Policies and Investments to Increase Child Care Access and Compensation: A Scan of National and State Examples

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INTRODUCTION

Statewide, DCYF estimates that families of about 280,000 children age B-5 not yet in school need child care, because all available parents in the home are working. Only about 28% of these children are served by licensed child care, preschool, and/or subsidized child care. Additionally, the Department estimates that families of over 504,000 school-age children (kindergarten through age 12) are in need of care, and only about 12% of these children are served by licensed child care, preschool, and/or subsidized child care. Washington State has more than 5,700 licensed or certified child care facilities, with a total licensed capacity of over 190,000 children. Licensed programs include child care centers, family home child care, school-age care, and licensed outdoor programs. While the majority of these providers are family child care (58% as compared to 32% center based and 10% school age only) the majority of child care slots (80%) are in center based settings[1]. These numbers include Head Start and ECEAP slots which are licensed (preschool programs operating for less than 4 hours per day are not subject to licensing).

The Fair Start for Kids Act (FSKA) passed in 2021 had a focus on affordability, accessibility, and quality. This included: increased child care subsidy rates, capped copays at no more than 7% of a family's income, expanded eligibility for subsidy. FSKA directed DCYF to develop a proposed Cost of Quality Care Rate Model to set subsidy rates based on the cost of providing high-quality care, rather than what families can afford to pay, and set the 2026-27 school year as the timeline for reaching ECEAP entitlement. FSKA also sets milestones for continued expansion of family eligibility, subject to legislative appropriations, including increasing family eligibility for Working Connections Child Care (WCCC) to 75% of State Median Income (SMI) in July of 2025 and eligibility for ECEAP to 50% of SMI when accompanied by other factors in 2026. The Early Care and Education Access and Living Wage Proviso passed in 2023 requires DCYF to submit an implementation plan to expand access to Washington's mixed delivery early care and education system. The plan must assume that any financial contribution by families is capped at no more than 7% of household income and that the early learning workforce are provided living wages and benefits.

This policy scan explores examples of policy and investment strategies to expand access to early care and education and improve workforce compensation that may provide insights and considerations for Washington as the state works to develop the Early Care and Education Access and Living Wage Implementation Plan. Policy strategies included are recent changes to federal CCDF rules, recommendations from national organizations, efforts by other states, and implementation of the $10-a-day child care plan in Canada. The state examples included are intended to be illustrative of key policy strategies relevant to expanding access and workforce compensation, it is not an exhaustive accounting of strategies underway. The policy environment is dynamic and rapidly changing, information included in this scan is as current as possible.

Key themes from the scan include:

- Supply building strategies, particularly for infant-toddler care, alongside expansion of eligibility, are critical to ensure that families can find the care they are eligible for. Examples include adequate child care subsidy rates, support for the worker pipeline, startup costs, facilities, etc.

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[1] Child Care in WA, Child Care Aware of WA, 2023. Retrieved from https://childcareawarewa.org/wp-content/uploads/2023/07/Statewide-7-22-2023.pdf

- Capping parent fees at 7% of family income (which Washington currently does) has emerged as a policy best practice consensus in the United States, reinforced by recent changes to federal CCDF rules. How states are addressing thresholds for families at different income levels, and what constitutes allowable activities for families, remains significantly variable and a key area for consideration.

- Examples of strategies to address workforce compensation remain primarily incremental rather than systemic, such as stipends and bonuses. While these incremental measures can provide valuable point in time support for early educators, how best to ensure adequate and sustainable compensation and benefits for the workforce is a primary policy question facing the early childhood field today. Two key limitations commonly cited in increasing compensation via raising subsidy rates are the limited market share of subsidy and the broad discretion in how child care programs use subsidy dollars.

A note about this document: this policy scan may be read through in its entirety or utilized as a resource compendium, skipping to relevant sections. Section links are included in the table of contents.

RECENT CHANGES TO FEDERAL POLICY

The Child Care and Development Fund (CCDF) is the primary federal funding source supporting child care in the United States. CCDF's block grant structure gives states significant flexibility in designing their subsidized child care programs to meet local needs and priorities. Many states, including Washington, combine CCDF funding with state funds to support their state child care subsidy program. In Washington this program is known as Working Connections Child Care. While states have significant latitude in designing their subsidy systems, they must do so within the parameters of federal regulations governing the use of CCDF funds and accordance with state authorizing environments. In Washington the state legislature appropriates CCDF funds.

The Administration for Children and Families released a new rule in February of 2024 which will go into effect on April 30, 2024 making changes designed to lower costs for families, improve payments to child care providers, and make it easier for families to enroll in subsidized child care. States may request a waiver of up to two years to reach compliance with the new rules. Washington is already operating in accordance with many provisions of the new rule because of changes to WCCC policy in recent years. Those which Washington is not currently operating in accordance with are highlighted in the list below.

Key provisions of the new rule related to expanding access and workforce compensation include[2]:

- **Required:**
    - Caps family copayments at 7% of family income.

[2] First Five Years Fund. (March, 2024) Summary of Recent Rule to Improve Child Care Access, Affordability, and Stability in the Child Care and Development Fund (CCDF). Retrieved from: https://www.ffyf.org/2024/03/14/summary-of-recent-rule-to-improve-child-care-access-affordability-and-stability-in-the-child-care-and-development-fund-ccdf/#:~:text=Summary%20of%20Recent%20Rule%20to%20Improve%20Child%20Care,Agencies%20...%204%20Costs%2C%20Transfers%2C%20and%20Benefits%20

- Requires states to implement eligibility policies that minimize disruptions to parent employment, education, or training opportunities.
  - Requires states to use some grants and contracts for care for children in underserved geographic areas, infants and toddlers, and children with disabilities.
  - Requires states to pay providers prospectively and based on enrollment rather than attendance.
  - Requires that when a child is newly added to a household, they receive a full 12 months of subsidy eligibility rather than just being added to the family's existing eligibility period.

- **Encouraged:**
  - Urges states to consider offering online applications.
  - Encourages states to minimize or waive copayments when possible, for families living at or below 150% FPL, with children in foster/kinship care, with children with disabilities, experiencing homelessness, or enrolled in Head Start/Early Head Start.
  - Clarifies that states are encouraged to pay child care providers the full subsidy rate even when it is higher than the rate that provider currently charges private pay families.
  - Encourages states to establish presumptive eligibility policies to enroll children prior to full documentation verification.

- **Increases flexibility for tribal lead agencies.**

NATIONAL RESOURCES

A variety of national organizations have produced reports summarizing policy strategies for improving access and compensation. This section highlights a sampling of recent resources containing information that may be relevant for consideration as Washington explores potential policy options for development of a plan for universal access and living wages. Identification of points of potential relevance to Washington are included in the summary of each resource.

The Improving Child Care Compensation Backgrounder produced by the BUILD Initiative in 2021[3] outlines a variety of state strategies for improving compensation by category with profiles of states implementing each. Given the high degree of relevance to current Washington efforts, this resource is summarized in depth. The strategies explored in the Backgrounder include:

- **Compensation scales and standards**: This is how states define compensation connected to different roles in the delivery of early care and education services. The report notes that in the absence of policies tying these to implementation, their impact is limited.

- **Wage stipends and bonus payments:** Stipends are defined as ongoing payments versus one time bonuses. They can be administered at the program or individual worker level. Stipends and bonus payments are a widely employed policy strategy for states attempting to address compensation. The report categorizes these as interim measures which can provide point in time

[3] The Build Initiative. (2021) Improving Child Care Compenstion Backgrounder. Retrieved from: (https://buildinitiative.org/wp-content/uploads/2021/12/Compensation-Backgrounder-12-13-21.pdf

financial support to educators, but that these policies do not constitute systemic changes to compensation structure.

- **Individual tax credits for child care educators:** These are tax credits specifically targeted to individuals working in early care and education. This is not currently a widely employed policy strategy.

- **ARPA child care provider stabilizations subgrants:** This focuses on how states addressed compensation in the administration of stabilization grants, noting that there are two approaches, generally speaking, that states have taken; one is requiring that a set portion of grants go to increasing compensation and the other is awarding program additional funding contingent on increasing compensation. (As noted in other sections of this scan, some states have continued to issue operating grants using state dollars, while Washington is not).

- **Child care assistance:** This section focuses on child care subsidy rate increases as a strategy for improving worker compensation, including discussion of moving to the use of cost modeling inclusive of compensation to set rates. While the report highlights moving use of cost modeling as an essential step, it notes limitations to increasing compensation via child care subsidy vouchers because there is no guarantee that funds will be passed on to workers in the form of increased compensation. The report examines contracts as a strategy for ensuring that compensation increases are being implemented at the program level. The report also notes the limitations of any strategy to increase compensation via child care subsidy in the absence of policy to significantly increase eligibility for subsidy to limit child care provider dependence on private pay.

- **Benefits:** Explores states strategies related to benefits as part of compensation including health, retirement, paid time off, family leave, and professional supports. There are few state examples, in fact, Washington's work on health care access is the only one cited.

- **Apprenticeships:** These are included as a compensation strategy based upon economic reward tied to improvement of skills for workers.

- **Pre-K parity for child care**: This section focuses on state and local examples of policies to ensure that pre-k teachers are paid equitably regardless of setting (i.e. a community-based setting vs. public school setting)

The report acknowledges that most of the strategies currently employed by states to improve compensation represent incremental and point in time steps that do not reach the level of systemic change leading to living wages for early educators. The authors suggest a series of questions for states to consider in developing compensation strategies that may be particularly useful for consideration in Washington policy development conversations:

1. **What is the purpose of the compensation strategy?** For example, is the strategy designed to incentivize improved credentials? To create a "floor" for wages? To support a living wage? To

increase the compensation for the workforce for certain subpopulations (such as infants/toddlers or dual language learners)?

2. **What benchmark(s) will be the North Star to improved compensation?** Is it parity with pre-K teachers, K-12 teachers? A "living wage?" A minimum wage for all?

3. **What level of predictability for the payments is needed? What is the desirable distribution for compensation improvements?** For example, through regular paychecks? Through a bonus payment or supplement offered monthly, quarterly, semiannually, annually?

4. **Given the low wages of so many in child care, and the known reliance on public benefits, how does the proposed approach interact with access to public benefit programs?**

5. **Will the proposed strategy result in improvements for the teacher/staff?** For example, merely increasing child care assistance rates does not necessarily translate into improved compensation, since the providers can use the rates however they see fit. If child care assistance/subsidy programs become the vehicle for improved compensation, how is the payment structured to guarantee changes in teacher compensation?

The Child Care Policy Roadmap 2023: Recent State Policy Actions Toward a More Equitable and Ambitious Child Care System released by the Alliance for Early Success[4] builds upon the Build Stronger: A Child Care Policy Roadmap for Transforming Our Nation's Child Care System[5] released in 2020 which laid out a vision for transforming the child care system in the wake of the Covid 19 pandemic. The 2023 Roadmap highlights recent state policy progress across four objectives.

- **Advance the early care and education profession**: this section focuses on policies related to increasing compensation, supporting family child care (FCC) provider practice and well-being, and supporting provider career pathways. Examples include wage stipends, salary scales, health care assistance, student loan relief, and staff eligibility for child care assistance.

- **Reform child care financing:** this section focuses on setting child care rates based on the cost of care, securing sustainable public revenue streams, and adjusting policy to make financing mechanisms more stable and less burdensome. Examples include dedicated revenue, setting rates based on cost models, and paying based on enrollment rather than attendance.

- **Increase access and affordability for all families**: this section focuses on making child care assistance available to all by reforming cost and eligibility policies, building the supply of child care programs and facilities, and targeted policies to ensure equitable access among historically underserved populations. Examples include increasing eligibility thresholds,

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[4]The Alliance for Early Success. (2023) Child Care Policy Roadmap 2023: Recent State Policy Actions Toward a More Equitable and Ambitious Child Care System. Retrieved from: https://earlysuccess.org/resource-centers/state-child-care-policy-roadmap/

[5]The Alliance for Early Success (2020) Build Stronger: A Child Care Policy Roadmap for Transforming Our Nation's Child Care System. Retrieved from: https://earlysuccess.org/wp-content/uploads/2020/09/AllianceforEarlySuccessRoadmap20200916.pdf

reducing/eliminating copayments, presumptive eligibility, expanding allowable activities for subsidy, and supply building grants.

- **Provide supports for children, families, and communities:** this section explores safety net programs such as TANF, nutrition, and PFML, which support child and family well-being.

Many of the state examples outlined in this report are featured in the State Highlights section below.

State Child Care and Early Education Updates 2023: Continuing Progress released by the National Women's Law Center[6] provides an overview of state policy changes and investments made in 2023 to expand families' access to child care and early learning opportunities and better support the child care workforce. The report includes a brief description of progress for each of the 50 states and DC. While the information is brief and limited to a single year, it provides an easily scannable reference of recent actions in states.

Using Child Care Subsidy Payment Rates and Practices to Incentivize Expansions in Supply: Challenges and Policy Implications released by the Urban Institute in 2022[7], explores the question of what is known about using subsidy rate policies and practices to expand the overall supply of priority child care options, either by incentivizing providers to start delivering the priority service, or by incentivizing providers who already deliver these services to expand their efforts. The report's findings are based on a review of the available research literature and interviews with policy experts, state administrators, and child care providers.

The report provides insight into the considerations that arise for child care providers when deciding whether to start or expand services to a priority population. These considerations are grouped broadly into three interrelated categories:

- Personal and professional goals and beliefs. Does starting or expanding services align with these?

- Financial considerations. Does it make financial sense for the provider?

- Nonfinancial considerations, such as implications for meeting requirements and administrative burden.

These considerations provide a lens through which to analyze proposed policy strategies. The report emphasizes that how these considerations play out will vary for different types of providers (for example centers vs. homes, and larger vs. smaller programs). The report also emphasizes the fundamental limitations of child care subsidy as a tool to shift the child care market, as long as subsidized child care remains a relatively small percentage of the overall care within that market.

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[6]National Women's Law Center. (2023) State Child Care and Early Education Updates 2023: Continuing Progress. Retrieved from: https://nwlc.org/wp-content/uploads/2024/01/State-Child-Care-and-Early-Education-Updates-2023-NWLC.pdf

[7]The Urban Institute. (2022) Using Child Care Subsidy Payment Rates and Practices to Incentivize Expansions in Supply: Challenges and Policy Implications. Retrieved from: https://www.urban.org/sites/default/files/2022-09/Using%20Child%20Care%20Subsidy%20Payment%20Rates%20and%20Practices%20to%20Incentivize%20Expansions%20in%20Supply.pdf

The report concludes with the following recommended actions:

- Engage with providers and stakeholders to identify the full range of potential constraints.
- Ensure that payment rates recognize the cost of providing the care.
- Recognize that payment rates are not sufficient to address the financial costs.
  - Assess and address often overlooked subsidy payment policies and practices that can significantly reduce the provider's actual payment levels below the rate cap or their agreed upon rate. Examples include not paying for absent days, not allowing the subsidy rate paid to be greater than that paid by private pay families, etc.
  - Provide additional financial incentives to address costs that are not covered through child care subsidy payments. Examples include startup costs, overall programmatic costs, etc.
  - Explore contracts that allow providers to know they can count on resources being available over time to meet the higher costs associated with the targeted services.
- Recognize and address the nonfinancial costs associated with expanding supply, such as administrative burden, alignment of compliance requirements, etc.
- Tailor incentive packages to address the specific constraints faced by different types of providers and associated with different types of incentivized care; such as infant-toddler care, special needs care, and non-standard hours care.
- Conduct and strengthen research around supply-building efforts.

These recommended actions could provide a useful lens for considering policy approaches to increasing the supply of high-quality child care in Washington. Some of these things Washington already does to some extent, including engaging with providers and stakeholders, moving toward setting rates based on the cost of quality, allowing payment for absent days, allowing the subsidy rate paid to be higher than that paid by private pay families, and offering rate enhancements for infant-toddler care, special needs care, and non-standard hours care. However, there may be opportunities within areas that Washington is already addressing to strengthen policy and practice.

STATE POLICY AND INVESTMENT HIGHLIGHTS

The following section profiles a handful of states' policy and investment strategies related to increasing child care access and worker compensation. States were included based on policy context relevance to current Washington work. These states were identified through a review of national sources and recommendations from policy experts. The list is not exhaustive, as there are states that are not included which are also engaged in relevant policy strategies. For the states that are included, it is not an exhaustive compendium of all relevant policy strategies underway within that state. Several limitations should be noted. These include the variability of information available online across different states, the inherent subjectivity of deciding what constitutes relevance, and the rapidly changing policy environment. Population information is included within each state section to aid in making comparisons to Washington State context. Links to additional information are included where possible.

California

- **Context**: In California there are 5,449,926 children under the age of 12, including 2,127,764 under the age of 5. As of 2022, there were 10,481 licensed child care centers with capacity to serve 688,462 children and 25,205 licensed family child care homes with capacity to serve 288,462 children[8].

- **Relevant policy and investment highlights**:
  - Increased eligibility to 85% SMI (which is currently around 320% FPL).
  - Waived copays for families at or below 75% of SMI and capped at 1% for other families.
  - Rate increases as interim strategy to increase compensation, legislature has charged the state with developing and implementing alternative cost modeling methodology by 2025. An update report was submitted to the legislature on March 22, 2024, detailing progress completed to date, which includes completion of cost study and cost model, the next step is using the cost model to inform rates. Currently rates fall between 55%-58% of market rate for non-school age children and 80% for school age.
  - Payment based on enrollment rather than attendance at least through June 30, 2025.

Child Care Subsidy Eligibility at a Glance			
State	State Median Income (Family of 4I)	Eligibility at Enrollment	Equivalent
CA	$110,879	85% SMI	302% FPL
CO	$118, 538	200-270% FPL (varies by county)	53-71% SMI
DC	$159,662	300% FPL	59% SMI
IL	$112,679	225% FPL	62% SMI
MA	$125,491	50% SMI (85% proposed)	201% FPL (342% FPL)
MN	$125,645	47% SMI	189% FPL
NM	$76,101	400% FPL	164% SMI
NY	$116,765	85% SMI	318% FPL
OR	$107,136	200% FPL	58% SMI
VT	$110,661	400% FPL	113% SMI
VA	$121,130	85% SMI	330% FPL
WA	$120,416	60% SMI (FSKA calls for increasing to 75% SMI in 2025)	232% FPL (289% FPL)

  - Early Care and Education Pathways to Success apprenticeship program integrates on-the-job training, coaching, no-cost college coursework, cohort learning, and increased compensation. Early Educator Apprenticeships are currently operating in 7 California counties.
  - Child Development Staff Retention Funds are provided to Child Care and Local Development Planning Councils for child care staff retention activities.

[8] Annie E. Casey Foundation. (2022) Kids Count Data Center. Retrieved from: https://datacenter.aecf.org/

- The ECE Student Career and Education Program provides scholarships for child care providers working in settings that serve subsidy children (or Head Start) to obtain community college credentials.

- Included funding for health care assistance and a retirement fund in most recent Collective Bargaining Agreement for family child care.

Colorado

- **Context:** In Colorado there are 776,951 children under the age of 12, including 309,020 under the age 5. As of 2022, there were 3,126 licensed child care centers with capacity to serve 229,670 children and 1,449 licensed family child care homes with capacity to serve 11,457 children[9].

- **Relevant policy and investment highlights:**
    - Expanded subsidy eligibility which is set at the county level. For counties previously set at 185% FPL increased to 200% FPL, counties previously at 225% FPL increased to 235% FPL, counties at 265% FPL increased to 270% FPL.

    - Reduced copays by establishing a formula based on a marginal rate increase rather than on an increased percentage of a family's gross income. Copays can be waived at the county's discretion.

    - Enrollment based payment for infants/toddlers and increased absence payments for preschoolers.

    - Conducting a 2-year Wage Increase Pilot. Participants were selected by lottery from among eligible programs. To be eligible, programs must be rated 3 or above in the QRIS and serve at least 40% children on subsidy. Monthly payments began in January of 2023. Wage supplements are between $3-$7.50. Thus far the number of teachers working at programs offering wage supplements has increased by 27%. Evaluation is part of the project.

    - Colorado utilizes T.E.A.C.H. scholarships to support providers to obtain degrees; they applied stimulus funding to eliminate the waitlist. Students must be employed at a participating early childhood program. 90% of the cost of tuition is covered by T.E.A.C.H, 5% is covered by the sponsoring program, and 5% by the student. Sponsoring programs also agree to provide release time and bonuses for credential attainment.

    - Has received approval from Office of Child Care for use of alternative rate setting methodology and is moving toward implementation by October of 2024.

    - Apprenticeship Programs are being implemented in 3 higher education institutions currently serving 56 apprentices. Evaluation offers initial lessons learned.

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[9] Ibid.

- Career Advance Colorado covers enrollment costs for training programs in “sectors with significant workforce shortages”, including child care.

- Emerging and Expansion Grants are intended to support new and existing child care providers to expand slots. Capital projects have been the primary use of grants.

- There is a Staffed Family Child Care Networks Pilot getting off the ground that may provide valuable future learning.

- Implementing Recruitment and Retention Scholarships and free early childhood coursework in partnership with higher education institutions using stimulus dollars. Evaluation in progress.

- Implementing a Peer Mentorship Pilot to create career ladders for new leaders in the field and support new FCC providers in their first years of being licensed. Two cohorts are complete, a third is in progress.

- **Notes:**
  - Most of the progress on child care made in CO has been via federal COVID relief funds, thus making continuation uncertain. Robust evaluation of stimulus funded activities has been built in as a means of determining which activities have been most effective and making the case for their continuation. Colorado has constraints with raising state revenue due to the Taxpayer’s Bill of Rights (TABOR) which requires that, absent voter approval, excess revenue be refunded to taxpayers.

  - Colorado has strong local control; many policy decisions happen at the county level that take place at the state level in Washington.

District of Columbia

- **Context:** In the District of Columbia there are 89,889 children under the age of 12, including 39,099 under the age of 5. As of 2022, there were 377 licensed child care centers with capacity to serve 26,552 children and 103 licensed family child care homes with capacity to serve 763 children[10].

- **Relevant policy and investment highlights:**
  - Increased subsidy eligibility to 300% FPL.

  - Copays are capped at 10% of family income.

  - The Early Childhood Educator Pay Equity Fund initially provided annual bonuses of up to $14,000 for each early childhood educator in licensed programs. In late 2023 the program transitioned to providing funding to child care programs that opt in to a new salary scale to

[10] Ibid.

increase employee's salaries through their paychecks. Minimum salaries for staff in participating programs in FY24 are as follows:

- Assistant teacher/ home assistant:
  - Less than CDA: $43,865
  - CDA: $51,006
  - AA+: $54,262
- Lead teacher/ home provider:
  - CDA: $54,262
  - AA: $63,838
  - BA+: $75,103

The Fund also provides premium-free health care coverage through HealthCare4ChildCare.

- Uses cost model to inform subsidy rates. Comparison of FY24 rates with cost model indicates rates are currently between 80-85% of estimated cost, the cost model projects a higher cost for centers operating with a high-quality designation and the percent covered is around 70% of that cost.

- The first round of Access to Quality Child Care Grants were administered from 2018-2020 with a second round launched in 2022 with a focus on expansion of access to infant and toddler care. The first round provided grants to 47 programs and is credited with supporting the creation of an additional 1,244 infant and toddler child care slots in the district. Eligible use of funds includes pre-development (planning, design, and other pre-development costs), new center/home development, and expansion of existing centers/homes. This grant program was in addition to stabilization grants through COVID relief dollars.

- **Notes:**
  - The mayor's 2025 budget proposal includes significant cuts to DC's child care system including the elimination of the Pay Equity Fund.

Illinois

- **Context:** In Illinois there are 1,731,616 children under the age of 12, including 680,341 under the age of 5. As of 2022, there were 2,767 licensed child care centers with capacity to serve 237,539 children and 5,813 licensed family child care homes with capacity to serve 57,401 children[11].

  - **Relevant policy and investment highlights:**
    - Increased subsidy eligibility to 225% FPL.
    - Permanently lowered copay for families at or below 100% FPL to $1 per month and capping copay for all families at 7% of income.

[11] Ibid.

- The ExceleRate Pilot is designed to increase quality at participating centers by providing funding to increase wages for staff required by licensing, and covering the cost of added staff required to meet quality standards.

- Great START Wage Supplements are biannual wage supplements for instructional staff designed to reward education attainment and program tenure.

- The Early Childhood Access Consortium for Equity is composed of more than 60 2-year and 4-year higher education institutions working together to increase access to coursework, facilitate articulation of credits, standardize the process for awarding credit for priority learning, provide scholarships, and recruit navigators and coaches to support students to attain degrees and credentials.

- Child Care Workforce Bonuses are one-time financial awards designed to support currently employed child care staff. Funding levels allow for all staff to receive a bonus, though it is up to the program administrator to determine which staff receive a bonus.

- Illinois Smart Start Workforce Grants are replacing the previous Smart Start Transition Grants. Workforce grants provide $27,000per infant/toddler classroom and $24,000 per pre-k classroom in centers and $9,000 per FCC. Participating programs must serve at least 15% subsidy children and meet a wage floor, which varies by county, ranging from $18.25-$19.25 for lead teachers and $17-$18 for assistant teachers.

Massachusetts

- **Context:** In Massachusetts there are 855,582 children under the age of 12, including 343,596 under the age of 5. As of 2022 there were 2,084 licensed child care centers with capacity to serve 139,967 children and 4,872 licensed family child care homes with capacity to serve 38,174 children[12].

- **Relevant policy and investment highlights:**
  - Current Child Care subsidy eligibility at time of enrollment is 50% SMI.
  - The Commonwealth Cares for Children (C3) Grants program provides operational grants to child care providers. Started during the pandemic, the program provides monthly grants which averaged approximately $12,000 in 2022. Grant amounts are determined based on a formula, which takes into account capacity and staffing costs. Grants include an equity adjustment for programs operating in historically marginalized communities for serving significant numbers of low-income children. The program is credited with contributing to a 7% increase in child care programs this year, adding more than 10,600 this year. The state appropriated $475M to the program in FY 2024. Currently the program is open to all licensed child care programs. Allowable uses include:

[12] Ibid.

        - Personnel costs, benefits, stipends, and other supports for recruitment and retention.
        - Professional development and other investments to support staff in building educator qualifications.
        - Other investments to improve program quality such as supplies, curriculum, screening tools, etc.
        - Rent or mortgage payments, utilities, facilities maintenance and improvements, or insurance.

    - Senate Bill 2697 was passed unanimously by the Senate, on March 14, 2024.While final passage of the bill is uncertain, the content is relevant. Key components include, but are not limited to:
        - Expanding subsidy eligibility to 85% SMI.
        - Eliminating copays for families under 100% FPL and capping copays at 7% of family income for those above.
        - Making the C3 grant program permanent and putting in place guardrails for receipt of funds by large for-profit child care chains. Chains with more than 10 sites must meet the following conditions to receive grants:
            - Agree to enroll a reasonable number of children receiving subsidies.
            - Allocate a portion of the grant to workforce compensation.
            - Provide detailed financial information regarding use of grant funds.
        - Requiring the Department to maintain and update a career ladder with recommended salaries annually.
        - Requiring the Department to establish and develop a schedule for revising a rate structure for subsidy payments informed by the cost of providing high-quality early education.

    The bill also prioritizes allocation of grants to programs serving higher numbers of low-income children.

Minnesota

- **Context:** In Minnesota there are 835,629 children under the age of 12, including 330,126 under the age of 5. As of 2022 there were 1,833 licensed child care centers with capacity to serve 148,233 children and 6,320 licensed family child care homes with capacity to serve 74,540 children[13].

- **Relevant policy and investment highlights**:
    - Subsidy eligibility is set at 47% of SMI.

    - Increased rates to 75th percentile of market rate survey.

[13] Ibid.

- Minnesota utilizes T.E.A.C.H. scholarships to support child care providers to obtain degrees. Scholarships cover 85% of the cost of tuition and books for up to 18 credits per year. Recipients also receive a travel stipend and release time. Upon successful completion of nine or more credits, recipients may receive a two percent raise (center-based only) and/or a $250-$300 bonus.

- Empower to Educate offers financial support, free training options, job skills training, job placement support, and mentorship opportunities to current and aspiring early childhood educators.

- Beginning in fall of 2024, will create a tuition-free pathway for individuals making less than $80K per year. It will operate as a "last-dollar" program by covering the balance of tuition and fees remaining after other scholarships, grants, stipends and tuition waivers have been applied. It is not specific to early childhood educators.

- Grow Your Own Early Childhood and Family Educators is a new grant opportunity (applications were due January 2024, funding decisions in March) with the goal of developing an early childhood education workforce that more closely reflects the state's increasingly diverse student population and ensures all students have equitable access to high-quality early educators. Programs had the opportunity to apply for grants of between $50-$200K to host, build, or expand an early childhood educator preparation program that leads to an individual earning the credential or degree needed to enter, or advance, in the early childhood education workforce.

- REETAIN Bonuses are intended to complement Minnesota's T.E.A.C.H. program, providing a financial incentive for former T.E.A.C.H. recipients and other highly qualified educators to remain in the field. Not all eligible educators who apply for REETAIN bonuses receive them. Educators receive a flat-rate bonus based on education level. The amounts range from $500 to $3,000 annually.

- The Great Start Compensation Support Transition Grants will provide licensed ECE programs, including FCC, approximately $400 per month per full-time employee to help increase salaries and/or provide benefits.

New Mexico

- **Context**: In New Mexico there are 288,496 children under the age of 12, including 110,028 under the age of 5. As of 2022 there were 585 licensed child care centers and 296 licensed family child care homes[14]. (Capacity not available)

- **Relevant policy and investment highlights:**
    - Increased child care subsidy eligibility to 400% FPL in 2022 (jump from previous level of 200% FPL).

[14]Ibid.

- Copays waived for all subsidy recipients, established rule requiring a 3 month notice if the Department decided to reinstate copays.

- Bilingual incentive payments rewards early childhood staff for their bilingual proficiency with a one-time bonus of $1500 per language.that.

- The Pre-K Pay Parity Program provides funding to support pay parity between Pre-K educators in community-based settings and those in public school settings. Individuals receive an award equal to the difference between their current salary and a standard salary defined by the state. Base amounts are $50K for a BA with 0-3 years of experience, $60K for a BA with 3+ years of experience, and $70K for a Masters or Doctorate with 5+ years of experience.

- The Early Childhood Wage Supplement Program offers wage supplements to instructional staff who earn below a minimum hourly threshold. Educators receive a flat-rate supplement based on their educational attainment and hours worked. Wage supplement payments are issued every six months. For each six-month eligibility period, wage supplement rates range from $125 (part-time staff with minimum education requirements) to $2,548 (full-time staff with a Bachelor's or Master's in early childhood).

- Early Childhood Educator Student Success Grants are available to students working toward an AA or BA in early childhood education and attending at least 6 credit hours. Stipends are per semester/trimester at the rate of $1,500 for students enrolled in 6-9 credit hours and $2,000 for 10 or more credit hours. Stipends are administered by each higher education institution and can be used for expenses beyond tuition and fees such as child care, gas, etc. This program builds on the ECECD scholarships.

- ECECD Scholarships pay 100% of tuition and fees toward AA and BA degrees after all other financial aid has been applied. Students must work at least 20 hours per week in an early childhood education setting.

- Rate increases informed by cost model (Not funded at 100% of cost model).

- In conjunction with expansion of subsidy eligibility, New Mexico did a round of Child Care Supply Building Grants in 2022. To qualify, applicants were required to:
  - Propose to increase the supply of licensed, high quality, child care for infants, toddlers, and young children;
  - Demonstrate the commitment and capacity to build that proposed child care supply;
  - Demonstrate the ability to open the proposed licensed child care within six months of the award;
  - Commit to operating the proposed child care for at least 10 years; and
  - Commit to operating the proposed child care at ECECD's 5 Star group size and ratio requirements.

- **Notes:**
    - The funding mechanism for child care expansion is a constitutional amendment passed by voters in 2022, dedicating a portion of the Land Grant Permanent Fund to early childhood. The Fund was created when New Mexico was established in 1912 and is financed by state oil and gas revenue.

    - The Center for the Study of Child Care Employment recently released a case study examining progress on child care in New Mexico.

New York

- **Context:** In New York there are 2,611,167 children under the age of 12, including 1,059,217 under the age of 5. As of 2022 there were 4,177 licensed child care centers with capacity to serve 317,036 children and 10,342 licensed family child care homes with capacity to serve 139,045 children[15].

- **Relevant policies and investments:**
    - Increased subsidy eligibility to 300% FPL in 2022 and then to 85% SMI in 2023.

    - Limits family copays to 1% of family income over FPL.

    - Passed legislation to allow families to use subsidies to pay for child care during hours when parents are not working.

    - The Educational Incentive Program provides scholarships for training, college coursework, and CDA programs.

    - The Workforce Retention Grant is available to all licensed child care programs in good standing and includes two components:
        - Staff retention bonuses (these range from $2,300-$3,000)
        - Staff recruitment expenses and payroll tax assistance

Oregon

- **Context:** In Oregon there are 533,315 children under the age of 12, including 206,074 under the age of 5. As of 2022 there were 1,248 licensed child care centers with capacity to serve 74,992 children and 1,976 licensed family child care homes with capacity to serve 23,563 children[16].

- **Relevant policies and investments**
    - Increased initial income eligibility to 200% FPL.

    - Increased subsidy rates to 80th percentile of market rate in 2022.

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[15] Ibid.
[16] Ibid.

- Passed legislation to allow families to use subsidies to pay for child care during hours when parents are not working.

- Preschool Promise authorizing legislation directs the Early Learning Council to establish minimum salaries and target salary requirements for lead teachers in Preschool Promise classrooms regardless of setting.

- Bases subsidy payments on enrollment rather than attendance.

- Family copays for subsidy are capped at 7%.

- Expanded subsidy eligibility to all college students, regardless of whether or not they have a job.

- The Fund, supported with a $22M appropriation in 2022, was designed to address Oregon's child care capacity challenges through grants to increase the supply of child care slots, with prioritization for providers from traditionally under resourced communities. It is administered by a partner organization, Seeding Justice, with experience supporting projects driven by impacted communities. Allowable use of funds include initial operations, capital projects, and workforce supports.

Vermont

- **Context:** In Vermont there are 72,281 children under the age of 12, including 27,594 under the age of 5. As of 2022 there were 505 licensed child care centers with capacity to serve 16,570 children and 416 licensed family child care homes with capacity to serve 3,593 children[17].

- **Relevant policies and investments:**
  - Act 76, passed in 2023, substantially overhauls Vermont's child care system, key changes include:
    - Raises subsidy eligibility to 400% FPL in April 2024 with future increase to 575% scheduled for October 2024.
    - Caps family copayments at 10% with no copayment for families below 175% FPL.
    - Bases subsidy payments on enrollment rather than attendance.
    - Invests $20M in one-time "readiness payments" to support child care programs in preparing for the expansion of the child care subsidy system. **These readiness payments will be used to:**
      - support and sustain the ECE workforce,
      - improve facilities,
      - increase capacity, especially for infants and toddlers,
      - expand the number of family child care homes,
      - expand child care hours of operation,
      - address gaps in services, and

[17] Ibid.

        - other priority needs.
    - Increase subsidy reimbursement rates by 35% which brings rates to approximately 50% of the cost of quality as identified in the Vermont Early Care and Education Financing Study.
    - Create an ongoing quality and capacity incentive program scheduled to begin in July 2024. This incentive program is designed tohelp programs:
        - Engage in continuous quality improvement;
        - Expand or maintain infant and toddler capacity;
        - Provide non-standard hours of care;
        - Increase culturally competent child care and multilingual programming, as well as child and family support services similar to Head Start programming; and
        - Address other priority needs identified by Child Development Division.
    - The bill directs the state to restructure the Special Accommodation Grant program to better meet the needs of children with special needs in child care (Sec. 16).
    - Caps child care tuition increases to no more than 1.5 times the most recent annual increase and requires that amount be posted annually on the Department's website.
    - Includes language establishing intent that, upon reaching provider reimbursement rates that are equivalent to the rates recommended in the Financing Study, the state may establish minimum wage rates for child care providers that align with the recommendations of the VT Association for the Education of Young Children recommendations in the 2021 Advancing ECE as a Profession Task Force Report.

- **Notes:**
    - The funding mechanism is a payroll tax which is split between employers and employees.

Virginia

- **Context**: In Virginia there are 1,211,223 children under the age of 12, including 487,493 under the age of 5. As of 2022 there were 1,910 licensed child care centers with capacity to serve 203,012 children and 1,351 licensed family child care homes with capacity to serve 13,546 children[18].

- **Relevant policies and investments:**
    - Increased eligibility to 85% SMI (which is about 300% FPL) and committed to eliminating waitlist- almost doubled number of children served from pre-pandemic levels.

    - Eliminated copays for families below 100% FPL and capped at 7% for others.

    - Adopted use of a cost model to set subsidy reimbursement rates in October 2022. However, it is unclear what percent of cost of quality is funded.

    - The Prenatal to Three Impact Center report Early Investment, a Lifetime of Returns: Articulating the Value of Early Childhood Investments in Virginia attempts to quantify

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[18] Ibid.

anticipated outcomes of investments across a variety of measures such as maternal employment, grade retention, etc., by extrapolating from previous national research.

  - RecognizeB5 offers incentives up to $3,000 per year to educators working at least 30 hours per week in a child care or family home that accepts providers enrolled in the state QRIS (which is required for all programs accepting public funds).

  - The Virginia Child Care Provider Scholarship Program pays for either 8 community college courses related to ECE, or a max lifetime award of $4,020, whichever comes first, for current or prospective early educators.

  - Project Pathfinders will pay tuition and fees for up to 2 courses per semester for providers currently employed in early childhood programs.
- **Notes:**
  - Investments in child care are primarily funded through federal COVID relief dollars.

Washington

- **Context:** There are approximately 1,186,000 children under the age of 12 living in Washington State, including ~449,100 children under 5 years old. Washington has more than 5,700 licensed or certified child care facilities, with a total licensed capacity of over 190,000 children.

- **Relevant policies and investments:**
  - Eligibility for Working Connections Child Care (WCCC) is currently set at 60% of SMI upon enrollment. The Fair Start for Kids Act directs that it be increased to 75% of SMI in July of 2025. This change is subject to the legislature allocating funds.

  - Family copays for WCCC are currently capped at 7% of family income with families below 20% SMI paying nothing.

  - Have expanded eligibility for WCCC for special populations including:

    - Families with a parent working at a licensed ECE facility (up to 85% SMI) .
    - Families in their first 12 months of a registered apprenticeship (up to 75% SMI).
    - Categorical eligibility regardless of income for families participating in specialty or therapeutic courts.
    - Children who reside in Washington who would otherwise be eligible if not for citizenship status.

  - Early Childhood Equity Grants support inclusive and culturally and linguistically specific early childhood and parent support programs across the state. Grant amounts range from $5,000-$100,000 for licensed child care and ECEAP, $100-$2,000 for Family Friend & Neighbor (FFN) providers, and $5,000-$30,000 for Play and Learn group host organizations.

- Complex Needs Fund is intended to promote inclusive, least restrictive environments and support providers serving children with developmental delays, disabilities, behavioral needs, or other unique needs. Funding amounts range from $5,000-$100,000 for licensed child care and ECEAP, $100-$2,000 for Family Friend & Neighbor (FFN) providers.

- Early Achievers Needs Based Grants Needs Based Grants of up to $1,000 are available to any licensed child care provider participating in Early Achievers who is enrolled in the USDA Tier 1 food program and/or located within a school district that serves at least 20% low-income children. Early Achievers also includes quality awards and tiered reimbursement.

- Early Learning Scholarships are available to providers employed by a program participating in Early Achievers.
    - Early Achievers Grants support providers pursuing stackable certificates or an ECE AA degree. Grants cover tuition and fees up to 90 credits, as well as books and supplies up to $1,000.
    - BA Pathways support providers pursuing an ECE BA or Montessori credential. Grants cover up to $9,000 per year for tuition and fees and up to $500 per year for books and supplies.

- Several municipalities across the state administer local subsidy programs that build on WCCC including but not limited to, the City of Seattle and King County (Best Starts for Kids).

Discussion of Relevance of State Policies to Washington Context

Several states are currently undertaking large scale expansion of child care access and strategies to increase workforce compensation. However, there is no example of a state who has fully addressed this challenge, and is far enough into implementation to provide a clear template with lessons learned. This is an emerging policy landscape and Washington is among the states at the forefront. There are a variety of themes across state examples that are relevant to the policy questions facing Washington state.

- While several states have, or are, in the process of making the transition to using cost of care models to set subsidy rates, these rely on variable assumptions regarding quality and compensation, and are generally not funded at 100% of the cost of care, according to each state's model.

- Many states who are attempting to address compensation are continuing to do so through strategies outside of the base child care subsidy rate, such as wage stipends and bonuses.

- Contracts and operating grants to programs may be a promising strategy for increasing wages and building supply.

- When considering what constitutes universal access from an income perspective, 85% SMI is the target for several states. Using FPL as the measure, Vermont and New Mexico are the highest at

400% FPL, which is equivalent to 113% of Vermont SMI and 164% of New Mexico SMI. No state has currently set eligibility at the universal level.

- With regards to copays, many states have eliminated copays at the lower end of the income scale, in addition to capping copays for all families.

- States are employing different balances between supply building strategies and eligibility strategies. States such as Vermont, Massachusetts, New Mexico, Oregon, and DC have utilized supply building grants as a front-end strategy in expanding access.

- Scholarship and apprenticeship strategies continue to be an important part of state efforts to increase both the supply of qualified early educators, and an incremental strategy for addressing compensation.

- There is significant variability in funding sources for policy reforms. Many states have implemented policy strategies leveraging one-time federal sources such as COVID relief dollars and Preschool Development Grant funds, raising the question of long-term viability. Two states to recently pass major child care system expansions did so through dedicated revenue streams (Vermont and New Mexico). While funding source is beyond the scope of the Universal Access and Living Wage Implementation Plan, currently under development by the Washington Department of Children, Youth, and Families, this aspect of context is relevant to policy development consideration.

As a logical next step, the Washington team should explore further dialogue with states of interest to learn more about their work.

Canada

Canada is in the process of implementing an ambitious reform of the nation's child care system which may offer insights relevant to Washington. In 2021 Canada included an investment of $27B over 5 years to expand access to affordable, high-quality child care[19]. This investment builds on the 2017-2020 Multinational Early Learning and Child Care agreements which focused on creating up to 40,000 more affordable child care spaces nationally. The Multilateral Early Learning and Child Care Framework outlines broad objectives, principles, and parameters for Canada's child care expansion effort. The Indigenous Early Learning and Child Care Framework provides a guide for communities, program administrators, service providers, policymakers, and governments to work towards achieving a shared vision that all Indigenous children have the opportunity to experience high-quality, culturally-strong early learning and child care.

Since 2021, the federal government of Canada has entered into bilateral Early Learning and Child Care agreements with all of Canada's provinces and territories. The objective of the current agreements is to create 250,000 new child care spaces across the country by 2026 and increase affordability. Investments are targeted toward care for children under 6 years of age. The negotiated agreements are customized to reflect local context but are all based upon the funding and policy goals set out in the federal budget and include[20]:

- Affordability of child care for families, reducing service fees by 50% by the end of 2022 and to evolve to an average of $10/day by 2025/2026.
- Funding for supporting the early childhood workforce for wages and benefits, professional development, and career pathways.
- Expanding spaces and improving access and availability of services for families in the not-for-profit and public sector (i.e. prioritizes funding expansion of child care in non-profit and public sectors child care programs).
- Enhancing the quality of child care services while ensuring affordability and inclusion.
- Enabling new opportunities for systemic change to meet the needs of First Nations, Inuit, and Metis Nation communities.

Measuring Matters: Assessing Canada's Progress Toward $10-a-Day for All Child Care for All[21] released by the Canadian Centre for Policy Alternatives (CCPA) in October 2023 provides insights on progress to date based on data from the CCPA's annual fee survey. The report finds that of 32 cities in jurisdictions agreeing to the federal target of reducing fees by 50% in this period, 15 achieved this target. All jurisdictions made progress. Jurisdictions took different approaches to reducing fees, using 4 not-mutually-exclusive mechanisms:

- Creating/reducing existing set fees.
- Reducing market fees by a flat dollar amount.
- Each provider reduces fees by a set % value.
- A change in fee subsidy eligibility or value included in the province's calculation of fee reduction.

The report recommends utilization of set fees as the mechanism going forward due to being administratively simpler for governments, more predictable for parents, and easier for governments to monitor.

One aspect of affordability noted in the report is the growing gap between non-profit and for-profit fees. While the federal government has set a priority for focusing on public and non-profit child care to drive expansion, the ability to participate in the program of fee reductions with receipt of associated operational funding is open to all existing for-profit and non-profit child care programs alike. For-profit

[21] Canadian Centre for Policy Alternatives. (2023) Measuring Matters: Assessing Canada's Progress Toward $10-a-Day Child Care. Retrieved from: https://policyalternatives.ca/sites/default/files/uploads/publications/National%20Office/2023/10/measuring-matters-FINAL-October%2027%202023.pdf

programs have historically had higher fees and they are currently less likely to participate in fee reduction programs, driving an increasing gap in fees.

The report also addresses supply, which is predicted to continue to increase as fees are reduced. To assess current supply, the fee survey asked child care providers whether the service provider could enroll a new full-time child in each age group “in the next week.” Of the 30 cities with data on this question, 14 have little to no spare capacity to add preschool-aged children quickly and 22 have little to no spare capacity to add infant-toddler aged children. The report identifies rapid, focused expansion of child care slots as an urgent, but underappreciated, aspect of achieving Canada’s goal of $10 a day child care. The report recommends that in light of the growing fee gap between for-profit and non-profit centers, expansion efforts be targeted exclusively to non-profit and public programs.

Workforce recruitment and retention are not addressed within the fee survey; however, the report acknowledges these issues to be a critical component of access and affordability, and recommends urgent attention be dedicated to these issues.

Discussion of relevance to Washington context

While the structure of Canada’s $10 a day plan is structurally different from Washington’s context, notably representing a federal investment, the effort to move towards a system of universal access offers parallels. Canadian progress to date highlights the importance of implementing robust supply building strategies, including strategies related to workforce, early in the roll out of expanded eligibility. While Canada has made substantial progress in fee reductions, supply continues to be a major challenge.

Canada’s ongoing experience raises questions that may be relevant to Washington with regard to the implementation of universal early care and education system. Specifically, the roles and ways of participating in the system of for profit, non-profit, and public child care programs.

It should be noted that Canadian provinces have existing income-based child care subsidy programs which this effort builds upon. Learning more about the interplay of these could be an area of interest for Washington going forward.

Conclusions

Washington is among a handful of states at the forefront of developing systems of access to universal, affordable early care and education with fair compensation for early educators. Analysis of national and state sources, as well as progress toward Canada’s $10 a day plan, highlights the importance of addressing supply and early educator workforce compensation alongside expansion of eligibility for publicly funded child care and Pre-K, and the potential pitfalls of failure to do so.

States have taken a variety of approaches to expanding eligibility, not only increasing income thresholds but also expanding allowable activities to include things such as child care during non-work hours and for student parents. Capping parent fees at 7% of family income has emerged as essentially a policy consensus, solidified by recent changes to CCDF rules. There remains significant variability in thresholds of parent fees within that umbrella of 7% for families at different income levels.

Policy strategies to increase early educator compensation remain primarily incremental rather than systemic. Washington’s focus on advancing a robust Cost of Quality Care Rate Model which assumes living wages for early educators provides a clear North Star for workforce compensation. National sources consistently point out two essential limitations to increasing subsidy rates as a means of increasing compensation:

1) subsidy is a small percentage of the child care market, and
2) the lack of a guarantee that subsidy rates will be dedicated to workforce compensation.

The first limitation can be addressed via the expansion of the child care subsidy system; though to make many more families eligible, this will take time to achieve a tipping point of saturation necessary to meaningfully impact compensation. The second limitation often may not be fully addressed without specific policy provisions designed to ensure funding is directed to workforce compensation.

The optimal sequencing of supply building vs. eligibility expansion emerges as a question across the sources analyzed for this policy scan. An important theme is that merely increasing eligibility and rates for publicly funded child care is insufficient to build necessary supply, particularly for infants and toddlers. Targeted policy strategies and investments are necessary. The states profiled in this scan are approaching supply building in a variety of ways which may be informative for Washington as well as learning more about how Canadian provinces are tackling this issue.