



Refining Delaware Stars for Early Success: Workshop for the Office of Early Learning

Anna Carter's Presentation on North Carolina's System for Tiered Reimbursement

Wednesday, February 6, 2019

9:00 a.m.–4:30 p.m.

Workshop transcript

Anna Carter:

I do appreciate having the chance to come here and talk to you a little bit about our system, especially from the fiscal side of it. But I always think it's important to put in perspective that our states are all so different. You heard about that when Kim [Boller] was looking at the different systems, and you can't just compare this four-star to that four-star across states. But we're also really different when you look at the numbers, right? So I think we're probably a little bigger than Delaware. So when we talk about the number of kids that we serve, it's almost 250,000 children that are in our licensed centers and family child care homes. Of them, 29,000, almost 30,000, are pre-K, because they're in licensed programs, and we serve each month around 70,000 children on child care subsidy.

Again, those fall within that 250,000 because subsidy is all in licensed programs. We've got about 6,000 programs that we license, centers and homes. Our homes are about 1,600 right now, and probably eight or nine years ago we had 4,000 family child care homes. I heard some discussion about the challenge with family child care homes, and we've always licensed our homes. But I think that part of what happened is, as we were increasing our standards, providers were like, "Yeah, I'm not interested. I was doing this because I was thinking of my child, my grandchild, my neighbor, and it wasn't something that I want to make that investment in." Now, that doesn't mean they're not necessarily providing care, but they're no longer within our system.

Where I work at the division, we have oversight that is similar to Pennsylvania, over licensing, which is our QRIS. Over child care subsidy, over pre-K, and then all of the federal dollars that come down, both for quality and for subsidy, of course. So it's just something to really think

about. When I was looking at Delaware's system, it was like, "That's really complicated." And from a provider's perspective, it is, "Well, who do I go to for which thing?" And maybe that's not how it works—that *is* how it works? Okay. We're fortunate that we do not have early intervention within our programs. The Head Start State Collaboration Office is at the Department of Public Instruction, but it went there when pre-K was there.

But about six or seven years ago, pre-K was transferred to us out of public instruction into health and human services, just to have everybody put together. But we'd like to get Head Start back. I think they fit better with us. But regardless, it's that one agency that can work together on policies and funding without having to go across agencies. I'll give you a little [insight into] where our budget goes. We spend about half of our budget on child care subsidy, and I think what I'm hearing is something a little bit different. So, you know, if this is right—so our quality dollars, federal requirements related to putting the 9 percent increase and the 3 percent infant-toddler quality, we don't use any of that for subsidy, within our tiered system. All of that is straight for quality. So whether it is funding TEACH—or now not wages, we have an infant-toddler awards, and we have wages separately. Whether it's funding our CCRR system or whether it is funding our coaching and mentoring for our pre-K teachers, all of those come out of our quality dollars. Really kind of activity-related, not reimbursement-related. We also have a statewide early childhood initiative, Smart Start, that goes across family support and health, and early education. And that comes through our budget, but then we send it onto the state agency that is Smart Start. And then some other pieces what we—regulation of child care, which is our staff, and then NC pre-K's about \$165 million that goes into that program serving those almost 30,000 kids.

The subsidy is our largest program. When we look funding-wise, certainly our licensing is bigger because we've got those 250,000 kids. But when we look at money, subsidy is the biggest thing that we implement. One thing that we find really beneficial is we pool all of our federal and state dollars together. So while we can separate out that \$300 million comes from the feds, about \$79 million is state funded. From the family's perspective or the local DSS perspective who is making that family eligible, they don't know who's paying for it. They get a block of money and that's what they use to spend throughout the year. That is done at the local DSS; they are the ones who are responsible for determining eligibility for families, and then the family chooses which program they want to go to.

But, when you think about what are those funds, we are blending together our TANF dollars, our CCDF, any state funds, and then Smart Start puts in some dollars for subsidy. They all get pooled, and when that child receives services, the system determines which funding stream they should be paid from, depending on their eligibility. So we use our state dollars, for example, to pay for children in need of subsidy because of child protective services, or child welfare, or developmental needs. And if they've put that

in as the reason, the system does it and the county doesn't have to worry about it. And we at the state level can then determine where we are with spending in each of those pots.

I don't know how Delaware blends their funds, but to me, theseamlessness—from the provider perspective or from the parent perspective—is really critical. And if you—just something for you all to think about, you know—is it re-envisioning what our QRIS is and/or reenvisioning how we at the state level do that work? And I'm sure that there's a lot of things that go along with that, but—having said that here, we have all this money going for child care subsidy. The green line represents the number of children served each month, and the blue line is the number of children on a waiting list. Does Delaware have a waiting list for subsidy?

Interviewee: No, we don't.

Anna Carter: So, now it looks like we made this incredible drop from 63,000 kids down to 24,000 kids, but Becky [Mercatoris] was talking about IT, it was actually that we were not counting them correctly. So we really don't think we actually had 60,000 kids on the waiting list. It looks like North Carolina's made a big difference. But, the number of kids being served each month has stayed pretty much the same. We've been focusing a lot recently on infants and toddlers, and that means if you're on the waiting list, you're going to be three years old before you get served. And so when you think about equity of access, infants and toddlers are not getting that same access as older children, because they may go on the waiting list when they're a baby but they stay on it for so long. We've got a number of counties who have been able to clear their waiting list, but it's a challenge. How do you balance what you're going to do with your funding?

This is the reason that folks are in—that children are receiving care. And it says seeking employment, but it really is just employment. For the majority of our families, the family is working. We get pretty small amounts for developmental needs, or child welfare, child protective services. And by child protective services, for us, means they're able to—by accessing subsidy, it means that that family—that that child's not going to have to go into foster care. It's addressing some sort of need there because of something that's happening in that family.

So about 200 percent of federal poverty is our eligibility. We are paying reimbursement rates based on the 2015 market rate study, and in 80 counties we're paying at the 100th percentile of the 2015 market rate study. In the other 20, we're paying at the 75th percentile, which is more typical. So, these are decisions that are made either by you, by the general assembly, by advocates, as to what kind of reimbursement are we going to do. And what does that then say about our commitment to covering the cost, especially the cost of quality? Now, you may be at 50 percent of the 75th percentile, but then you do the tiered reimbursement on top of that.

Interviewee: Yes, right.

Anna Carter: And, again, so what I'm talking is it's within our—so that 100th percentile is what is the highest rate for a five-star program? That's what they get reimbursed, also the same for a four-star or three-star. So you don't get subsidy and then something on top of it. You get a reimbursement.

So when—you know, this is kind of this whole who's got the authority, what is your structure? And so, we have oversight for all of these different systems. If we think we need to do something more to help programs get to pre-K, we can do that because we don't have to go to another agency, another department, another division to get buy-in. I'm not saying we don't work with partners, but it is a little bit more streamlined because it's the same people who are talking about what we need to be doing to provide these supports.

So, how is it that you're making decisions? If you're spread across agencies, is there any issue when you have a leadership change? Well, now in this agency, it's a new leader versus this agency, and all of a sudden the dynamics change. That's just the reality of how things work. So, we really have this advantage of having all of those within us. Probably our biggest challenge is we have an Office of Early Learning, and it's at the Department of Public Instruction. And really what lives there is our exceptional children. So children with special needs that are three and four, before they get into kindergarten, and the Head Start State Collaboration Office. How do we work with them, when they've got just that small piece of what they're doing that would be helpful for us to be able to work with so we can help support them, and vice versa?

That has been a challenge. We've interwoven all of our different programs together. So if you want subsidy, you have to be licensed, and you have to have a three-, four- or five-star license. In fact, you can't just be at a one- or a two-star. This was put in law by our general assembly maybe eight or nine, ten years ago. They've understood that we want our money to be going, and our most at-risk children to be going, to these programs that are higher quality. The impact on those children's outcomes, that's part of the conversation here. But it really was kind of a statement that our state was making, that if we're putting our money in we want to get it to go to programs that have met a higher level.

So our state pre-K programs all have to be licensed, whether they're operated in a school system, a Head Start, or a community-based program, and they have to be four- or five-stars. Now pre-K has things on top of that, so they have to meet even higher standards; they have to have a licensed teacher, they've got reduced ratios. But they have to start with what we would consider for pre-K the floor, that they have to have four or five stars. I think 80 percent of them actually have five stars. It's a lot

easier to reach that pre-K level if you're already five-stars. The other thing I would mention just to think about is that what we have found with our state pre-K program, that when you have a classroom in a—especially in the private child care centers, that the quality—you might have one classroom that's pre-K, but we see the quality in all of the classrooms move up.

Their teachers are more highly educated, they're paid better, and they're not at the same level as what's in the pre-K classroom. But you can just see where it's had that impact across all the programs. You know, but pre-K, nonprofit, for-profit, Head Start, public schools. The other thing I would mention is that we don't have any automatic qualifiers at four- or five-star levels. Whether you're Head Start, whether the school system, whether you're accredited, you come in just like anybody else and you get evaluated and move up the system. There are some advantages to just saying it's an automatic—you know, if you are whichever of those, you're automatically four-stars or five-stars. But I also know that we see programs that are Head Start that are accredited, that are run by the public schools that have some major issues.

And so I think that's kind of, again, that balance that you have to decide about as to whether you're going to do a—you know, an automatic, or not. So this, which is a pretty thing that we created for the pre-school development grant—really what it tries to capture is all the things that go around our licensing or our mixed-delivery system. And so, whether it is Head Start pre-K regulated, whatever, we know that if you don't have all of these things that wrap around it, you're not going to have the success that you need. So you're not going to have programs that are at those higher star levels. It's not just about their reimbursement rate, it's the other kinds of things that you are doing to help support them. So, at the top we've got our workforce supports.

We have things like TEACH, which is familiar here as well. We have our salary supplements, both wages, which is funded by Smart Start, and is it about \$6.5 million dollars? And then with our infant-toddler quality dollars, we started where we're now paying, and it's around \$3 million for infant-toddler teacher separate salary supplements. They don't get both. It's one or the other. But what we did with this reward was it's this knowing that our infant-toddler teachers are not as educated as our three- and four-year-old teachers; they're not as well paid. These salary supplements and this—using our infant-toddler dollars go to infant toddler teachers that have an Associates or other degree, higher up. So this was the way to really say how do we keep that highly qualified educated teacher in that infant-toddler classroom? It was a very targeted support to do that.

We have obviously TA that we do through a statewide network of healthy social behavior specialists and infant-toddler specialists. All of that is funded as I said through our quality dollars from the feds. The other

kinds of pieces in here are really about what are the data systems we have that support what we do, so that we can know what are we. Are we making progress, are there certain areas that we need to put more focus on? And we're really building out our integrated data system to be able to do that better. So, it is very complicated how we do our system. Because it is by county, by age, by star level, and centers or homes. But, you know, some of these other things you may do.

They're certainly what was recommended in the CCDBG reauthorization paying by enrollment instead of by attendance. Because you have to think about what are all the things that we can do to remove barriers to programs from wanting to participate in your reimbursement system. There was a lot of concern that we were going to move toward paying by attendance. But they have their same cost whether that child is there or not. So we have been doing enrollment for quite a while. We also pay based on the number of hours that are needed. So if a parent is in school and they have travel time, then they get care that covers that. Or time to do the homework and things that they need. So trying to be realistic about what families need as well, if they're really going to be able to be successful.

What we've seen happen is legislation requires programs to have three or more stars in order to get subsidy. And 80 percent of our centers have a three-, four-, or five-star license. It's with all license programs, and, again, kind of how you separate or what you call—you know, is going to be different here. But these are—whether you have subsidy children or not, 80 percent have a three-, four-, or five-star license. Now, remember, our system has been in place since 1999, and we had a change in 2008, but not a significant change. And so it is time for us to up the ante on our license, especially when you see how many are there. It's like when you reach that tipping point, that then becomes time to make a difference. Because 70 percent of them have four or five stars.

That's pretty significant, and that's great. We celebrate that, and the thought of changing our system and having those programs drop, all that you all were talking about in terms of, "Well, why was it yesterday I was a five-star but now today I'm a three?" It is a challenge. Seventy-five percent of our centers accept subsidy. So, we've got a lot of buy-in from our child care programs around subsidy. Again, I believe it's because they feel like they get reimbursed in a fair rate so they're willing to participate. When you think again from kind of a fiscal side, how you support programs, we are looking at creating alternative methodology. We are working with the Center for American Progress and have a group that's been pulled together that is looking at the kinds of things that we could do.

It's not based on what the market can bear; it is based on what the actual costs are. The challenge with this is that it costs obviously much more than what we reimburse. So if we go there, either we need more

money or less kids are going to be served, and that's not a decision that I think our general assembly would want to do. They're the ones who'd have to agree to that. How do you do that in a way that you can really pay what those costs are, but, again, serve less kids? How do you make that argument? We've only had one meeting. We've got another one coming up in a couple of weeks to dive deeper into it. But, you know, when you talk about kind of who's at the table, you know, we have the for-profit folks at the table, we have the nonprofits, and we have the school systems to talk about this.

The representative from the for-profit group said, "I'm a little hesitant to talk. Because when we talk about cost, I need some profit in there, and that makes me look bad that I'm trying to make profit, but that is our business, is to make profit." And, we said, "That's fine." Because really nonprofits need to make profit that they're then reinvesting in improving their program. So—50 percent profit, maybe not. But, what's an appropriate profit margin? The other thing that we're looking at, and this concept of CQI is that our CCNR contracts have done a lot with preparing programs for having the rating scales done. So they come in maybe six months before and really work with them.

Part of what we're looking at is our CCRR folks doing true quality improvement plans, and not around any time when they're going to have a ratings scale done. If you're having a ratings scale done then, I'll come afterwards or I'll come six months later. Because that—you just get so focused on that piece of it, as opposed to this is—we're doing this which translates into doing fine on a ratings scale. We're starting on that as we're looking at our contracts that will go into place in July. But I think that will be a challenge for providers. The other kinds of things we're doing, again, from an infant-toddler perspective is what are the ways that we again need to support programs financially because we know our infants and toddlers are not in as high a quality [program], and they don't have teachers that have that same educational levels. So we've put in place rewards specific for infants and toddler salary supplements. We put in place through TEACH—and I mentioned, although I actually think it is just for infants and toddlers—a kind of midyear bonus, that if they had a one-year scholarship, they finished their first-year scholarship. If they signed up for a second scholarship, halfway through that year that get a check to help keep them moving forward and stay motivated to continue on with those courses.

That's been helpful because it acknowledges what it takes to actually be in school and be working, and maybe have a second job or a third job, and knowing that they've made that commitment. The other thing, as you're thinking about revising it, and a lot of this comes from Peggy Ball, and, you know, we just got all these folks in North Carolina and then they go on to do all these other great things. But it used to be I would go out to other states because they'd want to hear about our system, and they'd

want to do North Carolina's QRIS. You can't do that. I mean you have to look at where you are and what works for your own state.

When I talk about how we do our money, or how our structure is set up maybe different from yours, then it is trying to think about what would it take for us to get there, and could we do baby steps or have that five-year goal to be able to reach that? I think that's really important. And I think it's also what we look at when we make changes is to make it something that providers can actually meet. You would not want to go to changing—so our five-star now is at these higher levels but nobody's there. So you've got to—we just don't—we would rather have a bell curve right now than where we are right now, where everybody's basically at that four- and five-star level. Make it something you can administer, make it multilevel, make it understandable.

When you talk about IT and staff, so our former Director, Dr. [Inaudible] Cassidy, she and I were going back and forth about should we make a six-star, or a five-star, or a five-star plus as we—you know, if we were going to move—change things. And, I'm like, "We've got to stay five stars." Our system, our IT is all set up, our license has five stars in that template. So the other thing that we are looking at doing, and it's something to think about because we haven't been able to yet go to improving what's within our standards, is we're trying to find legislators who'd be interested in something that would give a bonus on top of whatever their regular subsidy payment is. That if all of their teachers have a degree, because I said at a five-star level it's 75 percent have that degree.

If all of the teachers have a degree and they are paying on a salary scale, they'll get an extra \$100 per kid, \$200 per kid. We don't know the dollar amount yet, but if they all have Associates, maybe you get one amount, and if you all have Bachelor's, then you get another amount. And so, we can't quite go to changing our stars, but how do we do a five-star plus in another way? How do you get creative and then, when you have enough people at that level you can say, now we can change the system, and we already know programs are there and it's not a big deal. Those are some of the kinds of things that you might want to think about.

This work was funded by the U.S. Department of Education's Institute of Education Sciences (IES) under contract ED-IES-17-C-0006, with REL Mid-Atlantic, administered by Mathematica Policy Research. The content does not necessarily reflect the views or policies of IES or the U.S. Department of Education, nor does mention of trade names, commercial products, or organizations imply endorsement by the U.S. government.