two years ago the State began a tiered reimbursement effort and now pays rates that are 10 percent higher for nationally accredited programs. Child care funds are also used to support a few grant programs, including a special program that provides operating support to selected child care programs that serve infants and toddlers. Some grant recipients are centers and some are centers with family child care networks (and the infant/toddler care is provided in the family homes.) These programs, which must be accredited, are paid a negotiated rate which is higher than the market rate ceiling.

*Prekindergarten* – Greenfields has a state-funded prekindergarten program that is targeted to “at risk” 4 year-olds. Funds are awarded to school districts, which may elect to contract with community-based organizations to administer the program. Approximately 50 percent of the State's prekindergarten dollars are spent in community-based programs. Several members of the legislature, as well as the Greenfield Advocates for Early Education, are pushing for universal prekindergarten. The Education Department has not established funding standards for the prekindergarten program, although they now require that all prekindergarten staff receive training on the new Early Learning Guidelines.

*Head Start* - There are nine Head Start grantees in Greenfield's. All provide center-based care for 4- (and some 3-) year-olds who meet the Federal eligibility guidelines (e.g. family income at or below poverty). About half of the grantees operate full-day, full-year programs using child care subsidies and other third party funds to augment their Federal Head Start grants. The remaining programs offer part-day, school year services. The Head Start grantee in Browning also has an Early Head Start program. The Head Start Collaboration Director is housed at the Department of Human Services. She has spent most of her time helping local grantees build relationship with other agencies (health, mental health, etc.) to provide affordable comprehensive services.

*The State Early Childhood Comprehensives Systems* project is housed in the Department of Health and is creating a plan for a broad range of early childhood services, including early care and education. Once the plan is submitted to the Federal government (Maternal and Child Health) the State will be eligible to apply for funding to implement the plan.

*Standards* – Last year, the Child Care Division worked with the Education Department to develop Early Learning Guidelines (ELGs) – standards that define what children should know and do at various developmental levels.

The Child Care Division has also begun to draft standards for a Quality Rating System, which they hope to launch as a pilot (if they can get the additional funds needed to either hire more licensing staff and/or contract with the CCR&Rs to administer ratings.)

The Greenfield's Association for the Education of Young Children (GAEYC) sponsors an accreditation facilitation project, which is available in some parts of the State. And several of the local CCR&R agencies have launched quality improvement efforts that require programs to participate in an environmental rating using the Infant/Toddler Environment Rating Scale (ITERS), the Early Childhood Environment Rating Scale (ECERS) and/or the School-age Care Environment Rating Scale (SACERS).

*ECE Career Development* - Five years ago Greenfield's established a career development system that includes standards for personnel who work in child care programs. In addition:

- The State Child Development Office (in the Department of Human Services) contracted with a private sector vendor to create a 45 hour entry-level course that satisfies the basic training requirement for licensing and (theoretically) could articulate into college credit. The State issues an RFP each year to fund child care training provided by non-profit entities. This training always includes the core course, but training in addition to this is inconsistent and uncoordinated.
- The Department of Labor received a grant to establish an Apprenticeship program. The staff person who runs this program is deeply committed but not very connected to the broader early care and education community, and her grant will run out soon.
- Greenfields has a volunteer Higher Education committee that has struggled to make progress on articulation agreements. This group began as a subcommittee of the career development initiative, and has remained together but does not have any official status.
- Each Head Start grantee in Greenfields has developed a plan to increase staff qualifications through AA and BA degrees. Some have forged a relationship with their local community college; others are using their local Head Start funds to award scholarships to staff who take college-level courses. One large grantee has launched an in-house credit-bearing course series that brings college faculty into the center to teach. All of the grantees belong to the State Head Start Association.

*ECE Technical Assistance and Support Services* – The following organizations are the dominant (but not the only) providers of technical assistance and support to ECE programs and providers

- Greenfields has a statewide network of child care resource and referral (CCR&R) agencies that receive some State funding and also raise private dollars. While

CCR&R services vary by location, depending on resources, most agencies recruit and train family child care providers, offer training for center personnel as well as limited technical assistance (mostly by phone), sponsor a toy and book lending library, and maintain a database and provide parent referrals. Some CCR&Rs work with the GAEYC accreditation facilitation project and some of the CCR&Rs receive State funds to support an infant/toddler specialist. A few CCR&Rs are very entrepreneurial and provide extensive training and TA as well as a host of support services for the child care industry.

- The GAEYC raises private sector funds to support a small, statewide T.E.A.C.H. Early Childhood scholarship initiative, which they administer in collaboration with the CCR&R network. GAEYC and the CCR&R network have been talking with several funders and the State child care administrator about the feasibility of launching a wage supplementation effort. The funders see the value of a wage initiative, and have small amounts of money to contribute, but are worried that their funds will not be sufficient to make a difference and are therefore reluctant to support the proposal.
- Greenfields State University is the regional Head Start T/TA grantee. University faculty and staff also participate in the Higher Education Committee (established by the Greenfield ECE career development system) and from time to time administer other child care training initiatives.

### Available Resources

The following resources are currently used to support ECE in Greenfields:

*Child Care and Development Fund (CCDF)* – The State draws down all of the Federal CCDF funds that are available and last year transferred 20 percent of its TANF funds to child care. No TANF funds are spent directly on child care assistance.

*State Education Department* funds support a state-funded prekindergarten program that is targeted to “at risk” 4 year-olds. Funds are awarded to school districts, which may elect to contract with community-based organizations to administer the program. Approximately 50 percent of the State’s prekindergarten dollars are spent in community-based programs

*Child and Adult Care Food Program* funds are administered by the State Education Department. Approximately 40 percent of licensed centers, and 60 percent of licensed homes participate.

*The State Early Childhood Comprehensive System (SECCS)* grant is administered by the State Health Department. These funds have replaced the Healthy Start initiative, which supported Infant/Toddler specialists in the CCR&R agencies as well as some health and safety training. Last year these efforts were continued, using CCDF quality funds and a small amount of SECCS funding.

*Head Start* funds are available in many of the State’s low-income communities, and these grantees often braid funds from CCDF (to provide full-day services.) One grantee also has contracts with two local school districts and offers collaborative prekindergarten services.

*Tax Credit* - Greenfields has a State dependent care tax credit, but it is very small (25 percent of the Federal credit) and is not refundable.

*Additional sources* - Two of the State's metropolitan areas have used Community Development Block Grant funds and local tax levy dollars to provide grants to a few high-quality child care programs. Additionally, local ECE planning teams have raised private dollars to support grants to some high-quality early care and education programs. While many of these initiatives use national accreditation as their quality standard, this is not always a consistent practice.

From time to time, small amounts of money from other State and local agencies are used to support child care – the most funding comes from the sources noted above. There are two community foundations that have supported small early childhood projects in their localities. The larger United Way Success by Six initiative is beginning to shift its funding toward community impact and is considering what more systemic projects it might support.

### **Discussion Questions for the Finance Group**

The Advisory Committee is charged with developing a comprehensive plan for ECE services. One sub-committee is charged with developing common standards for all ECE programs and practitioners; another is charged with developing a common T/TA (support) system; another with monitoring; and so forth. Your sub-committee is charged with thinking through how a comprehensive system for early care and education services will be financed. Your task includes the following steps:

1. Identify the major categories of funding you will attempt to tap. (e.g. local, State or Federal appropriations from \_\_\_\_ agency, tax benefits for families, tax benefits for ECE providers, parent fees, etc.)
2. Describe how financing will build on/incorporate existing systems, funding streams and structures. (e.g. What needs to change? What can stay the same with minor modifications?)
3. Identify who should lead the process (of developing and/or implementing finance proposals) and who should be involved. If multiple leaders are appropriate, describe how this might work.
4. Brainstorm ways of securing the leadership and buy-in needed to implement comprehensive, cross-system ECE finance reform.