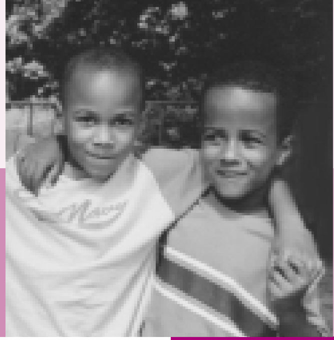

Center for Children & Families

Research Brief

Blending Early Care and Education Funds

Issues, Opportunities, and Strategies

Volume 1
Number 2

by Ellen Kiron

Across the country, a growing number of local early care and education providers—child care centers, in-home care providers, Head Start programs, and prekindergarten (preK) programs—are working together in partnerships to improve family access to high-quality care and to support children's school readiness. Through partnership, local providers maximize the strengths of different, publicly-funded early care and education programs by blending funds from multiple sources.

Providers tend to use three public funding streams for service delivery. Child care centers serving low-income children rely on the Child Care and Development Fund (CCDF), public school and prekindergarten programs use preK funds, and Head Start providers use federal Head Start funds.[a] When providers form partnerships, they blend these funds and tailor partnership services to meet their unique, local programming goals.

Recent studies by early care and education researchers point to the critical and challenging nature of financial management for partnerships.[1] They note the importance for each early education provider to have the skill and capacity to understand various public funding streams that operate within distinct systems. To understand early education partnerships across the country, researchers at the Center for Children & Families (CC&F) analyzed qualitative data and issued a report in April 2003.[2] The report describes state and local issues affecting partnerships and describes the role of finance in partnerships.

This research brief summarizes the finance-related findings of the CC&F researchers' full report. (It also draws from the researchers' preliminary data on child care-Head Start partnerships collected from a sample of 78 Ohio child care centers partnering with Head Start.)

[a]These are the main service delivery funds but providers may be using a wide array of other funds (e.g. food program, Reading First, ELOA, Smart Start).

Methodology

For this study, CC&F researchers defined partnership as two or more early education providers blending funding sources or resources to enhance services and/or provide full-day, full-year services for children and families.

Researchers analyzed qualitative data from a convenience sample that represents over 200 providers in partnerships from 36 states, Puerto Rico, a tribal nation, and each federal region in the country. The sample was selected to ensure a broad range of perspectives including partnerships that represent an array of programs, communities, program sizes, target populations, funding sources, and partnership settings.

Researchers analyzed interview data to identify emerging themes related to finance—providers' motivation to partner, competence, strategies, and lessons learned. The research was designed to ensure methodological soundness in its control for biases and in the way it meets the criteria for credibility, transferability, dependability, and confirmability.[3] Researchers triangulated the themes that emerged among providers in partnerships and convened review groups of local early care and education professionals, technical assistance providers, researchers, and policy makers to review the accuracy of the findings.

In addition, researchers used preliminary data from a randomly selected sample of 78 child care centers in partnership with Head Start. Through questionnaires and telephone interviews, directors from these centers provided data in 2002 on financing mechanisms and practices.

Finance Issues

Leaders at the U.S. Department of Education, Department of Health, and Department of Health and Human Services encourage programs and states to find ways to blend resources. Many states have successfully put forth policies that encourage partnering among local providers. In pursuing partnerships to promote full-day, full-year early education services for working families, providers and states encounter and work through the following issues.

Different eligibility and reimbursement criteria from each funding stream can create challenges in planning and managing finances. Providers noted that different eligibility and reimbursement criteria of the Head Start, child care, and preK programs can create challenges. Nonetheless, providers who understand these differences from the outset are more prepared to ensure financial stability and continuity of care for children in the partnership. The eligibility and reimbursement criteria are described briefly in the box below.

Head Start funds flow directly from the U.S. Department of Health and Human Services, Administration for Children and Families to the local Head Start agency (which may be a municipality, school district, for-profit or non-profit organization). Programs receive their funding prospectively through three-year grants from an amount federally determined which is adjusted annually for inflation. Head Start is a free program for eligible families. Children determined to be eligible for Early Head Start remain eligible from birth to three years old, and from three to five years old for preschool Head Start.

Child care subsidies are funded by federal and state dollars through the Child Care and Development Fund (CCDF). CCDF provides flexibility to states in determining policies affecting families' access to subsidies.[4] Unlike Head Start, public child care income eligibility, parent co-payment, and funding practices are determined by each state and or county. Child care providers that care for subsidy-eligible children are typically reimbursed 45-60 days after service delivery through a voucher/certificate system. In addition to vouchers/certificates, states have the option of disbursing funds through grants or contracts, but the vast majority of children receive funding through vouchers. Payment rates are based on either hourly, daily, or weekly, part-time or full-time rates. States also determine how often to assess a family's subsidy eligibility (ranging from every month to a year). The subsidy covers partial costs of care; most families who receive child care subsidies are required to pay co-payments.

PreK programs are generally funded through state general revenue funds, or with Temporary Assistance for Needy Families funds, though in some cases they are funded at the district level. The programs are usually a free service with specific eligibility and funding rules determined by the state or district.

Child care, Head Start, and preK professionals are often not familiar with one another's funding streams' eligibility criteria and reimbursement processes. Many providers reported that timeframes linked with grant processes often inhibited mastery of a partner's program details and funding mechanism. Without this mastery, providers are less likely to have systems and strategies in place to deal with funding and programmatic inconsistencies.

Providers' familiarity with reimbursement processes and criteria can help partners anticipate income and expenses. Many providers in partnership reported that they would benefit from becoming fully knowledgeable of child care subsidy reimbursement processes and criteria used in their states. Without it, they often have difficulty accurately projecting income and expenses for children served through partnerships. Because states typically use CCDF funds as a reimbursement-for-service with rates based on hours or days of attendance, child absences can affect the income a provider receives. Providers in partnership who pay teachers' salaries regardless of child absences are often faced with budget short-falls when they are not reimbursed for days in which children are absent. Furthermore, when funding is tied to families' subsidy eligibility, changes in a family's status can result in fluctuations in the amount of funding providers receive. Additionally, states set subsidies at market rates which reflect price and not the true cost of operating the program. Some states have changed child care subsidy policies which make it easier to partner.[5]

Estimating the full cost of partnership services on a per-child basis can complicate financial planning. For partnerships in which a child care center partners with Head Start, agreeing on the amount of Head Start funds that the child care partner will receive to meet new standards adds further complications to accurately estimating costs and income. Unable to clearly anticipate all resources and expenses associated with jointly delivered services, providers reported they struggle to determine a per-child cost. Child care providers partnering with Head Start reported that it is not always clear how to convert the costs of Head Start services such as home visits, health and nutrition services, enhanced curriculum, supplies, materials, and child assessment into a single dollar amount.

Philosophical differences across partnering organizations can have financial implications if not addressed. Some Head Start program directors reported challenges collecting co-payments from families served through partnership. Federal law requires that Head Start services be provided at no charge to families. Yet, when the Head Start child also receives publicly funded child care services, according to Section 645, Head Start Act, as amended, providers are required to collect the assessed state or county child care family co-payment. For Head Start programs in partnership with child care, collecting co-payments represents a significant philosophical and logistical shift since staff and families are accustomed to Head Start services being provided for free. Confusion and hesitation about charging parents of partnership children often persist among Head Start staff during the first several years of the partnership. This further complicates budget projections and can lead to partnership financial instability. Providers reported that these challenges are mitigated by state co-payment policies that exempt families who live in poverty or who receive TANF from making co-payments.

Finance Opportunities

Providers in partnership can gain additional resources to meet a partner's heightened standards.

Partnering providers can gain additional resources through partnership. Providers reported that they can gain additional resources by receiving a flat rate per child from the partner, by in-kind support, staff support and services, or a combination of all three. For example, in some child care-Head Start partnerships, the child care provider receives a dollar amount per child from a Head Start program in addition to accessing the full child care subsidy from the state/county. (In some states providers can receive the full amount from the various funding streams.) Child care partners reported that Head Start funds are used to cover the costs of enhanced services, such as teacher home-visits, medical and social services, or teacher professional development. In other partnerships, Head Start programs employ a teacher who works in the child care partner’s classrooms, offer child care teachers professional development opportunities, or purchase materials, supplies, and/or equipment for child care partners.

Fiscal knowledge of CCDF, preK, and Head Start can be critically important in meeting new standards. A major objective of partnership is to ensure that all of the partners provide high-quality services. Competent partnership financing is essential to achieving that end as implementing more stringent early education standards can result in additional costs. Many providers partnering with Head Start reported that meeting the Head Start Program Performance Standards can improve the quality of services but can add new expenses. These expenses can result from the time teachers spend recording how child and family outcomes are being met, conducting parent-teacher conferences, hiring qualified teachers, enhancing the health and nutrition services, and visiting families in their homes. New costs may also arise from improvements in classroom materials and equipment or the costs of purchasing and implementing new curriculum. Thorough planning, budgeting, and management of additional financial resources are critical to successfully meeting new and heightened requirements.

Providers in partnership can increase their ability to stretch existing financial resources further by sharing responsibility for various costs. Some partners found ways to delineate financial responsibility for services they both provide. Some providers also did this for maintenance and replacement costs associated with shared equipment. They prorated costs based on the number of hours per day that they each used the equipment. The resulting plan allowed them to share these costs proportionally and equitably thus resulting in a cost savings for each.

Partnership design can accommodate different funding policies, mechanisms, and requirements of an individual program and funder. Providers in partnership reported that it is important to agree on a fiscal approach. Given the complexity of merging multiple organizations' fiscal policies, providers found they needed to develop financial checks and balances that support equitability and preserve each partner's control. In some partnerships, providers received lump sums to purchase needed classroom materials. The lump sum approach can eliminate uncomfortable situations where one partner has authority to grant or deny purchasing requests made by another. Some partnerships found it helpful to use a fiscal framework that sets guidelines for different budget items to which a lump sum could be applied (e.g., minimum of 50% of lump sum funds must be used for playground and facility improvement) in order to leave as much fiscal decision-making as possible to the other partner.

Finance Strategies

To overcome challenges inherent in blending multiple funding streams, providers recommend the following strategies:

- Understand funding systems and programs before agreeing to a partnership's financial terms.
- Include federal and state funders in the planning process.
- Address child care eligibility redetermination requirements.
- Develop contingency plans to address changes in child care eligibility and enrollment fluctuations.
- Revisit financial terms of the partnership agreement regularly.
- Provide parents with child care subsidy co-payment policies early in the development of the partnership.
- Include fee collection procedures in Head Start's parent handbook and discuss them with the Parent Policy Council and at parent and staff orientations.
- Create systems at the outset to track and report on funds and services.

- Establish communication processes that quickly inform partners about eligibility changes to ensure that partnering programs can promptly address families' changing needs, preserve continuity of care, and maintain funding to sustain the partnership.
- Pursue alternative resources that can be used to temporarily stand in for lost child care subsidies when families lose eligibility.

End Notes

1. Paulsell, D., Cohen, J., Stieglitz, A., Lurie-Hurvitz, E., Fenichel, E., & Kisker, E. (2002). *Partnerships for quality: Improving infant-toddler child care for low-income families.* Retrieved December 9, 2003 from http://www.mathematica-mpr.com/PDFs/partnership.pdf; Stoney, L., Groginsky, S., & Poppe, J. (2002). *Investing in our future: A guide to child care financing.* Retrieved November 20, 2003 from http://www.ncsl.org/programs/cyf/guide.htm.

2. Schilder, D., Kiron, E., & Elliott, K. (2003). *Early care and education partnerships: State actions and local lessons*. Newton, MA: Education Development Center, Inc.

3. Miles, M., & Huberman, A. (1994). *An expanded sourcebook: Qualitative data analysis (2nd ed.)*. Thousand Oaks, CA: Sage Publications; Patton, M. Q. (1990). *Qualitative evaluation and research methods (2nd ed.)*. Newbury Park, CA: Sage Publications; Stake, R. (1995). *The art of case study research.* Thousand Oaks, CA: Sage Publications.

4. Schilder, D., Kiron, E., & Elliott, K. (2003). *Early care and education partnerships: State actions and local lessons*. Newton, MA: Education Development Center, Inc.; Long, S. K., Kirby, G. G., Kurka, R., & Waters, S. (1998). *Child care assistance under welfare reform: Early responses by the states* (Occasional Paper No. 15). Washington, DC: The Urban Institute.

5. Schumacher, R., Mezey, J., & Greenberg, M. (2002). *Southern regional initiative on child care analysis of potential barriers to creating coordinated absence policies for collaborations between Head Start and CCDF and TANF-funded programs*. Retrieved December 9, 2003 from http://www.clasp.org/DMS/Documents/1047590546.08/CLASP_Memo_Final.pdf; U.S. Department of Health and Human Services, Administration for Children and Families. (1999). *Eligibility Determination for Head Start Collaboration: Policy Interpretation Question Log No. ACYF-PIQ-CC-99-02*. Retrieved November 18, 2003 from http://www.acf.dhhs.gov/programs/ccb/policy1/archives/pq9902/pq9902.htm.

About the brief

This brief on early care and education partnerships is the second in a series produced by the Center for Children and Families (CC&F). Ellen Kiron, Senior Research Associate, has been analyzing policy and management issues related to children's services at a variety of public, non-profit and for-profit organizations for more than a decade. She earned her Masters Degree in Public Policy and Administration from Columbia University.

The research is funded by the U.S. Department of Health and Human Services, Administration for Children and Families, Child Care Bureau (Grant Number 90YEO37). Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the authors and do not necessarily reflect the views of the funders.

CC&F briefs provide information on a range of issues affecting young children and their families. CC&F seeks to strengthen programs by bringing together research and practice with the aim of improving the lives of children and families. Our briefs serve as a vehicle for informing research and practice.

Copyright 2003. Education Development Center, Inc. With attribution, this brief may be freely reproduced for non-commercial purposes but cannot be sold or republished without written permission. The brief and the full report are available at: www.ccf.edc.org.

Center for Children & Families
Education Development Center, Inc.
55 Chapel Street
Newton, MA 02458-1060