Tarrant County ,Texas

PRIME EARLY LEARNING PILOT

Stabilizing & Expanding Access to Quality Child Care Programs with a New Approach to Child Care Funding

Child Care associates

INSTITUTE TO ADVANCE CHILD CARE
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PRIME EARLY LEARNING
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The Challenge

High-quality early care and education is vital to the success of children, families, the business economy and entire community ecosystems at-large. Yet, the child care system is in an ongoing crisis because of a continuous revenue gap.

Child care providers cannot charge what is costs to deliver high quality care because families cannot afford to pay the full costs. This forces providers to have the **continuous revenue gap** to fill.

To keep doors open, providers must make tough calls that result in:

- Underpaid teachers with no benefits;
- High staff turnover;
- Lack of materials; training, or quality supports;
- Closed classrooms

Since providers cannot charge all families the true cost of care, **no amount of increasing enrollment numbers or government subsidy reimbursement rates for eligible children will fill the revenue gap.**

The continuous revenue gap means that, without a **direct investment in child care programs**, there is no pathway to a stable, high-quality child care marketplace from which families can make the best choice for their children.

Designing a Solution: The Prime Early Learning Pilot

The Institute to Advance Child Care at Child Care Associates and Tarrant County are utilizing covid-relief funds from the American Rescue Plan Act to chart a solution that changes this reality for families and providers with the Prime Early Learning Pilot.

The Prime Early Learning Pilot is an innovative pilot program aimed at addressing the challenged childcare business model and the persistent revenue gaps that often impact the quality and sustainability of child care programs. The pilot delivers comprehensive, individualized funding grants to targeted child care providers to offset a portion of the program's fixed costs, enhance teacher compensation, incentivize enrollment, and ultimately increase access to high-quality care for children in high-need areas. In return, providers agree to maintain specific service requirements and quality standards outlined in the contract and associated with positive outcomes. We believe that when child care programs are both supported with stable foundational funding and held accountable to their community for providing high-quality services to the most high-need populations, we can ensure that all children, families, and early educators have what they need to thrive.

The Prime Early Learning Pilot aims to model a new approach to utilize direct-service CCDF resources to improve access and quality of services for all children. The Prime Pilot outlines a methodology for providing direct support to high-need children via scholarships and directed support for certain child care programs to achieve stated goals, thereby increasing the accessibility and affordability of high-quality early education for all children enrolled. Take a deeper dive by viewing the video, developed by the Center for Early Learning Funding Equity, below.

Source: "Equitable and Stable Child Care Funding: Are Per-Child Subsidies Our Only Tool?" produced by Center for Early Learning Funding Equity, 2023

Phase One

DEVELOPING THE PRIME EARLY LEARNING CONTRACT MODEL

The Prime Early Learning Pilot is currently supporting a cohort of 19 Tarrant County child care providers (10 center-based, nine family child care homes). Providers were selected based on the following eligibility criteria, reflective of community need and priorities:

- Texas Rising 4-Star program
- Minimum 20% of enrolled children receiving child care scholarships (CCS)
- Serving infants and/or toddlers
- Operate in an area of high Social Vulnerability Index (SVI)
- Priority was given to providers that were female and/or minority-owned or operated

The Prime Pilot Cohort participated in a 9-month learning phase alongside Rice University's Texas Policy Lab (TPL). During this time, programs worked with 1x1 business coaches to assess and improve business models and HR frameworks. Economists from Texas Policy Lab concurrently conducted in-depth financial audits and analyses of each program. Utilizing these data, alongside input from the Prime Early Learning pilot cohort, TPL has developed an economic model and formula to calculate individualized contract amounts for any program that sufficiently offset programs' fixed costs and account for any identified funded priorities.
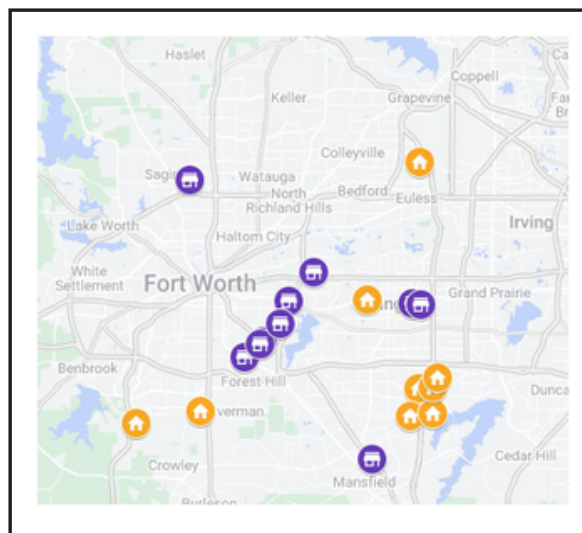
Phase Two

PRIME EARLY LEARNING CONTRACT IMPLEMENTATION

The contract formula developed by Texas Policy Lab and implemented during Phase 2 of the pilot consists of three layers of funding, each targeting specific areas of need or priority.
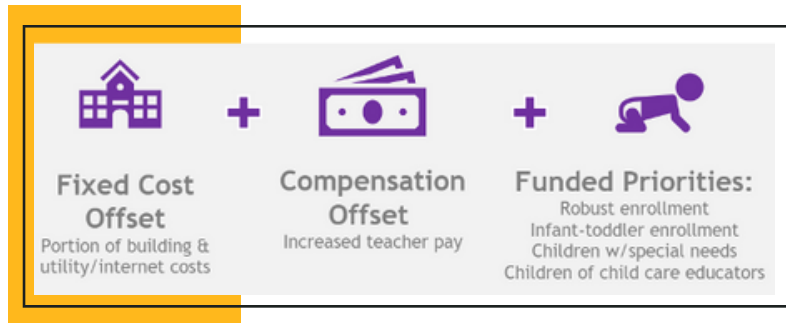
Priority #1 — FINANCIAL SUSTAINABILITY OF PROGRAMS (FIXED COST OFFSET)

The fixed-costs offset supports a sliding-scale portion of the fixed operational expenses, including building costs (mortgage/rent), telephone and internet expenses, or other forms of program overhead. By offsetting fixed operational expenses, the contract aims to stabilize the expense of fixed costs enabling high-quality providers to focus on delivering quality care without excessive financial burden.

Priority #2 — IMPROVED EDUCATOR COMPENSATION (STAFF COMPENSATION OFFSET)

The staff compensation offset addresses the crucial aspect of teacher compensation. It acknowledges the value of early childhood teachers and supports their professional growth by providing programs with a stipend towards establishing a competitive wage and benefits package. The contract requires classroom personnel must be paid a minimum of $18/hr.; however, programs already meeting this requirement are given flexibility to apply this offset towards either benefits or wages. This measure aims to attract and retain skilled child care educators, resulting in enhanced care for children.

Priority #3 — INCENTIVIZING FULL ENROLLMENT & HIGH-NEED CARE (FUNDED PRIORITIES)

The funded priorities offset provides additional incentive funding tied to meeting pre-identified priorities. Priorities may be flexible and adapted based on local policy aims. The funded priorities outlined in the Prime Early Learning pilot are 1) robust enrollment, 2) infant/toddler care, 3) care for children with special needs, and 4) offsetting employee child care costs. By offering this incentive, the contract encourages providers to fully enroll their program and expand services to high-need and/or higher-cost populations of young children.

Pilot Aims and Logic Model for Long-Term Outcomes

The Institute to Advance Child Care has partnered with Rice University's Texas Policy Lab (TPL) and Southern Methodist University's Center on Research and Evaluation (CORE) to measure the pilot's impact on child care sustainability, educator retention, program quality, and child outcomes. The logic model below overviews the Prime Early Learning Pilot's framework and logic for achieving our stated goals of increasing access to high-quality early learning for all families, regardless of income or circumstance.

PRIME EARLY LEARNING PILOT
BUILDING CAPACITY FOR SUSTAINABLE EARLY CHILDHOOD EDUCATION PROGRAMS

OUTCOMES

INPUTS	ACTIVITIES	OUTPUTS	SHORT	MEDIUM	LONG
Tarrant County ARPA Funding Prime Pilot Programs – Time, Financial Data, Program Data 1x1 Business Advising Support TPL Economic Research Team IACC Backbone Support	• Identify eligible child care providers • Identify funded priorities to include in foundational funding contract • Develop compensation plan and business model that incentivizes providers to meet a set of high quality standards & funded priorities • Develop an economic formula for calculating customized Foundational Funding • Offer foundational grant funding to eligible child care providers • Communications & Policy Stakeholder Engagement	• 3-Layered Foundational Funding Grants delivered to providers • Fixed Cost Offset to cover a portion of building, utility & overhead costs • Compensation Offset to increase compensation to $18/hr minimum, utilizing pre-determined plan, E.g., accounting for degrees, credentials, tenure, etc. • Funded Priority Offset to incentivize enrolment of high-need, high-cost populations (e.g., infant/ toddler, special needs, children of employees). • Economic formula & policy framework for calculating foundational funding	• Improved financial sustainability for cc providers • Increased revenue to focus on quality • Increased revenue to lower costs to all families • Adoption of compensation plan • Improved comp. for staff. • Differentiated pay based on degrees, credentials, and/or tenure • Increased supply of seats for high-need areas (infant/toddler, special needs).	• Increase in quality of program • Lower costs & improved access for more low-income families • Increased job satisfaction & staff wellbeing • Decreased staff turnover • Increased ability to attract qualified staff • Increased # of children served in high-quality programming • Improved parent engagement in workforce	• More robust supply of quality early learning programs • More professionalized ECE workforce • Improved long-term economic outcomes for ECE workforce & their families • Improved developmental & social emotional outcomes for children • Improved economic outcomes for families • Strengthened TX economy

Required Enabling Conditions to Scale Beyond One-Time Funds
Flexible use of state and/or local CCDF direct service resources to utilize grants & contracts to increase supply and accessibility of high-quality child care services and ensure a supported ECE workforce

Policy Implications and Recommendations

The Prime Early Learning Pilot is a project funded by one-time resources from the American Rescue Plan Act. To continue or replicate this funding approach relies on a new pot of child care resources or a deliberate shift in the way current child care resources from the Child Care Development Fund (CCDF) are utilized. Given the current political and fiscal climate, along with the Texas legislature's recent denial of ECE advocates' $2.2B funding request to extend child care relief grants, looking towards an alternative approach to utilizing existing child care funding (CCDF) is the most realistic and viable starting point.

The foundational funding formula used in the Prime Pilot accounts for both direct services to families via child care subsidies (currently funded by CCDF), as well as direct services to programs utilizing the three-layered contract methodology. Broadening the use of CCDF to also provide direct service grants to programs requires shifts in perspectives and in policies.

Policy Implications and Recommendations

The intent of the Child Care Development Block Grant is to ensure a strong and accessible child care system for all children in need of care, rather than only offset costs for a select few.

Creating a robust supply of quality programs, addressing equity gaps that impact entire communities, and removing barriers at scale must be brought to the forefront of how CCDBG is interpreted. If families are granted subsidies with nowhere to take them, the responsibility of CCDBG is not being fullfilled. Utilizing grants and contracts allows states to strategically target and build up supply in high-need areas such as child care desserts, low-income communities, infant/toddler care, care for children with special needs, or non-traditional care. This, in turn, expands the reach of CCDBG while creating a more equitable system.

Using CCDF for foundational funding grants may mean less families are receiving child care subsidies; but it doesn't mean less families are being served.

Rather, this methodology actually benefits more families by increasing quality while also increasing access and lowering the costs for all families enrolled. Intentionally offsetting program costs, including increased educator wages, creates a rising tide for the program— allowing them to increase quality, open more classrooms and ultimately serve more families. At the same time, it allows all families enrolled to not only benefit from higher-quality care, but also access it at a more attainable price point, reserving subsidies for our highest-need families. By broadening the use of CCDF to include direct foundational funding contracts to programs, these funds are positively impacting all children in the program, rather than a select few.

Policy Implications and Recommendations

1. Amend Texas' child care state plan, submitted to Health and Human Services, to allow for an alternative cost methodology- other than the market rate survey- that includes the use grants and contracts.

The Child Care Development Block Grant requires each state to submit a child care plan describing how they will use their CCDF funding, including a cost methodology for the allocation of direct service resources. States who wish to utilize a methodology other than the market rate survey for their direct service resources must propose an alternative methodology. Proposing an alternative methodology that includes both a methodology for vouchers and a methodology for grants and contracts (e.g. Prime Pilot methodology) is a required first step in providing grants and contracts

2. Enable Local Workforce Development Boards (LWDBS) to pilot the use of grants and contracts with a portion of direct service CCDF resources to expand supply and access to quality seats, while further testing the financial model.

In a state as large as Texas, the ability to recognize and allow for regional variation is essential. Current CCDF rules already encourage states to account for regional variance in their cost methodologies. Replicating and testing the Prime Early Learning Pilot in additional, diverse communities allows the financial model to be further tested and refined to increase validity while accounting for regional variance. With this approach, communities can determine the unique policy aims they wish to work towards via grants and contracts (e.g., serving high-need populations, increasing early educator compensation, etc.), as well as the extent to which they allocate resources towards direct service program grants and contracts versus direct service vouchers for individual families.

3. Allow LWDB's the opportunity to propose alternative performance targets based on the community's unique childcare needs, and that account for children served via grants and contracts.

LWDB's are currently held to a single performance target measure for direct service CCDF Funds: the average number of children served by subsidy (voucher) per day, without accounting for higher costs associated with certain types of care (e.g., high-quality care, infant/toddler care, non-traditional houred care, etc.). The opportunity to propose alternative performance targets based on the community's unique child care needs, that also account for children served in programs where costs of quality or certain types of care are offset via grants and contracts, creates a framework for maximizing child care resources while targeting areas of greatest need.

4. Strengthen data collection practices to maximize responsive and accountable decision-making

As Texas continues to build out an Early Childhood Integrated Data System (ECIDS), it should include efforts to enhance communities' ability to access local-level data and engage in data-driven resource allocation that maximizes access to a robust, high-quality child care system.