FIRST THINGS FIRST

Comprehensive Quality, Access and Affordability of Early Care and Education

First Things First Strategic Roadmap

System Outcome:	All children have access to high quality early care and education
Goals:	FTF will improve access to quality early care and education programs and settings FTF will increase availability and affordability of early care and education settings.

Overview of First Things First Comprehensive Approach

Every young child in Arizona should have equal opportunity for high-quality early care and education which promotes their social, emotional, cognitive and physical development. Neuroscientists, economists and educators are aligned in identifying that early care and education beginning at birth is an investment that pays dividends as children enter kindergarten and move through the early elementary grades, transition to college and career, and become adult citizens in their community. Early care and education may take place in the family home environment, in informal family, friend and neighbor community settings, and also in more formalized programs provided in centers, schools and home-based settings. Families that choose early care and education programs for their children do so for a variety of reasons, and should have options for programs that are:

- High quality to provide all children opportunities that result in positive early development and learning outcomes
- Compliant with health and safety regulations
- Responsive to family choice by offering part-day or full-day, part-year or year-round options in a variety of settings
- Available in communities where families live and work
- Affordable and within reach of family budgets

First Things First unequivocally recognizes quality, access and affordability as the essential elements of an early care and education system. The combination of all three must be included in a comprehensive model that offers access for families to affordable, programs that provide quality early childhood experiences for their young children.

Comprehensive Model for Early Learning

This model requires systemic reform within the state, community and the field of early care and education so that early care and education is recognized as a part of the educational system. The new paradigm shifts from an emphasis on simply providing child care to support working families to a system focused on the development and education of young children. The financing of this model also moves from using individual funding silos that are often inadequate in isolation, to blending and layering various funding streams together to recognize the actual cost of quality care and education. This system requires a commitment to:

Quality:

- Requires and incentivizes the **improvement and maintenance of quality** programs and practices leading to desired child outcomes that promote success in school.
- Recognizes that poor quality does not produce positive outcomes for children, and can actually be harmful for young children.

Multi-service Delivery:

- Offers families **choice and is accessible** for any child through a multi-service delivery system that includes private child care centers and preschools, family child care homes, programs based in public and Tribal schools, Head Start and Early Head Start, and faith-based programs.
- Provides options for early care and education that are part-time, full-time and available during nontraditional hours to meet the needs of children and families.

Sustainable Financing:

- Is **adequately financed** to improve and sustain quality through an effective combination of market-based, public and private financing strategies, with affordable family fees.

Measurable Outcomes and Accountability:

- Is data-driven to **achieve positive outcomes** for children and continuous system improvement.

Current Funding to Meet Demand and Cost for Quality Early Care and Education

Parents, private organizations and public agencies, including First Things First, all contribute funding and have a role in supporting the cost for quality early care and education. However, this funding system has been significantly affected by the ongoing financial crisis. Fewer families are enrolling their children in early care and education programs, reflecting they can no longer afford programs due to unemployment or reduced wages. This has resulted in a loss of program providers due to decreased demand for services, and a workforce hard hit by layoffs. Families currently seeking early care and education programs are faced with fewer choices and higher costs, which also impacts the number of children enrolled in quality programs. Instead, more families are making do by leaving children at home alone or in other less safe environments, hoping the arrangement is temporary until times improve.

Current funding sources for the Arizona early care and education system include:

Child Care Subsidy – This program is administered by the Arizona Department of Economic Security, and is funded through the federal Child Care Development Fund Block Grant and the state general fund. In November 2008, 49,207 children were eligible and receiving care; however, only 31,492 children were receiving care by January 2010, a decrease of 36% or nearly 18,000 children across the state. Similarly, the appropriated budget for FY 2009 was $190 million compared with $144 million in FY 2010.

Head Start – Approximately 23,000 children are served in Head Start and Early Head Start programs in Arizona through community-based non-profit organizations, tribal programs, local municipalities and school districts. All Head Start funding in Arizona is federal funding and totaled $127.5 million in 2009. Head Start programs are usually 3-4 hours/day, 4 -5 days/week, and 9 months/year. There is no cost to families for Head Start programs, and eligibility is determined by family income or whether a child has a disability.

Public Preschool Education Grants: Special Education and Early Childhood Block Grant – With the midyear elimination of the Early Childhood Block Grant, nearly $5 million in funding is no longer available to the Arizona Department of Education (ADE) to fund school and community based prekindergarten programs. ADE continues to fund Special Education with annual expenditures at just over $5 million. ADE serves less than 2% of Arizona's children in early care and education programs.

Families – In Arizona, 53% of children five years and younger live in families defined as low income (incomes at or below 200% of the federal poverty level) or up to $44,100 for a family of 4. There are approximately 600,000 children 5 and younger in Arizona, and about half that number lives in families where both parents work. The cost of quality early care and education is out of the reach of low-income and many middle-income parents with the current annual average cost for infants and 4-year olds in center-based care at $8,505 and $6,626, respectively.[i]

Private, Philanthropic and Faith-Based Organizations – Funding support from these organizations for early care and education is typically provided for a small targeted group of children that may qualify for support due to family income level or some other type of eligibility criteria, such as membership in the faith community. Data on the amount of funding support provided by these organizations is not available, but is considered to be a very small percentage of overall financial support available for early care and education.

Child Care Licensing and Certification – Licensing, through the Arizona Department of Health Services, and certification of child care homes, through the Arizona Department of Economic Security, provide assurance that basic health and safety program standards are met by providers that are regulated in the early care and education system. Funding for these functions is considered an operational cost of the system and is not available to families or providers.

Family, Friend and Neighbor Care – It is estimated that 50% of young children from families seeking some type of child care are cared for by family members, friends or neighbors. The care provided may be or may not be paid for by the family. Data on the number of providers, the use of this type of arrangement, and typical cost is not readily available.

First Things First – For FY 2010 and 2011, First Things First has developed and funded multiple strategies, totaling $74 million, which contribute to the comprehensive early care and education system. Strategies include:

Improving Quality

Quality First ($16.5 million in FY 2010 and $24.9 million in 2011) – Quality First is a First Things First signature program that uses a comprehensive model of program assessment, coaching, college scholarships for teachers through T.E.A.C.H., child care health and mental health consultation, and financial incentives, including wage enhancement, through First Things First Professional REWARD$, to improve quality in early care and education settings. Nearly 600 center and home-based providers began participating in Quality First's improvement phase in FY2010, with an additional 226 programs slated to begin in FY2011. Quality Star Ratings will be launched in summer 2011 for those programs that wish to receive a rating without participating in the quality improvement phase. Beginning in January 2012 those enrolled in the Quality First improvement phase will also be rated. Programs rated at or above a specific quality level will receive additional incentives and financial support to maintain quality programming.

Increasing Access and Affordability

Emergency Child Care Scholarships ($23.3 million in FY 2009 through 2010) – In April 2009, First Things First provided families throughout the state the ability to temporarily access and maintain child care arrangements in response to the severe economic downturn that resulted in unstable employment including lost jobs, reduced work hours, and reduced wages. Scholarships were made available to families that were not receiving child care subsidy benefits from the Arizona Department of Economic Security and with incomes at or below 200% of the federal poverty level. The First Things First emergency child care scholarships allowed over 10,000 children to remain in their early care and education settings and programs to remain open to serve those children. Providers who accepted emergency scholarships were required to show a commitment to quality as evidenced by national accreditation or application and enrollment in Quality First.

Ongoing Child Care Scholarships ($7 million in FY 2010 and $11 million in FY 2011) – Nineteen Regional Councils invested additional resources in FY2010 for child care scholarships after funds from the emergency child care scholarships were depleted. FY2011 funding plans reveal that 17 Regional Councils are supporting scholarships. This investment in affordability by Councils must be tied to improved levels of quality. In the future, scholarship amounts can be tiered and attached to quality ratings to recognize the higher cost of quality child care. As such, scholarships are a useful tool toward more affordable early care, as well as an incentive for systemic shift to higher quality programming.

Early Care and Education Expansion for Children Ages Three to Five (Pre-K) ($3 million in FY 2010 and $6.5 million in FY 2011) – Four Regional Councils in FY 2010 and four more in FY 2011 invested funding to expand affordable, quality pre-kindergarten services to eligible children through a mixed service delivery model. This model is characterized by school districts or federal programs, such as Head Start, that partner with community-based early childhood education providers, including private, for-profit or non-profit programs, to support access to an array of program choices for families. A funding formula, similar to those used in public education, is applied to determine the annual cost per child in a quality setting. This level of funding provides an ongoing, stable revenue source for participating providers to support quality programming and engage in long-term planning. High-quality standards, combined with formula funded per-child rates, assure the stability and sustainability of the early care and education system, while providing options which meet the needs of children and families.

Early Care and Education Expansion for Infants and Toddlers ($1 million in FY 2011) – Similar in purpose to the preschool expansion strategy, expanding access to and affordability of high quality programs for infants and toddlers is a new strategy in development by three Regional Councils. According to the national policy organization, Zero to Three[ii], infant and toddler care is more expensive, not often available and among the lowest quality. Funding for expansion of infant and toddler care will also be tied to a provider's commitment to quality, as evidenced by either accreditation by a national professional organization or by application and enrollment in Quality First.

Proposed Statewide Access and Affordability Strategy: Quality First Scholarships

As First Things First maintains its significant investment in Quality First and other quality strategies over the next several years, the supply of quality settings will increase, leading to greater access to programs and expanded family choice. An adequate supply of quality programs is valuable only if families can afford them, so a sustainable financing model that robustly supports the number of quality settings, with affordable family fees, is critical for reform and long-term viability of the early care and education system. As part of a long-term plan to develop a sustainable financing model that is fully funded and operational, First Things First proposes development of a new statewide quality-based scholarship strategy, Quality First Scholarships. In addition to current Regional strategies that increase affordability, these scholarships provide an additional layer of funding to existing Quality First base payments for T.E.A.C.H., REWARD$, and Quality Improvement and Rating incentives.

Highlights of the statewide scholarships model include:

<u>Quality:</u>

- Incentivizes and rewards programs for improving (and eventually achieving) quality and promotes developmentally effective practices that result in early learning outcomes
- Direct link to quality with progressive performance indicators and benchmarks to measure progress
- Quality criteria for provider participation which is determined and benchmarked annually; criteria will include Quality First Rating benchmark in FY 2012

Administration and Multi-service Delivery:

- Development of strategy completed by September 2010 so that Regional Councils may consider for inclusion in FY 2012 funding plans
- Implementation in FY 2012 will replace the FY 2011 child care scholarship strategy
- Administration through a statewide administrative home that interfaces with varied program settings
- Coordination and alignment of Regional Council investments in quality, access and affordability
- Progressive model that moves system reform by increasing quality, access and affordability in a timeframe that is realistic for making substantive changes in the system
- Standardized eligibility criteria for the family (for instance, family income at or below 200% Federal Poverty Level);
- Infrastructure and administrative costs funded through statewide grant dollars; scholarships funded through Regional Councils and other public or private sources
- Regional Council funding can purchase the Quality First Scholarships as a separate component of Quality First
- Continual development of the scholarship model, informed by a new Quality First Advisory Committee

Sustainable Financing:

- Reform of system financing by:
  - Providing scholarship payment based on annual cost of quality programming per child as determined by current Arizona Market Rate Survey, national research and a FY 2011 FTF study on Cost of Quality Early Care and Education
  - Moving from reimbursement model which is often financially inconsistent and less likely to promote sustainability of quality programs to formula funding that supports quality, enhances stability and provides opportunity to engage in long-term planning
  - Adding significant additional funding to a financing system that is currently limited in resources
- Funding is formula based using a standardized per child daily rate (for example: daily rate x 5days/week x 50 weeks/year), and Regional Council determines the number of funded scholarships for full-day or part-day.
- Payment is made to providers on a monthly basis for the total number of funded scholarships to support stable budgeting for sustained quality improvement.
- Scholarships are layered onto other Quality First financial supports
- Child care subsidy and affordable parent fees are always part of the comprehensive financing model
- An affordable sliding scale fee for families is available

Measurable Outcomes and Accountability:

- Direct link to quality with progressive performance indicators and benchmarks to measure progress
- Application of data from studies on supply and demand and cost of quality in early care and education programs

Quality First Scholarships Implementation Timeline

Date	Quality First Scholarships Implementation
April 2010	• Release RFGA for new contract for statewide administration of current and proposed FTF scholarships programs beginning in FY 2011
May 2010	• Present Quality First Scholarships strategy for Board approval • Begin education and information sessions for Regional Council members on Quality First Scholarships
June 2010	• Close-out of any remaining FTF Emergency Child Care Scholarships • Convene Quality First Advisory Committee to inform ongoing policy and program development for all associated programs within the Quality First model
July 2010	• Transition to ongoing child care scholarships strategies approved in 2011 Regional Council Funding Plans • Begin study on Arizona Demand and Capacity for early care and education
August 2010	• Award grant for administrative home for FTF child care scholarships • FTF "Back to School" communications theme highlights impact of child care scholarships • Begin pilot study on Quality First Rating system
September 2010	• Finalize Quality First Scholarships program model, standards of practice, eligibility criteria, and payment structure so that Regional Councils may consider strategy in development of FY 2012 funding plans • Begin study on Cost of Quality Early Care and Education to inform future level of scholarship funding and long-term sustainable financing model for system
Ongoing	• Utilize Quality First Advisory Committee to inform ongoing policy and program development

July 2011	• Transition all FTF scholarships to Quality First Scholarships model • FY 2012 scholarship cost benchmark reflects current data on cost of quality, including available findings from FTF Cost of Quality study • FY 2012 quality benchmark begins transition to utilize Quality First Rating
September 2011	• Establish FY 2013 benchmarks for funding amount, number of scholarships and quality level
Ongoing	• Quality First Advisory Committee continues to inform policy implementation and program development
July 2012	• FY 2013 scholarship cost benchmark reflects current data on cost of quality
Ongoing	• Establish subsequent FY benchmarks for number of scholarships, cost and quality level • Utilize Quality First Advisory Committee to inform ongoing policy and program development

First Things First staff recommendations:

1) The Board supports development of a statewide Quality First Scholarships model for implementation in FY 2012 as a component in achieving a comprehensive high quality, accessible and affordable early care and education system.

2) Recognizing the value of scholarships in a comprehensive high quality, accessible and affordable early care and education system, the Board supports Regional Partnership Councils using carry forward or other funds that will not be expended by June 30, 2010 to extend and expand current or new child care scholarship strategies in FY 2011 funding plans.

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[i] National Center for Children in Poverty. Early Childhood Profile: Arizona. (2010). Available at: http://www.nccp.org/profiles/AZ_profile_16.html. Also see National Association of Child Care Resource and Referral Agencies. 2009 Child Care in the State of Arizona. Available at: http://www.naccrra.org/randd/data/docs/AZ.pdf.

[ii] Seizing the Potential: Quality Infant-Toddler Child Care. (2009). Zero to Three. Available at: http://www.zerotothree.org/site/DocServer/Child_CareMar5singles.pdf?docID=7866.
Quality Child Care for Infants and Toddlers: Case Studies of Three Community Strategies. (2003). Mathematica Policy Research, Inc. and Zero to Three Policy Center. Available at: http://www.mathematica-mpr.com/PDFs/qualchildhlthes.pdf.