



Transforming Child Care Systems to Advance Improved and Equitable Outcomes

OMB Innovation Exchange

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Overview

- Federal COVID relief funding has given states significant resources that can
 1. meet immediate needs in communities; and
 2. advance existing strategic plans and equity goals
- Several states have **used American Rescue Plan Act (ARPA) child care stabilization funding to intentionally advance equity** - specifically deploying the CDC's Social Vulnerability Index (CT, MA, MD, LA, VA)
- Early results indicate that **the approach used in these formulas can advance equity in funding distribution** to historically marginalized and underserved communities within a state.
- The approach used in developing and implementing these child care stabilization grants offers **opportunities for other government agencies trying to advance equitable funding and outcomes.**

Agenda

Context

Overview of Third Sector

Design and Results from an Intentional Approach to Equity in
American Rescue Plan Child Care Stabilization Funding

Reflections and Insights for Other Government Agencies

President Biden has committed to “Advancing Racial Equity and Support for Underserved Communities through the Federal Government”

Definition of Equity and Underserved communities

Equity: the consistent and systematic fair, just, and impartial treatment of all individuals, including individuals who belong to underserved communities that have been denied such treatment, such as Black, Latino, and Indigenous and Native American persons, Asian Americans and Pacific Islanders and other persons of color; members of religious minorities; lesbian, gay, bisexual, transgender, and queer (LGBTQ+) persons; persons with disabilities; persons who live in rural areas; and persons otherwise adversely affected by persistent poverty or inequality.

Underserved communities: populations sharing a particular characteristic, as well as geographic communities, that have been systematically denied a full opportunity to participate in aspects of economic, social, and civic life, as exemplified by the list in the preceding definition of “equity.”

Source: [President Biden executive order. Jan 20, 2021](#)

COVID-19 has reinforced the importance of early care and education for families, children, and the economy

“For decades, our country has had a child care crisis fraught with inequitable access for communities of color, unaffordable care for far too many families, poverty-level wages for early educators, and razor thin margins for providers.”

- CLASP (Center for Law and Social Policy)

ECE in Connecticut Before COVID

- Lacking ~50,000 spaces for infants and toddlers
- 1/3 of towns have insufficient pre-k spaces
- 80% of all families and 94% of Black and Hispanic families did not earn enough to reasonably afford the price of infant/toddler care without financial assistance

ECE in Connecticut During COVID

- Providers face increased cost from new operating requirements and decreased revenue from reduced attendance
- Many programs still under significant financial stress
- Hiring and retaining high quality educators has been very challenging

<https://www.clasp.org/publications/fact-sheet/child-care-estimates-american-rescue-plan>

\$50+ billion in Federal COVID relief funding has provided critical dollars to stabilize the ECE system & pilot reforms

Intended Uses

- Funds are intended to stabilize the *entire* ECE system, not just those programs previously receiving public funding
- Funds are intended to provide relief to families
- States encouraged to distribute funds based on capacity, rather than attendance
- In addition to direct stabilization and relief, funds can be used to strengthen the system and build the child care supply

CARES Act - \$3.5B

- CT - \$23.5M
- MA - \$47.5M

CRRSA - \$10B

- CT - \$71M
- MA - \$131M

American Rescue Plan - \$39B

- CT - \$276M
- MA - \$510M

States needed to rapidly distribute this funding while:

- Minimizing burden on providers
- Taking into consideration differing circumstances of individual providers
- Maximizing the long term impact
- Addressing equity implications and other systemic barriers

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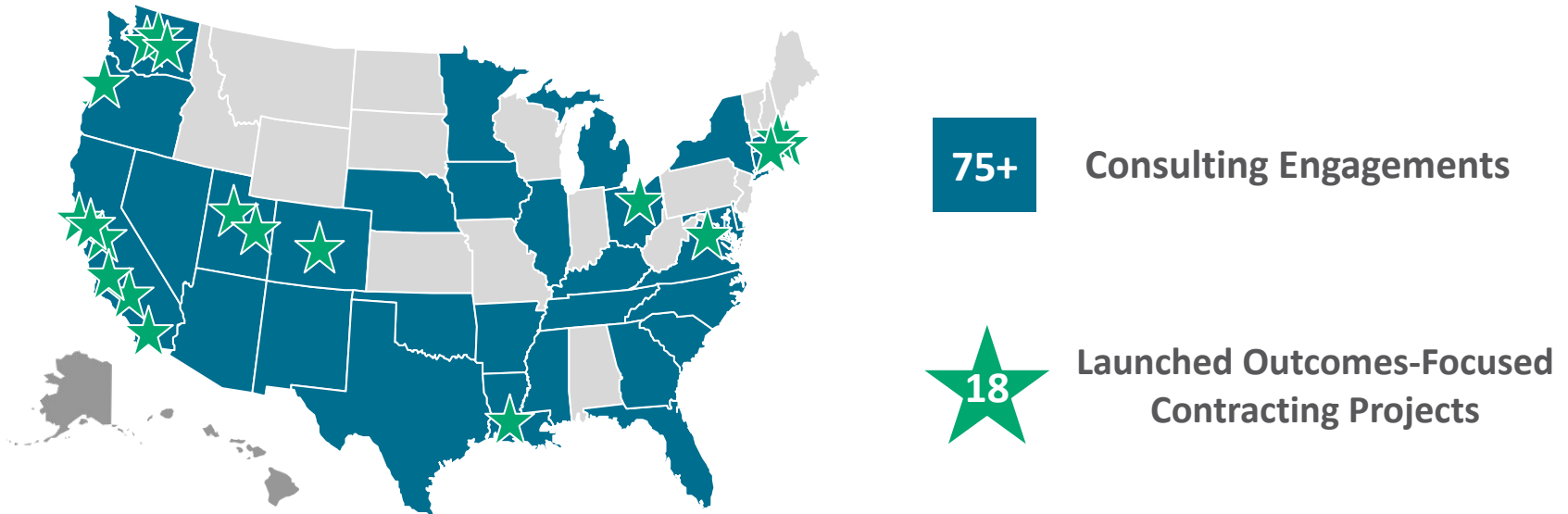
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Third Sector works with communities to implement systems change by linking government funding to outcomes achievement

Third Sector Overview



Over \$1 billion in public funding deployed via outcomes contracts since 2011

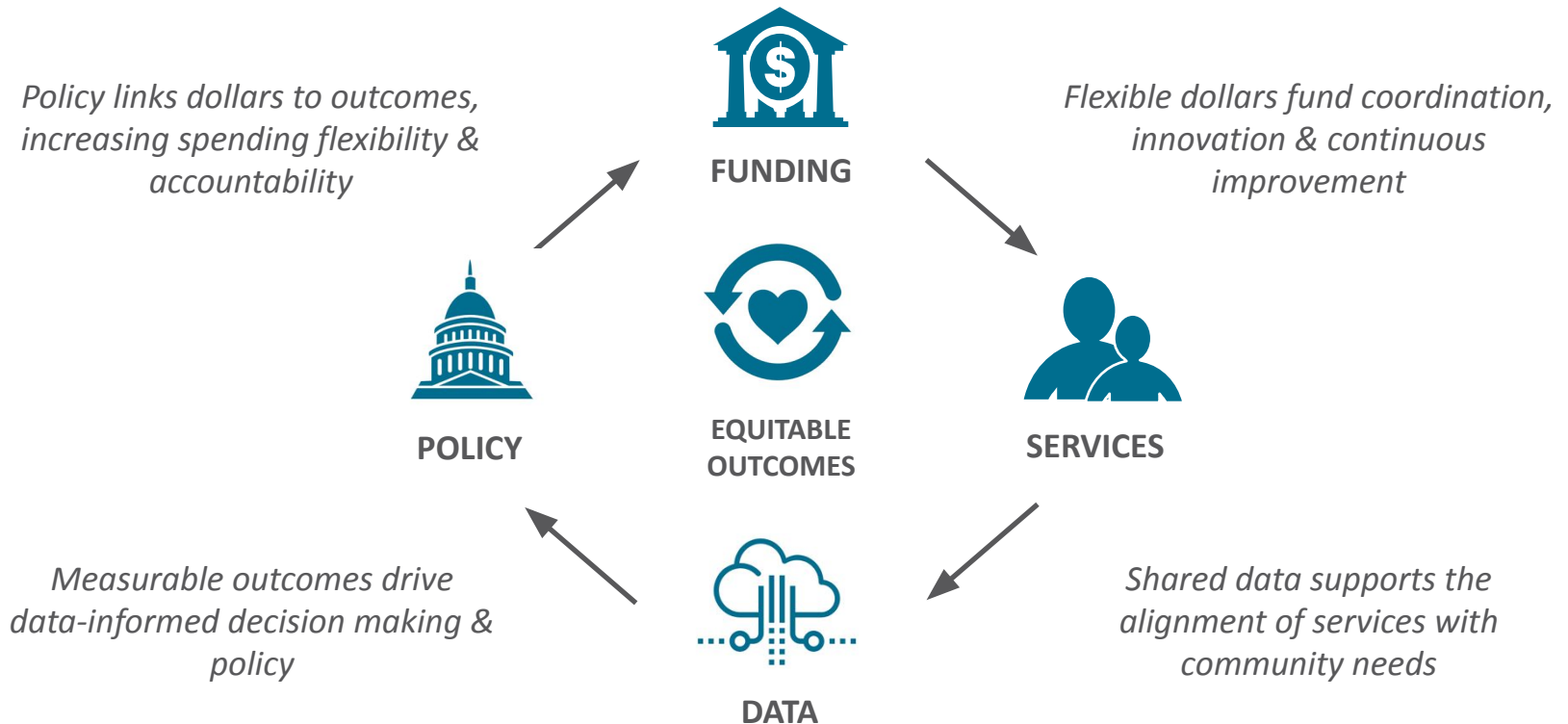
Profile: Founded in 2011, we are a non-profit advisory organization with 50+ staff members spread across the country

Goal: Organizations entrusted to use public & private funds will have the systems, tools, & data to improve outcomes & equity

Areas of focus: Intergenerational poverty, workforce & education, housing stability, reentry, & mental health

We use six building blocks to enable government to partner with communities for more efficient, effective, and equitable human services

Outcomes Focus Building Blocks



INTERNAL CULTURE

drives and empowers outcomes focus

EXTERNAL RELATIONSHIPS

shape how outcomes focus is implemented

Third Sector has worked with state early care & education (ECE) agencies to advance improved and equitable outcomes

Connecticut Office of Early Childhood (2017 - present): Partnering with the state on a variety of initiatives including: development of an integrated B-5 blueprint and implementation of the blueprint; development of the ARPA child care stabilization funding; continuous improvement and coordination across federal child care funding.

Louisiana Department of Education (2021 - present): Partnering on both their 2nd round of ARPA child care stabilization funding and potential rate enhancements to the state's CCDF child care subsidy program.

Maryland State Department of Education (2021 - present): Partnering on their 2nd round of ARPA child care stabilization funding.

Massachusetts Department of Early Education and Care (2020 - present): Partnered on developing ARPA child care stabilization funding and using this approach as a pilot for a “foundational payment” to better support the financial stability of providers.

North Carolina Division of Child Development and Early Education (2017 - present): Partnering on the NC Pyramid Model Coaching Pilot to improve social-emotional and educational outcomes for children enrolled in NC Pre-K classrooms.

Virginia Department of Education (2021): Partnered on their ARPA child care stabilization funding formula.

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Connecticut and Massachusetts both aimed to improve their approach to designing child care stabilization grants and to advance equity

Impact / Effectiveness

- Will distribution of smaller amounts of funds to more providers or families have a greater impact than providing larger sums to fewer recipients?
- Is this the right balance of relief to families vs. providers?

Sustainability

- How does this initiative fit with OEC's long-term vision?

Equity

- Will funds be distributed so that inequities are not exacerbated?
- Will areas with low access or subgroups with less access have priority?
- *Related to data-driven decisions*

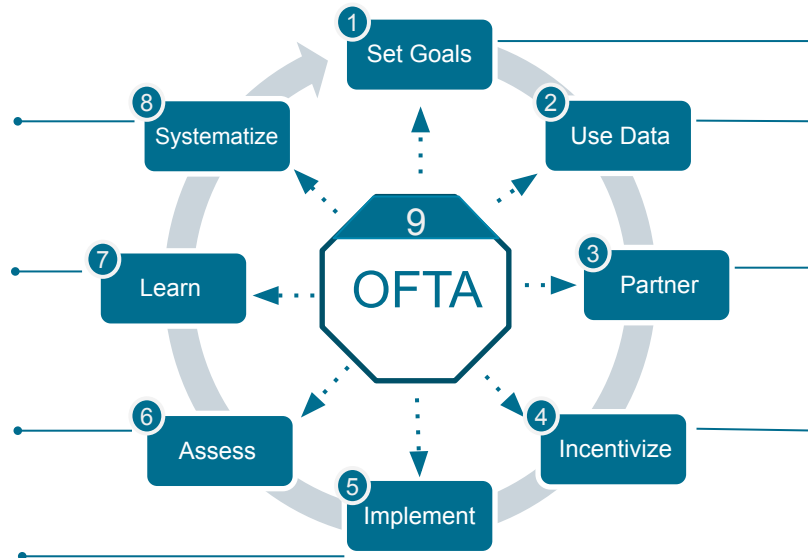
Timeliness

- Will funds be distributed rapidly to increase their impact for many families and providers?

Third Sector used our Outcomes Focused Technical Assistance model to guide child care stabilization funding development

Outcomes Focused Technical Assistance (OFTA) - Federal Child Care Relief Funding

- (8) Key learnings from development and implementation inform long-term ECE system reforms
- (7) Government, providers, and families will be convened to review and discuss lessons learned
- (6) Data is collected to understanding use and impact of funding
- (5) Funding is allocated with flexibility and simplicity to address both immediate needs of providers and long-term goals of ECE system



- (1) Funding allocation must address racial equity, invest in ECE workforce and be timely
- (2) Data used to understand system-wide impact of decisions disaggregated by race
- (3) Providers and other community stakeholders engaged to provide input and inform design
- (4) Funding structure recognizes providers working with historically marginalized communities; investing in ECE workforce; and delivering high quality programs



Outcomes focused technical assistance is a process through which communities can collaborate on the design and implementation of financing and governance reforms for the early care and education system.

CT Funding Equation: Base Amount & Bonuses

EQUATION = **BASE AMOUNT + Accreditation Bonus + C4K Bonus + Peak Pandemic Bonus + Equity Bonus**

**25% of funds are contingent upon agreeing to spend these funds on increasing educator compensation*

Base Amount

Each provider's base funding amount started with a standard amount per child then took into account:

- Setting type
- If a program was licensed to serve infants & toddlers
- Program's licensed capacity

The goal of the base amount was to compensate programs' a relatively standard amount of their operating expenses

Bonuses

Bonuses built off of each program's base amount and were awarded based on:

- Accreditation - awarded to accredited programs to reward programs for offering higher quality programming
- C4K - awarded to programs who are certified to serve lower-income children and families in CT
- Peak Pandemic - awarded to programs that provided critical support in the midst of COVID-19
- Equity - awarded to programs that serve under-resourced children and families

The goal of the bonuses was to award programs' additional funds in line with OEC's strategic priorities

The MA formula provides a standard percentage of the cost of care for each provider, while also investing in historically marginalized communities

EQUATION = **BASE AMOUNT** + **Equity Adjustment**

For center based providers, providers with a ratio of total CEO compensation to starting educator pay greater than 40:1 will not be eligible for the staffing or equity adjustments

Base Amount

Base Amount =

(\$ starting amount* X

Multiplier for Educator:Licensed
Capacity Ratio* X

Licensed Capacity - *not*
enrollment)

Adjusting the size of
payments by the
number of educators
increases payments for
providers that:

- Serve younger children
- Offer longer hours
- Offer higher quality care

Equity Adjustment

Equity Adjustment =

Additional funds for programs that serve
under-resourced children and families

*Starting amount is dependent on the values of other parameters to achieve overall expenditures targeting \$225M. Third Sector's forecasting model calculates this initial input into the formula given other decisions and assumptions.

The Equity Bonus - Challenge & CDC Social Vulnerability Index Overview

CHALLENGE:

OEC & EEC do not have child level enrollment data, so neither agency could directly determine which programs are serving underserved children & families

SOLUTION:

Social Vulnerability Index (SVI)

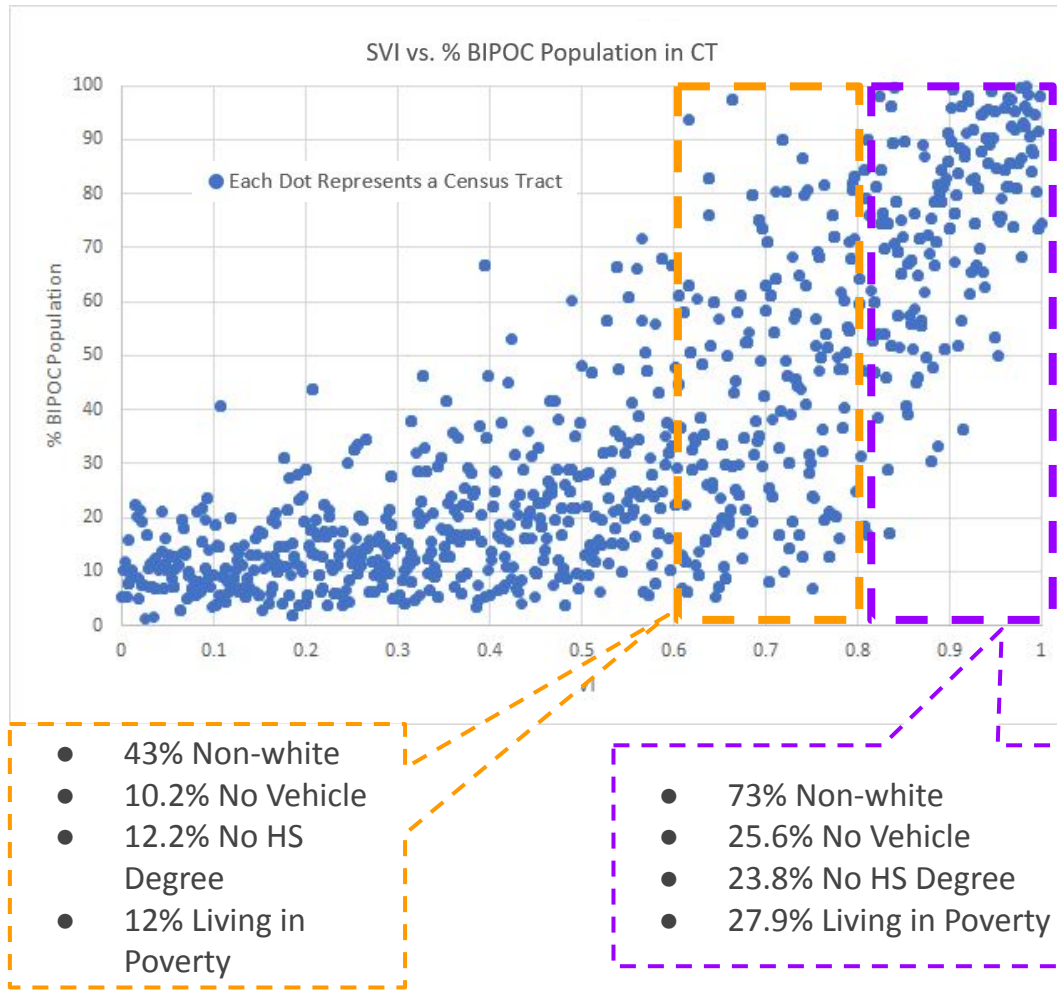
Context

- Developed by the CDC to help local officials identify communities that may need support before, during, or after disasters
- SVI scores are from 0 to 1 and are either 1) relative within a single state or 2) relative to all census tracts nationwide
- Takes into account 15 variables at the census tract level

Variables

Socioeconomic Status	Below Poverty
	Unemployed
	Income
	No High School Diploma
Household Composition & Disability	Aged 65 or Older
	Aged 17 or Younger
	Older than Age 5 with a Disability
	Single-Parent Households
Minority Status & Language	Minority
	Speaks English "Less than Well"
Housing Type & Transportation	Multi-Unit Structures
	Mobile Homes
	Crowding
	No Vehicle
	Group Quarters

Data showed that CT communities with an SVI >.8 are significantly more under resourced & more likely to have a large non-white population



Why SVI?

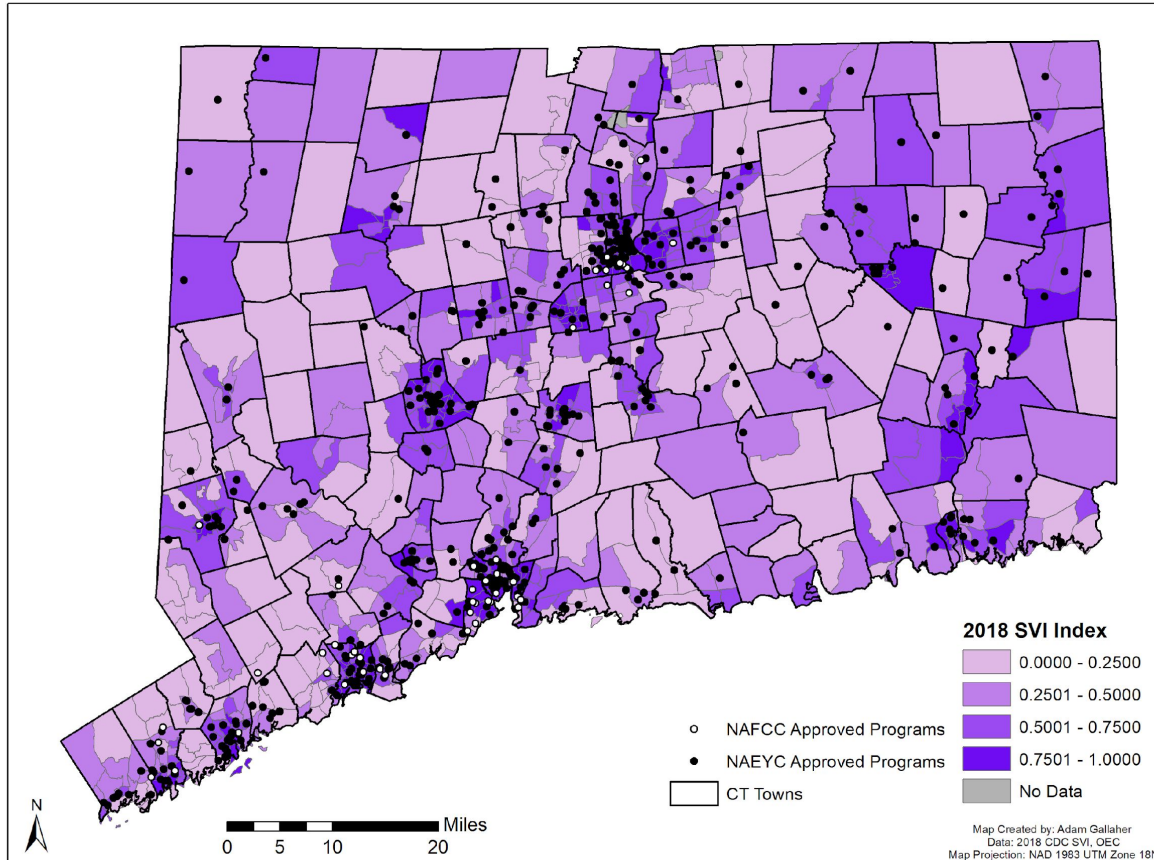
- Programs operating in under resourced communities have taken on additional costs, especially over the past year, to meet the needs of their children and families
- Programs located in areas with a high SVI are likely to serve children and families with additional systemic barriers to success
- SVI is highly correlated with the % non-white population within a census tract, supporting OEC' and EEC's racial equity goals
- SVI is used by other state agencies, operationally simple and enables OEC to get funds out quickly

CT assessed the interaction between SVI and other factors, including quality indicators, to understand realities and impact of formula bonuses

Map Takeaways

- CT has a quality bonus in funding formula
- CT wanted to ensure that the quality bonus and equity adjustment bonus (SVI) worked together
- As we mapped accreditation and SVI, we saw a **high concentration of National Association for the Education of Young Children (NAEYC) accredited programs in high SVI census tracts**

Approved Programs in CT with 2018 SVI Index by Census Tracts



Massachusetts pursued a two-tiered approach that incorporates both the SVI level and proportion of enrolled children receiving subsidies

SVI vs. Percentage of Children Receiving Subsidies



● Each Dot Represents a Center Based Program

Level 1 Equity Adjustment

Receive 30% of base amount in additional funding if:

- SVI $\geq .55$ and $< .75$ OR
- 33 - 66% of enrolled children receive subsidies

Level 2 Equity Adjustment

Receive 40% of base amount in additional funding if:

- SVI $\geq .75$ OR
- $>66\%$ of enrolled children receive subsidies

The Equity Bonus - CT & MA's Final Equity Bonus Approach

CT Final Approach

- Two level equity bonus based on SVI:
 - **Level 1:** 25% bonus if...
 - SVI $\geq .6$ and $< .8$
 - **Level 2:** 35% bonus if...
 - SVI $\geq .8$

MA Final Approach:

- Two level equity bonus based on SVI
 - **Level 1:** 30% bonus if...
 - SVI $\geq .55$ and $< .75$ OR
 - 33 - 66% of enrolled children receive subsidies
 - **Level 2:** 40% bonus if...
 - SVI $\geq .75$ OR
 - $>66\%$ of enrolled children receive subsidies

\$12M (10% of total grant funds) are forecasted to be spent on the equity bonus through CT's process

\$37M (15% of total grant funds) are forecasted to be spent on the equity bonus through MA's process

Preliminary results from CT indicate that SVI was an effective targeting mechanism to advance OEC's equity goals

Majority White Census Tracts	
Program Type	Average Funding per Slot
Center-based	\$970
Family Child Care	\$930

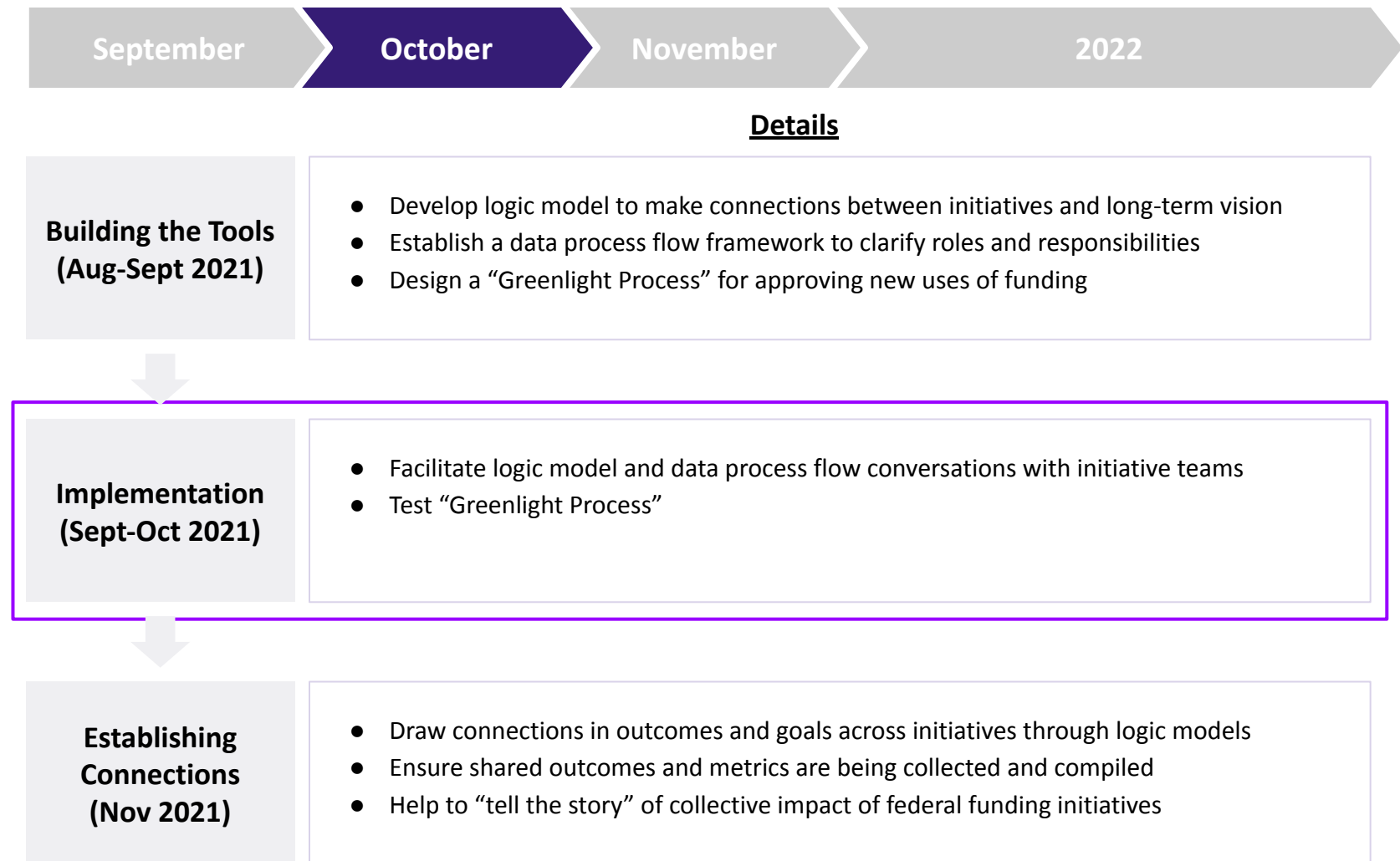
Majority BIPOC Census Tracts	
Program Type	Average Funding per Slot
Center-based	\$1,250 (+29%)
Family Child Care	\$1,130 (+22%)

White (owner/operators)	
Program Type	Average Funding per Slot
Center-based	\$1,000
Family Child Care	\$910

BIPOC (owner/operators)	
Program Type	Average Funding per Slot
Center-based	\$1,130 (+13%)
Family Child Care	\$1,110 (+22%)

Data from September 8th, 2021 and does not represent final results

In Connecticut we are now focused on aligning federal funds to the agency's long-term vision



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Transferable Lessons for Other Government Agencies

- **Data is key to achieving equity:** CT and MA did not previously collect disaggregated race and ethnicity of owners operators of childcare providers. Having this data can now advance provider-focused equity goals.
- **Economic modeling allows agency staff to preview the impact of formula funding decisions:** A core part of the approach in CT and MA was modeling the impact of potential funding formulas disaggregated by race, census tract, provider type, % child care subsidy receiving, etc.
- **Engaging diverse stakeholders led to a more inclusive process and better results:** A core part of the approach in CT and MA was engaging with providers, parents, and other stakeholders to directly inform design of the formula.
- **This is NOT a one-and-done exercise:** Continuous improvement processes (seperate from an independent evaluation) allow agencies to track the impact of the formula in real time and capture lessons for future rounds.

There are several other funding streams ripe for a distribution approach Focused on Outcomes and Equity

Examples of funding streams

Childcare

- Headstart
- Child Care and Development Fund (CCDF)

Education

- Elementary and Secondary School Emergency Relief (ESSER) Fund
- American Rescue Plan Emergency Assistance to Non-Public Schools (ARP EANS)
- American Rescue Plan Homeless Children and Youth II (ARP-HCY II)

Child and Family Wellbeing

- Temporary Assistance for Needy Families (TANF)
- Community Services Block Grant (CSBG)
- Individuals with Disabilities Education Act (IDEA) ARP supplemental funds

Economic Mobility & Workforce Development

- Workforce Innovation and Opportunities Act (WIOA)
- SNAP Employment & Training (SNAP E&T)
- State-run small business relief and industry-specific programs using general ARP allocations

Reflections from Connecticut and Massachusetts

Commissioner Samantha Aigner-Treworgy

Massachusetts Department of Early Education and Care

Jocelyn Bowne

Associate Commissioner for Research and Program Innovation,
Massachusetts Department of Early Education and Care

Elena Trueworthy

Director, Connecticut Head Start State Collaboration Office,
Connecticut Office of Early Childhood

Tim Pennell, Managing Director (moderator)

Third Sector

Appendix

The C3 formula provides a standard percentage of the cost of care for each provider, while also investing in historically marginalized communities

TOTAL (distributed across 6 monthly payments) = **BASE AMOUNT + Equity Adjustment**

For center based providers, providers with a ratio of total CEO compensation to starting educator pay greater than 40:1 will not be eligible for the staffing or equity adjustments (CEO salary of roughly \$1M))

Base Amount

Base Amount =

\$500 (\$83/ month) per licensed slot *

Licensed Capacity *

Staffing Level Adjustment



Equity Adjustment

Equity Adjustment =

Level 1: (Base Amount * 30%)

Level 2: (Base Amount * 40%)

Providers will also be able to submit an appeal with data on proportion of children currently enrolled in specific priority populations

All providers will receive the base amount distributed across 6 monthly payments

Base Amount

Base Amount =

\$500 (\$83/ month) per licensed slot *

Licensed Capacity (10 for all FCCs) *

Staffing Level Adjustment

Staffing Level Adjustment Breakdown:

FCC:

- Minimum Adjustment = 1
- Part Time Assistant = 1.5
- Full Time Assistant = 2

Center Based:

- Adjustments based on whether providers have more than the assumed Baseline FTE
 - Baseline FTEs = (Licensed Capacity / 10)
- Minimum Adjustment = 1
- Maximum Adjustment = 3

Staffing Level Adjustment Rationale:

- To account for providers who have:
 - More educators
 - Longer hours
 - Capacity to enroll younger children

An additional equity adjustment will be provided for those caring for children in historically marginalized communities or providing significant support to children funded with subsidies

Equity Adjustment

Equity Adjustment =

Level 1: (Base Amount * 30%) if...

- Medium high SVI (SVI $\geq .55$ and $< .75$) OR
- One third to two thirds of capacity filled with children receiving subsidies

Level 2: (Base Amount * 40%) if...

- High SVI (SVI $\geq .75$) OR
- More than two thirds of capacity filled with children receiving subsidies

Providers will also be able to submit an appeal with data on proportion of children currently enrolled in specific priority populations

There are two avenues to qualify for the equity adjustment:

1. SVI
2. % of children receiving subsidies served

Funding Equation: Base Amount & Bonuses

EQUATION = **BASE AMOUNT + Accreditation Bonus + C4K Bonus + Peak Pandemic Bonus + Equity Bonus**

**25% of funds are contingent upon opting into for staff compensation (defined in application)*

Base Amount

Base Amount =

(\$640 per child if reopened before October 19th, 2020, \$440 per child if reopened after this date) X

1.2 if center based X

1.25 if eligible to serve I/T X

Adjusted Licensed Capacity X)

Bonuses

Accreditation Bonus =

(Base Amount X 0.2 if accredited)

C4K Bonus =

(Base Amount X 0.15 if serving ANY C4K)

Height of Pandemic Bonus (April 2020) =

(Base Amount X 0.05 if open during the peak of the pandemic)

Equity Bonus =

(Base Amount X 0.25 if qualify for Level 1)

(Base Amount X 0.35 if qualify for Level 2)

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