Funding Workgroup Draft

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Working Outline

Big picture goal for child care

Provide equitable access to developmentally appropriate, culturally relevant, and inclusive child care for children and families across race, ethnicity, language, geography, disability, and income. (Raise Up Oregon) If we do this,

- Child development will be better supported (workforce of tomorrow)
- Oregon's economy will have a better chance of recovering and businesses can find qualified workforce (workforce of today)

Problem

This goal is not currently met.

- System gaps cause disparities by race/ethnicity, language, geography, disability, and income, and these disparities layer (i.e. greater system gaps if you are Native American <u>and</u> live in remote, rural Oregon). (OSU Child Care Studies)
- 11% of families who are federally eligible for subsidized care actually get support, and even families who are above eligibility need help.
- Oregon relies more heavily on parent tuition and less on public financing than other states. (Pratt, Study B)
- Average length of utilization of the current subsidy program has been 4 months.
- 70% of child care financing comes from parents. The high cost of child care is prohibitive for many parents. Even parents who receive a subsidy have unaffordable co-pays in Oregon. Providers set tuition rates based on what parents can afford, not what the true cost of providing care is. Uncollected parent co-pays are a financial burden on providers. (Pratt, Study C)
- At the same time, child care providers are among the lowest paid in our society to do an incredibly valuable job and an essential service for children, parents, and society. Child care businesses operate on razor thin margins. (Pratt, Study C)
- There is misalignment between licensure requirements and the cost of providing quality child care with our per-child funding/financing approach. Essentially, the business of child care providers often can't balance their budget.
- Oregon currently provides inconsistent support for child care providers to foster child development.
- Child care governance and funding split across multiple agencies with different missions and priorities.
- Current payment practices (in Direct Pay Unit) create financial challenges for providers. (Pratt, Study C)

- Lack of affordable, accessible, quality child care has a ripple effect on our whole economy.

A Path Forward

We know that care work allows all other work to happen. To build the childcare system Oregon needs will ultimately require a publicly financed, universal system (more closely mirroring what exists in K-12) that acknowledges child care is as essential/foundational for children, families, and society.

Public financing for child care is required to achieve our goal. Landmark Transforming the Financing of Early Care and Education report from the National Academies of Sciences, Engineering and Medicine has made this point well-established.

We must both spend funding well and secure adequate funding in order to achieve our goal. The solutions proposed below would ideally be achieved by increasing public funding for child care. But we can also spend existing investments more effectively by creating a child care assistance program that works well, even while it serves only a small fraction of eligible families. In recent years, Oregon has ended the biennium with a surplus in the Employment Related Day Care program even while most Oregon families cannot afford child care. The surplus is due to under-enrollment in the program caused by agency policy choices that create barriers for parent and provider participation. Quality child care is what makes a difference in the trajectory of child development and effectively supports parent work, college, and other essential activities. We shouldn't let lack of funding now for the system we envision stop us from making needed improvements to child care in Oregon. We should take the opportunity to build a strong child care system that is worthy of and ready for significant investment.

Oregon won't be alone in financing the quality early care and education system we need. Growing support for the federally proposed Child Care for Working Families Act indicates potential for child care financing can be a state-federal partnership, and we do not need to be reliant solely on the General Fund. Multiple presidential candidates in the 2020 primary elections had early care and education plans in their platforms. Oregon children and families will benefit most if we are prepared for potential investment from state and feds.

There are a number of steps Oregon can take now to prepare for meaningful federal, state, and local investments in child care. First, we must ensure that we have consolidated governance to ensure our financing policies and practices are most strategic and effective to increase supply for everyone, stabilizes child care, attends to the diverse needs of parents, and supports child development. One agency would ensure we have the data and information we need to track and respond to supply and demand for child care, and the role of multiple programs (i.e. Preschool Promise, Baby Promise, Oregon PreKindergarten/Head Start, etc.) in meeting the child care needs of children, families, and business & society. One agency could identify the cost of care that meets the needs, and allows easier blending of funding streams. We need support for local infrastructure to support child care quality and access, including Child Care Resource & Referrals and Early Learning Hubs.

Second, the Oregon Legislature can enact an updated statutory framework to more clearly articulate the goals we hope to achieve in child care, including:

- Affordability and accessibility for families
- Sustainability for child care providers

- Culturally relevant, inclusive, and developmentally appropriate care for children

Third, one Agency, empowered with budget and policy authority for child care, operating under a strengthened statutory framework, can improve implementation of existing funds to strengthen our child care system. Improvements that can move forward under unified governance include:

- Updated payment policies for providers to ensure payments are timely,
- Alignment of regulations and requirements across funding streams to enable blending and braiding of early care and education funding,
- Updating reimbursement rates to reflect the true cost of care,
- Increased utilization of child care contracts to stabilize and increase child care supply,
- True continuous eligibility for a minimum of 12 months,
- Further development of a professional learning system for early care and education, and
- Development of child care business support, such as shared services approaches that increase technology and automation and increase child care stability.

These necessary first steps lay the groundwork for the significant public investment necessary to achieve our goal of equitable access to developmentally appropriate, culturally relevant, and inclusive child care for children and families across race, ethnicity, language, geography, disability, and income. And achieving this goal is necessary for Oregon's children, parents, child care providers, and our economy.

Recommendations

The Taskforce Members recommend these changes, based on the presentations and reports shared at Taskforce meetings, to how child care funding is spent to improve equitable access to quality child care in Oregon:

1. Bring the financing for childcare into one agency to allow for a more cohesive spending and regulation strategy to improve child care supply overall and braid funding streams together to utilize multiple funding streams to serve one child comprehensively.

2. Protect current state general investment ERDC in 2021-23 budget. Federal CCDBG funds require Oregon to meet their Maintenance of Effort (MOE) requirement, and a small general fund cut to ERDC would bar the state from receiving supplemental CCDBG dollars in a federal recovery package. It is illegal under the no supplantation clause in our federal funding to accept federal CCDBG funds to backfill general fund cuts to ERDC. Oregon must maintain state funding to ensure we can take advantage of increased federal investments.

3. Update Oregon's child care statute to reflect our state goals for financing the child care system we need, including:
    - Expand eligibility for child care assistance to children:
        - Up to an income level where parents can afford child care independently,
        - Regardless of immigration status,
        - With developmental and intellectual disabilities, and
        - For any reason that their parent/caregiver is unable to care for them (i.e. work, school, health or disability, care for an ill family member, respite care, etc.).

    - Ensure children are eligible for child care assistance for a minimum of 1 full year to ensure continuity of care for children, parents/caregivers, and providers.
    - Increase the rates paid to child care providers to reflect the true cost of providing developmentally appropriate, culturally relevant, and inclusive child care - regardless of region of the state (i.e. statewide rates - not a separate rate for Rural) (Pratt, Study C). Rates should be appropriately differentiated to consider differential costs and shortage areas, such as:
        - Infant-toddler care,
        - Care for children with disabilities and delays,
        - Culturally and linguistically specific care, and
        - Evening, weekend, overnight care.
    - Ensure parent co-pays are not a barrier to receiving child care assistance and are below 7% of family income. (Pratt, Study C)
    - Increase the utilization of contracts with child care providers as a strategy to stabilize child care providers, especially in key shortage areas (i.e. rural, infant-toddler care, culturally specific care), and increase wages and benefits for providers. (Pratt, Study C)

4. Support improved administration of child care subsidy, including:
    - Align subsidy payments with tuition payments (i.e. pay providers at the beginning of the month, based on enrollment not attendance) (Pratt, Study C)
    - Adequately finance state infrastructure needed to support continuous quality improvement across provider types and regions, including Agency infrastructure, CCR&Rs, and Early Learning Hubs.
    - Finance a state strategy to support shared services approaches as a critical support for smaller providers to become more financially sturdy. (See Wisconsin's RFP for shared services.)

5. Identify state and federal opportunities to increase public investment in child care to ensure:
    - Ensure child care is accessible to infants-toddlers, preschool age, school age, and older children significantly impacted by disability.
    - Ensure solutions to increased child care access take into account the diverse and unique qualities of each community, including race/ethnicity, language, geography, income, work and other care needs, and single parenting (Pratt, Study B)
    - publicly financed child care is safe, healthy, and has support for quality in place.
    - Families not currently eligible for child care subsidy can afford care (including further review of child care tax credits, expansion of direct subsidy, employer incentives, and other possible approaches). (there were differences of opinion on the topic of child care financing approaches beyond subsidy in our subcommittee because tax credits, even when refundable, only pay out once a year and therefore can be ineffective in supporting families and child care providers from balancing their budgets month to month.)