

Build

Strong Foundations For
Our Youngest Children

Early care and education is more than sandboxes and finger paints — it's an industry with multiple benefits that ripple throughout the economy. It **creates jobs** in early childhood programs; **contributes** to the earnings and productivity of working parents; **generates revenue** in local economies; and **ensures** that young children, our future workforce, are able to succeed in school and life. Taken together, the economic returns from short- and long-term investment in early care and education are substantial. Cornell University reports that, compared to other economic sectors, expenditures on early care and education have higher output multipliers and circulate longer in the state economy. <http://government.cce.cornell.edu/doc/pdf/50StatesBrochure.pdf>

A Quality Rating and Improvement System (QRIS) is an economic development strategy to promote healthy markets and clearly differentiate high-quality early care and education programs. QRIS empowers parents to be savvy consumers and choose high quality for their children; enables policymakers to implement policies proven to improve quality; promotes accountability so donors, legislators and tax payers are confident investing in quality; gives programs a roadmap to quality improvement; and improves children's health and development outcomes. A QRIS affects the early care and education market through three major avenues: **quality assurance, supply side interventions and demand side interventions.**

February 2009

Maximizing Resources from the Stimulus Package

Possible Strategies for Funding Quality Rating and Improvement Systems



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The federal American Recovery and Reinvestment Act (ARRA) of 2009, the "Stimulus Package," includes a number of appropriations that have relevance for early childhood policy and systems change. Quality Rating and Improvement Systems (QRIS) are increasingly seen as a foundational piece of systems-building strategies, since they enable states to leverage resources and bring other components such as standards and professional development into alignment with one another. This memo discusses potential resources for early childhood under the Stimulus Package, and identifies ways that these funds could be used to support QRIS.

Child Care and Development Block Grant • • •

Available Federal Stimulus Funds: \$2 billion, with \$255,186,000 of this amount set aside for quality improvement (beyond the required 4 percent minimum), of which with \$93,587,000 is targeted for improving infant and toddler care. This two-year funding will be available immediately, and must be used to supplement, not supplant, existing state general revenue funds. For state-by-state allocations go to http://clasp.org/publications/aara_childcarestatealloc.pdf

Possible Uses of Quality Set-Aside for QRIS: The amount set aside for quality improvement in the CCDBG stimulus is a required, minimum expenditure. States are permitted to spend as much of their CCDBG stimulus allocation on quality as they wish. This portion of the stimulus package could be used to support QRIS in many ways, including:

- Helping to pilot, launch or administer a QRIS.
- Developing the Information-Technology and data collection systems needed to effectively implement QRIS statewide.
- Expanding the number of trained assessors and/or conducting Environmental Rating Scale assessments, or Star Ratings, in programs that participate in QRIS.
- Funding technical assistance to early care and education providers, to help them participate in QRIS and raise their star level.



- Providing “Start-with-Stars” or “Step-up to the Next Level of Stars” grants for programs that participate in the QRIS, to help cover the cost of quality improvements necessary to successfully participate and/or increase star levels.

Quality set-aside dollars could also advance a QRIS by providing:

- Practitioner training (targeted to staff in programs that participate in QRIS) on a host of topics, including: crafting quality improvement plans, participating in an ERS assessment, conducting child assessments, implementing curricula, etc.
- Career counselors to help staff in programs that participate QRIS tap all of the higher education benefits available to them, including Pell Grants and tax credits.
- Education scholarships (or T.E.A.C.H. scholarships) for staff in programs that participate in QRIS so that they can attain the education required for higher star levels.
- Interest-free Higher Education Loans for ECE staff, to enable them to have the upfront funds to take advantage of the new higher education tax credit. The loan could be converted to a grant if the teacher attains the education required to move up one or more steps on the qualifications in QRIS -- and would therefore become a compensation bonus.
- Technical assistance grants to organizations that provide tax preparation consultation and assistance to staff in center- and home-based programs that participate in QRIS on how to take advantage of the new federal tax benefits in the Stimulus Package, including: the Make Work Pay refundable credit, the expanded EITC, etc.
- Compensation awards for staff in programs that participate in QRIS, based on educational attainment.
- Start-up grants to support shared service strategies, aimed at helping a network of center- or home-based providers strengthen their capacity (fiscal and programmatic) to participate in QRIS and attain higher star ratings.

Possible Uses of Subsidy Funding for QRIS:

States will receive significant sums for child care subsidy, which can be used to expand or revise existing subsidy programs or create new eligibility categories. Ideas for how these funds can be linked to QRIS include the following:

- Subsidy bonuses (tiered reimbursement) to programs that participate in QRIS.
- Subsidy contracts with programs that participate in QRIS, with higher rates linked to higher quality. Contracts could be targeted to programs that serve high-need populations where securing a critical mass of portable subsidies might be difficult.
- Authorization to conduct annual eligibility determination, and continue subsidy for a full year, for children who attend programs that participate in QRIS.
- Funding for new subsidy eligibility categories, designed to help families affected by the economic downturn, such as:
 - “Safety Net” child care scholarships for a period of up to 6 months, for families who are a) newly unemployed and b) whose children are enrolled in child care programs that participate in QRIS.
 - “Back to School” child care scholarships for adults who are a) newly unemployed, b) newly enrolled in college courses, and c) have a child who is enrolled in child care programs that participate in QRIS. These funds could be administered by an institution of higher education.

Head Start and Early Head Start ● ● ●

Available Federal Stimulus Funds: \$2.1 billion for Head Start, including \$1.1 billion for expansion of Early Head Start programs. Head Start funds will be distributed to current grantees by formula. Early Head Start will be by application. Of the Early Head Start funding, up to 10 percent is available for training and technical assistance and up to 3 percent is available for monitoring. The report language indicates that the Department of Health and Human Services (HHS) is expected to work with grantees to manage resources in order to sustain FY 2009 awards through FY 2010. It appears that grantees will be required to match this appropriation (20 percent local match) but the match might be waived or reduced.





Additionally, \$100 million of the federal HS/EHS stimulus allocation is likely to be set aside to support the work of state Early Childhood Advisory Councils called for in the recent Head Start reauthorization (each state would receive \$500,000). These funds have a 70 percent match, but in-kind support may count.

Possible Uses for QRIS: Head Start and Early Head Start grantees are strong participants in most state and local QRIS. Possible uses of HS/EHS Start funding for QRIS include the following:

- Helping to pilot, launch or administer a QRIS.
- Developing the Information-Technology and data collection systems needed to effectively implement QRIS statewide (the goal here is to effectively build on and expand data currently collected from HS/EHS grantees). This could be a key role for the Early Childhood Advisory Councils, and funding allocated to these groups could be a potential revenue source.
- Expanding the number of trained assessors and/or conducting Environmental Rating Scale assessments, or Star Ratings, in programs that receive HS/EHS funding and also participate in QRIS.
- Funding technical assistance to programs that receive HS/EHS funding, to help them participate in QRIS and raise their star level.

These funds could also advance a QRIS by providing:

- “Start-with-Stars” or “Step-up to the Next Level of Stars” grants to programs that receive HS/EHS funding, and also participate in the QRIS, to help cover the cost of quality improvements necessary to successfully participate and/or increase star levels.
- Practitioner training on a host of topics, including: crafting quality improvement plans, participating in an ERS assessment, conducting child assessments, implementing curricula, etc.
- Career counselors to help staff in programs that receive HS/EHS funding tap all of the higher education benefits available to them, including Pell Grants and tax credits.
- Interest-free Higher Education Loans for staff in programs that receive HS/EHS funding, to enable them to take advantage of the new higher education tax credit. The loan could be converted to a grant if the teacher attains the education required to move up one or more steps on the qualifications in QRIS — and would therefore become a compensation bonus.
- Tax preparation assistance to staff in center- and home-based programs that receive HS/EHS funding aimed at maximizing the new federal tax benefits in the Stimulus Package, including: the Make Work Pay refundable credit, the expanded EITC, etc.
- Start-up grants to support shared service strategies, aimed at helping a network of center- or home-based providers strengthen their capacity (fiscal and programmatic) to participate in QRIS and attain higher star ratings.

“\$100 million of the federal HS/EHS stimulus allocation is likely to be set aside to support the work of state Early Childhood Advisory Councils...”

Individuals with Disabilities Act (IDEA) Part B; Preschool IDEA (section 619); and IDEA Part C (Infants/Toddlers) • • •

Available Federal Stimulus Funds: \$11.3 billion to local education agencies for Individuals with Disabilities Act (IDEA) Part B programs for children. This amount includes \$400 million allocated for preschool IDEA (section 619) grants. There is an additional \$500 million for grants under IDEA Part C to help states serve infants and toddlers with disabilities and special needs. The IDEA funds are distributed to states by formula.

For state allocations, see www.ed.gov/about/overview/budget/statetables/09arrastatetables.pdf

Possible Uses for QRIS:

Planning strategic links between the early intervention system and early care and education services provided by community-based providers is crucial. QRIS can help to facilitate this process. Stimulus funds could be used for:

- Ensuring that early intervention and preschool special education programs are able to participate in QRIS. This includes reviewing/revising the policies, procedures, and supports for these programs to ensure that these providers are able to participate in a streamlined, efficient and cost-effective manner.
- Training early intervention staff (who oversee or prepare Individual Education or Family Service Plans for children with disabilities) on what is included in QRIS and how to use star levels as a guide for referrals in plan development.
- Crafting state policy to establish priority placement in 4 and 5 Star early care and education programs for children with disabilities who have an Individual or Family Service Plan.
- Training QRIS participants in effective strategies for serving children with disabilities.

Temporary Assistance for Needy Families (TANF) Emergency Contingency Fund • • •

Available Federal Stimulus Funds: \$3 billion for the Temporary Assistance for Needy Families (TANF) Emergency Contingency Fund to provide states with additional funds to serve the growing number of poor families in this recession; and \$319 million to extend supplemental funds for states with high population growth and/or increased poverty, providing qualified states with the same grant amount in FY 2010 that they received in FY 2009. Funds are intended to cover 80 percent of the cost of increased assistance payments in states with caseload increases, as well as 80 percent of additional spending on short-term non-recurring benefits and subsidized employment.

Possible Uses for QRIS:

States that are eligible for additional TANF funds may use them for a host of early care and education services, including:

- Child care subsidy bonuses (tiered reimbursement) linked to QRIS participation.
- Priority policies, aimed at ensuring that children who have the greatest needs (such as those who experience toxic stress as a result of poverty or family disruption) receive priority placement in 4 and 5 star early care and education programs.
- Subsidy contracts with programs that participate in QRIS, with higher rates linked to higher quality. Contracts could be targeted to programs that serve high-need populations where securing a critical mass of portable subsidies might be difficult.



Child Welfare (Title IV-E) ● ● ●

Available Federal Stimulus Funds: The Recovery Act provides a temporary FMAP (federal match) increase of 6.2 percent to state child welfare payments through Title IV-E of the Social Security Act.

Possible Uses for QRIS

- Establish a policy that gives children in the child welfare system priority access to ECE programs with 4 and 5 star ratings. Use Title IV-E funds for higher rates to programs at these higher star levels.

Military Child Development Centers ● ● ● (Army, Air Force, and Navy/Marines)

Available Federal Stimulus Funds: \$80 million each for construction of child development centers serving the Army, Air Force, and Navy/Marines. The Military Child Care System can -- and should -- be an active part of a state's QRIS. While stimulus funds are targeted to construction, the Military Child Care System has other resources that could be linked to QRIS. Key steps include:

- Ensuring that the Information/Technology and data collection systems needed to effectively implement QRIS link with and build on the data available on military child care settings.
- Conducting Environmental Rating Scale assessments, or Star Ratings, in military child care settings that participate in QRIS.
- Providing "Start-with-Stars" or "Step-up to the Next Level of Stars" grants for military child care programs that participate in QRIS.
- Funding education scholarships or loans-to-grants for staff in military child care programs, so that they can attain the education required for higher star levels.
- Providing technical assistance to military child care programs, to help them participate in QRIS and raise their star level.

Higher Education Title II Teacher Quality Partnership ● ● ●

Available Federal Stimulus Funds: \$100 million for Higher Education Title II Teacher Quality Partnership grants to address teacher shortages and modernize the teaching workforce. These grants could be used to support the early childhood workforce through compensation and other initiatives. Partnership must include an institution of higher education and a high-need school district and may include early education programs. These funds are distributed by application to the US DOE.

Possible Uses for QRIS:

Quality teachers are a cornerstone of effective QRIS. To this end, federal stimulus funds could be used for:

- Developing the Information Technology and practitioner data collection systems needed to effectively implement QRIS.
- Supporting classroom mentoring to help strengthen participation in, and ratings from, a QRIS.



“Quality teachers
are a cornerstone
of effective QRIS.”

- Supplying education scholarships for ECE teachers, with priority (or higher scholarship levels) for practitioners who work in programs that participate in the QRIS,
- Offering enhanced compensation (e.g. a signing bonus, better benefits or a wage subsidy) for practitioners that attain higher qualifications and also work in an ECE program that participates in QRIS.

Higher Education Tax Credits, Pell Grants and College Work-Study Program ●●●

Available Federal Stimulus Funds: Replaces the Hope tax credit with a new Higher Education Tax Credit worth up to \$2,500 a year for the first 4 years of college. In addition to tuition and fees, the cost of books and course materials. The credit is 100% of the first \$2000 and 25% of the next \$2000 of expenses. The credit is 40% refundable, meaning that a student with no tax liability could receive a maximum refundable credit of \$1,000 for \$4,000 in educational expenses. The ARRA also includes \$15.6 billion to increase the maximum Pell Grant to \$5,350 in 2009 and \$5,550 in 2010 and adds \$200 million to the College Work-Study Program. These funds are applied for by individuals.

Possible Uses for QRIS:

Helping practitioners in early care and education programs attain higher education is a key component of QRIS.

Possible strategies include the following:

- Provide programs that participate in QRIS access to a career counselor to help their staff apply for higher education grants, loans and work-study opportunities.
- Provide programs that participate in QRIS access to tax preparation assistance to help staff apply for and maximize higher education tax credits.
- Create a special no-interest loan program available to staff who work in programs that participate in QRIS, aimed at enabling them to take full advantage of the refundable tax credit in the event that they do not have the up-front money to pay for college. (Or structure it as a loan to grant program, whereby the loan converts to a grant if they attain a specific milestone on the ECE qualifications in QRIS.)

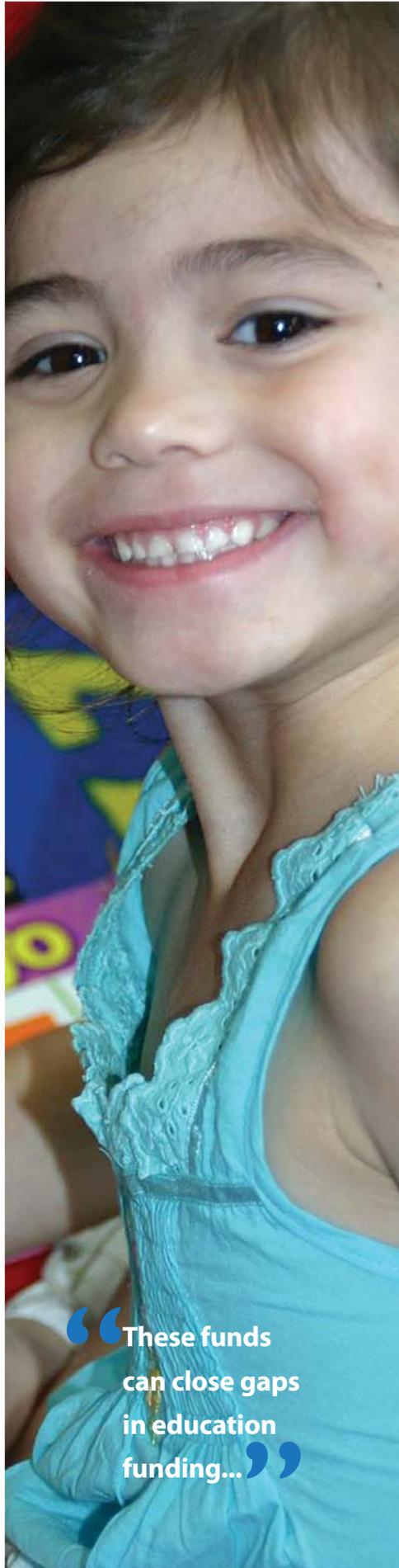
Title I Grants for Education Programs for Disadvantaged Children ●●●

Available Federal Stimulus Funds: \$13 billion for Title I grants for education programs for disadvantaged children. States have always been allowed to use Title I for children below school-age; thus, they can also use the stimulus funds for early childhood. (However, there is not a specific 15% set-aside for early care and education in the final act as there was in the Senate bill). \$3 billion is for school improvement by formula to districts. \$10 billion is formula grants to school districts. The funds go to the State Education agency which is permitted to take the greater of \$400,000 or 1% of the total state allocation for administration before sending the funds to local school districts. Of the \$10 billion, \$5 billion is for Targeted Grants distributed by the Title I Targeted Grants formula and \$5 billion is distributed by the Education Finance Incentive Grants (EFIG) formula. Both formulas take account of child educational disadvantage and family poverty. The EFIG formula accounts for state financial support for education and equalization of spending among districts. For allocations within state by school district see www.ed.gov/about/overview/budget/titlei/fy09recovery/index.html

Possible Uses for QRIS:

Title I is a funding stream that can be used to support preschool programs sponsored by local public schools and either administered in the school building or via contracts with community-based organizations. Title I funding can be used to help these programs participate in QRIS (or meet standards that are aligned with QRIS) as well as for practitioner training and program technical





assistance. Thinking strategically about how school-based preschool programs, and education funding in general, fits into a QRIS is crucial. While a school-based program may or may not actually receive a QRIS rating, ensuring that the standards these programs are required to meet are aligned with QRIS (e.g. equivalent to a 4 or 5 star rating) can essentially achieve the same end.

State Fiscal Stabilization Fund ● ● ●

Available Federal Stimulus Funds: \$53.6 billion for a State Fiscal Stabilization Fund. These funds are controlled by the Governor, who must apply for them. \$39.5 billion is earmarked for elementary, secondary and higher education, and “as applicable, early childhood education programs and services.” Of this part, the first use is to restore cuts to education. The remainder would flow directly to local school districts via the state’s education aid formulas. \$8.7 billion is earmarked for flexible block grants to states for public safety and other government services, including school and higher education modernization, renovation and repair. “Government services” could include services for the elderly and people with disabilities, or child care, especially school-age child care. The funds are available immediately and must be spent within 2 years. The bill also provides \$4.3 billion for State Incentive Grants, for which the Governor must apply. An additional \$650 million is for an Innovation Fund; states would have to apply and show the model they wish to fund has demonstrated progress in closing the achievement gap, improving the distribution of teachers between high-poverty and low-poverty schools.

Possible Uses for QRIS

These funds can close gaps in education funding that will allow other parts of the ARRA to be used directly for early education. These funds can and should be used to restore state cuts to Head Start or state-funded prekindergarten. Since these funds can be used for early education, all of the QRIS uses described above are possible. Additional ideas include the following:

- Purchase of Information Technology hardware and software needed to effectively monitor QRIS participation (e.g. handhelds, printers, data software, etc.)
- Seek special Incentive Grant funds to create an incentive grants program for school districts that develop early care and education initiatives that strategically link community-based early childhood programs with local public schools in poor performing school districts. These funds could be used for:
 - School Readiness grants, modeled on the Colorado School Readiness grants program, for community-based early care and education programs that participate in QRIS and show continuous improvement (e.g. increase their Star level);
 - Training, technical assistance and wage initiatives aimed at supporting transitions among, and promoting vertical alignment in the curricula used by, community- and school-based early care and education programs.
 - Shared service strategies, aimed at helping community-based early care and education programs attain some economies of scale, improved quality and program stability.

“These funds can close gaps in education funding...”

Earned Income Tax Credit (EITC) ● ● ●

Available Federal Stimulus Funds: Expands the Earned Income Tax Credit (EITC) by providing tax relief to families with three or more children and increasing the marriage penalty relief. The maximum credit for these families increases by almost \$600. It also establishes a new Making Work Pay Tax Credit (a refundable credit of up to \$400 per worker and \$800 per couple filing jointly) and expands the child tax credit.

Possible Uses for QRIS

Targeted tax-preparation assistance for self-employed child care providers that participate in the QRIS could result in significant financial benefits. Self-employed individuals are eligible for the EITC. This means that family child care providers and owners of very small child care centers (that operate as sole proprietors) could be eligible for the EITC if they complete a Schedule C tax form that maximizes all of the deductions that are available to them. Additionally, the Making Work Pay Tax Credit will be provided to employed individuals through a reduction of the amount that is withheld from their paychecks; however, self-employed individuals must file a tax return to receive these benefits. For more information on the potential benefit of the EITC for family child care providers, see the CFED self-employment project at <http://www.cfed.org/focus.m?parentid=32&siteid=2530&id=2778>.

Broadband Services ● ● ●

Available Federal Stimulus Funds: Provides \$7 billion for extending broadband services to underserved communities.

Possible Uses for QRIS:

Ensure that all child care centers and homes have broadband access. Offer free internet access to programs that participate in QRIS. Use the internet to communicate with, and gather information from, these providers. Perhaps link this with the purchase of an Information Technology platform, aimed at helping child care programs reach a level of scale that enables them to cut some administrative costs. Funding from other portions of the stimulus package could be used for the Information Technology hardware and software, and broadband funding could be used to expand access.

Energy Savings and Green Jobs ● ● ●

Available Federal Stimulus Funds: Tax Incentives to Spur Energy Savings and Create Green Jobs, including tax incentives for energy efficiency.

Possible Uses for QRIS

- Offer QRIS participants free energy audits, assistance in apply for energy tax credits and referrals to qualified contractors that can help make their businesses more energy efficient.
- Launch new grant/loan programs to help child care centers and homes complete projects while awaiting funds from the tax credits.



The BUILD Initiative helps states create comprehensive early childhood systems – coordinated, effective policies that address children's health, mental health and nutrition, early care and education, family support, and early intervention. BUILD's vision is at the center of an emerging and vibrant state-based policy movement in the early childhood development field. We work with those who set policies, provide services and advocate for our youngest children to make sure that they are safe, healthy, eager to learn and ready to succeed in school. Visit www.buildinitiative.org.

