



Rate & Quality Workgroup Summary Report

August 15, 2022

Summary:

The California Department of Social Services (CDSS) convened individuals to participate in the Rate and Quality Workgroup to discuss and enact changes to the reimbursement rates and the existing quality standards for child care and development, and preschool programs. The workgroup released a [report](#) with their recommendations, and this document outlines the key highlights of the report. Ultimately, the workgroup recommended using an alternative methodology that uses a cost-estimation model to set base rates instead of the current methodology.

Early Edge Advocacy:

Early Edge California, in partnership with the Advancement Project California and other DLL partners, submitted a joint letter to the workgroup urging for a stronger focus on the needs of DLLs and FFNs. All of the urged recommendations were included in the final report.

Background:

Child Care Providers United (CCPU) and the State of California reached an agreement, which was then codified in the 2021-22 State Budget, established a Joint Labor Management Committee (JLMC) to develop recommendations for a single reimbursement rate structure to present to the Department of Finance (DOF) no later than November 15, 2022. To develop these recommendations, CDSS, in consultation with the California Department of Education (CDE), convened a working group to assess the methodology for establishing reimbursement rates and existing quality standards for child care and development programs and preschool programs. The working group, also known as the Rate Reform and Quality Workgroup, included representatives from CCPU, teacher and administrator representatives of state-funded center based contractors, child care and development experts, parent representatives, a head start representative, an alternative payment program agency representative and representatives from the administration. The Rate and Quality Workgroup convened between January and August 2022 and reviewed materials related to the reimbursement rates and quality standards to provide recommendations by August 15, 2022.

Key Highlights:

- The current reimbursement rate-setting methodology establishes rates that are not sufficient to cover the true cost of providing Early Learning & care services.
- Rate and Quality Workgroup recommendations:
 - Make sure equity is a foundational piece to all change and is an outcome and implemented throughout the process.
 - Use an alternative methodology that uses cost estimates/models to set base rates rather than the current methodology of using a market price survey to set rates due to the inequities a market rate survey creates. The alternative methodology will aim to establish a living wage floor.

- Create a single rate structure that specifies base rates and addresses historical inequities. This structure should specify separate base rates for Family, Friend, and Neighbor care and Home-Based and Center-Based early learning and care and should differentiate base rates for meeting different sets of state standards.
- Continue to evaluate the rate-setting methodology to address equity and adjust for changing conditions.
- In addition to the proposed recommendations above, the workgroup recommends implementing them in three stages:
 - Stage 1: Increase reimbursement rates immediately, even before an alternative methodology can be implemented. Simultaneously, obtain federal approval for an alternative methodology and state change to delink subsidy rates from those charged to private pay families.
 - Stage 2: Implement a federally approved alternative methodology to set base rates that are informed by the cost of providing early learning and care services. Do not increase requirements on Early Learning and care programs and educators until the new base rate using the alternative methodology is fully funded.
 - Stage 3: Continuously evaluate the new alternative methodology and base rate and make appropriate changes and broader system investments based in part on this evaluation and recommendations laid out in the Recommendations Beyond August 2022 section.
- The report provides historical context on inequities in the child care system and the current reimbursement rate structure due to the racist, sexist, and classist history of seeing child care as unpaid labor and undervaluing the critical work of women of color.
- Report asserts that the current federal and state funding mechanisms for child care contribute to the market failure in the reimbursement rate system

Recommendations

- ***Equity Recommendation***
 - Create equitable policies by addressing the existing structures that allow for racial biases to continue.
 - Advance a single rate structure by addressing historical racism and inequities.
 - Assess every recommendation in the report by asking:
 - Is the recommendation centered on the perspectives and voices of a diverse group of early educators, families, and children?
 - Who benefits and who is disadvantaged by any proposal?
 - Who is furthest from opportunity, and how do we erase gaps?
 - Does the recommendation work for the lowest paid and least resourced? If not, it does not work for anyone.
 - What is the role and responsibility of the state in building and funding an equitable system?
 - Elevate the voices of all early educators and ensure they participate fully when assessing policies, equity, the system, and investment priorities.
 - Center the voices of Black child care providers and prioritize their engagement.

- Take an equitable approach to implementing changes to rate and quality systems by first targeting those furthest from opportunity, then evaluating and adjusting policies and investments.
- **Single Reimbursement Rate Structure and Rate-Setting Methodology**
 - Use an alternative methodology rather than the current market rate survey.
 - Use a cost estimation model, but rate adjustments should be immediate and not wait for the approval of an alternative methodology.
 - Leverage the new federal options and seek federal approval for the alternative methodology.
 - Create a single rate structure that specifies base rates and is designed to address historical inequities.
 - Recognize the unintended consequences of rate reform on families and providers who do not receive subsidies.
 - Make sure families and providers are strong participants in the development, implementation, and evaluation of rate reforms.
 - Implement a single, transparent, and accessible rate structure based on the actual cost of care, conduct biannual costs studies, and guaranteed adjustments as costs increase, such as the Cost of Living Adjustment (COLA) provided to TK-12.
 - Develop a transparent information portal that displays how the rate system works, how rates are calculated, and how different programs and standards work together.
 - Continuously evaluate the rate-setting methodology for any inequities and changes in cost.
 - Ensure no program loses funding from reform implementation.
 - Use equity strategies and a focused equity analysis to support California's diverse population.
 - Change statutes, regulations, and amend the State Plan so rate providers are paid through the subsidy system and not linked to the private market.
 - Base Funding
 - Establish and fund the base rate before proceeding with supplemental rate levels or enhanced rates tied to program quality or new requirements.
 - Ensure that all parts of the mixed-delivery system are reimbursed equitably.
 - Base Rate for Centers and Licensed Family Child Care Homes
 - Develop a base rate that includes programs meeting Title 22 and Title 5.
 - Home-based Early Learning and care programs, Family Child Care Home (FCCH) networks, Center-based Early Learning and care programs, and Center-Based State Preschool programs
 - Ensure the base rate covers the cost of:
 - A living wage floor; appropriate compensation
 - Appropriate funding for health care and benefits
 - Actual hours of care
 - Ongoing time, i.e. planning time, family engagement

- Ongoing professional development
- Services for target populations such as multilingual and Dual Language Learners, including language capacity and home language support
 - The Work group also recommends including ways to:
 - Meet the needs of working families outside of nontraditional hours
 - Ensure all current requirements are funded and meet program standards
 - Include the cost of services to serve the whole child and family
 - Include the cost of translation services
 - Provide additional quality services such as language acceptance and affirmation, developmental screenings, anti bias training
- Family, Friend, and Neighbor (FFN) Recommendations:
 - Include FFNs as part of the single rate structure.
 - Address the inequities in policies and rates.
 - Recognize FFNs are the preferred choice and can provide quality care.
 - Develop an FFN Base Rate that ensures:
 - Compensation is no less than hourly minimum wage and ultimately moves towards a living wage. Further analysis is needed to establish rates for serving more than one child.
 - Cost is based on cost of care and includes sick leave, vacation, and prep time.
 - Ensure access to equitable professional development.
 - Distinguish those who would like to pursue licensure and provide adequate support to help increase the pipeline of early educators.
- **Recommendations to Support Rate and Quality Reform**
 - Implement a reimbursement rate structure that ensures funding stability for programs.
 - Implement an enrollment-based model instead of a model based on attendance.
 - Replace daily attendance sheets with monthly signed reports.
 - Assess the impact of developing a single revenue structure by a single fund source.
 - Immediately expand COVID protections and develop plans to manage disasters.
 - Develop policies and funding streams to respond to individual program and provider emergencies.
 - Ensure rate reform allows max participation in the Child and Adult Care Food Program for licensed and unlicensed entities.
 - Ensure the development of effective data systems so rate reform efforts and its outcomes can be measured, especially in centers, homes, and FFNs.

Long term recommendations

As the Rate and Quality Workgroup completes its work, they recommend continuous evaluation in four key areas:

- **Assessing current quality standards with an equity lens**

- Recommendation of a two-phase approach:
 - Phase I (through August 2022)
 - Focus on the current system with quality in mind and establish base rates with the cost of providing quality care in mind.
 - Phase II (after August 2022)
 - Completion of an equity analysis of quality standards by CDE, CDSS, and First5CA
- ***Defining and developing recommendations related to early educator skills and abilities***
 - A framework that recognizes the assets and experiences of current ECE educators and addresses systemic racism.
 - Clearly define quality, who benefits from quality supports, and how we are measuring quality.
- ***Developing an implementation plan for Targeted Universalism***
 - Develop an implementation plan that uses a data-driven approach and robust engagement of early educators, families, and targeted communities to effectively develop targeted investments and identify and serve disenfranchised families.
- ***Recommendations to strengthen support for FFNs***
 - Endorsement of the current assessment from CDSS on current federal requirements, resources, and potential policy changes related to FFNs
 - Recommendation to use the information in the report as they continue their assessment through 2023