2023

In Brief: Learning from the New Round of PDG B-5 Systems Building Grants

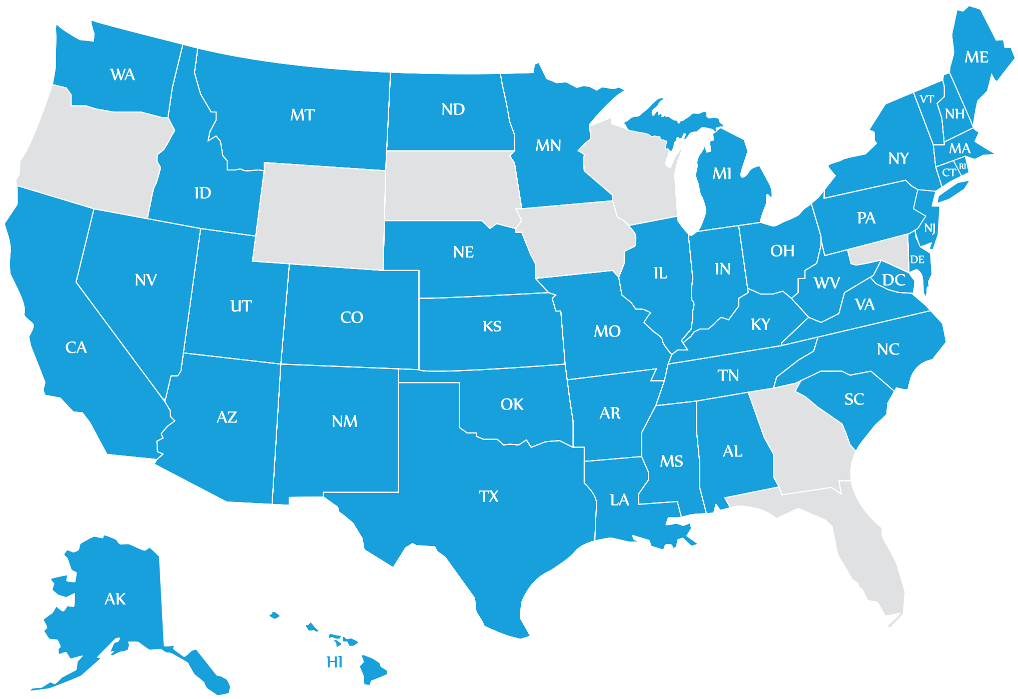
Financing Highlights

Build Initiative

Introduction to *In Brief: Learning from the New Round of PDG B-5 Systems Building Grants*

States and territories are drawing on the Preschool Development Birth through Five Planning (PDG B-5 Planning) or Renewal (PDG B-5 Renewal) Grant to advance their early childhood care and education (ECCE) systems. These states are undertaking a rich and broad variety of work with this infusion of resources. The BUILD Initiative, ZERO TO THREE, and Start Early, all of whom are members of the National TA Collaborative to Maximize Federal Early Childhood Investments, collaborated on these briefs to share critical early childhood issues that states and their partners are addressing by using the information available in the PDG B-5 Renewal applications. These grants not only provide immediate benefits and long-term systems implications for the states and their communities; they also shed light on the state of the field, which we attempt to outline through this set of briefs.

Figure 1. Map of PDG B-5 Planning and Renewal States 2023



PDG B-5 Planning and Renewal Grants are being used by states across a wide range of content areas in the early childhood care and education system, and in a variety of ways. The federal funding provides a systems framework and seeks to offer flexibility within that framework. The federal funding came with overall guidance focused on coordinating the programs and services within the early childhood care and education system. It aimed to help young children enter kindergarten prepared and ready to succeed by targeting support to populations the states deem priorities based on their assessments of need, particularly their new understanding of the impact of COVID on families and communities. The guidance placed significant emphasis on the early childhood care and education workforce and doing what it would take to attract, train, and retain the workforce needed to maintain high-quality and supportive environments that promote child development and can meet families' unique logistical, linguistic, cultural, and financial needs. Within that broad framework, however, states had enormous latitude.

Intro to *In Brief*
Why
Discussion
Fund Distribution Across Key Federal Categories
Fiscal Analysis and Planning
New Revenue Streams for ECCE
Provider Payment Amounts and Mechanisms
Looking Forward

States are using the federal funding to build capacity, create infrastructure, provide direct services, and pilot work that is new for them. This work is occurring within a broad framework provided by the federal government. As the review of the grant applications in this series of briefs will make clear, states chart their own course when it comes to early childhood systems development. States are working in many varied and exciting ways as they use these resources to take action to improve their ECCE systems; they are undertaking many different projects and initiatives and, often, multiple projects under each of the required activities.

States are using the federal funding to build capacity, create infrastructure, provide direct services, and pilot work that is new for them.

Our review suggests that states seem hesitant to take too long a view for their PDG B-5 plans. There are many possible explanations for this. Perhaps it is because each iteration of the federal PDG B-5 competition has been different, and states do not see PDG B-5 as a stable, continuous funding source. It could also be that state decisions that seem to focus on the shorter term could stem from the need to manage expectations and produce near-term results. There could be a lack of confidence amongst the state and territory grantees that state funding will be available to sustain the work. Or it may be that the broad framework used in the PDG B-5 competition, with so many possibilities identified with each of the required activity areas, detracts from states' ability to have a sharp focus, and leads to many responsive, diffuse strategies. We must ask: Would the children and families who want and need early childhood care and education, the workforce that delivers it every day, and the states be better off if the states understood that they could choose to have a concentrated focus on a few projects rather than on so many?

This series of briefs focuses attention on several topics within the current round of PDG B-5 plans. Not all critical topics or aspects of PDG B-5 plans are covered, such as updates to needs assessment and strategic plans, but we anticipate that other organizations will continue to analyze this rich set of plans and share their analyses. We note, as well, that the briefs are grounded in the plans submitted by the states to the federal government. States may modify their plans, and their grant submissions did not allow for the states to provide in-depth information.

To access the full set of briefs in this series, which are being produced throughout 2023, please visit: https://buildinitiative.org/learningfrompdgb-5systemsbuildinggrants/

Acknowledgements

With great thanks to the team: BUILD consultants Erin Arango-Escalante, Harriet Dichter, and Ashley LiBetti and BUILD staff Tameika Leslie and Susan Hibbard; ZERO TO THREE staff Jared Busker and Katrina Coburn; and Start Early staff Judy Reidt-Parker. Child Trends is publishing a separate brief; we appreciate Carlisle King for her engagement and partnership as part of the TA Collaborative.

We express deep appreciation to the Ballmer Group, Care for All with Respect and Equity (CARE) Fund, the George Gund Foundation, the Irving Harris Foundation, and the W. Clement & Jessie V. Stone Foundation for their support of the entire series and to the Pritzker Children's Initiative and Ballmer Group for their support of the brief on infant/toddler issues. We also appreciate the many individuals working in states who invested their time in reviewing and editing information about their states.

Why Financing Highlights?

> A critical aspect of financing involves financial planning and strategy, which includes setting priorities for revenue growth and its sources.

Choices that PDG B-5 participants make about the use of the financing provided by PDG B-5 impact the overall ECCE systems that they are building and implementing. Within PDG B-5, states had to demonstrate how they would allocate the financial resources available across required and discretionary activity categories. We can learn about their priorities from a look at the choices that they made. Our review of financing highlights goes beyond decisions made by the PDG B-5 participating states about allocation by the federally specified categories. A critical aspect of financing involves financial planning and strategy, which includes setting priorities for revenue growth and its sources. This is an important area as ECCE is widely understood to be under-resourced, so learning more about those states engaged in strategic financial planning and revenue growth strategies is critical for the field as a whole. Finally, within ECCE, there has been a renewed focus on how financing mechanisms themselves may place undue financial and other burdens on the ECCE workforce and we examine those states that opted to address these issues.

Discussion of Financing Highlights

This brief focuses on four aspects of financing: 1) fund distribution across key federal categories, 2) fiscal analysis and planning, 3) new revenue streams for ECCE, and 4) provider payment amounts and mechanisms. Table 1 highlights states discussed in this brief whose PDG B-5 plans include work on the second, third, and fourth aspects. Discussion of each of these four areas, with highlights from the strategies being used, is found after the table.

Table 1. Financing Strategy Overview

FINANCING STRATEGY	AZ	CT	DE	HI	IL	KS	LA	ME	MA	MN	MS	MT	NJ	NY	NC	OH	SC	VT
Fiscal Analysis and Planning																		
Determine true cost		•	•		•			•										
Map all financial resources						•	•											
Conduct fiscal impact analysis				•								•						
Develop a strategic financing plan	•				•				•									•
New Revenue Streams for ECCE																		
Tap labor and workforce streams							•						•					
Leverage economic development streams														•				
Partner with businesses												•				•		
Provider Payment Amounts and Mechanisms																		
Plan and evaluate payment mechanisms			•								•							
Coordinate differential fiscal systems among multiple ECCE programs										•								
Modify payment processes, rates, and practices		•						•							•		•	•

Fund Distribution Across Key Federal Categories

The federal government defined several key activity categories for states seeking to participate in this round of PDG B-5 funding. Within the key activities categories, additional guidance was provided to assist states in making decisions about where to place their work. We examined proposed budgets for both planning and renewal applications, looking at both the percentage and range of investment in the areas of: 1) needs assessment, 2) strategic plan, 3) parent and family engagement, 4) workforce and shared best practices, and 5) program quality improvement. In addition, PDG B-5 renewal plans could also propose to allocate funds to sub-grants, and these were also included in the analysis. Table 2 provides information on fund distribution for planning grants and Table 3 provides information on fund distribution for the renewal grants.

In both planning and renewal, the top percentage of funds was allocated to workforce, with 42 percent of the planning grants expected to be invested in workforce and 30 percent of the renewal grants having that same focus. The federal guidance for PDG emphasized workforce needs, and there is broad consensus for those working in ECCE that workforce issues are profound and require significant additional attention and resources. The share of resources for parent and family engagement is similar for both planning and renewal, at 17 percent for planning and 14 percent for renewal while program quality comes in at 23 percent for renewal plans versus 18 percent for those in the planning group. Renewal plans permit sub-grants, and states elected to invest 25 percent of their proposed first year budget in this work.

> “The federal guidance for PDG emphasized workforce needs, and there is broad consensus for those working in ECCE that workforce issues are profound and require significant additional attention and resources.

Table 2. Planning Grant Proposed Fund Distribution

Planning Grant Category	Percent	Range of Proposed Distribution
1- Needs Assessment	14%	$5,000 to $2.1 million
2- Strategic Plan	9%	$30,000 to $71,000
3- Parent and Family Engagement	17%	$0 to $1.02 million
4- Workforce and Shared Best Practices	42%	$168,000 to $2.5 million
5- Program Quality Improvement	18%	$3,600 to $1.76 million
	100%	

Notes:
- 21 states included. One is not included in Activity 2 due to budget showing a combination of Activities 1 and 2
- Does not include resources allocated for personnel or any other activities not categorized as 1, 2, 3, 4, or 5
- Federal funds only
- Reflects how grantees categorized activities
- Range of proposed distribution rounded for reader convenience

Table 3. Renewal Grant Proposed Fund Distribution

Renewal Grant Category	Percent	Range of Proposed Distribution
1- Needs Assessment	5%	$3,300 to $1.8 million
2- Strategic Plan	3%	$0 to $1.9 million
3- Parent and Family Engagement	14%	$195,000 to $2.4 million
4- Workforce and Shared Best Practices	30%	$300,000 to $4.04 million
5- Program Quality Improvement	23%	$90,000 to $2.5 million
6- Renewal Only-Subgrants	25%	$0 to $6.8 million
	100%	

Notes:

- 16 states included; others not included due to lack of budget availability or limited information about how budget plan aligned to the federal activity categories
- Includes only first-year budget
- Does not include resources allocated for personnel or any other activities not categorized as 1, 2, 3, 4, 5, or 6
- Federal dollars only
- Reflects how grantees categorized activities
- Range of proposed distribution rounded for reader convenience

Fiscal Analysis and Planning

Table 4. Fiscal Analysis and Planning

	AZ	CT	DE	HA	IL	KS	LA	ME	MA	MT	VT
Determine true cost		•	•		•			•			
Map all financial resources						•	•				•
Conduct fiscal impact analysis				•						•	
Develop a strategic financing plan	•				•				•		•

States are focusing on different aspects of fiscal analysis and planning through their PDG B-5 plans. For example, fiscal analysis and planning for the PDG B-5 grants may have a specific focus, such as child care, pre-kindergarten, Part C Early Intervention and Part B 619 preschool special education. Or, it might focus on services for an age group. (Specific fiscal analysis and planning focused on compensation has generally not been included here, and is addressed in the Workforce Compensation brief.) Some states have identified building blocks of strategic financing plans, such as determining the true cost of care, mapping all financial investments, or conducting financial impact analysis, and a few are putting it all together to create comprehensive strategic financing plans.

> Connecticut is focused on seeking to understand the true cost of care for child care and using this information to understand the gap and how to fill it.

- **Determine true cost of care**- Four states are exploring cost of care analysis—*Connecticut, Delaware, Illinois* and *Maine*. *Connecticut* is focused on seeking to understand the true cost of care for child care and using this information to understand the gap and how to fill it. *Delaware's* cost of care approach focuses on the true cost of supporting early childhood professional wages for the state-funded preschool program expansion pilot being planned. In Illinois, the focus is on Part B 619 preschool special education. This work follows up on a previous PDG B-5 recommendation to improve these services by understanding the true cost of care for preschool-age children who can benefit from preschool early childhood special education. *Maine* is planning to develop a cost of care estimate for the provision of high- quality child care.

- **Map all financial resources**- Two states (*Kansas and Louisiana*) are engaged in financial mapping. As part of a gap analysis, *Kansas* plans to create a fiscal map that covers all of the work supported through the Child Care and Development Block Grant. *Louisiana,* as part of its needs assessment, plans to include financial investments made at both local and state levels. *Louisiana* has previously worked to stimulate local investment in ECCE through state-based incentive programs.

- **Conduct fiscal impact analysis**- Two states (*Hawaii* and *Montana*) are conducting fiscal impact analyses. *Hawaii* 's economic impact study will provide information on the ECCE sector's size and economic value to Hawaii's businesses and economy. *Montana's* fiscal impact analysis will focus on the potential revisions to the child care assistance rate for children with special needs and for families using child care services during non-traditional hours.

- **Develop a strategic financing plan**- Four states (*Arizona, Illinois, Massachusetts*, and *Vermont*) are developing strategic financing plans that assess their current investments (i.e., mapping of financial resources), determine the true cost of care and what is needed to meet it, and identify strategic options for new revenue. *Arizona* is building on previous work to look at their entire ECCE system. *Illinois'* focus is on strategic financing for their Part C Early Intervention system and includes reviewing financing models in use in other states as well as focusing on priority goals of bilingual service delivery, workforce structure, and workforce compensation. In *Massachusetts*, the strategic financing plan homes in on funding and policy mechanisms necessary to achieve broad-based adoption of a salary scale. *Vermont* plans to update their EC Spending Inventory (i.e., financial map) and leverage their pre-existing Early Childhood Finance Study as they create an overall plan for improved financing.

Four states (Arizona, Illinois, Massachusetts, and Vermont) are developing strategic financing plans that assess their current investments, determine the true cost of care and what is needed to meet it, and identify strategic options for new revenue.

New Revenue Streams for ECCE

Table 5. New Revenue Streams for ECCE

	LA	MT	NJ	NY	OH
Tap labor and workforce streams	•		•		
Leverage economic development streams				•	
Partner with businesses		•			•

Identifying new revenue streams, whether from the public or private sector, can assist with addressing unmet needs for ongoing investment in ECCE. Through PDG B-5, some states are seeking to bring sustainable resources from existing public-sector streams as a regular contributor to their ECCE systems development. Still others are seeking to work with businesses to garner ongoing investment in day-to-day ECCE services, particularly related to child care.

> Through PDG B-5, some states are seeking to bring sustainable resources from existing public-sector streams as a regular contributor to their ECCE systems development.

- **Tap labor and workforce streams**-Two states (*Louisiana, New Jersey*) plan to leverage their state workforce structures. *Louisiana* requires the Early Childhood Ancillary Certificate (ECAC) as a prerequisite for its early childhood workforce. Currently, the ECCE workforce professionals who get the ECAC, while authorized by the state Board of Education, are not eligible for funding from the state's workforce agency, the Louisiana Workforce Commission. If these ECCE professionals become eligible for funding from the Workforce Commission as they pursue their ECAC, they would be provided additional support for tuition, textbooks, transportation, and child care needs. PDG B-5 will enable the state's Department of Education to work in partnership with the Louisiana Workforce Commission to allow for recognition of the ECAC and financial support of participants. *New Jersey* is taking a different approach, directly incorporating early childhood workforce support into its pre-existing Department of Labor infrastructure that currently assists 200 registered apprenticeship programs statewide. PDG B-5 resources will expand this work to benefit ECCE service providers, and the state's Department of Labor is charged with ensuring that the system, once implemented through PDG B-5, remains in place.

- **Leverage economic development streams**- *New York* is deploying several strategies to better connect ECCE with the current funding and infrastructure found in the economic development sector. One initiative plans to assess the feasibility of an ECCE Business and Financing Fellowship that will focus on expanding knowledge of ECCE grants, loans, and technical assistance as well as compensation-related resources. The initiative is also exploring the creation of ECCE Financial TA Hubs that are organized by the state's economic development regions. These hubs aim to position ECCE to access facility loans from Community Development Financial Institutions (CDFI) when loans from traditional lending institutions are either not available or it is challenging to qualify for them.

- **Partner with businesses**- The states of *Montana* and *Ohio* have proposed two different ways to partner with businesses to secure ongoing funding for ECCE. As *Montana* builds its overall approach to full funding for ECCE, the state acknowledges the need for expanded revenue, and has pinpointed the business community as one partner to create this expansion. *Ohio* has proposed developing a pilot partnership with employers to help cover child care costs that include improved wages (with a minimum hourly rate between $17 and $23) for the child care workforce. The plan is to create a new provider/business partnership between private/nonprofit organizations and licensed child care providers to establish an annual investment from businesses in exchange for quality child care access for employees of the participating businesses. The businesses would invest resources in compensation improvement and would also be able to claim a federal tax credit. Local organizations would lead this effort, working with Ohio's local chambers and resource and referral agencies, to bring together businesses and ECCE providers.

> The plan is to create a new provider/business partnership between private/nonprofit organizations and licensed child care providers to establish an annual investment from businesses in exchange for quality child care access for employees of the participating businesses.

Provider Payment Amounts and Mechanisms

Table 6. Provider Payment Amounts and Mechanisms

	CT	DE	ME	MN	NC	SC	VT
Plan and evaluate payment mechanisms		•	•				
Coordinate differential fiscal systems among multiple ECCE programs				•			
Modify payment processes, rates, and practices	•				•	•	•

It is well known that ECCE providers are not compensated, either through their public or private funding streams, at a level that recognizes the depth and breadth of the services they provide and, most recently, the wage funding gap has left the overall field woefully short of staff. Beyond these well-known resource deficiencies, many leaders are also concerned that the public approaches to payment may be inefficient, leading to financial burdens and payment delays for the ECCE provider community. Further, with providers needing to access multiple funding streams as they seek to secure adequate revenue, they are often accessing multiple systems and using valuable time and resources to navigate different and complex fiscal and administrative requirements to draw down resources. Several strategies to address these issues are being explored through PDG B-5.

- **Plan and evaluate payment mechanisms**- *Delaware* and *Maine* have plans to look at their payment approaches: *Delaware* is more generally focused on ECCE programs whereas *Maine* is working on how to successfully bring child care into the public pre-K program. *Delaware* plans to evaluate two different payment structures for their ECCE programs, with an eye on impacts for staff recruitment and retention. One payment approach will be through the state's child care assistance program traditional payment approach, using increased rates, and the second will be a contract-for-seats model, using rates calibrated on the state's quality expectations. After these models are studied, *Delaware* intends to move forward with the payment structure that best allows their state-funded ECCE programs to sustain staff and quality. This would then also become the model for the federally funded services through the Child Care and Development Fund. *Maine* will pilot new partnerships with child care, both center- and home-based, to move the state closer to reaching its goals for universal pre-K. Currently *Maine* funds their public pre-K program through its school formula. A stakeholder working group will explore and potentially recommend alternative models for funding new partnerships with child care programs to provide publicly funded pre-K programming to four year olds. Using resources from PDG B-5, Maine will pilot one or more alternative models based on the initial planning.

- **Coordinate differential fiscal systems among multiple ECCE programs**- *Minnesota* has multiple funding streams to support its ECCE programs, including a state-funded Early Learning Scholarship program and a child care assistance program. Each has a reimbursement model based on services for families with eligible children. Their payment systems are separate and distinct, although the same ECCE programs may participate in both and must meet different policies and payment methods and timelines. *Minnesota* plans to create a coordinated administrative effort across these programs to address these issues.

- **Modify payment processes and rates**- Four states (*Connecticut, North Carolina, South Carolina* and *Vermont*) plan to look at their payment processes and rates. While Connecticut has a general approach, the other states have a targeted focus: family child care settings (*North Carolina*), infant/toddler opportunities (*South Carolina*), and inclusion (*Vermont*). Connecticut has identified several solutions it plans to explore through PDG B-5, including expediting reimbursements from the state early childhood agency or providing money partially or in full up front and expediting reimbursements from other agencies, especially the Department of Children and Families (DCF), so that ECCE providers are incentivized to accept children who are part of the DCF system. In *North Carolina*, the focus is on improving the rates that are provided to family child care providers, with a pilot study planned to increase the investment in high- quality family child care to match their estimated true cost of care. *South Carolina* is planning to expand their Quality Care by Design work that has sought to support providers in the state's First Steps 4K program who are also offering infant/toddler services. *South Carolina* found that the 4K rooms had more resources than the infant/toddler environments in these programs. Additional resources will be invested in these rooms, and then contracted slots will be made available for infants and toddlers for up to three years, or until a child transitions to the 4K classroom. Further, if the child leaves the program, the contracted slot remains. *Vermont* is seeking to enhance their payment processes and resources for child care programs that include children with special needs. Their focus is on modifying payment practices and procedures to be less burdensome and more flexible and responsive as well as providing financial supports directly to high-quality ECCE programs through their Special Accommodations Grants. Streamlining the payment process is the first step for the *Vermont* work; their plan also includes evaluating the impact of the work.

Looking Forward

Financing is a critical challenge for ECCE. Without continued proactive attention to all aspects of financing, forward progress for ECCE systems development and the children and families who are served will be limited.

We can see that the federal government's workforce emphasis resulted in PDG B-5 planners devoting greater resources to workforce than to any other issue. This suggests that focused prioritization by the federal government within a broad systems-building initiative can be an effective strategy to direct resources. Additional consideration should be given to this approach going forward.

Regarding the other elements of financing highlighted in this brief, one take-away is that more states should consider more intentional focus on financing issues and bringing together core elements, such as fiscal mapping, cost modeling, and financial impact analysis, into a strategic finance plan that would tackle an element that is often missing: strategies to expand revenue to meet identified priorities, needs, and gaps. The federal government could prioritize this work and provide resources to assist. Continued support for state capacity to do this work will be needed so that strategic plans are based on careful analysis and understanding of costs as well as revenue options.

At the same time, those states that are undertaking some of this work within the context of their PDG B-5 plans are showing the comprehensive needs across ECCE. Some states are covering the waterfront and others are homing in on other specific programs, such as Part C Early Intervention, child care, pre-K, Part B 619 preschool special education, family child care, or specialized needs such as workforce compensation or facilities. This is exciting and underscores the importance of recognizing ECCE as a system, and not just a series of programs. At the federal level, the contribution to these efforts is often done through discrete funding streams with separate policy and program requirements. Improved coordination on these financing topics at the federal level could aid state efforts.

For provider payment amounts and mechanisms, the case for prioritization has been well made by those states that included this work in their PDG B-5 plans. While this work is often complex, continued focus is needed here. Without payment processes that are efficient, providers—along with public sector payors—will continue to direct scarce fiscal resources to administrative expenditures that all believe would be best invested in the workforce and the important services that they provide to the nation's children and families.

We can see that the federal government's workforce emphasis resulted in PDG B-5 planners devoting greater resources to workforce than to any other issue.

Build Initiative