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QUALITY FIRST!

FY15 Proposed Model Updates

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TIMELINE

- Public Release—Week of April 8th
- Public Comments until May 17th
- Quality First Webinars:
  - April 25th and May 10th
- Proposed Updates June Board Meeting
- QF Comment Email: Qfupdates@azftf.gov

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PROGRESS EXPECTATIONS

When are providers no longer eligible to participate in QF?

- Programs rated at a 1 star must increase their rating to 2 star or higher within 3 assessment cycles.
- Programs rated at 2 stars must increase their rating to a 3 star or higher within 3 assessment cycles.

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SCHOLARSHIP ELIGIBILITY

- Beginning July 1, 2013 programs on the waiting list will not be eligible for scholarships.
- Beginning July 1, 2014 programs at the 2, 3, 4 and 5 star levels will be eligible for scholarships.
- Beginning July 1, 2015 programs at the 3, 4 and 5 star levels will be eligible for scholarships.

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SCHOLARSHIP RATES

- Currently 216 different rates:
  - 2010 DES Market Rate Survey (MRS)
  - DES Districts
  - Provider Type
  - Age Bands
  - Star Rating

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COST OF QUALITY

	1-Star	2-Star	3-Star	4-Star	5-Star
0 - 12 Months	$8,467.58	$8,467.58	$11,603.89	$14,282.49	$18,860.88
13 - 24 Months	$7,696.93	$7,696.93	$10,263.85	$14,282.49	$18,860.88
25 - 36 Months	$6,641.92	$6,641.92	$8,328.51	$10,709.54	$13,796.89
37 - 48 Months	$5,317.37	$5,317.37	$6,395.76	$8,327.57	$10,420.89
*49 - 60 Months	$5,034.80	$5,034.80	$5,983.43	$7,851.18	$9,745.69
Weighted Avg.	$6,142.45	$6,142.45	$7,711.36	$10,087.95	$12,915.90

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PROPOSED ANNUAL RATES

- Total of 4 variations in place of 216
- 2 age bands
- One statewide rate
- Family and group homes 67% center rate
- One rate at 3, 4 and 5 set at 90% of the cost of quality

		1 Star	2 Star	3-5 Stars
Centers	0-36 mo	$ -	$ 7,969	$ 11,300
	37-72 mo	$ -	$ 6,000	$ 7,300
Homes	0-36 mo	$ -	$ 5,625	$ 7,600
	37-72 mo	$ -	$ 4,875	$ 6,200

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SCHOLARSHIP SLOT FORMULA

- FY14 investment ($40 million) as base
- Maintain fiscal stability
- Maintain continuity of care for families
- Increase in star level coincides with an increase in scholarships:
  - Reward Quality
  - Provide low-income access highest possible care
- % of 3, 4, 5 star providers will increase over time:
  - Fewer slots per provider
  - Fewer children served

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SCHOLARSHIP SLOTS

- April 1st—date by which rating to be determined
- New program determined on actual star rating
- Financial incentives at 1 and 2 stars
- Scholarships at 3, 4, and 5 stars
- QF full participation with no scholarships
- Rates will be paid regardless of what program charges
- Tuition recommended not to exceed 10% of gross household income

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Alignment between Quality First and Pre-K

- Originally stand alone strategies
- Same desired outcome
- June 2012, State Board approved alignment of strategies
- Common branding
- QF regionally based strategy

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QUALITY FIRST PRE-K

- Rating Only
- New programs rated in year 1, scholarships in year 2
- Align selection process
- Option to double the cap
- Waiver available to go beyond double the cap
- Eligible for targeted scholarships

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QUALITY FIRST PRE-K

- Number of Pre-K slots funded at the discretion of each council
- Slots distributed based on eligibility
- Mentoring Component

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QUALITY FIRST BUY-IN

- Rating Only
- Cost neutral to FTF and grantees
- Priority assessment
- Sponsored Quality First sites

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T.E.A.C.H.

- Quality First no longer guaranteed 2 slots
- Quality First prioritized

Quality First!

FY15 Proposed Model Updates

Background

Quality First was launched in 2009, as Arizona's Quality Improvement and Rating System (QIRS). Thirty-one states have implemented QIRS initiatives in an effort to overlay a systems approach to early learning. In recognition that there is no one specific program approach to enhance quality, Quality First leverages multiple approaches—consultation, financial incentives and assessment—to create a continuous loop of quality improvement.

While it is clear that children with risk-factors, particularly children living in poverty, benefit from high quality early childhood experiences, as program quality increases so too do costs—making it difficult for low income families to access programs. In 2011, First Things First (FTF) state board approved model updates to Quality First in preparation for bringing the initiative closer to scale. Included in those model updates was a required formula to fund a baseline number of scholarships for low income children. In total, across regions, First Things First investment in access to high quality early education is upwards of $75 million annually. Though, combined with all available federal funding, it is estimated that only 20% of eligible children in Arizona are being served.

Data related to Quality First provider ratings has been analyzed since FY11. Preliminary results indicate that providers participating in Quality First are progressing in their star rating. This improvement in quality ratings reflects the expected model outcomes. Specifically, there are an increasing number of providers moving into the 3-5 star categories each year.

The following table shows the percentage of providers at the 3 to 5 star level from FY11 to January 2013.

Percentage of Quality First Providers at 3 to 5 star levels		
SFY 2011	**SFY 2012**	**SFY 2013 (April 2013)**
7%	9%	17%

For the past four months, a cross divisional team at FTF has been discussing and evaluating potential updates to the Quality First model. These discussions have resulted from quantitative data that has been gathered and qualitative feedback we have received from staff, regional council members, coaching and assessment staff and providers enrolled in Quality First. **Proposed updates would take effect starting July 1, 2014 (FY15).**

Public Comment

FTF staff will be presenting these recommendations to the state board at their June 2013 board meeting. Prior to these recommendations going to the board, FTF is seeking stakeholder input. Please take some time to review these proposed updates and provide FTF with your feedback and guidance. **You can email your thoughts and feedback to us at QFupdates@azftf.gov. We will be accepting comments through May 17, 2013.**

Quality First Expectation Eligibility

WHEN ARE PROVIDERS NO LONGER ELIGIBLE TO PARTICIPATE IN QF?

In order to be eligible for Quality First, programs must provide early care and education services to children birth through age 5 either in a center-based or family child care home. The program must be regulated and in good standing with one of the following:

* Arizona Department of Health Services (DHS)
* Arizona Department of Economic Security (DES)
* Tribal Regulation
* Department of Defense (Military)

Selections will be made based on the type of programs funded by the region (center or home). Applications will be prioritized by the date the application was submitted. Programs that applied earliest will receive priority during the selection process. Regional councils that fund Quality First may also identify a priority zip code preference that will be used in the selection process. No other priority preferences will be used to select programs into Quality First.

Once a program is enrolled and rated, supports are provided to help remove barriers to increasing quality within the program. Supports include:

- A Quality First Coach who partners onsite with the provider to develop quality improvement goals, provide classroom observations and feedback, customize training for the program staff, review program policies to support best practices in implementation and provide resources;
- Financial incentives that can be used to purchase materials and supplies that enhance the learning environment, offset costs of facility improvements that enhance the environment, and to support professional development opportunities for program staff;
- Formal assessment reports that provide the program an outside look at the environment and practices based on standardized program assessment tools;
- Child Care Health Consultation, either on-site or over the phone, to ensure that best practices in health and safety are incorporated in the program;
- T.E.A.C.H. Early Childhood Arizona® Scholarships to support the attainment of a Child Development Associate Credential (CDA) or Associate's Degree in Early Childhood Education.

A significant investment is being made to support the achievement and maintenance of quality early experiences for children birth – five. The expectation is that programs make progress and overcome barriers to increase quality throughout their enrollment in Quality First.

If progress is not made by a program, termination from Quality First may occur. The guidelines below outline the proposed expectations for progress:

- Programs rated at 1 star must increase their rating to a 2 star or higher within 3 assessment cycles. This means that a program rated at 1 star will have 2 years of improvement supports before a 2 star or higher is expected.
- Programs rated at 2 stars must increase their rating to a 3 star or higher within 3 assessment cycles. This means that a program rated at 2 stars will have 2 years of improvement supports before a 3 star or higher is expected.

Scholarship Eligibility

HOW LONG WILL FTF CONTINUE TO SUPPORT 1 AND 2 STAR PROVIDERS WITH SCHOLARSHIPS?

As an additional incentive for programs to increase their star rating as well as provide access to families who might not be able to afford child care, Quality First full participation providers at all five star levels receive scholarships on a tiered reimbursement scale. Over time, FTF will provide scholarships to providers only at the 3, 4 and 5 star level of quality:

- Beginning July 1, 2013 programs on the waiting list will not be eligible for scholarships.
- Beginning July 1, 2014 only programs at the 2, 3, 4 and 5 star levels will be eligible for scholarships.
- Beginning July 1, 2015 only programs at the 3, 4 and 5 star levels will be eligible for scholarships.

In order to ensure consistency for families and no abrupt cut off dates, new Quality First enrollees in FY14 that assess at one star will not be eligible for scholarships (this includes those that come into Quality First after April 1st, 2013). Similarly, new enrollees in FY15 that assess at the one and two star levels will not be eligible for scholarships.

When a program enrolls in Quality First, they are not able to receive scholarships until their assessment is completed. In order to most efficiently distribute scholarships in a timely manner, FTF will prioritize assessments for new Quality First enrollees to optimize their opportunity to obtain a star rating that provides them the opportunity to receive scholarships. Programs that are awaiting their 2nd and beyond assessments will receive their assessment within the timelines required in the Assessment Performance Measures, but will receive assessments after any newly enrolled program.

In an effort to provide access for children/families at or below 200% of poverty level to high quality programs, First Things First is considering a policy to ensure that all Quality First programs demonstrate efforts to recruit and retain children whose families meet the income eligibility for First Things First Scholarships. ***FTF would like to receive comments with specific recommendations about what type of criteria should be included in a policy requiring that providers enrolled in Quality First serve low income children.***

Scholarship Rates

HOW DO WE ALIGN RATES TO REFLECT THE ACTUAL COST OF QUALITY?

QF Scholarships are currently based on a percentage of the 2010 DES Market Rate Survey (MRS) and are tiered based on star rating. Taking all variables into account, FTF currently reimburses QF scholarships at 216 different rates. These variations include:

- 6 DES Districts (depending on the provider location within Arizona)
- 3 separate provider types
    - Center
    - Group Home
    - Family Home
- 3 age-bands for scholarship-eligible children

- Infants
- Toddlers
- Pre-Schoolers

- 4 reimbursement tiers based on QF star level
  - 75% of DES MRS (1 & 2 star providers)
  - 85% of DES MRS (3 star providers)
  - 100% of DES MRS (4 star providers)
  - 110% of DES MRS (5 star providers)

Pre-Kindergarten Scholarships are paid uniformly at one flat rate across the state. Regardless of program location, size or star level, all preschool children receiving a PreK Scholarship are reimbursed at $600 per month.

Updates to the Quality First Scholarship model are designed to accomplish two primary objectives; first to ensure that rates are aligned with the cost of quality and second to simplify the rate structure.

The Arizona Cost of Quality in Early Childhood Education Study was undertaken to provide critical information about the actual costs of delivering early care and education and how these costs rise with increasing levels of quality. Data from the cost survey were then analyzed with initial assessment (ERS and CLASS) results for Quality First or the Quality First Rating Pilot Study participants (center based providers) to determine how costs relate to quality. The final product of the Study is a model, based on actual Arizona program costs and Quality First assessment results, for the cost to deliver early care and education at each Quality First star level. Results indicate the following trend and costs as related to quality (see Graph below).

Insight gained from the Cost of Quality Study informs First Things First's overall Quality, Access and Affordability planning. Specifically, as a part of QF model enhancement, study findings were utilized to determine the proposed scholarship rates paid to providers.

Cost of Quality Study: Annual Rate Findings

	1-Star	2-Star	3-Star	4-Star	5-Star
0 - 12 Months	$8,467.58	$8,467.58	$11,603.89	$14,282.49	$18,860.88
13 - 24 Months	$7,696.93	$7,696.93	$10,263.85	$14,282.49	$18,860.88
25 - 36 Months	$6,641.92	$6,641.92	$8,328.51	$10,709.54	$13,796.89
37 - 48 Months	$5,317.37	$5,317.37	$6,395.76	$8,327.57	$10,420.89
*49 - 60 Months	$5,034.80	$5,034.80	$5,983.43	$7,851.18	$9,745.69
Weighted Avg.	**$6,142.45**	**$6,142.45**	**$7,711.36**	**$10,087.95**	**$12,915.90**

**Please note that the Cost of Quality Study preschool age band was only studied to 60 months. First Things First provides scholarships to children up to 72 months of age and used the 49 – 60 Month age band from this study in considering the preschool age band rate.*

Based on this information, FTF proposes the following rate structure:

SUMMARY TABLE FOR FY15 PROPOSED ANNUAL RATES

		1 Star	2 Star	3-5 Stars
Centers	0-36 mo	$ -	$ 7,969	$11,300
	37-72 mo	$ -	$ 6,000	$ 7,300
Homes	0-36 mo	$ -	$ 5,625	$ 7,600
	37-72 mo	$ -	$ 4,875	$ 6,200

- Move from three to two age bands: 1) children birth to 36 months and, 2) children 37 to 60 months. As children move from one age band to the next, the reimbursement for the provider will be adjusted to reflect the correct age band based on the child's birthdate.
- The reimbursement rate will be the same across the state. This acknowledges that the cost of quality is the same regardless of the geography of a program.
- Family and group child care home rates will be equivalent and set at an average of 67% of center rate for the 0 – 36 month age band and 85% of the center rate for the 37 – 72 month age band. First Things First based the percentage on a similar percentage difference in center and home rates from the 2012 DES Market Rate Survey.
- There will be one rate for 3, 4 and 5 star level providers. The rate will be set at approximately 90% of the cost of quality for a four star level of quality, with the intent that other provider revenues are used in conjunction with the FTF scholarship amount to cover the cost of quality. **Proposed rates are on par or exceed the 2012 DES MRS for over 85% of districts and age bands.**

These changes would result in scholarship reimbursements being paid at four different rates described above instead of the 216 variations currently in place.

FY15 is the last year that 2 star providers are eligible to receive scholarships. As a transition year for these providers, we are proposing to adjust both their rate and the number of scholarship slots they are eligible to receive. **New Rates for 2 star providers will still be based on the 2010 DES MRS and be calculated at 75% of those values.**

The following table represents what DES is currently paying based on the 2000 Market Rate Survey and what DES would pay if using the 2012 Market Rate Survey:

WHAT DES IS CURRENTLY PAYING 75th percentile from 2000 DES MRS	Annual			2012 DES Market Rate Study 75th percentile from 2012 DES MRS	Annual		
	Center	Family	Group Home		Center	Family	Group Home
Dist1				Dist1			
0 and <1	7,550.00	5,000.00	6,000.00	0 and <1	12,250.00	6,250.00	8,750.00
1 and <3	6,650.00	5,000.00	5,500.00	1 and <3	12,500.00	6,250.00	7,750.00
3 and <6	5,950.00	4,500.00	5,000.00	3 and <6	10,250.00	6,250.00	7,750.00
Dist2				Dist2			
0 and <1	6,750.00	4,750.00	5,500.00	0 and <1	12,500.00	7,000.00	6,750.00
1 and <3	6,250.00	4,500.00	5,500.00	1 and <3	11,250.00	6,250.00	6,750.00
3 and <6	5,522.50	4,500.00	5,000.00	3 and <6	9,875.00	6,250.00	6,500.00
Dist3				Dist3			
0 and <1	5,600.00	4,500.00	5,750.00	0 and <1	8,050.00	6,250.00	7,500.00
1 and <3	5,200.00	4,250.00	5,500.00	1 and <3	7,650.00	6,250.00	7,500.00
3 and <6	5,000.00	4,000.00	5,500.00	3 and <6	7,977.50	6,250.00	7,500.00
Dist4				Dist4			
0 and <1	5,250.00	4,500.00	5,000.00	0 and <1	7,000.00	5,000.00	6,250.00
1 and <3	4,750.00	4,250.00	4,500.00	1 and <3	6,950.00	5,000.00	6,250.00
3 and <6	4,500.00	4,250.00	4,500.00	3 and <6	6,250.00	5,000.00	6,250.00
Dist5				Dist5			
0 and <1	7,500.00	5,000.00	4,750.00	0 and <1	14,165.00	7,000.00	7,500.00
1 and <3	7,000.00	5,000.00	4,750.00	1 and <3	13,750.00	6,250.00	7,487.50
3 and <6	5,000.00	4,500.00	4,750.00	3 and <6	10,000.00	6,250.00	7,487.50
Dist6				Dist6			
0 and <1	8,000.00	4,500.00	5,300.00	0 and <1	8,000.00	6,080.00	7,500.00
1 and <3	5,200.00	4,250.00	5,312.50	1 and <3	7,725.00	6,022.50	6,375.00
3 and <6	4,750.00	4,000.00	4,625.00	3 and <6	7,725.00	6,022.50	6,250.00

Scholarship Slots

HOW DO WE INCENTIVIZE QUALITY AND PROVIDE ACCESS WITH SCHOLARSHIP SUPPORT?

The formula modeling that was developed during this review assumes a base amount consistent with FY14 regional funding levels for scholarships (approximately $40 million). The goal was to maintain fiscal stability for regions while maintaining continuity of scholarships for families to the extent possible.

In order to keep the model financially consistent and to accommodate the variation in provider type, size and movement along the rating scale, **estimates** of the number of scholarships have been calculated through FY18. The higher on the rating scale, the more scholarships will be available to individual providers. The following chart represents those **estimates** and includes a decrease in the total

number of scholarships over the future fiscal years, accounting for more programs progressing into the 3 – 5 star range. As more programs achieve the quality levels, the scholarships, if maintained at the FY14 funding levels, would be divided among more programs. **Assumptions are based on current data, but must be updated each year as these are five year projections:**

	# of slots/provider					Change from Year to Year						
Current*	*1*	*2*	*3*	*4*	*5*	*1*	*2*	*3*	*4*	*5*	*Total estimated available QF Scholarships across the state*	*Total estimated cost of QF Scholarships across the state*
FY 14	*Star*	*Star*	*Star*	*Star*	*Star*	*Star*	*Star*	*Star*	*Star*	*Star*		
Homes	1	2	2	3	4							
Small	4	5	6	8	9							
Med	6	7	9	11	12							
Lg	9	10	12	15	17						6,132	$ 38,745,899
FY 15												
Homes	0	1	2	3	4	-1	-1	0	0	0		
Small	0	4	6	8	9	-4	-1	0	0	0		
Med	0	6	9	11	12	-6	-1	0	0	0		
Lg	0	9	12	15	17	-9	-1	0	0	0	5,148	$ 39,290,702
FY 16												
Homes	0	0	3	4	5	0	-1	1	1	1		
Small	0	0	7	9	11	0	-4	1	1	2		
Med	0	0	16	18	20	0	-6	7	7	8		
Lg	0	0	21	23	25	0	-9	9	8	8	4,284	$ 38,519,850
FY 17												
Homes	0	0	2	3	4	0	0	-1	-1	-1		
Small	0	0	4	6	8	0	0	-3	-3	-3		
Med	0	0	13	15	17	0	0	-3	-3	-3		
Lg	0	0	18	20	22	0	0	-3	-3	-3	4,446	$ 40,067,902
FY 18												
Homes	0	0	1	2	3	0	0	-1	-1	-1		
Small	0	0	2	4	6	0	0	-2	-2	-2		
Med	0	0	11	13	15	0	0	-2	-2	-2		
Lg	0	0	15	18	20	0	0	-3	-2	-2	4,425	$ 40,028,686

** Chart assumptions:*

- *Consistent number of QF enrolled providers year over year.*
- *Progression in quality rating of sites year over year was based on the platform of historical data trends. FY15 eliminates scholarships for 1 star providers and begins the "phase out" of 2 star providers by offering 1 less scholarship to each provider. This phase out is necessary in order to maintain a total investment to scholarships of roughly $40M across the state while simultaneously increasing the reimbursement rate for each scholarship and the number of providers anticipated rating at the 3-5 star level by FY15.*
- *FY16 eliminates scholarships for 2 star providers and increases the number of scholarships awarded to all providers at the 3-5 star level. This is done in an effort to more closely tie the number of awarded scholarship slots to the capacity of each site, while simultaneously maintaining a constant investment across the regions.*

- *FY17 requires a reduction of 1 scholarship per home site and 3 scholarships per center site if providers across the state progress in their quality as precisely as our model predict.*
- *In FY18 the number of slots that were awarded to 3 star sites in FY17 are now awarded to 4 star sites, and the number previously awarded to 4 star sites are now awarded to 5 stars. This serves a dual purpose of:*
    - *incenting sites to increase quality year over year*
    - *keeping within the $40M range (note: 5 star providers all receive fewer scholarship slots than they did in FY17 with this approach)*

A program's star rating as of April 1st each year will be used to determine the number of scholarships for the coming fiscal year. A program's star rating will be based on the completed ERS and CLASS assessments. If a program is in the middle of their Quality First Points Scale process as of April 1st, the estimated star rating based on the ERS and CLASS will be used.

If a new program is assessed after April 1st, their scholarship award will be based on their actual star rating (as opposed to an estimated star rating). New programs will begin receiving scholarships once their star rating is determined.

Financial incentives for programs in Quality First full participation will be eliminated at the 3, 4 and 5 star levels. This decrease in financial incentives will be offset through increased scholarship dollars to serve low income children. Programs funded for Quality First full participation without scholarships at a star rating of 3, 4, or 5 will not have access to financial incentives.

Financial incentives for programs in Quality First full participation will continue at the one and two star levels and will remain at the current rates.

A region can fund a provider in full QF participation with NO scholarships if the site has declined scholarships and can prove they are serving low-income children (FTF to develop criteria and process).

First Things First rates above will be paid no matter what the program charges for their services. The family co-pay guidelines will remain the same.

If a program charges more tuition than the First Things First scholarship reimbursement rate and the parent is responsible for the difference, it is the intent that families, whenever possible, contribute toward that gap in the cost of child care. Although, this is not a requirement, First Things First recommends this contribution, and it should not exceed 10% of the gross household income.

Alignment between Quality First and Preschool

HOW DO FAMILIES GAIN ACCESS TO HIGH QUALITY EARLY LEARNING ACROSS A SEAMLESS DELIVERY SYSTEM?

FTF invests more than $74 million annually to improve the access to and quality of early learning programs in a wide variety of settings. While there are a number of different strategies funded at the regional level, the three primary strategies are Quality First, Quality First Scholarships and Pre-Kindergarten Scholarships. Originally, each of these programs were conceived as stand-alone initiatives with different funding amounts, standards of practice and administrative structures, even though they

all had the same desired outcome to provide more children the chance to experience high quality early learning programs. In June 2012, the First Things First state board approved the recommendation to align Quality First, Quality First Scholarships and Pre-K Scholarships.

Concurrently, Quality First Rating using all 3 assessment tools began July 1, 2012, and provides a consistent, rigorous measure of quality for all programs, regardless of the setting chosen by parents, and regardless of how they are funded. The Quality First Rating Scale at the 3 to 5 star level reflects the Standard of Practice for the Pre-K Scholarship strategy, and all participating Pre-K programs are assessed on the Quality First Rating Scale. Programs will be able to maintain Pre-K status if they achieve a rating of 3 stars or higher. This system approach to aligning Quality First and Pre-K not only promotes the same level of quality among Quality First and Pre-K programs, but will also provide consistent scholarship reimbursement rates for quality regardless of the strategy or provider setting.

The FTF white paper, "*Alignment of Quality First Rating, Quality First Scholarships and Pre-Kindergarten Scholarships*" is attached and provides a more in-depth discussion of these connected strategies.

As part of this alignment, we propose connecting the branding of Quality First and Pre-K, formally titling FTF's Pre-K funding as Quality First Pre-K. It is important for families to easily connect the dots by understanding the importance of quality across their child's early learning experience—from birth to kindergarten. As FTF's public launch of Quality First occurs in August 2013, this also simplifies the branding and signage available to all providers in Arizona's mixed market delivery system regardless of whether infants, toddlers or preschoolers are being served.

Quality First Pre-K will become a special population within QF Additional scholarships. While the preschool age band is targeted, regional councils can further target scholarships in the same manner as they can target Quality First scholarships:

- Star level
- Zip code

Additional proposed updates to the alignment of Quality First to both Quality First and Quality First Pre-K Scholarships include:

- If a regional council wants to specifically target 3-5 year olds, the options are to either do this through Quality First or Quality First Pre-K. If it is through Quality First, this targeting happens above the base formula for Quality First Scholarships (by funding additional scholarships).
- Full participation Quality First sites are able to be converted to Rating Only if the program is Head Start, IDEA, Title 1, tribal or military and is already rated at 3-5 stars by November 1st each year for conversion in the following fiscal year. Programs converted to Rating Only may still access:
    - T.E.A.C.H. through the pooling process
    - Specialized technical assistance through the Birth to Five Helpline in CCHC, MHC, and INC
- New rating only programs will be rated in the first year and eligible for QF Pre-K scholarships in the second year. A program must already have a star rating before scholarships can be

awarded. New Rating Only programs will be eligible for any unused QF scholarships upon their final star rating for the remainder of the fiscal year. These scholarships would not be guaranteed in future fiscal years.

- Programs that are currently receiving Pre-K scholarships and rating only or just rating only without scholarships can maintain this status if their program qualifies based on having an alternate financial infrastructure to support quality (i.e. Head Start, IDEA, Title 1, tribal or military) and having a 3-5 star rating as of April 1, 2013 and maintain a 3 – 5 star rating throughout their participation in Quality First.
- The selection process for QF Pre-K is the same as Quality First additional scholarships and runs through the Quality First Scholarship grantee. The priority process is as follows:
    - 50/50 split of funding between private child care and school districts
    - Programs currently receiving pre-K
    - Star Rating
    - Priority Zip Code (if the region provides a zip code preference, this will be considered before star rating).
- Caps and double caps follow the same QF logic but are calculated separately from QF scholarships based on funding made available by the council and the number of provider applicants to QF Pre-K scholarships.
- A waiver is necessary for both QF and QF Pre-K Scholarships if a region funds over double the cap. Sample waiver forms are attached.
    - If QF Pre-K applicants anticipate needing a waiver, the waiver should be submitted by the applicant at the same time as the QF Pre-K Scholarship application. This waiver will be considered when scholarships are allocated by the grantee. Because the funding for the Pre-K strategy is set, a program could get more than double the cap if there was more funding than applicants.
    - If QF Scholarships over double the cap are funded by a region, the waiver would be provided to the programs by the region and submitted to the ELSIT team. Regions would first need to determine if additional scholarships would be funded. If a region does not fund additional scholarships with the intent to go over double the cap, then the waiver would not be distributed.
- QF Pre-K sites are also eligible for targeted scholarships (i.e., teen parents, and any unused QF scholarship that is redistributed after 60 days of nonuse by a program)
- QF Pre-K slots are funded at the discretion of each regional council based on how many full-time slots they want to fund. The scholarship grantee distributes the scholarships based on eligible provider applications. Priority will be for current participants, then star rating (5 star first, then 4, etc.), lastly zip code (if a region provides a priority zip code, this would be considered before star rating). FTF's goal is to serve children across the mixed market system, ensuring that there is overall equity across QF Pre-K sites, with at least half of all scholarships going to private providers.
- In place of the current mentoring component to the Pre-K strategy a multi-regional Pre-K transition strategy will be developed. The strategy will provide targeted consultation with providers in the areas of pre-k transitions to kindergarten, early learning and common core standards, and alignment of standards, curriculum and child assessment. This strategy would

be an added consultant much like MHC and INC. Regions will invest in this strategy at their discretion; it is not required to be funded with pre-k scholarships. The unit cost of this strategy is to be determined.

Existing Quality First and Pre-K sites that are rated 3-5 stars at the time funding plans are being developed can be moved into rating only with QF Pre-K scholarships IF they meet the rating only criteria (i.e., Head Start, Title 1, IDEA, tribal or military). **They must be rated at least a 3 star at the time funding plans are being developed.**

Quality First Buy-In Option

CAN PROGRAMS BUY INTO QUALITY FIRST OR CAN PROGRAMS RECEIVE SPONSORSHIP TO QUALITY FIRST?

Beginning in FY15 (July 1, 2014), providers will have the option of purchasing the Quality First rating only package. This will include assessment and a limited amount of coaching in preparation for the assessment. The cost will be revenue neutral to FTF and its vendors and will cover the expenses related to services provided.

Although a buy in for rating only will be available for any site, FTF Regional Councils are able to continue to fund rating only slots in Head Start, IDEA (special education), Title 1, military and tribal funded programs.

Programs that wish to have a second assessment within the 12 month assessment cycle may submit a request to the assessment grantee. Requests will not be accepted earlier that 6 months prior to the next assessment cycle date, and programs must pay the cost for an assessment directly to the assessment grantee. The ability to conduct an additional assessment will be determined by the capacity of the assessment grantee and communicated to the program and to First Things First.

Private businesses, philanthropists, tribes or other entities who are interested in sponsoring additional Quality First sites, scholarships or Quality First Pre-K scholarships can do so by making a grant to FTF and designating the purpose of the investment. These grants can be targeted to a specific site, zip code, or region.

Additional details about the specific process for making donation(s), any tax deductions that apply, FTF preparation for accepting these donations, timeline for selections, etc. are still to be determined.

T.E.A.C.H.

HOW CAN WE CONTINUE TO INCREASE THE UTILIZATION OF T.E.A.C.H. SCHOLARSHIPS?

In FY13, A pool of T.E.A.C.H. scholarships was created to enhance and facilitate uptake of scholarships within Quality First and to allow for more efficient awarding of scholarships in the instances that they are not being utilized within Quality First. The pool is created by those scholarships that are deferred by Quality First programs during the first 90 days following enrollment in Quality First. In order to further the accessibility to T.E.A.C.H., we propose continuing this method of awarding scholarships, with one exception. Quality First sites will not be guaranteed a specific number of slots. Quality First sites WILL

be guaranteed first priority status. This pooling is related to statewide dollars, not regional dollars. The document that outlines the T.E.A.C.H. priorities for enrollment is attached. Current T.E.A.C.H. scholars are prioritized to ensure continuity of their college attendance.

The TEACH funding model will be updated to more accurately align with current program demand and costs. The net result of this for the Quality First full participation model, will be a reduction in average number of TEACH scholars served per provider as well as a reduction in cost per scholar. It is estimated that as a result of these updates, the total cost to fund the TEACH strategy will reduce by over 50% (to align with current actual costs). As part of this adjustment, there is also a reduction in the number of scholars that are projected to be served annually. It is FTF's intent to continue to work with the grantee awarded under this strategy to find areas of demand currently not being served. Success in these efforts will result in future year increases to the number of scholars served per provider funded, resulting in marginal increases in costs.

First Things First Strategy Brief

Alignment of Quality First Rating, Quality First Scholarships and Pre-Kindergarten Scholarships

FTF invests more than $154 million annually in early childhood development and health programs, with $75 million of those funds committed to improve the access to and quality of early learning programs in a wide variety of settings. While there are a variety of different strategies deployed at the regional level, the three primary strategies are Quality First, Quality First Scholarships and Pre-Kindergarten Scholarships. Originally, each of these programs were conceived as stand-alone initiatives with different funding amounts, standards of practice and administrative structures, even though they all had the same desired outcome--to provide more children the chance to experience high quality early learning programs. In June 2012, the First Things First state board approved the recommendation to align Quality First, Quality First Scholarships and Pre-K Scholarships. FY13 marked the first year of alignment between the three strategies. The purpose of this informational sheet is to provide an analysis of the participation in early learning programs for 3 and 4 yr. old children, including those funded by First Things First, and identify opportunities for further alignment of quality standards and leveraging of program resources so more children have access to early learning programs.

Access to Early Learning:

The number of young children living with in households where all the parents are in the workforce, as well as the number of Arizona children 0-5 living in poverty shows a significant percentage of children who would benefit from early learning programming during the day, as well as a significant percentage of families that would likely need financial assistance to afford a quality early learning program.

General Demographics	
Children age 0-5	546,609
Children age 3-5 (preschool age, not enrolled in kindergarten)	191,643
Percent of children 0-5 living in poverty**	30%
Percent of children 3-5 living in poverty**	24%
Percent of children 0-5 with both parents in workforce	31%
Percent of children 0-5 with single parent in workforce	26%

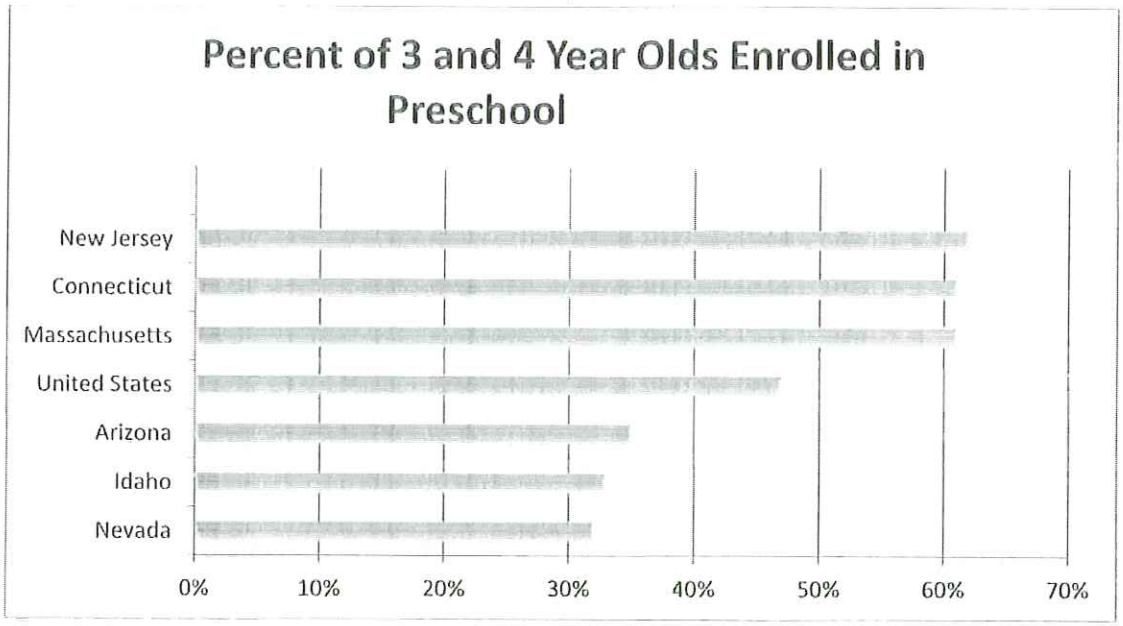
**poverty is defined at or below an annual income of $21,756 for a family of 4

However, as evidenced by the table below, only 20 percent of children with working parents are currently served by existing early learning programs in Arizona, and only 22 percent of low-income children have access to these programs.

Children Enrolled in Early Learning Programs			
Program	Total Enrolled (Estimated)	As % of Children in Homes where All Adults Work	As % of Children at/below 200% FPL
FTF Pre-K Scholarships (3-5 years)	3,166	1%	1%
Quality First Scholarships (0-5 years)	5,806	2%	2%
Head Start (3-4 years)	22,892	7%	8%
Special Education Pre-K (3-5 years)	15,235	5%	5%
DES Child Care Subsidy (0-5 years)*	16,257	5%	6%
TOTAL	**63,356**	**20%**	**22%**
Estimated # of Children 0-5 in Homes where Adults Work	311,567		
Estimated # of Children 0-5 at/below 200% FPL	283,139		

*Approximately 3,966 children 0-5 are on the waiting list, unable to access services. This is contrasted with data from 2009 when at the highest mark, approximately 28,987 children 0-5 were served, and there was no waiting list.

According to data in the 2011 American Community Survey, only two states have a lower percentage of 3 and 4 year old children enrolled in preschool than Arizona (35 percent). New Jersey has the highest at 62 percent.



Source: ACS 2011

FTF Pre-K Scholarship Strategy

FTF's Pre-K Scholarship strategy was developed by Regional Councils to expand access to high-quality preschool programs for 3 and 4 yr. old children from low-income families at or below 200% of the federal poverty level. While the initial participants included two public school districts, and impacted less than 100 children, interest rapidly grew to serve 2,381 children by FY 2013. The Pre-K Scholarship strategy was initially contrasted from Quality First with high quality requirements for teacher qualifications, group size and ratio of children to teachers, and curriculum and assessment practices identified in the Standard of Practice. Programs receiving Pre-K Scholarships must already be providing a high-quality program. However, until FY13 there was no assessment required. Beginning in FY13, all pre-K sites must be assessed on the same quality scale as Quality First sites. With the availability of QF ratings, all preschool programs must demonstrate quality and adherence to the Standard of Practice by achieving a QF rating of 3 stars or higher.

Because of the high-quality standards programs are required to maintain for Pre-K Scholarships, the scholarship payment amount is higher than for programs that have not achieved the same quality level. Compared to other states that offer a similar program, First Things First's Pre-K Scholarship rates are among the highest in the nation at $6,000 per child for a full-time 10-month program and $3,000 per child for a part-time 10-month program. The national average cost per child is $4,151, and only seven states pay more per child than Arizona with a range of $6,780 in Washington to $11,669 in New Jersey.

The Pre-K Scholarship strategy is administered by two grantees with distinct roles in providing services. Valley of the Sun United Way is responsible for administering scholarship payments to participating early learning programs. The Arizona Department of Education is responsible for the application and

selection process and for facilitating the connection between public school programs and community-based pre-K programs to promote the leveraging of resources and to ensure smooth transitions as children enter kindergarten.

FTF Quality First Strategy:

Quality First provides one of the most comprehensive and highly incentivized quality improvement and rating systems in the country, focusing on elements and impacts on a child's development and readiness for school such as social and emotional development, language scaffolding, concept development an quality classroom environments and practices. Direct supports for early learning programs include individualized asset-based coaching, child care health consultation, T.E.A.C.H. educator scholarships and financial incentives and rewards. Quality First also pays a portion of a participating program's licensing fees directly to the Department of Health Services. Participating programs also have access to additional consultation in the areas of infant/toddler mental health and the inclusion of children with developmental delays or disabilities.

The rigorous Quality First assessment and rating system incorporates valid and reliable assessment tools for monitoring quality standards, highly-trained assessors who meet or exceed industry reliability standards, and a monitoring schedule for annual or biennial monitoring and assessment depending on the quality rating of a program. The Environment Rating Scales (ERS) and the Classroom Assessment Scoring System (CLASS) are used together to measure the quality of the environment and the interactions between adults and children. The Quality First Points Scale uses portfolio documentation to assess three additional evidenced-based quality areas that are not addressed in the ERS or CLASS. These include staff qualifications, administrative practices, and curriculum and child assessment.

The scores of each assessment tool are calculated collectively to assign a star rating based on the Quality First Rating. The Quality First Rating Scale includes a 5-star scale based on tiered Program Standards, with 1 star demonstrating a commitment to examine practices and improve beyond the level of state licensing requirements, and 5 stars demonstrating a level of quality that supports significant educational and developmental outcomes for young children.

Quality First also offers a Rating Only participation option that provides the full assessment and rating components with short-term, less intensive coaching for those programs that are likely to or have already achieved at least a 3 star Quality Rating. Currently, the Rating Only option is available to programs funded through Head Start, Title 1, IDEA, FTF Pre-K Scholarships, and for some tribal programs that are supported through tribal funding.

Quality First Scholarships are available to most all providers serving low-income families who are working, looking for work or improving their work skills through training or education and/or wish their children to benefit from a quality learning environment. The number of scholarships and reimbursement amount varies depending on the Quality First rating for each program. Scholarships help maintain the

supply of quality programs, and provide continuity of care for families who might otherwise be unable to pay for quality care.

FY14 Quality First Program and Scholarship Sample Costs		
	Regional Cost	Total Cost Including State Funded Components
1 Star LARGE Center *Most Expensive Program*	$22,858	$33,258
5 Star SMALL Center *Least Expensive Program*	$11,509	$18,135
3 Star Home	$9,409	$14,390
Rating Only Center	$8,532	N/A
Rating Only Home	$8,532	N/A
Average Per Child Scholarship Cost	$6,365	N/A

Alignment of Quality First and Pre-K Scholarship Strategies

First Things First developed and funds Quality First to improve and measure quality early development and learning programs for all children. Quality First Rating began July 1, 2012, and provides a consistent, rigorous measure of quality for all programs, regardless of the setting chosen by parents, and regardless of how they are funded. The Quality First Rating Scale at the 3 to 5 star level reflects the Standard of Practice for the Pre-K Scholarship strategy, and now all participating Pre-K programs will be assessed the Quality First Rating Scale. All programs will be able to maintain Pre-K status if they achieve a rating of 3 stars or higher.

This system approach to aligning Quality First and Pre-K not only promotes the same level of quality among Quality First and Pre-K programs, but will also provide consistent scholarship reimbursement rates for quality regardless of the strategy or provider setting.

Currently, scholarship reimbursement is different for Quality First programs compared to Pre-K programs (see chart below). However, beginning in FY15, all Quality First programs and Pre-K programs will be reimbursed at the same rate depending on star level.

FY13 ANNUAL SCHOLARSHIP RATES FOR PRESCHOOL AGED CHILDREN (12 Month Program)				
	Quality First Rates			Pre-K Rates*
	3 Star	4 Star	5 Star	3, 4 & 5 Star

Dist1	6,800.00	8,000.00	8,800.00	7,200.00
Dist2	6,162.50	7,250.00	7,975.00	
Dist3	5,100.00	6,000.00	6,600.00	
Dist4	4,675.00	5,500.00	6,050.00	
Dist5	5,843.75	6,875.00	7,562.50	
Dist6	5,089.38	5,987.50	6,586.25	

*Rates for Pre-Kindergarten Scholarships are $600.00/month for full time and $300.00/month for part time for programs rated at 3, 4 or 5 stars.

Opportunities for Growth - Financing Early Learning Programs

Currently, many early learning programs operate separately from each other due to different eligibility requirements, funding mechanisms, agency administrative practices and program emphases. However, Arizona has an opportunity to create a more integrated and responsive early education system by blending and braiding funding streams and pooling resources to impact more children at the beginning of the education continuum. Blending and braiding funding is already occurring across the state. Some specific examples include:

- The Peoria Elementary School District uses First Things First Pre-K Scholarship funds, IDEA Preschool Special Education funds and DES Child Care Subsidy to provide inclusion preschool classrooms at several elementary schools across the district.

- The Tucson Unified School District blends federal Title 1 funds and First Things First Pre-K Scholarships to provide more access to preschool programs for low-income children throughout the district.

- The Gila River Indian Community supplies matching funds to blend with First Things First Pre-K funding and federal 638 funds to provide comprehensive preschool programming and services such as oral health exams and hearing and vision screening for 4 year olds. The goal is that three years from now, 80 percent of 4 year olds will be served.

Program funds from Title 1, IDEA Special Education Preschool, Head Start, and Child Care Subsidy can be used with Pre-K and Quality First Scholarships, along with affordable parent fees to develop and expand coordinated early learning programs to impact more children and reduce the gap between children enrolled in programs, and children from families that do not have equal access and opportunity for quality early learning experiences.

Conclusion

Families in Arizona access early learning and preschool in a variety of settings. FTF's role is to assist in enhancing the quality of settings and expanding the choices parents have for their young children. Further, our role is to continue to promote a seamless market place—one that parents can navigate with information and ease. While FTF continue to bring significant resources to this marketplace, FTF

alone cannot sustain the whole system. It will take creative partnerships, the blending and braiding of funding and the leveraging of additional resources to continue to expand high quality learning opportunities to young children across Arizona.

First Things First
Quality First Child Care Scholarships
Waiver Procedure

Waivers to the Standards of Practice or Scope of Work for Quality First Child Care and Pre-Kindergarten Scholarships may be considered and granted under specified circumstances. A Regional Council must approve the ability to support the waiver (for options 1 and 2 below, additional scholarship funding must be allocated). Waivers are valid for one (1) fiscal year. Should the Regional Council determine that a waiver is necessary in subsequent years, a new Waiver Request form must be submitted.

Waivers may be considered for the following:

1. Awarding more scholarships than the prescribed cap by the Quality First model.
2. Awarding Quality First Child Care scholarships to 1 star programs in FY15 and/or 1-2 star programs in FY16.
3. Changing the eligibility requirements to allow scholarship awards to families with income between 200% and 300% of the Federal Poverty Level.

Regional Council Considerations for funding the waiver options above:

1. Awarding more scholarships than are allowed by the Quality First model:
   - What regulated care is currently available in the community (Head Start, Licensed/Certified Child Care Facilities)? What is the capacity of these sites to serve children (is there a wait list, are there open slots)? What is the quality, if known, of the regulated care in the region?
   - what are the factors that lead to funding an entire classroom? If an entire classroom is necessary, what other funding sources are available in the region to share the cost (Title 1, IDEA, Head Start, Community Education, philanthropic, parent tuition and other child tuition subsidy)?
   - What efforts can be started now to build a shared funding model?

2. Awarding Quality First Child Care scholarships to 1 star programs in FY15 and/or 1-2 star programs in FY16:
   - What reasons exist for continuing to fund scholarships for families in 1 star programs in FY15 and/or 2 star programs in FY16? Such as reduction of scholarships could mean no access to regulated child care in a region, there are no 2 star or higher programs in FY15 or 3 – 5 star providers in FY16, etc.

3. Changing the eligibility requirements for a particular region to allow scholarship awards to families with income between 200% and 300% of the Federal Poverty Level:
   - Are there enough scholarships to ensure that all eligible families are able to be served first?
   - Are there other quality programs in the area that are meeting the demand for families at 200% of FPL or below?(i.e. Head Start is serving all of the families at 100% FPL in the area)
   - Is the cost of care so high in a region that families with incomes between 200% and 300% FPL cannot access quality care and education?

Procedures:

- Regional Director supplies the Waiver Request form to the provider upon the decision of the Regional Council to support the waiver.
- Waivers will be provided to programs by February 1st and are due the last day of February each year.
- Waiver Request form is submitted to a subcommittee of the ELSIT for decision. Please submit the waiver to First Things First by postal mail to 4000 North Central Avenue, Phoenix, AZ 85013 or by fax to 602.274.6351Decision is made by the subcommittee of the ELSIT to approve or deny the waiver request. Subcommittee members include:
    - Regional Director (only to review the waiver requests for their region)
    - ELSIT Facilitator
    - Scholarship Finance Representative
    - Scholarship Program Representative
- Copies of the signed Waiver Requests with decision are sent to appropriate grantees and Regional Directors by March 31st each year.

Resources:

- The Quality First Public Rating report indicates the programs that have a public star rating by region. This report can be used to understand data related to Option #2 above.
- The Quality First Enrolled report indicates the program size. In conjunction with the Quality First Public Rating report, the base number of Quality First Child Care Scholarships can be determined to understand what double the cap would be. This information is important to understand if a waiver is necessary for Option #1 above.

FIRST THINGS FIRST

Ready for School. Set for Life.

Scholarship Waiver Form

This request form is to be completed by the early care and education program seeking the scholarship waiver. This form is only provided to programs upon the Regional Council's decision to accept and fund waivers. If you have not received this form from a Regional Director/Council, please contact the Regional Director to determine if waivers are being accepted. Waiver Requests are due by the last day of February and are submitted to:

Please submit the waiver to First Things First by postal mail to 4000 North Central Avenue, Phoenix, AZ 85013 or by fax to 602.274.6351

Date of Request:_____

Early Care and Education programs are eligible to submit waivers for the following: (regional director/council to select option(s) and delete the rest):

☐ Request more scholarships than are allowed by the Quality First model.

How many scholarships do you currently receive?_____

How many additional scholarships are you requesting?_____

Please attach written rationale that addresses the following questions:

1. What sources of funding are you currently receiving to operate your program?
2. What other funding options have you pursued (IDEA, Title I, Head Start, Community Education, Parent Tuition, Philanthropy, other child tuition subsidy) and what were the outcomes?
3. What goals are you setting to build a mixed deliver/funding model to operate your program?

☐ Awarding Quality First Child Care scholarships to 1 star programs in FY15 and/or 1-2 star programs in FY16.

What is the current star rating of your program?_____

How long have you participated in Quality First?_____

Please attach written rationale that addresses the following questions:

1. What quality improvement goals have you accomplished throughout your participation in Quality First?
2. What are the barriers in achieving a 3 star or higher rating?
3. What are your current Quality Improvement goals to achieve a higher star rating? What results do you expect upon completion of these goals?
4. What goals are you setting to build a blended funding model to operate your program?

☐ Changing the eligibility requirements for a particular region to allow scholarship awards to families with income between 200% and 300% of the Federal Poverty Level.

Please attach written rationale that addresses the following questions:

1. Describe the circumstances that exist to increase the family eligibility up to 300% of FPL? Include the percentage of children at or below 200% of Federal Poverty level are currently being served?

FIRST THINGS FIRST

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Early Care and Education Program Submitting the Request:

Name:_____

Address:_____

Regional Council:_____

_____	_____	_____
Early Care and Education Program Name	Signature	Date

For FTF Use only

Decision: ☐ **Approved** ☐ **Denied** *(Rationale for denial attached)*

_____	_____	_____
FTF Representative	Signature	Date

Once approved, copy to:

- Scholarship Grantee
- Early Care and Education Program
- Regional Director

Effective 8/9/12

PRIORITY: Ongoing outreach and recruitment of T.E.A.C.H. scholarship applicants in Quality First enrolled programs

*Only after step one is complete, remaining scholarships may go into a pool and are awarded based on the following priorities

1st

- Offer T.E.A.C.H. scholarships to those in Quality First enrolled programs as allocated in their QF package. Those QF enrolled programs who choose to defer the scholarships must have a Deferment Agreement on file within 90 days of enrollment in QF

2nd*

- Review T.E.A.C.H. applications from QF programs within the Region who previously deferred and have applied to reinstate T.E.A.C.H. scholarships
- Review T.E.A.C.H. applications in addition to the QF package within the Region
- Review T.E.A.C.H. applications from Rating Only QF programs within the Region

3rd

- Review T.E.A.C.H. applications from QF programs outside the Region who previously deferred and have applied to reinstate T.E.A.C.H. scholarships
- Review T.E.A.C.H. applications in addition to the QF package outside the Region
- Review T.E.A.C.H. applications from Rating Only QF programs outside the Region

4th

- Review T.E.A.C.H. applications for those on the Quality First waitlist within the Region

5th

- Review T.E.A.C.H. applications for those on the Quality First waitlist outside the Region

6th

- Review T.E.A.C.H. applications from those not participating in Quality First witihin the Region

7th

- Review T.E.A.C.H. applications from those not participating in Quality First outside the Region

Note: Outreach and recruitment efforts must be documented to justify the awarded scholarships at each level