



Coordinating Funds to Support the Sustainability of Comprehensive Early Childhood Systems

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Contents

Executive Summary 1

Coordinating Funds to Support the Sustainability of Comprehensive Early Childhood Systems 2

Definitions of Blending, Braiding, and Layering of Funds..... 3

Policy Options and Actionable Strategies to Coordinate Funds..... 5

Policy Option 1: Building Local Capacity to More Efficiently Use Resources 5

Policy Option 2: Blending Funds at the State Level to Be Distributed Locally 6

Policy Option 3: Aligning Goals, Regulations and Standards 7

Policy Option 4: Planning for Sustainability of Time-Limited Funds..... 8

Policy Option 5: Using Time-Limited Funds to Pilot Innovations and Collect Data on Scalability. 9

Policy Option 6: Consolidating or Aligning Governance and Authority 9

Policy Option 7: Collecting Cost and Revenue Information to Include in Comprehensive Data Systems 10

Key Takeaways: Building Capacity to Coordinate Funds..... 11

Key Takeaways..... 11

Conclusion 12

Additional Resources 12

References..... 12



Executive Summary

Many **Preschool Development Grant Birth through Five** (PDG B-5) grantees have goals to increase the efficiency of financing by coordinating funds from multiple sources. The purpose of this report is to share strategies, examples, and resources to assist state and local leaders in coordinating funds to more efficiently use available resources to provide quality services to young children and families. Coordinating funds (the umbrella term for blending, braiding, and layering) can help state and local leaders achieve greater efficiencies with available funds. State or local leaders may also want to maximize different funding streams that have similar eligibility requirements or intended uses. In strategic financing, blending, braiding, and layering are strategies that can be used to reduce administrative inefficiencies and leverage additional funds to serve more children or families. In most cases, coordinating funds does not require new money, but may require reassigning funds to different goals, or using time-limited funds to provide the glue to expand programs or pilot initiatives to learn more about what works and what cost savings could be realized to scale innovations. The report identifies seven policy options and actionable strategies that states can consider and concludes with key takeaways to successfully build capacity to coordinate funds.



Coordinating Funds to Support the Sustainability of Comprehensive Early Childhood Systems

Financing is critical to systems alignment and program integration in a comprehensive early childhood system (Institute of Medicine & National Research Council, 2015). The [Preschool Development Grant Birth through Five](#) (PDG B-5) grantees have an expected outcome of increasing the efficiency of financing by coordinating funding from multiple sources (National Technical Assistance Center for Preschool Development Grants B-5, 2022). For example, **Illinois'** Governor commissioned a report on [equitable early care and education funding](#) and identified coordinating funding utilizing a centralized approach, as one of three recommendations. **New Jersey's** [PDG B-5 strategic plan](#) was developed “to plan for changes to the system that maximize the availability of high-quality Early Childhood Care and Education (ECE) options across providers and partners for children and families, improve the quality of care, streamline administrative infrastructure, and improve state/territory-level ECE funding efficiencies” (New Jersey Department of Children and Families, 2020, p. ii). **California's** [Master Plan for Early Learning and Care](#) includes goals to unify funding and streamline governance and administration. Other states, most recently **New Mexico** and **Colorado**, are reorganizing state government and authority over the array of early childhood care and education programs and funding streams to achieve greater efficiency of resources, reduce duplication and coordinate funds, and improve service delivery.

Although a majority of the examples listed above were not funded with PDG B-5 dollars, these and other PDG B-5 grantees are implementing strategies to better use existing resources to:

1. Improve the overall participation (access) of children in a mixed delivery system of federal, state, and local early childhood care and education programs.
2. More efficiently use existing federal, state, local, and nongovernmental resources to align and strengthen the delivery of existing programs.
3. Coordinate the delivery models and funding streams existing in the state's mixed delivery system.
4. Leverage partnerships.

A recent study found that most early childhood programs, over 75%, coordinate one or more funding streams. Researchers report a positive association between the use of multiple funding streams and measures of quality (Duer & Jenkins, 2022). The purpose of this report is to share strategies, examples, and resources to assist state and local leaders to coordinate funds to more efficiently use available resources to provide quality services to young children and families. Coordinating funds (the umbrella term for blending, braiding, and layering) can help state leaders achieve greater efficiencies with available funds. State or local leaders may also want to maximize different funding streams that have similar eligibility requirements or intended uses. In strategic financing, blending, braiding, and layering can be used to reduce



administrative inefficiencies and leverage additional funds to serve more children or families. In most cases, coordinating funds does not require new money, but may result in current funds being used for different programs aligned to goals. Coordinating funds may also result in using time limited funds to provide the glue to expand programs or pilot initiatives to learn more about what works and what cost savings could be realized to scale innovations.

The report begins with definitions of blending, braiding, and layering, and then discusses the rationale and goals for coordinating funds. Several policy options and actionable strategies to coordinate funds are identified. The report concludes with a discussion of key takeaways to build capacity to coordinate funds and shares selected resources that may be of interest for further information.

Definitions of Blending, Braiding, and Layering of Funds

The terms blending, braiding, and layering describe financing strategies that coordinate funding streams with similar purposes and requirements. However, these financing strategies have different meanings and implications for fiscal accountability. Blending and braiding can be distinguished by whether and how each of the separate funding streams are allocated (typically referred to as “cost allocated”) and tracked in the accounting system.

General definitions of each of these terms are:

- *Blending* is when two or more funding streams are used to fund a set of services, but the streams are not necessarily tracked by funding sources or documented separately in the accounting system.
- *Braiding* is when two or more funding sources are used to support the full cost of a service and each fund is separately allocated and tracked in the accounting system. Statutory authority may be required to braid federal or state funds (AGA, 2014; Gonzalez & Caronoragan, 2021).
- *Layering* is another strategy to coordinate different funding streams to support the full scope or dosage of a service. Typically, funds are layered depending on their eligibility requirements or restrictions on use of funding. For example, the first layer includes funding for basic services, the second layer are funds from another source to provide comprehensive services to benefit all participants in the program, and the third layer are funds that provide specific services only to certain children (Fonseca, 2017).

These coordinated funding strategies have important fiscal accountability features that may impact a state or local leader’s ability to blend, braid, and layer specific funds. Careful attention to the requirements of each specific funding stream—whether it is a federal fund that is flowing down to a state or program, or the funding entity, such as the state, which may be impacted by the establishing program legislation—is critical to using these strategies effectively. This report does not address the fiscal and legal requirements of blending and braiding, but the Additional



Resources section provides other sources to guide state and local leaders. It is always best to make financing decisions in close contact with legal and fiscal staff with authority to make these decisions.

Coordinating Funds to Support the Sustainability of Comprehensive Early Childhood Systems

In 2017, the U.S. Government Accountability Office (GAO) conducted a study of federal investments in early learning and care (as a follow up to a 2012 study), finding some improvement in federal agencies' efforts to coordinate funding. However, the report noted “that children benefit most from investments in federal early learning and childcare programs when they are coordinated with similar programs” (GAO, 2017). Coordinating funds is part of a strategic approach to financing that helps state leaders see the whole child and family and identify the resources needed to meet their needs holistically, rather than any one program or funding stream driving how children and families access the services they need. **New Mexico**, for example, has developed a [4-year strategic financing plan](#) for the Early Childhood Care and Education Department.

State and local leaders are faced with difficult choices because of the limited resources to meet the needs of young children and ensure access to quality programs. According to the Institute of Medicine and National Research Council (2015), the early childhood system receives about one third of the public funding it needs to fund equitable access to high-quality early childhood care and education. The lack of resources creates dilemmas for state and local leaders. For example, with limited resources leaders face tough choices, such as:

- Whether to fund more intensive (and potentially more effective) services or fund more children with less intensive services (e.g., full-day vs. part-day).
- Whether to implement policies requiring higher salaries (and fund programs to provide these salaries) or serve more children in programs that continue to maintain low salaries.
- Whether to concentrate limited child care subsidy funding on high-quality services, or allow funds to be used to access more custodial care (Connors-Tadros et al., 2018).

The PDG B-5 grants are intended to support states in coordinating and aligning existing programs within the state's early childhood care and education mixed delivery system. Additional expected outcomes include maximizing and leveraging resources to improve program operating and cost efficiencies, expand parental choice, and ensure families are linked to the full range of needed services (Office of Child Care, 2021). Depending on the state's programmatic priorities for early childhood care and education, leaders may employ a range of strategies to coordinate funding sources. The specific fiscal strategies used, such as blending, braiding, or layering, will depend on requirements of the funding source or the identified objective, but all can be effective strategies to achieve the following goals.



Increase efficiency: Coordinating different programs or funding streams may result in greater efficiencies by reducing administrative burden and duplication of reporting. Coordinating funds can also allow dollars to be used more flexibly to provide more comprehensive services, or to be redirected to increase access or quality. Leaders may need to remove regulatory barriers to increase the flexibility of funding—for example, revising Child Care and Development Fund certification/recertification to 12-month periods, if not already in place, to better allow for braiding with prekindergarten dollars that, in turn, allow for afterschool care and a full day of service. Leaders may also want to reduce burden from state or local government procurement processes for private contracts.

Increase sustainability of funding to support the continuation of services: Funding cycles for specific funds are typically different, even though the purpose or eligibility may be aligned. In addition, some funds are short-term or time-limited; coordinating the cycle of funding sources can support the stability of programs and services. This helps to ensure continuity of care for children and support for providers at the local level. From the outset, leaders can address sustainability of funding to ensure that outcomes can be achieved and that effective programs are built into the system infrastructure (e.g., budget to build capacity of the system to achieve outcomes for children and families over time).

Policy Options and Actionable Strategies to Coordinate Funds

Coordinating funding sources is one of the important policy levers for state and local leaders to use in financing and sustaining their state’s comprehensive early childhood system. As grantees plan for sunseting of federal dollars, from both the [American Rescue Plan Act](#) (ARPA) and the PDG B-5 Initiative, seeking opportunities to blend, braid, and layer funds to support effective programs will be critical to ensuring children and families do not lose access to important services. Fundamentally, state and local leaders need to know and have an understanding of what funds are in place and how they are being used, in addition to the regulations for each fund once ARPA and PDG B-5 funds have expired. With this knowledge, they can consider one or more of the following policy options that PDG B-5 grantees are using to continue programs and services through the coordination of funds from federal, state, and local sources.

Policy Option 1: Building Local Capacity to More Efficiently Use Resources

Coordinating funding requires some capacity and know-how at the local level, as well as the authority to coordinate funds that flow from the state. One way states help communities gain experience to coordinate funds is by building local capacity through community “hubs” (one term states use for local entities) or local policy councils that put the decision-making power for coordinating funds in the hands of the people most impacted by the services offered. Hubs or



local entities know their communities' needs best, have often built strong relationships among partners, and are best positioned to make decisions about how to coordinate funding from multiple sources to meet specific needs in the community. The ability to coordinate funding may differ and depends on what authority is given to the hubs for managing fiscal resources. The state plays an important role in providing resources for training, collecting data, and leveraging partnerships.

Some PDG B-5 grantees are implementing community-driven models to increase efficiency of funds and access to services. Community hub models are generally locally based entities that bring multiple partners together to plan for and support access to early care and education. Depending on the state, however, community hub models may have different types of roles and authority. For example, **Louisiana's Community Networks** must apply to the Board of Elementary and Secondary Education for approval and funding. They are primarily responsible for coordinating CLASS observations and enrollment for all publicly-funded early childhood programs within the Community Network. **Oregon's Early Learning Hubs** are charged with developing and implementing, in partnership with the five sectors (early learning, K-12, health, human services, and business), a shared strategic vision and work plan to achieve the Early Learning System goals of (1) an aligned, coordinated, and family-centered system, (2) children entering school ready to succeed, and (3) healthy, stable, and attached families. **New Hampshire's** recently established **Early Childhood Regional Leads** are intended to "build infrastructure for cross-sector collaboration and alignment for the purpose of coordinating resources and services within identified regions". Other states that are implementing community hub models include **Virginia's Ready Regions**, **Illinois' Birth to Five Action Councils**, and **North Carolina's Smart Start**.

Another way states can build capacity for local early childhood organizations to coordinate funds is by developing resources and providing training. **New York**, for example, developed two guides on blending and braiding—one to support **early childhood care and education** and another on home visiting—for local leaders in response to their requests on the state's needs assessment. The comprehensive guides focus on coordinating funds within a strategic financing framework. The guides include actionable resources such as checklists and case studies. In addition, the state developed a training-of-trainers curriculum on blending and braiding for local Child Care Resource and Referral Agency staff to provide coaching on blending and braiding to program staff.

Policy Option 2: Blending Funds at the State Level to Be Distributed Locally

Most funds for early childhood services flow from the federal level to the state (e.g., Child Care and Development Fund) or directly to local programs (e.g., Head Start). To minimize the administrative burden on local programs to coordinate funds, states can streamline different funding sources at the state level and then distribute dollars locally in a "pooled" fund. For



example, **Wisconsin's [Project Growth](#)** blended \$30 million from different federal funding sources, including the PDG B-5 Program, the Coronavirus Supplemental Response and Relief Appropriations Act, and the American Rescue Plan Act, to offer grants to local business leaders and their community-based early childhood partners to use the coordinated funds to develop innovative solutions to the child care crisis in their community. **Minnesota** collaborated with the Department of Health's Center for Health Equity to coordinate and leverage state-appropriated dollars for **[Community Solutions for Healthy Child Development](#)** grants. Grants were awarded to community-based organizations to improve child development outcomes related to the well-being of children of color and Native American children from prenatal to grade 3 and their families. **Rhode Island's [Health Equity Zones](#)** initiative leveraged more than \$30 million in public health funding toward Health Equity Zones (HEZs) in select communities across the state. HEZs aim to develop sustainable infrastructure and support community-identified needs to positively impact the socioeconomic and environmental conditions driving disparities and improve health outcomes. PDG B-5 funding in HEZs supports programming specifically for families with young children.

Rhode Island also piloted a number of **[funding models](#)** to expand access to prekindergarten. Blended funding models included Head Start, Child Care Assistance Program, and Individuals with Disabilities Education Act funds to expand access to additional children, extend service delivery, and add comprehensive services, while building on existing programs and infrastructure to streamline access. **New York** has blended funds from several federal and state sources to expand the Pyramid Model, a social-emotional health curriculum and training approach for young children, so that anyone can access training across the state for free. This project is supported by a **[Pyramid Model state leadership team](#)** with representatives from every state agency in the state, and it is aligned to the work of the New York State Early Childhood Advisory Council. **Alabama** is coordinating funds from multiple sources, including the Alabama Office of Head Start, Alabama Departments of Health and Department of Early Childhood Education, and the Lake Martin United Way, to fund a county-based, two-generation program for children birth through grade 12 in a very rural part of the state with limited resources. Families are receiving early care and education, food assistance, and health services.

Policy Option 3: Aligning Goals, Regulations and Standards

Aligning goals, regulations or standards for early childhood programs is a necessary first step for coordinating funds. Early childhood programs may have different goals, for example to support school readiness, to provide a safe space for children while parents are working, or to provide therapeutic services to children with special needs. Often early childhood programs in a state also operate under differing regulations and standards, in part driven, by the authorizing funding or program legislation. For example, child care programs may be licensed by one state agency, and preschool programs are certified by another state agency. Federally funded



programs often have additional regulations to meet. As states seek to coordinate funds to strengthen their early childhood mixed delivery systems, analyzing regulations, standards, and other requirements could help the states identify opportunities and barriers to achieving greater efficiencies through the coordination of funding.

Some states are working to [coordinate eligibility and enrollment](#) to streamline eligibility requirements and simplify application processes for programs and services that a child or family may be eligible to receive. This policy facilitates the coordination of funding to provide families with easier access to services and reduce administrative burden on government entitlement programs. For example, **Michigan** has made [coordinated eligibility and enrollment](#) (CEE) a key part of its strategy to coordinate and more efficiently manage resources. The state conducted a landscape analysis of where coordinated eligibility and enrollment was occurring throughout the state to highlight the lessons learned. The state developed several resources, including a guidebook and several webinars on key topics related to implementation of CEE, for other communities and have funded 11 communities to implement coordinated eligibility and enrollment projects.

States that are seeking to create greater coherence across early childhood programs need to understand how goals, regulations and standards are aligned to identify programs that serve common purposes and to determine the funds that are best suited to coordination.

Washington's [Statewide Early Learning Coordination Plan](#) is intended to help state leaders coordinate programs and funding to improve access to early learning services, reduce duplication, and leverage partnerships for greater system alignment and coherence. **Colorado** developed two matrices intended to identify areas for greater program alignment and to identify opportunities for coordinating funds. The state's [Provider Operations Matrix](#) identifies the regulation, requirements, and operational elements of the early childhood programs in the state. The [Family Access Matrix](#) provides a perspective on how regulations might impact families' access to early childhood care and education services.

Policy Option 4: Planning for Sustainability of Time-Limited Funds

PDG B-5 grantees are planning for when their federal funds will conclude, which may also include federal American Recovery Act dollars. Several grantees, such as Minnesota, Michigan, Colorado, New Hampshire, and others, are engaged in an intentional process to develop a financing plan that addresses the sustainability of some of the programs and services funded with time-limited federal dollars. Coordinating funds is one of the key strategies grantees will likely use to sustain certain programs or services; but first, states need to know what they want to sustain and then develop a sustainability plan to guide their efforts. While the grantees initially indicated in their applications what their approach to sustainability would be beyond the grant period, especially when it came to subgranting efforts and using PDG B-5 funds to pay for slots, they will need to revisit the relevance of those plans.



For example, **Colorado's** PDG B-5 leadership team has engaged in a process to review each service funded with federal dollars and determine whether the service should be sustained and, if so, at what level of funding. The leadership team is now identifying public and private funding sources that can be coordinated to sustain selected services. Similarly, **Minnesota's** PDG B-5 team commissioned the Management Analysis and Development Division of the Department of Management and Budget to support sustainability planning for Minnesota's Preschool Development Grant. The division led a yearlong process to develop a Sustainability Planning Guide identifying seven key sustainability levers, including coordinating funds to identify the PDG B-5–funded activities that should be sustained (Kane et al., 2022)

Policy Option 5: Using Time-Limited Funds to Pilot Innovations and Collect Data on Scalability

Short-term or time-limited funds can be coordinated with more permanent funding to determine whether it is worth seeking longer term sustainability funding for an innovation and to identify areas of improvement before scaling statewide. This strategy was common among PDG B-5 grantees. For example, **Alabama** used PDG B-5 funding in combination with state funds to pilot a strategy to expand the quality standards of the state's First Class Pre-K in four infant and toddler child care programs in the [First Class B-5 Foundation program](#). After data on efficacy of the strategy were collected, the program expanded to 15 classrooms, and the state is committed to using Child Care and Development funds to sustain the program once PDG B-5 funding concludes. Similarly, **Washington** used PDG B-5 funds in combination with state funds to pilot an [Early Childhood Education and Assistance Program](#) for infants and toddlers. Based on the success of this strategy, permanent state funds were secured to expand the program in 2021.

Policy Option 6: Consolidating or Aligning Governance and Authority

Financing and governance are inexplicably linked in terms of defining who has fiscal authority and accountability over funds. A growing number of states are seeking to consolidate and align governance for early childhood programs and funding streams to create greater efficiency at the state level and improve access and coherence for providers and families at the local level. Consolidation is expected to result in cost savings by reducing duplication, streamlining administration, and facilitating the coordination and leveraging of early childhood funds at the state level. For example, **Virginia** passed legislation in 2020 to consolidate child care, preschool, and other early childhood programs in the state education agency to unify the early care and education system (Virginia Department of Education, n.d.). **New Mexico** established a new Department of Early Childhood Education and Care (n.d.) in 2021, and **Colorado** established a new Department of Early Childhood in 2022 (Colorado General Assembly, n.d.).



Although there is no empirical evidence that consolidation or the creation of new governance structures to align early childhood programs results in cost-savings (Connors-Tadros et al, 2021), there is much inherent value and common sense to consolidating authority to coordinate funds at the state level to reduce administrative burden for coordinating funds at the local level. Eliminating duplication and aligning program goals and policies may be a foundation for more efficient funding and sustainably coordinating funds (Dichter, 2015).

Even in states that have consolidated many early childhood programs into one agency, the need for coordination across multiple state agencies still exists. For example, established in 2011, **Michigan's Office of Great Start** consolidates most early childhood programs in one agency. To ensure interagency alignment to the governor's goals, the Great Start Operational Team "identifies opportunities for reform, innovation, and alignment of resources in an efficient manner across agencies; and coordinate and conceptualize the preparation of interagency grant opportunities" (Michigan Department of Education, n.d., p. 3).

Policy Option 7: Collecting Cost and Revenue Information to Include in Comprehensive Data Systems

All PDG B-5 renewal grantees are working on early childhood integrated data systems to coordinate and align programs and increase system efficiencies (Sirinides & Coffey, 2021). Integrated data systems promote a coherent approach to data-driven policy decisions and can be instrumental in making equity-based funding decisions. States are in different stages of development of a robust integrated data system, and not all states include funding or cost data.

For example, **Pennsylvania** used its early childhood integrated data system plus other data sources to develop a funding formula that equitably distributed COVID-19 relief dollars to providers. The funding formula leveraged other funds providers were receiving and adjusted in the formula by adding actual cost data to ensure equity (Grimm et al., 2021). The associated **Early Learning Dashboard** gives leaders additional information to align policies and funding. **Illinois** has a long history of using data on access and risk to drive decision-making for early childhood programs. For example, the state contracts with the Erikson Institute to produce a **Risk and Reach** report with county-level data to help communities make decisions on allocating resources. The institute also recently produced a Risk and Reach Fiscal Scan to examine expenditures on publicly funded programs in early childhood care and education, family stability, and health. The data in these reports are intended to help state leaders make decisions about funding for services that account for the whole child's needs.

Cost modeling studies provide important fiscal data that can be integrated in a comprehensive data system. Cost modeling studies, depending on their scope, identify the true and full costs of operating a specific program or service, and they can also identify the funding sources currently used to fund the program. The data and information from cost-modeling studies is necessary to drive effective decisions on whether to coordinate funds. For example, **New Mexico** conducted a cost study of child care to inform how the state could combine subsidy dollars with short-term



federal relief funds to raise rates for providers (Capito et al., 2021). **Delaware** conducted a [cost of quality study](#) and used the findings to determine how much funding providers needed to meet quality standards and what funds could be coordinated to support providers in all sectors (Delaware Department of Education, 2020).

Key Takeaways: Building Capacity to Coordinate Funds

PDG B-5 grantees have a significant opportunity to identify ways to coordinate funds because they are working collaboratively with cross-sector partners on shared goals for young children. Coordinating funds through blending, braiding, or layering can be an important strategy to ensure sufficient and sustainable funding of effective programs. Coordination and increased efficiency of funding is a hallmark of most states' PDG B-5 strategic plans, and fragmentation of funding is typically a key concern identified in states' needs assessments of providers. Coordinating funds can offer many benefits to state leaders, including increased flexibility of funding, opportunities to test innovative strategies, stronger partnerships, and collaborative decision-making.

One of the key challenges for PDG B-5 grantees is to identify the barriers that have historically impeded the efficiency of funding. The barriers are often (inadvertently) caused by program duplication and overlap, at the federal, state, or local level. Barriers can include the misalignment of regulations, overly burdensome reporting requirements, and insufficient understanding of how funds can be used. However, with careful planning, these barriers can be addressed.

Key Takeaways

As this report has shown, PDG B-5 grantees are working to address barriers and find new solutions to scaling effective programs while using resources efficiently. Some of the lessons learned and recommendations to successfully blend, braid, or layer funding include:

1. Intentionally embedding new programs in existing program infrastructure to leverage learning and capacity rather than create a new program that may not be sustainable.
2. Identifying where blending and braiding are currently occurring and collecting data on the efficacy and impact of coordinated funds to spread lessons learned to other communities.
3. Examining regulations and restrictions of funds to be coordinated to ensure all partners have a clear understanding of the allowable uses of funding and opportunities for coordination with other funds.
4. Determining whether waivers or changes in regulations or policy around the use of a specific fund are needed and would provide significant value to leaders in funding effective programs.



5. Piloting new ways of coordinating funds to meet identified needs, and identifying the resources needed to scale the program with coordinated funds.
6. Developing a consolidated project plan and budget that accounts for all funds.

Conclusion

Funding for early childhood care and education is a patchwork of federal, state, or local competitive, time-limited grants, and restricted dedicated funding for certain populations or programs. Rarely does a decision-maker have assurances of the full amount of funding needed to implement a program with sufficient flexibility or longevity to ensure sustainability over the long term (Connors-Tadros, 2015). Coordinating funds, when done intentionally, is an effective strategy to address these challenges. This report suggests policy options and actionable strategies for state and local leaders to overcome obstacles to coordinating funds through a holistic and intentional approach to program funding and administration.

Additional Resources

The following resources have additional information on coordinating funds, with examples, and on other topics related to strategic financing.

AGA. (2014). *Blended and Braided Funding: A Guide for Policy Makers and Practitioners*.

<https://www.agacgfm.org/Resources/intergov/BlendedBraidedFunding.aspx>

Dichter, H., Weisenfeld, G., & Morrison, H. (2021). *Early Childhood Finance Toolkit: A Curated Resource to Support State Leaders in a Mixed Delivery System*. SRI International.

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