

# IF IT AIN'T BROKE, THEN WHY ARE WE?

## *How California Funds Child Development Programs*

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### Part II: The Fixes

California's system for funding its early care and education programs based on child days of enrollment and actual daily attendance is a system rife with problems for its service contractors. In Part I, I described many of the problems that prevent service providers from earning the full amounts of their contracts. In Part II, I propose solutions for these problems by looking to other models for funding early care and education programs that have been implemented at federal, state, and local levels. These models further highlight why California's system is seriously broken, and they provide robust and viable examples for how to fix the problems.

#### **Fix #1: The Federal Model**

Head Start and Early Head Start are federally funded programs serving children from birth through five-years old and their families. Public and private non-profit agencies are funded to serve a specific number of children annually (annual funded enrollment) and receive direct grants from the Office of Head Start to pay for program operations for this fixed number of children. All grantees receive their *maximum reimbursable amount*, an amount equivalent to the funding per child (per capita rate) multiplied by their funded enrollment. This federal model allows Head Start and Early Head Start grantees to plan and budget for annual operations to serve a specific number of children without the risk of reductions in their funding. Programs are expected to be fully enrolled at the start of and throughout the program year. Prior to September 2008 if an enrollment vacancy existed in the program, grantees could take up to thirty days to fill the vacant slot. However, a *Program Instruction* issued by the Office of Head Start on September 3<sup>rd</sup> states that, "...as soon as a Head Start program identifies a vacancy in its program that vacancy needs to be filled." It should be noted that grantee directors and even members of Congress have voiced concerns about some of the impacts of this recent program instruction (see below *Even Congress "Gets It"*). And while Head Start performance standards require grantees to track the daily attendance for each child and "must analyze the causes of absenteeism" when the average daily attendance in a month falls below eighty-five percent, program funding is not linked to attendance.

If a Head Start or Early Head Start program is not fully enrolled they are required to receive technical assistance, to determine the causes of underenrollment, and to develop and implement a plan to reach and maintain full enrollment. In accordance with the *Head Start Act*, "If, after receiving technical assistance and developing and implementing the plan... for 12 months, a Head Start agency is operating a program with an actual enrollment that is less than 97 percent of its funded enrollment..." their grant may be reduced. The federal Head Start and Early Head Start model provides agencies with ample technical assistance and time prior to considering any reduction in annual funding as a result of chronic underenrollment. By contrast, California's system of reducing contract reimbursements based on child days of enrollment and actual daily attendance, is extremely regressive, penalizing programs for underenrollment and unexcused absences that are often beyond their control. If California adopted the federal funding model for its child development programs, contractors could better plan and budget their program operations, including

annual staffing costs, since their maximum reimbursable amounts would be guaranteed and not subject to fluctuations in days of enrollment and daily attendance. Chronic underenrollment or absenteeism in California child development programs could be addressed through technical assistance and implementation of corrective action plans as occurs in Head Start and Early Head Start programs.

### **Fix #2: State Models<sup>1</sup>**

#### *WASHINGTON*

Washington provides state funded preschool and child care through its *Early Childhood Education and Assistance Program (ECEAP)*. Agencies receive funding based on their contracted enrollment, similar to the Head Start funding model. Contractors have thirty days at the beginning of each program year to reach full enrollment. Once programs reach full enrollment they are required to maintain daily enrollment at no less than a ninety-five percent level. In response to the survey, the Executive Director of Early Childhood for one Washington program wrote, “The state realizes that quality programs are impossible to achieve when payment is based upon child attendance, especially with the most vulnerable and high risk children and families.” Children and families most in need in California and the programs that serve them deserve no less.

#### *NEW JERSEY*

In New Jersey, the classroom capacity for preschool is 15 children. The State Department of Education in New Jersey fully reimburses programs based on their funded enrollment as long as they serve an average of 14 children in each classroom. The way the Director of Children and Family Services for a New Jersey non-profit agency explained it, if a program is contracted to serve 150 children in ten classrooms (i.e. 15 children each in ten classrooms), as long as the overall enrollment is at least 140 the program will receive its full funding. For example, if three of the ten classrooms had 13 children enrolled and the remaining seven classrooms were fully enrolled at 15, the average enrollment per classroom for the agency would be 14.4 (3 classrooms X 13 = 39, 7 classrooms X 15 = 105; 105 + 39 = 144; 144 children ÷ 10 classrooms = 14.4). In response to the survey this Director also explained, “Children are withdrawn after being absent for ten days, but we are paid up until that point.” Here is yet another state that understands that the early care and education service providers should not be penalized for small, occasional fluctuations in their total enrollment.

#### *PENNSYLVANIA, KENTUCKY, and ARKANSAS*

Pennsylvania’s *Pre-K Counts* program provides direct grants to agencies based on their funded enrollment. Also, Pennsylvania, through its *Head Start Supplemental Assistance Program*, provides additional direct grants based on annual funded enrollment to Head Start programs so that they may expand the number of children served.

The Kentucky *Preschool Grant Allocation System* provides that:

*Funds for districts shall be allotted based on the number of eligible children... who are enrolled in the district's preschool programs on December 1 of the previous year. Program funding shall be adjusted proportionately when the enrollment on December 1 of the current year is more than five (5) percent above or below the number of children served on December 1 of the previous year.*

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<sup>1</sup>An e-mail survey was sent by the author to Executive Directors and Directors of early care and education programs across the nation. The models described include data from responses to the survey.

And finally, Arkansas funds early care and education programs based on the number of children enrolled per month. This funding method is similar to the one that has been implemented in a local model in Los Angeles County that I will now describe.

**Fix #3: A Local Model**

Los Angeles Universal Preschool, Inc. (LAUP), a private non-profit agency, directly funds public and private preschool programs serving children in the year prior to their entry into kindergarten. LAUP is primarily funded by First 5 LA, a child advocacy organization in Los Angeles County that receives revenues from a special tax on tobacco sales. Similar to Head Start, a *planned utilization rate* (i.e. funded enrollment) is specified in the contract between LAUP and service providers. The planned utilization rate is determined by the number of LAUP eligible children in each classroom receiving services at least four days per week. Agencies are reimbursed for every slot that is enrolled for at least ten days during each month. LAUP, tracks child attendance and enrollment, but like Head Start does not immediately reduce program funding as a result of absenteeism or underenrollment. Specifically, their policies state:

*While LAUP anticipates that providers will make every effort to ensure that attendance is high, funding will not be deducted for children who are absent on an occasional basis. If the child is no longer actively participating in the program, LAUP expects that a new child will be enrolled in his or her place. If enrollment falls 10% below the contracted enrollment for a 3-month period, LAUP reserves the right to decrease a provider's funding amount.*

The LAUP funding model does differ from the Head Start model in one major way. Head Start program funding is based on the total amount specified in the grant and is not subject to fluctuations in program enrollment. LAUP, however, reimburses programs based upon each previous month's enrollment. Even so, LAUP's model improves significantly upon the state's system of reimbursement based on each individual child, each individual day of enrollment, and each day of attendance.

**Fix #4: Even Congress "Gets It"**

Early care and education programs funded by California know all too well the challenges of filling vacant enrollment slots immediately and the resulting lost days of enrollment and reductions in funding. When alerted to the concerns raised by the *Program Instruction* requiring Head Start programs to fill vacant slots "immediately" (see above *The Federal Model*), several ranking members of Congress<sup>2</sup> wrote to the Secretary of the U.S. Department of Health and Human Services, Michael Leavitt. In their letter to the Secretary of the department that oversees Head Start they state:

*Even a diligent program with an active waiting list needs a reasonable period to fill an open slot. Contacting families on a waiting list, recertifying family eligibility, and processing required immunization records are just a few of the many logistical challenges and delays programs face in filling an open spot.*

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<sup>2</sup> Congressman George Miller, Congressman Howard P. "Buck" McKeon, Congressman Dale E. Kildee, Congressman Michael N. Castle, Senator Edward M. Kennedy, Senator Michael B. Enzi, Senator Christopher J. Dodd, and Senator Lamar Alexander (Copy of September 22, 2008 letter received via private communication on Head Start Fellows listserve)

The letter concludes:

*We respectfully urge you to withdraw Program Instruction 08-05 and align it with Congress' intent to support full enrollment and active waiting lists while providing a reasonable timeline for local programs to enroll eligible families.*

If these eight distinguished members of the United State Congress “get it”, then why doesn't the California Department of Education.

In Part II I have tried to show that there is no need for California to “reinvent the wheel” to fix its flawed system for funding state child development programs. There are ample robust, cost-effective, and high quality early care and education funding models that currently operate at federal, state, and local levels from which to choose or adapt to improve California's method. All of the examples cited above recognize that enrollment will fluctuate throughout the year and that programs should not be penalized for such fluctuations by having their funding immediately decreased. Several models give agencies time to implement improvement plans when they are underenrolled while others allow for a “ramp up” period to reach full enrollment. Several models provide direct grants based on an annual funded enrollment, some determine funding based on enrollment each month, and one provides funding to programs based on their enrollment on one specific date each year. None of these “fixes” considers individual days of attendance and enrollment as does California. Clearly it is time for the California Department of Education to consider a funding model that better supports the hundreds of programs that strive to provide quality early care and education services to the state's youngest, and often neediest, children and families. Before any more child development programs are forced to close their doors, California's broken funding model must be fixed now!