A Review of Fiscal Strategies in PDG B-5 Renewal Grants

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Introduction and Background

The federal funding opportunity to renew state Preschool Development Grant Birth-5 (PDG B-5) planning grants signaled growing recognition of the continued need for system building efforts in early care and education (ECE). Current and proposed activities of PDG B-5 Grantees demonstrate momentum to improve the quality and capacity of systems and increase access of early childhood programs to young children and families. To support the goals and objectives identified in the state's initial planning grant and its cross-sector strategic plans, PDG B-5 renewal applicants acknowledged the need for realizing efficiencies within the current system, including generating additional resources to support an expanded system.

The authors reviewed applications from the initial 23 awardees of PDG B-5 renewal grants to synthesize the B-5 system funding strategies, including how multiple funding streams interact and flow to providers, children, and families.[1] This brief highlights how these strategies support the overall goals of the PDG B-5 grant, provides specific state funding examples, and shares insights from state leaders on the COVID-19 pandemic's impact on the second year of federal PDG B-5 funding.

What are Fiscal Strategies?

The broad definition of fiscal strategies in this brief generally falls into two categories:

1. **Making better use of current funding** by maximizing efficiency of service delivery; addressing the inadequacy of funding by age of child served, type, or quality of services; or reforming how funding flows down to providers, for example by blending and braiding funding to increase access and improve quality.
2. **Increasing the amount of funding available to support the B-5 system** by targeting new investments to specific needs within the sector and increasing funding for the system overall. Examples include tax credits, public-private partnerships, new endowments, and ballot initiatives to expand funds for B-5 systems.

Both categories comprise the fiscal landscape of the B-5 system and are integral to achieving state system goals for quality, capacity, and access.

The Importance of Fiscal Strategies to B-5 System Support

Although many PDG B-5 Grantees have made significant progress developing their early childhood systems, a significant gap persists between the needs of all young children and families and the funding that is available to meet these needs (Schulman, 2020). Consider the following facts. Although some of this data is a few years old, the numbers have not changed significantly.

- Despite evidence of effectiveness, home visiting programs still reach only about 3 percent of high-priority families (National Home Visiting Resource Center, 2019).

[1] The authors reviewed the 23 successful state grant renewal applications submitted in 2019, reviewed additional publicly available documentation related to fiscal strategies supported by PDG B-5 funds, and conducted interviews with six state leaders to inform this brief.

- Child care is increasingly harder to afford and difficult to find; more than half of Americans live in a community with little access to child care (Malik et al., 2018).
- State preschool programs serve only 33% of 4-year-olds and 6% of 3-year-olds (Friedman-Kraus et al., 2020).
- Early childhood educators make poverty-level wages and often rely on public assistance programs to support their families (Whitebook et al., 2018).

To provide the services to address these needs requires reimagining funding strategies and investments. In response, PDG B-5 renewal grantees proposed a variety of fiscal strategies to address the needs of their communities, such as exploring revenue-generation options, streamlining program funding and administration mechanisms, and supporting family child care networks.

System-Wide Fiscal Strategies

Several PDG B-5 grantees propose comprehensive, system-wide fiscal strategies to fund aligned, complimentary activities that reflect the system-building focus of the PDG B-5 program and the interconnected nature of programming that supports young children and their families (Prenatal to Five Fiscal Strategies, n.d.). A system-wide approach requires understanding the needs and effective strategies to meet those needs, calculating the costs of interventions and the gap between the current and required funding, and building support and political will for the necessary changes. Once done, short- and long-range plans can be developed and actions taken to provide sufficient and stable funding over time that will meet the state's goals for young children and families.

Fourteen of the 23 renewal applications reference a goal related to financing the B-5 system or discuss it as a key part of ongoing strategic planning (**Alabama, California, Colorado, Georgia, Illinois, Kansas, Maryland, Missouri, Nebraska, New Hampshire, New Jersey, New York, Rhode Island, Virginia**). Some applications include a specific goal to create a sustainable funding system (**Alabama, New York**) or improve resource coordination (**California, Colorado, Illinois, Maryland, Nebraska, Rhode Island, Virginia**). Other PDG B-5 grants support a formal task force or commission as part of a larger statewide initiative (**California, Illinois, Nebraska**).

State Spotlight: California

California's PDG B-5 implementation plan included several broad, system-wide fiscal strategies to increase efficiencies in funding administration and to improve equity in distributing resources across the state, such as:

- Determine areas where coordinating across multiple state agencies and reducing duplicative processes could increase efficiencies and alignment of ECE programs.
- Develop a cost model and fiscal framework options for sufficient funding and revenue to build an equitable and comprehensive early learning and care system.

California's PDG system is fully integrated into the comprehensive statewide Master Plan for Early Learning and Care (MPELC), published in December 2020. The goal of the Master Plan is to "develop a long-term financing and administrative strategy to achieve a comprehensive, equitable mixed-delivery system, and identify options for policymakers." It serves as the driving force for system change in California.

State Spotlight: Illinois

In December 2019, Governor Pritzker established the Illinois Commission on Equitable Early Childhood Education and Care Funding (the "Early Childhood Funding Commission") to establish funding goals and mechanisms to provide equitable access to high-quality early childhood education and care services for all Illinois children birth to age 5 (Illinois Governor's Office of Early Childhood Development, n.d.). The work of the PDG Grantees has informed the Commission in the course of its charge, and the Commission's information-gathering and analysis has concomitantly informed PDG activities. The Commission will unveil its final recommendations in early 2021.

Fiscal Strategies to Support PDG B-5 Goals

PDG B-5 Grant funding requires that awardees support mixed delivery systems, expand access to existing programs, and develop new programs to address the needs of eligible children and families (Administration for Children and Families, 2019). This section summarizes the 23 PDG B-5 applicants' proposed fiscal strategies to (1) improve access to programs for vulnerable, underserved, or unserved children and children with or at risk for disabilities, and (2) improve the supply of quality ECE programs, including strategies to support the ECE workforce.

PDG B-5 renewal grants cover comprehensive services for young children and families, and PDG B-5 applicants' fiscal strategies placed a strong focus on child care due to the fragility of the child care infrastructure. Many applicants also identified financing strategies to address the significant need for child care for infants and toddlers. Since child care programs are predominantly private businesses, supported through parent fees, public funds, or fundraising (Oncken, 2019), neither public nor private funding streams are sufficient to cover the costs of high-quality child care that compensates providers with fair wages (Workman, 2018). Therefore, it is not surprising that PDG B-5 Grantees focus fiscal strategies on this sector within the B-5 system, as it often serves the most vulnerable children, which is a priority of the PDG B-5 Grant.

Increasing Access to Programs and Services

The Child Care Development Fund (CCDF) is the primary funding stream to support access to affordable child care for low-income working families. States receive CCDF funding through the Child Care Development Block Grant (CCDBG) and allocate this funding to programs serving vulnerable children through their child care subsidy systems. States must meet federal requirements to ensure that the subsidy rate allows for “equal access” to child care for families using a subsidy compared to private pay families. Federal guidelines recommend that a subsidy rate at the 75th percentile of the market rate provides this equal access; however, as of 2019, only four states meet this standard (Schulman, 2020). Further, because market rates are based on what families can afford to pay, these rates rarely cover the actual costs of high-quality care that meets the needs of vulnerable children, infants and toddlers, or children with disabilities (Workman & Jessen-Howard, 2018).

To address this problem, states can make changes to their child care subsidy system to incentivize providers to accept subsidy-eligible children and increase the value of the subsidy so that families can access high-quality child care. Across the PDG B-5 renewal applications, 13 state applicants proposed activities related to this strategy (**California, Colorado, Connecticut, Florida, Illinois, Michigan, Nebraska, New Jersey, New York, North Carolina, Oregon, South Carolina, Virginia**).

Contracting for Subsidy-Eligible Child Care Slots

Five state PDG B-5 renewal applicants proposed piloting or expanding their use of contracting for slots in the Child Care and Development Fund (CCDF) program (**Connecticut**, **Colorado**, **Florida**, **Illinois**, **South Carolina**). States that employ this strategy enter into contracts with child care providers to designate a set number of child care slots for subsidy-eligible children over a defined time period. Guaranteed funding for the allotted slots allows child care providers to budget and plan more effectively. State agencies often use this strategy to direct support to underserved populations, such as infants and toddlers, or to underserved regions of the state, such as rural areas (National Collaborative for Infants and Toddlers, 2020). **Connecticut** applicants proposed expanding their contracting pilot to include family child care homes through the use of staffed family child care networks. **Florida** plans to pilot contracted slots to serve children in child care deserts and rural communities, funding approximately 150 slots in their first year with rates attractive to new providers. **South Carolina** applicants plan to offer contracted slots for providers serving infants and toddlers in the state PreK programs, leveraging efficiencies across the two state-funded initiatives and supporting continuity of B-5 child care. **Colorado** is building on the lessons learned in its PDG B-5 Initial Grant contract pilot by enhancing its information technology systems to reduce barriers to participation in the contract program.

State Spotlight: Colorado

Colorado, like many states, experienced an extreme shortage of infant and toddler child care, particularly home-based providers serving the most vulnerable families. Colorado developed a Contracted Slots Pilot program for their child care assistance program to increase supply and expand access to quality child care (Early Milestones, 2020). Contracted Colorado Child Care Assistance Program (CCCAP) slots offered an opportunity to restructure Colorado's child care subsidy program to better serve families and providers by offering providers monthly payments not tied to child attendance. Three counties participated in a six-month pilot to test this innovative approach. Pilot results suggest more providers may accept CCCAP through contracted slots for additional stability. The availability of contracted slots strengthened relationships between providers, families, and county administrators.

Conducting Fiscal Mapping

Stakeholders use fiscal mapping to gather information about existing and potential funding for populations or services and to consider more efficient use of funding or redirection of resources. Fiscal mapping (i.e., revenue and expense modeling) can analyze and quantify the gap between current revenues and expenses and estimate the costs of providing new initiatives, operating at different levels of quality as defined by a Quality Rating and Improvement System (QRIS), and expanding B-5 programming to meet state goals.

Six state applicants (**California, Florida, Michigan, North Carolina, Oregon, Virginia**) proposed conducting fiscal modeling in their renewal grants. **Florida**, **North Carolina**, and **Oregon** are conducting studies to inform subsidy rate setting. **Oregon's** child care cost study includes surveying providers on their true costs of operating and developing a cost estimation calculator to inform how the state sets subsidy rates going forward. **North Carolina** plans to develop up to three alternative models for setting rates based on cost rather than market price, with a specific focus on family affordability, child care business sustainability, and workforce qualifications and compensation. **Florida** is focusing on how local subsidy rates are set, ensuring equitable access to quality child care wherever children live.

State Spotlight: Florida

The Florida PDG B-5 Grantee's plan to determine the appropriate cost to fund minimum quality standards and incentivize the delivery of high quality ECE across all 67 counties. This focus reflects the state's priority to address inequities with the current market rate system for setting subsidy rates and to remove barriers to increasing quality of care. The state's PDG B-5 Grantee has developed a cost of quality calculator and are analyzing its sensitivity to unique county characteristics that can influence quality and access. Recognizing how costs can change overtime, Florida also plans to analyze payment rates at least biennially and monitor policy changes that might impact the cost to provide care. To further incentivize quality, PDG B-5 Grantee is also implementing quality differentials (i.e., additional pay) based on providers meeting certain quality benchmarks, such as achieving high Classroom Assessment Scoring System (CLASS) scores. The state plans to analyze the impact of the combined quality differentials and payment rate changes to ensure that the revenues are sufficient to cover the cost of high-quality care.

Virginia plans to analyze how much it will cost providers to meet the standards in the state's new uniform continuous quality improvement system, with a specific focus on the cost of providing infant and toddler child care. **California** has developed a cost model and fiscal framework outlining the cost and revenues needed to build an equitable and comprehensive ECE system, outlined in the state's Master Plan for Early Learning and Care. The proposed rate reform includes a base rate with adjustments for geography, quality, and child characteristics to address the systemic inequities of the current system. Meanwhile, **Michigan** is investigating alternative funding models to increase the supply of high-quality ECE programs and services in a sustainable way, particularly in rural regions.

Incentivizing Participation in the Child Care Subsidy Program

Several state PDG B-5 applicants identified activities to encourage more providers to participate in the child care subsidy system, including increasing rates statewide or targeting populations or providers. **Colorado** plans to partner with small business associations and their local early childhood councils to provide micro grants to family child care homes and child care centers that are seeking licensure. The tiered grants will support start-up costs and target providers who care for infants, toddlers, and children with developmental delays or disabilities, populations for whom the gap between the cost of care and the subsidy reimbursement is often greatest. **New Jersey** is planning to increase subsidy rates to address the higher costs of serving infants and toddlers and meeting state PreK program requirements. **Nebraska** is supporting home-based child care providers to become licensed, and is providing early learning scholarships to programs accepting a child care subsidy to narrow the gap between the value of the subsidy and the true cost of care. **New York** and **Oregon** established state task forces to address barriers to accessing care for subsidy-eligible families. **Oregon's** Child Care Task Force is looking at high co-payments and ways to improve access for children in the foster care system; **New York's** Child Care Affordability Task Force is addressing co-payments as barriers to access.

Improving the Supply of Quality Programs

Research shows that access to high-quality home visiting, child care, and preschool has positive short- and long-term impacts for children and families (Yoshikawa et al., 2013; Geary, Capito, & Duggan, 2020). Unfortunately, evidence-based home visiting models reach only a fraction of families who need them, and fewer than 10 percent of child care arrangements are rated high quality (National Institutes of Health, 2006). To provide equitable access to evidence-based ECE programs, state leaders are focusing their fiscal strategies on supporting both access and quality.

All 23 PDG B-5 Grantees proposed fiscal strategies to increase the supply of quality ECE services by helping providers cover the cost of higher quality without putting the additional cost burden on families and by supporting the business operations of child care programs. Many PDG B-5 Grantees also proposed strategies related to the ECE workforce. Given the importance of the ECE workforce to the quality of programming (the child care teacher who engages children in developmentally appropriate activities or a family support staff who works directly with the parents on goals for their child and family), it is not surprising that strategies focused on quality are interlinked with strategies supporting the workforce by providing training, coaching, or incentivizing higher credentials, as described below.

Supporting the Increased Cost of Quality

Many PDG B-5 Grantees proposed strategies that help programs cover the increased cost of providing high-quality care, recognizing that families are often unable to afford high-quality child care and acknowledging that most providers' revenues are insufficient to invest in quality improvements. **Alabama** is using PDG B-5 funds to provide financial incentives to 120 foundational sites that will serve children from B-5 primarily in rural high-poverty areas. The funds will help providers cover the cost of accessing and moving through the state QRIS and supporting teachers to earn professional credentials. **Louisiana** is offering infant and toddler child care grants to programs so that administrators can compensate providers at the true cost of quality. **Minnesota** plans to provide grants to develop implementation hubs to support access to comprehensive care, with a priority for tribal communities. **Oregon** is revising its QRIS to increase the focus on building provider capacity to improve and meet quality requirements by adding incentives to participate, such as tiered reimbursement, salary increases, and materials for enhancing the learning environment. **Oregon** is also proposing sub grants to school districts operating preschools with Title I or local funds to help them meet Oregon Preschool Promise quality standards and is investing funds to expand Baby Promise, **Oregon's** comprehensive program serving infants and toddlers. **Washington** is planning to launch its Early Childhood Education and Assistance Program pilot, modeled after Early Head Start, which will provide a public funding steam to support access to high-quality early learning for at-risk infants and toddlers, similar to the state's PreK program.

State Spotlight: North Carolina

North Carolina is building on the work of its initial PDG B-5 grant to expand the Babies First North Carolina (B1st-NC) program, which supports access to high-quality infant and toddler child care in underserved areas of the state. The model includes helping families afford the cost of high-quality infant and toddler child care by subsidizing the cost of higher teacher salaries and workforce development. B1st-NC programs receive enhanced payments based on teacher qualifications to contribute to hiring and recruiting highly qualified staff. Programs also receive intensive professional development and coaching to support the implementation of high-quality programming, meeting minimum standards on the Infant/Toddler Environmental Rating Scale-Revised (ITERS-R) and CLASS observations. Further, state leaders are planning a feasibility study to assess what it will take to develop a statewide program that meets the needs of infants and toddlers and their families, including developing a cost model and phased financing approach that uses both state and federal resources.

Strengthening Child Care Provider Business Capacity

States can also increase access to quality child care by strengthening the capacity of child care providers to operate a financially sustainable business. While child care will always be a labor-intensive industry, with compensation accounting for 60-80% of the cost of child care (Workman, 2018), several strategies can help providers achieve financial sustainability and invest in quality. Sixteen state PDG B-5 applicants proposed fiscal strategies related to this topic (**Alabama, California, Colorado, Connecticut, Georgia, Illinois, Kansas, Louisiana, Maryland, Michigan, Nebraska, New Jersey, New York, Oregon, Virginia, Washington**). These activities include support for shared services alliances and family child care networks, strategies that can help alleviate some of the administrative burden of running a child care program, help small independent programs achieve some economies of scale, and provide business support to help leaders manage their programs.

Alabama plans to expand its existing family child care partnership network. **Connecticut, Georgia,** and **Michigan** plan to develop staffed family child care network pilots to support the financial stability of family child care providers. **New Jersey, Nebraska, New York**, and **Virginia** plan to develop or expand shared services alliances or platforms, including technology to minimize administrative burden, emphasizing support for family child care providers and providers in rural communities.

Three state applicants proposed to offer business training to child care providers to enhance their qualifications and potential for financial stability (Stoney, 2019). Both **Colorado** and **New Jersey** are developing training resources aimed at strengthening business practices to support family child care providers' fiscal management and budget operations. **New York** is developing a business plan model for child care providers to help support program operations.

State Spotlight: Washington

Washington proposed to expand its Shared Services Hub initiative, which began under their PDG B-5 planning grant. These hubs act as umbrellas for providing business services for providers by integrating supports for mental health, trauma-informed care, and child care health consultations. Each Shared Services Hub partners with local providers to tailor a comprehensive package of supports that align with providers' needs and build providers' capacity to deliver comprehensive services. Washington identified efficiencies across other system supports and used fiscal modeling to understand the cost of this comprehensive hub model, building a funded pilot approach into their PDG B-5 renewal application.

Supporting the ECE Workforce

Fourteen state applicants proposed strategies that explicitly address barriers to recruiting and retaining qualified and experienced professionals, a key component of high-quality programming and services (**Alabama, California, Colorado, Connecticut, Georgia, Illinois, Kansas, Missouri, Nebraska, New Jersey, New York, Rhode Island, South Carolina, Virginia**). These strategies are sorely needed; early educators make less than $11 an hour on average and practitioners serving infants and toddlers make $2 less per hour than preschool teachers (Whitebook et al, 2018). Low pay and minimal benefits lead to high turnover. By focusing on strategies that can make ECE a more attractive profession through higher compensation and support for professional growth, state ECE leaders can help address a significant barrier to expanding access to quality programming.

Several state PDG B-5 renewal applications include activities that either support the ECE workforce to earn professional credentials or reward educators who have achieved certain credential levels. **Alabama, Missouri, Nebraska,** and **South Carolina** include support for *Teacher* Education and Compensation Helps (T.E.A.C.H.) scholarships in their PDG B-5 renewal applications.[2] Through their PDG B-5 grants, **Colorado** is providing Child Development Associate (CDA) scholarships to 250 early educators, and **New York** is expanding its Quality Scholars Scholarship Program, which supports access to professional development at no cost for low-income teachers, assistant teachers, and program directors.

Eight states proposed using PDG B-5 funds to expand or pilot strategies to increase compensation for the ECE workforce. **California** is revising their equity-based funding formula for the state's locally implemented QRIS to better account for disparities in access and funding amounts across the state and the resulting disparities in educator compensation. **Kansas** is exploring financial incentives for educators as part of its QRIS pilot. **Georgia** is using PDG B-5 funds to provide incentive payments based on educators' professional credentials and continuing employment. **Nebraska** is piloting a child care WAGE$ program. **South Carolina** is increasing the value of its bonuses for educators who earn higher credentials and is awarding bonuses for individuals who complete their workforce registry profile and obtain a career ladder placement. **Virginia** is also expanding an educator incentive program, and, along with **Georgia**, is conducting a study on the impact of different incentives for attracting and retaining early educators.

[2] This scholarship program supports early childhood educators in child care centers and family child care homes to earn a professional credential by helping cover the costs associated with earning the credential. For more see: T.E.A.C.H. Early Childhood National Center (2019). *T.E.A.C.H. Early Childhood Overview*. https://teachecnationalcenter.org/wp-content/uploads/2019/11/TEACH_overview_FactSht_11_6_19-WEB.pdf

State Spotlight: Virginia

In its initial PDG B-5 planning grant, Virginia incubated an ECE educator incentive program to promote workforce retention and improve quality in response to an annual educator turnover rate of 25-40%. The incentive program is not attached to credentials; it focuses on the importance of stable care environments for young children. Virginia piloted three different models for distributing the $1,500 annual incentive and examined the impact of each model on morale, workplace climate, and financial security. Researchers found that incentives had greater impact on educators when they received payments across the year rather than in one lump sum. In its renewal application, Virginia proposed to restructure the incentive program to focus on family child care homes and child care center educators. Virginia state leaders also leveraged the positive early findings from the pilot study to advocate for additional state funds to expand the program. Those funds were initially cut due to COVID-19 budget concerns, but the Governor later reinstated them, recognizing the essential role that ECE educators play in supporting the workforces of today and tomorrow. Virginia will continue to measure the impact of the restructured program over the next three years, with a goal of ultimately expanding it statewide to all programs receiving public funds.

Fiscal Strategies to Realize Efficiencies and Generate New Revenue

While it is important to engage in strategies that will strengthen the ECE system and promote access to quality ECE programs, a significant gap exists between the available funding and the funding required to meet needs. This section summarizes the fiscal strategies that PDG B-5 applicants proposed to (1) maximize their current funding streams and (2) generate additional revenue to support their goals.

Maximizing Current Funding Streams

A variety of public funding streams at the federal, state, and local level support B-5 programs (National Academies of Sciences, Engineering, and Medicine, 2018). The funding streams that a program, child, or family can access vary based on capacity, program requirements, and eligibility. Alone, no current funding streams are sufficient to meet the comprehensive needs of all children and families, requiring many systems and programs to combine funding streams to cover the full costs. This concept is often known as blending or braiding funds, where two or more funding streams are combined to cover the cost of the desired services. Blending funds allows comingling multiple funding streams without the need to track the individual sources of funding; braiding funds requires separate tracking and reporting for each source of funding (Wallen & Hubbard, 2013).

Although blending or braiding funds can help ECE programs meet the comprehensive needs of children and families, braiding funds creates a burden on providers to cost allocate and separately track and report on each braided funding stream. To help alleviate this burden, 10 state applicants proposed activities to support ECE providers to access and manage multiple funding streams or to maximize efficiencies across funding streams (**California, Colorado, Connecticut, Kansas, Louisiana, Michigan, Nebraska, New York, Rhode Island, Virginia**).

Colorado is developing an integrated financing toolkit to help providers access local, state, and federal funding streams and to increase awareness of all available funding streams, including the Child and Adult Care Food Program. **New York** developed a user-friendly blending and braiding guide under its initial PDG B-5 grant and will, with renewal grant funds, distribute it statewide, accompanied by child care and home visitor provider training. **New York** also plans to develop infographics to increase child care providers' and families' awareness of the existing tax credits available to them. **Virginia** has developed a self-assessment toolkit to help communities align, connect, and better leverage existing funding steams, including the Individuals with Disabilities Education Act (IDEA) and Title I federal funds.

Four state PDG B-5 Grantees (**California**, **Connecticut**, **Kansas, Nebraska**) are engaging in activities to coordinate public funding and create efficiencies across funding streams at the state level. **California's** strategic plan calls on state agency leaders to unify how they administer funding streams by consolidating and moving contracts for young children administered by the state's Department of Education to the state's Department of Social Services. The consolidation demonstrates a strategy the state can use to streamline and improve system functioning, family access and sustained engagement in services, and the quality of services. **Connecticut** used its initial PDG B-5 grant to align investments across different funding streams, blending funds from IDEA, Community Based Child Abuse Prevention, Temporary Assistance for Needy Families (TANF), and Supporting Pregnant and Parenting Teens. The state's PDG B-5 renewal grant proposes to develop a unified communications strategy to increase access to services and to invest in its data systems to streamline administrative processes. Meanwhile, **Kansas** has developed a Common Application for Grant Proposals and Reporting to centralize and streamline grant awards and provide grant dollars more quickly to community-based programs, while **Nebraska** launched a Fiscal and Governance Task Force to explore more efficient strategies to fund and administer their mixed-delivery ECE system.

State Spotlight: Kansas

In Kansas, the work of the B-5 system is spread across four state agencies, with the Kansas Children's Cabinet a hub for cross-agency collaboration. The Children's Cabinet has worked to improve communication and reduce barriers to collaboration. As a result, Kansas is now implementing new strategies that increase the efficiency of funding to service providers. For example, they have developed a "common application pilot" to allow non-profits, local governments, and unified school districts to apply for multiple funding opportunities, such as quality enhancement sub-grants, through a streamlined process. Providers can apply via an online portal using standardized budget templates and addressing standardized questions across agencies. Through this common application, modeled on higher education's application process, providers have increased an equitable access to grant opportunities regardless of their size or administrative capacity. In the wake of the COVID-19 pandemic, Kansas expedited the pilot to use the common application process for providers requesting CARES Act funding. The state is continuing to provide technical assistance to help programs use the online portal, exploring additional capabilities related to grant reporting, and looking to expand its use for the Kansas Preschool Program.

State Spotlight: Maryland

Fueled by its PDG B-5 systems work, Maryland is providing quality improvement grants to improve the functioning of local Early Childhood Advisory Councils (ECACs), which work to increase families' access to services and leverage available funding. The local ECACs will use a results-based accountability framework and develop their own strategic plans based on a needs assessment process, mirroring the state's system work. State leaders are making progress on data modernization efforts that focus on aligning ECE data systems to the state's fiscal goals. This work includes upgrading the child care management data system to a cloud-based system with a unique child identifier to help link children served across agencies and programs. Maryland's goal is to develop and implement uniform eligibility and application procedures for services to maximize process efficiencies and the impact of current funding streams.

Leveraging Funds to Increase Revenue

While making the best use of current funding is important, it is critical to leverage all available funds, and, in the long term, secure additional funding to support comprehensive B-5 services. Eleven state applicants included strategies to leverage or increase funding by identifying new funding streams (**Alabama, California, Colorado, Connecticut, Kansas, Louisiana, New Jersey, New York, North Carolina, Rhode Island, Virginia**).

California's application proposed $2.3 billion to support expansion of ECE services aligned with the state's strategic priorities. Building on this investment, as part of the Master Plan for Early Care and Learning, state leaders are developing a fiscal framework to build an equitable and comprehensive ECE system. **Connecticut** is allocating funding to reform structures of the B-5 system and support an integrated model of delivering special education services. **Kansas** is developing a policy to establish a public-private partnership endowment to provide ongoing funding for community programming and serve as an incubator for innovative ideas. **Louisiana** is supporting its Ready Start Networks to develop a localized fundraising strategy to secure additional resources to support the community vision. **Virginia** intends to explore multiple revenue options, such as tax credits or wage subsidies, to increase revenue for expanding the educator incentive program state wide.

Several states are also embarking on strategies to leverage Medicaid funding to support their B-5 system goals. **Connecticut** is establishing a cross-agency partnership to pursue approval for Medicaid funding to increase the capacity of the state's home visiting system, and **Colorado** is also working on a waiver to allow Medicaid billing for home visiting. **North Carolina** is working on securing Medicaid coverage for teletherapy visits, **New York** is seeking approval for infant early childhood mental health consultation as a reimbursable Medicaid expense, and **New Jersey** is expanding home visiting slots through Medicaid funding to augment current blended funding across multiple state agencies. **Rhode Island** secured a 1115 waiver amendment for state home visiting funding to be counted as a Medicaid match, allowing the state to draw down additional federal funding.

State Spotlight: Connecticut

Connecticut has found success in securing additional funding for home visiting by using the Pay for Success (PFS) model. In 2018, the Connecticut Office of Early Childhood and Social Finance implemented a PFS pilot for federal and state-funded home visits. The pilot provided 22 maternal, infant, and early childhood home visiting (MIECHV) providers across the state with performance-based payments based on outcomes that are valuable to families and society, that support two-generation impacts, and are linked to administrative data. Connecticut proposes to continue their PFS model in their PDG B-5 systems work to retain and grow funding for home visiting while focusing on their outcome goals for children and families; a particular focus will be on supporting local providers who successfully divert families with children under six years from homelessness.

Impact of the COVID-19 Pandemic

Within months of the announcement of the PDG B-5 renewal grant awards, the coronavirus pandemic had a dramatic impact on the lives of all Americans. Those working closely with young children and their families are dealing with the impacts on their own families and the families of those they serve. ECE providers have been particularly hard hit, especially those who rely on private funding. In March 2020, a national survey found that approximately 40% of child care providers reported they could not survive a closure of more than two weeks without significant financial support (National Association for the Education of Young Children, March 2020). While the federal CARES Act and Paycheck Protection Program brought some temporary relief, this program could not address the significant increases in providers' costs, professional and personal challenges, and the length of disruption to services and supports (Workman & Jessen-Howard, 2020; National Association for the Education of Young Children, May 2020). Home visiting programs were able to continue to serve families in a way that many child care settings were not. However, home visitors were also dealing with the trauma, burden, and professional challenges of their new virtual role, compounded by the stress of the pandemic, its economic impact, and the racial equity and social justice realities faced by many of the families that home visiting supports (Center for Translational Neuroscience, 2020).

The authors of this brief interviewed PDG B-5 Grantees from six states to better understand the impact of the pandemic on the first year of their renewal grant activities. All interviewees agreed that the biggest impact was the additional pressure on people's time as ECE staff assumed new roles and collaborating staff from health agencies mobilized to address the emergency. Staff at all levels, from early childhood educators and home visitors to program administrators and system leaders, found themselves with unexpected new responsibilities and a change of focus. They developed COVID-19 safety protocols, managed new online platforms, and sourced personal protective equipment, while navigating their own personal circumstances.

In addition, PDG B-5 Grantees who had planned in-person supports and training events had to adapt and develop new strategies. For example, **New York** had planned to share its business model training at an annual conference and its blending and braiding guide at various in-person convenings of child care providers. Although they canceled on-site events in 2020, state leaders disseminated the blending and braiding guide electronically and offered the business model training online to provide supports to child care providers during the pandemic. Meanwhile, most interviewees recognized that the shift to virtual strategies offers more flexibility for participants to attend events and may provide a model for future meetings.

Despite these challenges, the interviewees did not report making significant changes to their overall PDG B-5 grant plans that would impact or delay their ability to meet goals. Some PDG B-5 Grantees were able to leverage the increased focus on the importance of ECE to accelerate planned activities. For example, **Kansas** used CARES Act funding to develop a new grant program to support providers through the pandemic. State leaders decided to use their new common application process to solicit responses for this grant opportunity, scaling the strategy proposed in their application, and receiving three times the number of expected applications. In **Maryland**, state leaders leveraged the flexibility of the PDG B-5 funding to make modifications and respond to needs related to the pandemic, focusing state dollars on direct services and emergency needs in response to COVID-19.

Key Take-Aways from the PDG B-5 Renewal Grant Applications Review

Several states identified goals related to financing the B-5 system, and many placed a strong focus on child care due to the fragility of the child care infrastructure, specifically emphasizing strategies to address the need for more infant and toddler child care services.

This application review identified the following PDG B-5 grantees' fiscal strategy priorities:

- All 23 PDG B-5 Grantees proposed fiscal strategies to **increase the supply of quality ECE services**, including helping providers cover the cost of higher quality without putting the additional cost burden on families, while supporting the business operations of child care programs.
- Sixteen PDG B-5 Grantees proposed strategies to **increase access to quality child care** by strengthening the capacity of child care providers to operate a financially sustainable business.
- Fourteen renewal applications referenced setting a goal related to **financing the B-5 system,** or discussed the B-5 system as a key part of ongoing strategic planning.
- Fourteen state applicants proposed strategies that explicitly **address barriers to recruiting and retaining** qualified and experienced professionals.
- Thirteen states proposed **changes to their child care subsidy systems** to incentivize providers to accept subsidy-eligible children and to increase the value of the subsidy so that families can access high-quality child care. This included increasing rates statewide and/or targeting specific populations or providers.
- Eleven state applicants included strategies to leverage or increase funding by **identifying new funding streams**.
- Ten state applicants proposed activities to support ECE providers in accessing, managing, and maximizing efficiencies across multiple funding streams.
- Eight states proposed using PDG B-5 funds to expand existing strategies or pilot new strategies to **increase compensation for the ECE workforce**.
- Six state applicants proposed **conducting fiscal modeling** as part of their renewal grant activities.
- Four state PDG B-5 Grantees are engaging in activities to **coordinate public funding and create efficiencies across funding streams** at the state level.

Conclusion

To ensure all children and families have access to the services and supports that will provide the children with the best start in life requires significant investment. Based on the evidence in this brief, all 23 state PDG B-5 renewal grant awardees recognized the need for a strategic approach to funding the B-5 mixed delivery system to expand access to high-quality, comprehensive services. Several states proposed specific fiscal strategies intended to expand access to B-5 services and increase the quality of programming, such as contracting for subsidy slots, increasing the subsidy reimbursement rate to cover the true cost of quality, and supporting the ECE workforce by offering financial incentives. Other states proposed strategies that could maximize current revenues or generate new revenue, such as better support for programs to blend or braid funds, or leveraging Medicaid funding to support early childhood services.

Although COVID-19 has had a significant impact on the entire ECE system nationwide, it has highlighted the critical need for strategic and sustainable investments and agile fiscal strategies. As state leaders face an uncertain budgetary environment and grapple with the economic fallout of the pandemic, they will likely find themselves analyzing how to maximize current resources and target investments that offer the greatest impact. The breadth of strategies detailed in this brief provides promising approaches that state leaders can use to rise to this challenge and continue to advance their goals for their B-5 systems.

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