

## Funding and Financial Incentives

States and localities use and raise funding from a variety of sources to support the activities of their QRIS, including their rating and accountability processes and quality improvement efforts. Typically, funding of all elements of the QRIS is achieved through multiple sources. In many QRIS, some funding is allocated toward providing financial incentives to programs, in various forms, to improve their quality. This fact sheet summarizes QRIS funding and financial incentives for the 41 QRIS.

This fact sheet is one of a series about the state of quality rating and improvement systems (QRIS) in the United States. In 2016, there were 41 fully operational QRIS in the United States.<sup>1</sup> Data are from the QRIS Compendium (<http://QRIScompendium.org>), a catalog of the QRIS operating in the United States as of October 31, 2016.<sup>2</sup>

### Funding Sources

- ◆ The most common source of funding in 2016 was from the Child Care and Development Fund (CCDF)<sup>3</sup>, which provides financial support in 30 QRIS (73 percent), as shown in Figure 1.
- ◆ About a quarter of QRIS (10) used funding from the Race to the Top–Early Learning Challenge grant<sup>4</sup>, and a quarter (10) also used state funding (e.g., prekindergarten or education set aside).
- ◆ A few QRIS include monies from foundations (5) or local funding (3).

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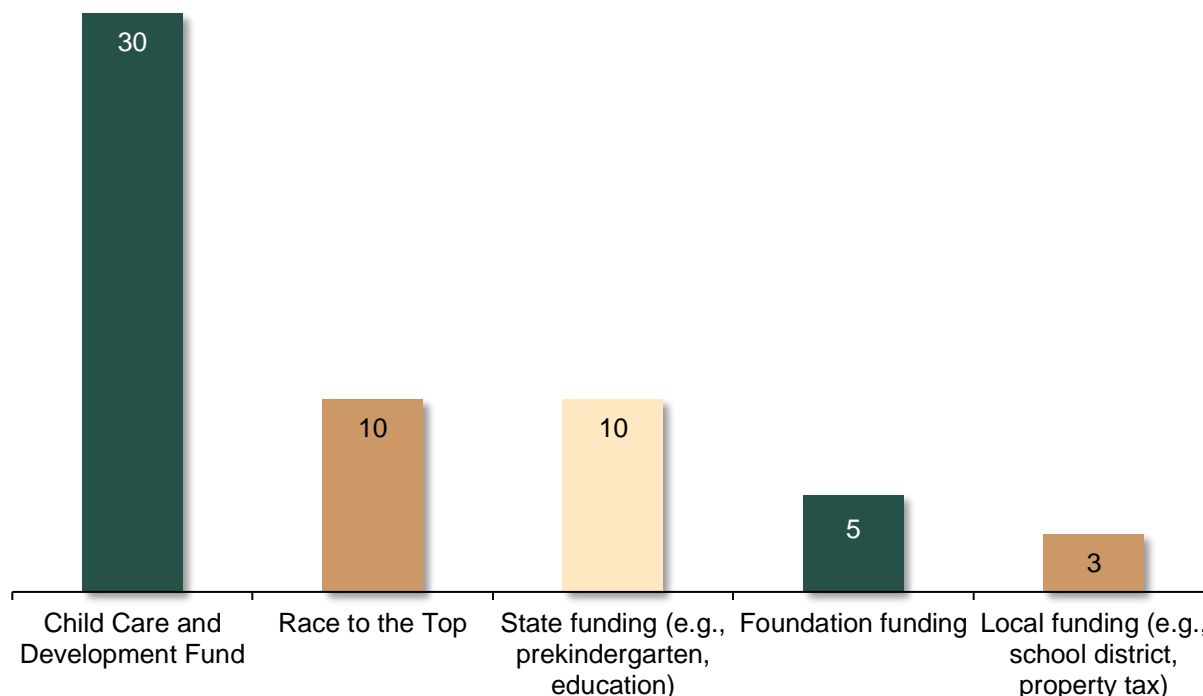
<sup>1</sup> State with a QRIS: AR, AZ, CA, CO, DE, FL (3 localities), GA, IA, ID, IL, IN, KY, MA, MD, ME, MI, MN, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, RI, SC, TN, UT, VA, VT, WA, WI. While most QRIS operate at the state level, three represent separate counties in Florida (Duval, Miami-Dade, and Palm Beach). The California QRIS, while represented in the Compendium as one system, is implemented at the county level and does not include all counties in the state.

<sup>2</sup> Data compiled in 2014 and 2015 from <http://QRIScompendium.org> are used to show change in the number of QRIS with specific features. These data are supplemented by an earlier version of the Compendium titled *Compendium of Quality Rating Systems and Evaluations*, which was released in 2010. Retrieved from <https://www.acf.hhs.gov/opre/resource/compendium-of-quality-rating-systems-and-evaluations>. Publicly available details about QRIS standards and implementation and interviews with QRIS administrators also inform the fact sheet.

<sup>3</sup> The CCDF is a federal and state partnership program (over \$5 billion in federal funding) authorized under the Child Care and Development Block Grant Act (CCDBG) and administered by states, territories, and tribes with funding and support from the Administration for Children and Families' Office of Child Care. States use CCDF to provide financial assistance to low-income families to access child care so they can work or attend a job training or educational program. Additional information is available at <https://www.acf.hhs.gov/occ>.

<sup>4</sup> Race to the Top – Early Learning Challenge was a competitive grant program that focused on supporting states' efforts to design and implement an integrated system of high-quality early learning and development programs and services and to increase the number of children with high needs enrolled in those programs and services. Additional information is available at <https://www2.ed.gov/programs/racetothetop-earlylearningchallenge/index.html>.

Figure 1: Number of QRIS Receiving Funding from Different Sources, 2016



Notes: N = 41 QRIS. Some are in multiple categories.

## Funding Amounts and Sources

The total amount of funding that QRIS report varies greatly. The average funding amounts by source in the Compendium mask the variation in reported dollar amounts. For example, reports of funding from CCDF ranged from \$200,000 to \$78,000,000, as shown in Table 1.

Though more QRIS tap CCDF for funding (30 QRIS), higher average dollar amounts were provided through state funding (10 QRIS averaging \$15.8 million) and Race to the Top Early Learning Challenge grant funding (10 QRIS averaging \$12.3 million). The average funding amount from CCDF for a QRIS is \$9.8 million.

**Table 1: Quartile QRIS Funding Amounts by Source, 2016**

Funding Source	CCDF	Race to the Top – Early Learning Challenge	State Funding	Foundation Funding	Local Funding
Minimum	\$200,000	\$900,000	\$1,073,000	\$100,000	\$9,500,000
25th percentile	\$1,530,452	\$2,671,116	\$2,150,000	\$800,000	\$9,625,000
Median	\$3,895,793	\$3,255,594	\$3,700,000	\$1,500,000	\$9,750,000
75th percentile	\$8,620,000	\$14,050,000	\$6,475,000	\$2,079,887	\$9,875,000
Maximum	\$78,102,525	\$73,000,000	\$112,200,000	\$2,659,775	\$10,000,000

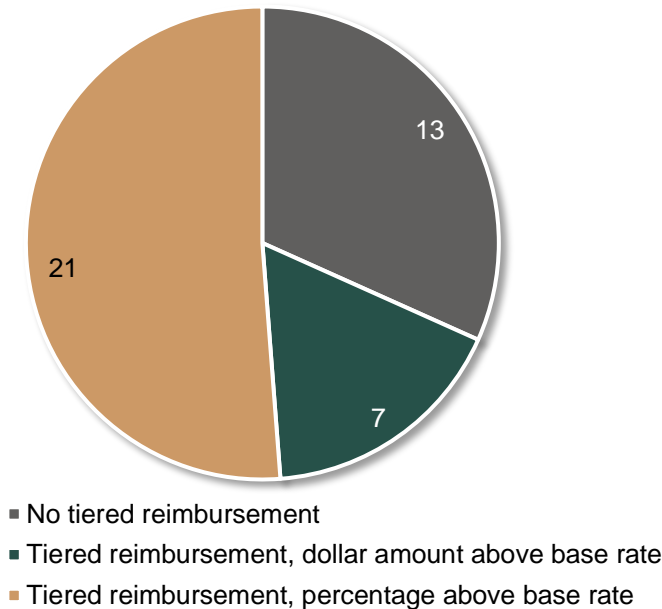
## Tiered Reimbursement

- ◆ Twenty-eight QRIS (68 percent) provide financial incentives for programs to move up the levels of QRIS quality by setting higher subsidy reimbursement rates for higher levels. See Figure 2.
- ◆ Some QRIS (7; 17 percent) provide a dollar amount above the standard rate while the rest (21; 51 percent) do so as a percentage in addition to the base rate.

**Wisconsin**, for example, requires QRIS participation at the 2-star level for programs receiving CCDF subsidy and structures rates so that:

- 1 star programs are ineligible to receive a subsidy; 2 star programs receive 5 percent less than the base rate; 3 star programs receive the base rate; 4 star programs receive 10 percent more than the base rate; and 5 star programs receive 25 percent more than the base rate.

**Figure 2: Number of QRIS Using Tiered Reimbursement, 2016**



Note: N = 41 QRIS

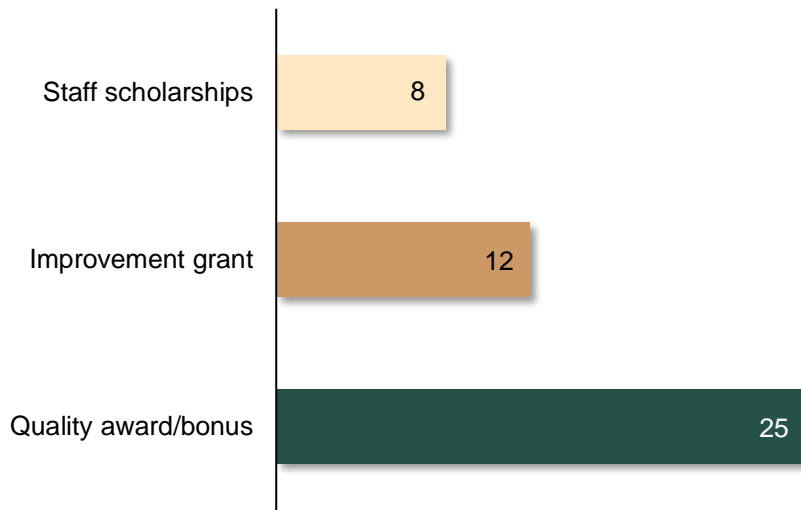
## Financial Incentives to Support ECE Programs

Many QRIS use some of their funding to provide financial supports to programs that are participating in the QRIS. The most common type of financial support, provided by 25 QRIS (61 percent), is a quality bonus, which rewards programs for achieving certain levels of quality, as shown in Figure 3.

The second most common financial incentive, provided by 12 QRIS (29 percent), is an improvement grant that allows programs to invest in enhancements to their programs.

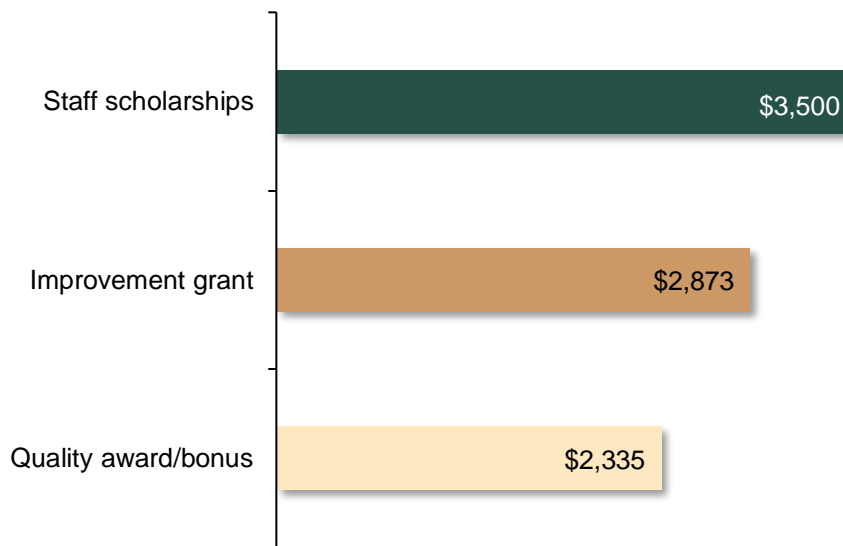
Eight QRIS (20 percent) are providing staff scholarships for education, the total amount of scholarship provided is the highest of any type of financial incentive at \$3,500, on average. Figure 4 shows the average amounts of financial incentives.

**Figure 3: Number of QRIS Offering Different Types of Financial Incentives, 2016**



Note: N= 41 QRIS. Some are in multiple categories.

**Figure 4: Average Amounts of Financial Incentives Provided, 2016**



## QRIS Showcase: Arizona's Quality First

The Quality First package of quality improvement incentive supports was established as part of the initial implementation of the QRIS in 2009. The process to establish the initial incentive amounts was done through a state review of early childhood programs with a goal to identify how incentives could support the removal of barriers to achieving high quality. An emphasis was placed on the needs that were most common for programs, such as developmentally appropriate materials, child-sized furnishings, and outdoor environments that support safe play. Arizona recognized the need to provide robust incentive supports in a variety of improvement activities, such as improving facilities, adding furnishings, and providing age appropriate materials accessible to children's unique needs. The initial quality improvement investment in 2009 supported 300 programs with a dollar amount that varied based on program capacity and star rating. Quality First coaches spent the funding by ordering materials for programs.

In 2012, Quality first staff revised the financial incentive package to provide strong support while sustaining the financial incentive initiative over time. The current incentive model provides supports to all Quality First programs while focusing on providing greater supports to programs at the higher levels of quality (3-, 4-, and 5-star programs). In this model, 1- and 2-star programs can use their incentives to order materials with the assistance of their Quality First coach. Programs rated at a 3-, 4-, and 5-star level receive their funding directly and can spend it at their own discretion as long as the purpose is to improve quality. Quality First staff report that programs appreciate being able to make their own decisions about how to spend their funds and have chosen to make improvements such as sending staff to conferences, purchasing assessment materials, and providing wage enhancements. Programs receiving the financial incentives directly are responsible for maintaining documentation to ensure funds are being spent appropriately.

Quality First also provides scholarships to at-risk children to attend high-quality, 3-, 4-, and 5-star programs participating in Quality First. Regional councils determine how they will fund their scholarships to best meet the unique needs of families in their communities, but all scholarships are administered consistently across the state. For example, families must be 200 percent or less of the federal poverty level to receive a scholarship, which helps expand access to high-quality programming for a more expansive group of families. Looking ahead, Quality First is focusing on how to best provide the needed supports for quality improvement financial incentives and scholarships as the State is considers a redesign of the model. A sustainable financial incentive model in Quality First will help programs leverage existing resources and emphasize a participant driven approach to encourage independent quality improvement.

## References

The Build Initiative & Child Trends. (2016). A catalog and comparison of quality rating and improvement systems (QRIS) [Data system]. Retrieved from <http://qriscompendium.org/>

Mathematica Policy Research & Child Trends. (2010). *Compendium of quality rating systems and evaluations*. Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services. Retrieved from <https://www.acf.hhs.gov/opre/resource/compendium-of-quality-rating-systems-and-evaluations>

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