Montgomery County Child Care Center Cost Model

Description, Methods, Assumptions, Observations, and Recommendations Report

July 31, 2018

Linda Dunphy, Senior Consultant
Amy Augenblick, Executive Director

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Informal Solicitation #1084006

Prepared July 31, 2018

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Executive Summary

Montgomery County's Informal Solicitation #1084006 contained two key objectives: 1) to implement a child care cost modeling study and 2) to identify the cost of delivering services at each level of Maryland EXCELS. Within the agreed upon scope of this Solicitation, Foundations for Families (FFF) used *The Provider Cost of Quality Calculator* (PCQC) developed by the Federal Office of Child Care to inform these key objectives, focusing exclusively on center-based providers.[1] To both enhance the potential of the PCQC and address some inherent limitations of the PCQC, FFF added to the scope of deliverable items 1-3. These enhanced product deliverables, delivered at no additional cost to Montgomery County, provide EXCELS cost modeling worksheets derived, in part, from the PCQC.

Overview of Deliverables:

Items 1 and 2: Using the PCQC, FFF identified baseline scenarios of 7 center-based child care providers' profiles using operating budgets, fiscal data points, and standardized characteristics aligned with EXCEL levels as defined by the PCQC tool methodology. While the Scope of Services requested 2-3 scenarios, FFF created additional scenarios to provide a wider range for comparison.

Item 3: The PCQC model methodology identifies funding gaps in programs receiving state Child Care Subsidy (CCS) and local Working Parents Assistance (WPA) child care subsidies. Due to limitations of the PCQC that does not allow FFF to vet the final numbers, FFF cannot discuss the final Net/Profit/Loss from the PCQC scenarios in this report. Instead, FFF has provided the customized *FFF Cost Estimation Model* tool to Montgomery County to demonstrate transparency on how the numbers are calculated. These scenarios show the impact of the increased levels of quality on provider financial health.

Item 4: FFF provided a limited literature review of international options to reduce the cost of child care to low income families.

Items 5 and 6: FFF provided a limited number of options for evidence-based practices, trends, and options the improvements to and enhancement of child care quality outcomes in early care and education for diverse and low-income populations and for diverse populations.

Item 7: Based upon the data analysis, FFF made initial recommendations for elevating the compensation of directors and teachers through increases to child care subsidies, or other methods.

Item 8, 9, and 10: As proposed in the Solicitation, Items 8, 9 and 10 were only addressed to a limited degree. The findings and recommendations in Items 3 and 7 can be considered relevant to the topics of 8, 9, and 10: determining options for blending and layering funding streams to coordinate a system of affordable child care options for all families with children ages 0-5; planning for budget changes to the

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[1] ***The Provider Cost of Quality Calculator*** tool was developed by Andrew Brodsky and Simon Workman at Augenblick, Palaich and Associates (APA) and Anne Mitchell at the Alliance for Early Childhood Finance through a contract with the OCC's National Center on Child Care Quality Improvement. Methodology backed up by industry literature and research with documented reference sources. There is no relation between Amy Augenblick and the study's author, Augenblick at APA.

Montgomery County Working Parents Assistance child care subsidy program; and, developing models for public-private partnerships to expand affordable child care in public and private spaces.

Summary and Recommendations for Items 1 and 2:

Using the PCQC, FFF identified baseline scenarios of 7 child care center providers profiles (4 more than Solicitation specified). The profiles use operating budgets, fiscal data points, and standardized characteristics aligned with EXCELS levels, as defined by the PCQC tool methodology and its own default data points derived from child care industry, national, and state sources. The profiles also use data points derived by FFF for salary scales, subsidy and tuition revenue, licensing and EXCELS standards, and rent.

All the scenarios under this scope of work range from "Average" (labeled Small[2]) centers of (82 children) to medium size centers (140-152 children), with a range of ages served. In addition to size of center and mix of ages, FFF customized the PCQC and the FFF Montgomery County Cost Estimation tool scenarios using industry standard cost driver variables at varying levels of EXCELS level quality. FFF customized the PCQC and the FFF Montgomery County Cost Estimation tool by running the scenarios with the following principal and industry standard cost driver variables at varying levels of EXCELS level quality:

- #'s of children in age categories and group sizes aligned by Code of Maryland Regulations (COMAR) standards
- % of families on Maryland Child Care Subsidy (CCS)
- Compensation scale for all positions likely in a center, with differentials for qualifications by EXCELS levels and anchored in Montgomery County minimum wage for 2019
- % of mandatory and non-mandatory employee benefits by EXCELS levels
- % of time staff for delivering higher quality levels (for daily coverage, breaks, opening/closing and planning time, and professional development for family engagement and/or child assessments by EXCELS levels.)
- Non-personnel cost drivers by classroom, child and agency
- % of bad debt and enrollment efficiency

The PCQC 7 scenarios and FFF Cost Estimation 16 Scenario models all identified significant funding gaps in programs receiving state and local child care subsidies at varying levels of EXCELS and configurations of programming. The scenarios (each depicted in their own separate Excel spreadsheet) show the impact of the increased levels of quality on provider financial health. These 16 scenarios will help Montgomery County and child care providers understand the size of the revenue-cost gap associated

[2] Note that the term "Small" in this report should be interpreted more as "Average" size. A review of a recent unpublished list of Montgomery licensed child care centers by capacity suggest about 68% of the providers (313) have licensed capacity of less than 82 children; 40% (182) have less than 50 children; and, almost 25% of them have 30 children or less.

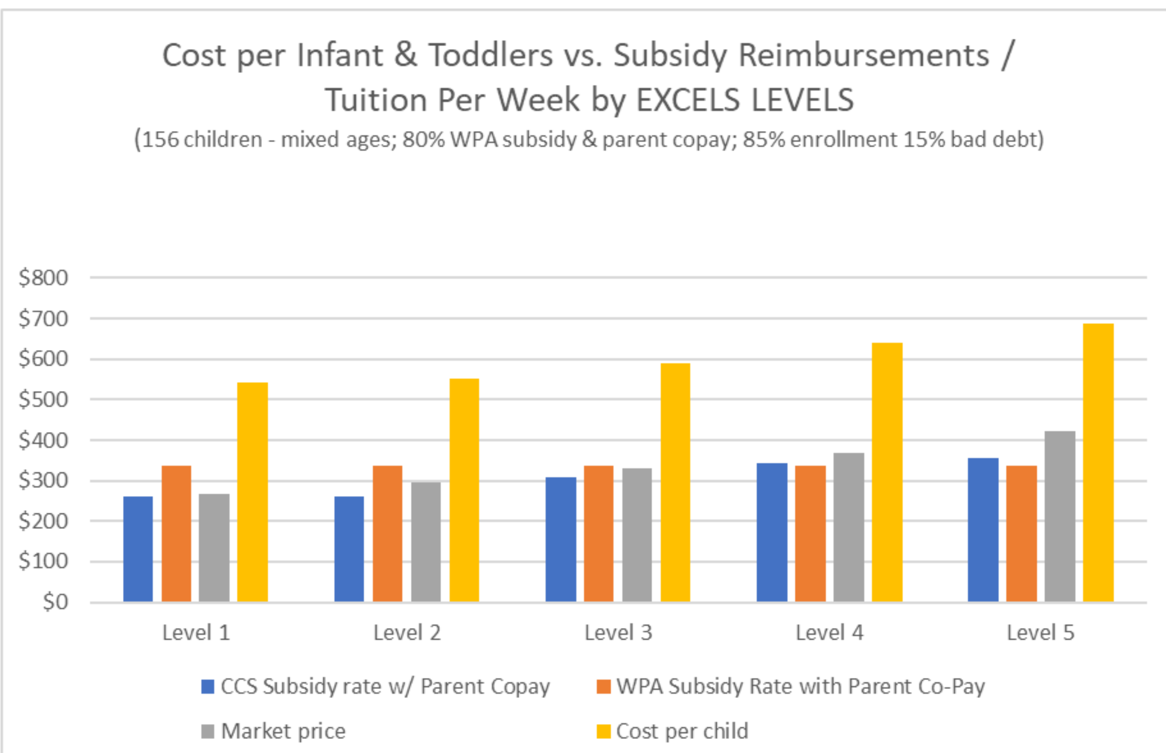
with different quality levels and specific cost drivers to provider types. This, in turn, can inform the design of financial incentive packages to help cover the cost of maintaining quality (Item 10).

The PCQC/*FFF Cost Estimation Model* analysis shows several important findings. One overarching finding is that EXCELS standards are financially unfeasible and unsustainable for participating providers who serve low to high numbers of subsidy receiving children (whether CCS or WPA). The 16 scenarios show that it is even challenging for non-subsidy receiving programs. Mainly, the strict and high licensing standards for ratios/group sizes for infants and toddlers appears to be the greatest unfunded financial factor for the EXCELS standards. This creates a serious disincentive to provide infant/toddler care, given the limitations of parent's capacity to pay for these ratios/group sizes in addition to quality.

Here are the key findings and recommendations:

Finding #1: The state requirement for 1 teacher to every 3 infants or toddlers results in an annual cost per child between $28,300 and $35,700 (depending on the center's quality level).

- The actual cost of serving infants and toddlers is almost double the current WPA reimbursement rate (with parent copay) which ranges from $17,520 ($337/week) to $30,698 ($590/week) for this age group at Level 3.
- This cost of serving infants and toddlers is higher than the market price a center could reasonably charge. Very few families in Montgomery County can afford to pay this much for only one child in care.



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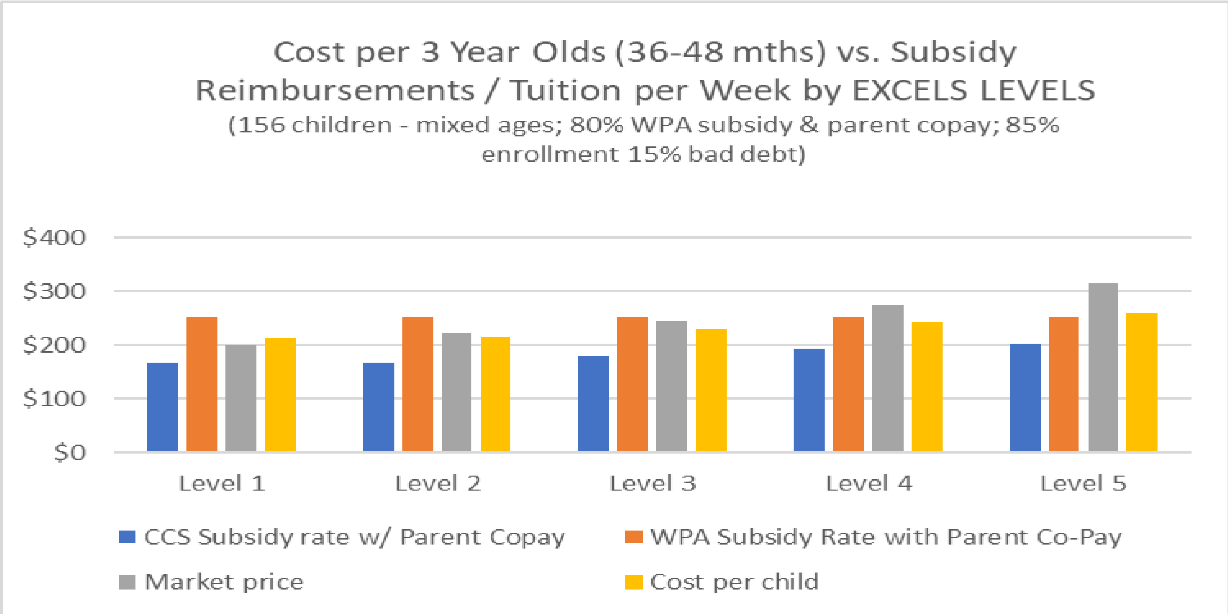

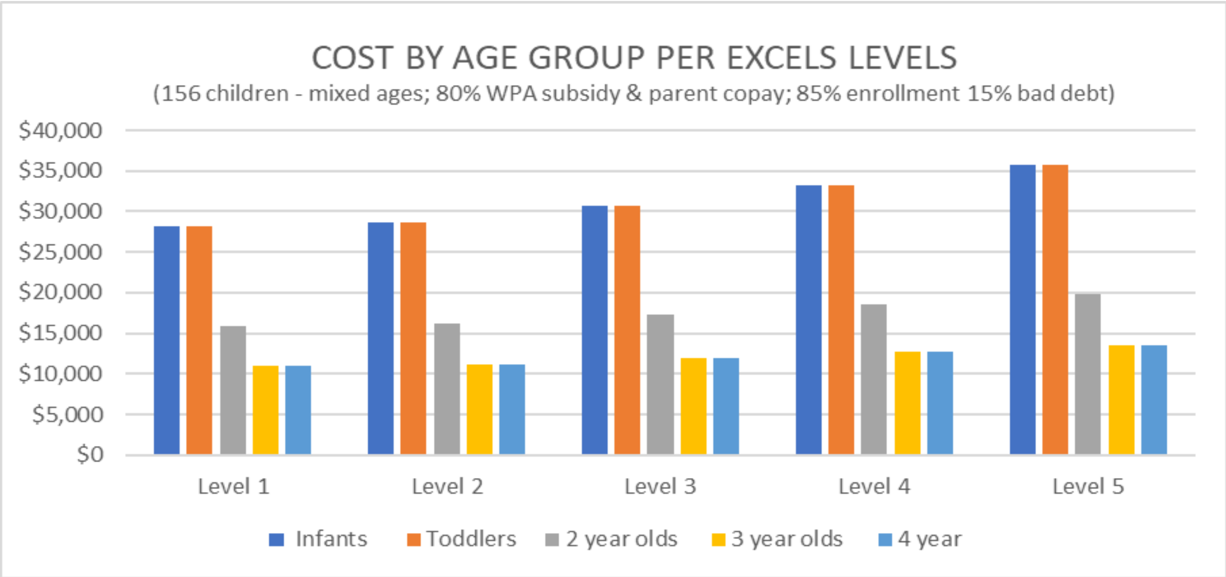

<u>Unintended consequence</u>: The best way for a program to balance its budget is to close infant rooms. It is just too expensive to serve these children, even as "loss leaders" to help open an enrollment pipeline and maintain full enrollment for classrooms of older children.

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Recommendations:

1. Significantly boost WPA reimbursement rates for infants and toddlers.
2. Consider higher reimbursement rates across the board (in all age groups) for centers that serve children of all ages (infants, toddlers and preschoolers) but not for centers that exclusively serve children three years of age and older. This would help address the finding that centers who only serve preschool or school-age children can potentially earn a profit, but not those that served children of all ages, including those under the age of three.
3. Consider contracts for infant/toddler slots, to promote stability and prevent further losses due to absences, because this age group is frequently sick.
4. Explore alternative service delivery models for infant/toddler care (such as networked family child care homes or micro centers.)

Finding #2: Strong fiscal management is key to child care program sustainability.

- Financial losses due to bad debt, enrollment gaps, or unpaid absences are significant.
- Monitoring these losses carefully, and making a plan to address them quickly, is essential. Few programs can do so, largely because they are not using state-of-the-art automated child management systems, nor do they have skilled business management staff.
- Some of these losses (such as unpaid absence days) are beyond center control, even with skilled management, and require policy intervention.

Unintended consequence: Few programs collect the full market price or WPA rate for each child. It is common for money to be left on the table.

Recommendations:

1. Encourage automation
   a. Award grants to purchase hardware and software and accompanying technical assistance to launch and implement new systems that improve efficiencies in enrollment, tuition collection, business practices, and staffing classrooms. (Vermont invested in providing software systems for their providers as a tactic for advancing affording quality.)
   b. Explore strategies for pulling state-required payment and reporting data directly from child management systems.

2. Encourage provider networks that share administrative or business leadership. While a small, independent program cannot afford a skilled fiscal manager on its own, a network of centers could share the cost.
3. Parent co-pay rates are a major factor for revenue generation in the FFF cost modeling, and FFF found no data to determine the rate of WPA co-payments for families in Montgomery County. Look closely at models of family co-payments and consider revisions. Can families at these income levels afford to pay these amounts for child care? Is it possible for centers to collect co-payments at this level?

4. Require that centers track bad debt and include policies and procedures to collect fees in full and on-time.

Finding #3: Size matters. The cost models for this report were based on an "average" center that enrolls at least 82 children. However, 68% of the providers included in our sample reported licensed enrollment of 81 children or less; 40% reported licensed enrollment of less than 50 children; and 25% of the sample enrolled 30 or fewer children. These smaller centers are very likely to struggle financially.

- The only scenario where a small center could earn a profit was if they eliminated service to infants and toddlers and they remained fully enrolled all year long.
- FFF could not create a single scenario where a center with 30 or fewer children could break even – regardless of what ages they served. In fact, the projected losses were substantial.

Unintended consequence: It is not possible to run a profitable small child care business unless services are limited to 3 and 4-year-old children, and they are enrolled year-round. This sends a troubling message to many small entrepreneurs and fails to address one of our most high-need populations, infants and toddlers.

Recommendations:

1. Help Montgomery County child care providers learn more about shared service strategies, which enable them to share staff among a network of small centers, thereby reducing costs.
2. Review Maryland child care licensing and QRIS rules to identify policies that prohibit or discourage shared staffing among a network of small centers (e.g. a shared director over several small sites.)
3. Consider contracting with small, high-quality centers for child care slots. Helping these small centers secure a 'block' of funded children could help provide some measure of financial stability.
4. Explore new regulatory strategies for centers as small as 12 children. Perhaps these "micro centers" could use an alternative business strategy, like that of a family child care home.

Key Finding #4: The proposed higher minimum wage (set for 2020) was not included in these cost models, because to do so would result in even higher losses and budget gaps.

Unintended consequence: The mis-match between minimum wage requirements and State child care licensing requirements for ratios and staff qualifications fuels high turnover.

Recommendations:

1. Create a wage subsidy program for early childhood teachers, designed to help augment wages without raising center costs or market prices.
2. Ensure that increases in minimum wages are equally addressed in subsidy reimbursements.

3. Publish a recommended salary scale for the child care sector, aligned with EXCELS levels of quality (and other QRIS recognized programs) to provide guidance on how to structure and plan for competitive salaries that are anchored in the lowest skilled staff paid at minimum wage.
4. Create model staffing plans and personnel metrics to help center leadership think strategically about how to shift resources from administration into classrooms, potentially leveraging funding for increased teacher compensation.

Additional Next Steps and Considerations:

1. The FFF cost modeling is conducive for individual center's use to determine/compare their own budgeting models. FFF recommends supporting training for providers who are interested in using the tool themselves. Additionally, FFF could inform the next stage project, reviewing 20-25 centers of various characteristics, creating additional scenarios and modeling a range of policy options aimed at changing levels of WPA payments or other financial incentives; adjusting salary levels upward; and, playing with different mixes of ages. These additional models could provide useful insights to inform both policy and practice.

2. Any recommendations on cost modeling would be remiss not to point out the compelling arguments to encourage consolidation and shared service modalities within the child care sector. Economies of scale are viable strategies for cost containment and enhancing quality mechanisms and levers. It is no secret that the larger, multi-site centers are generally more profitable. How can consolidation/shared service approaches be fostered, including shared back office, shared education specialists, shared directors, bookkeeper, budgeting, health plans, recruitment of children and teachers?

3. Consider administrative burdens for multi-site child care centers that are subject to single center licensing, quality assurance applications, and the like. These create disincentives to pursue quality ratings. Could there be one overarching option for an entire multi-site agency to receive an EXCELS rating rather than rating each site independently?

4. Consider expanding the cost modeling to family homes to explore their financial viability and strategies for serving infants and toddlers under specified quality terms.

5. Based upon the data analysis, FFF makes the initial recommendation (Item 7) to help elevate the compensation of directors and teachers through increased child care subsidies, or other methods to align with the FFF compensation scale projected for 2019 through 2021. (See Salary Scales for 2019 and 2021 earlier in report). The best way to increase wages is via a targeted initiative, such as NC WAGES or the Louisiana School Readiness Tax Credits. Alternatively, subsidy payments could be increased and coupled with model wage scales. Consider escalating increased amounts in the subsidy payments and Pre-K funding to account for these mandated

escalations in wages that cascade upward through the compensation scales. Mechanisms to ensure funding goes directly to wages would be an avenue to explore.

In summary, these findings and recommendations are common for any child care community seeking to close cost-quality gaps in the pursuit of higher quality child care. There are multiple and serious financial stressors among providers attempting to serve low-income families and infant/toddlers. These stressors will likely increase if public Pre-kindergarten expansion reimbursements are too low to incentivize private child care providers to partner in a mixed delivery system.[3] The aim should be to balance a provider's fiscal viability with access to quality care for all age groups of young children. The *16 FFF Cost Estimation Model* scenarios are the hypothetical building blocks to continue refined modeling aligned with strategic community objectives (e.g. more infant/toddler slots for lower income families), that will then support fiscal and policy decisions at the county and state level.

[3] 4-year olds in FFF Scenario at EXCELS Level 3-5 cost $11,000-$13,500 without adjusting to bachelor's Level Teacher Pay.

Introduction

In this report and its accompanying attachments, Foundations for Families (FFF) presents the completed scope of services for Montgomery County's Informal Solicitation #1084006, focusing exclusively on center-based providers. To best position Montgomery County to act in response to the information in the report, FFF focused primarily on Solicitation Items 1-3 and offered a summary level product for Items 4-10.

Montgomery County's Informal Solicitation #1084006 contained two key objectives: 1) to implement a child care cost modeling study and 2) to identify the cost of delivering services at each level of Maryland EXCELS. Within the agreed upon scope of this Solicitation, FFF used *The Provider Cost of Quality Calculator* (PCQC) developed by the Federal Office of Child Care to inform these key objectives, focusing exclusively on center-based providers.[4] To both enhance the potential of the PCQC and address some inherent limitations of the PCQC, FFF added to the scope of deliverable items 1-3. These enhanced product deliverables, delivered at no additional cost to Montgomery County, provide EXCELS cost modeling worksheets derived, in part, from the PCQC.

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OVERVIEW OF DELIVERABLES

Items 1 and 2: Using the PCQC, FFF identified baseline scenarios of 7 center-based child care providers' profiles using operating budgets, fiscal data points, and standardized characteristics aligned with EXCEL levels as defined by the PCQC tool methodology. While the *Scope of Services* requested 2-3 scenarios, FFF created additional scenarios to provide a wider range for comparison.

Item 3: The PCQC model methodology identifies funding gaps in programs receiving state and local child care subsidies. Due to limitations of the PCQC that does not allow FFF to vet the final numbers, FFF cannot discuss the final net/profit/loss from the PCQC scenarios in this report. Instead, FFF has provided the customized *FFF Cost Estimation Model* tool to Montgomery County to demonstrate transparency on how the numbers are calculated. These scenarios show the impact of the increased levels of quality on provider financial health.

Item 4: FFF provided a limited literature review of international options to reduce the cost of child care to low income families.

Items 5 and 6: FFF provided a limited number of options for evidence-based practices, trends, and options the improvements to and enhancement of child care quality outcomes in early care and education for diverse and low-income populations and for diverse populations.

Item 7: Based upon the data analysis, FFF made initial recommendations for elevating the compensation of directors and teachers through increases to child care subsidies, or other methods.

Item 8: As proposed in FFF's Solicitation response, there were insufficient hours to left in the contract to set aside hours to assist the DHHS Early Care and Education Policy Officer with options for blending and layering funding streams to coordinate a system of affordable child care options for all families with children ages 0-5.

Item 9: As proposed in FFF's Solicitation response, there were insufficient hours remaining in the contract to provide assistance to the DHHS Early Care and Education Policy Officer with planning for budget changes to the Montgomery County Working Parents Assistance child care subsidy program.

Item 10: As proposed in FFF's Solicitation response, FFF seeks an opportunity to assist the DHHS Early Care and Education Policy Officer with the development of models for public-private partnerships to expand affordable child care in public and private space in a future phase of work.

Data Sources

The data that informed the PCQC and the *FFF Cost Estimation Model* tool for Montgomery County was derived from hard sources and soft sources. Hard sources included numerous documents and source data from Maryland State Licensing Standards, Maryland EXCELS Standards and Reimbursements, Maryland Credentialing, Maryland Family Network 2017 Demographic and Child Care Montgomery Data websites and the Urban Institute 2018 report on Early Educator compensation. Soft sources include phone conversations with multiple state and local level early childhood program officials (see list below) and two Child Care Center focus groups, arranged by the Policy Office, conducted on June 8. Four providers participated in either a focus group or in direct email conversations. As noted in the proposal, focus groups are not the "most efficient nor reliable approach to data collection" but proved useful in vetting PCQC data and other standard relevant data sources gathered by FFF. See *Recommendations* for how to further the understanding of local practices.

Soft data sources include, but are not limited to, the following officials and agency/programs in Montgomery County and State of Maryland:

- Mónica Ortiz, Policy Officer, Early Care and Education, Department of Health and Human Services, Montgomery County
- Michelle A. Gallipoli, Planning Specialist, Early Care and Education Policy Office, Department of Health and Human Services, Montgomery County
- Jennifer Arnaiz, Manager III, Early Childhood Services Child Care Resource & Referral Center, Department of Health & Human Services, Montgomery County
- Yvonne Bell, Quality Assurance Specialist, Maryland State Department of Education Division of Early Childhood
- Mariann Rutherford, Manager, Child Care and Adult Food Program, Montgomery County Public School
- Additional attempts were made to talk with recommended official Chris Swanson, Ed.D., Senior Director of Quality Early Care & Education, Associate Research Scientist, Center for Technology in Education (CTE), Johns Hopkins University School of Education
- On PCQC: Nina Johnson, Senior Technical Assistance Specialist, ICF

Caveats

It is important to recognize that in crafting any child care cost model, there are serious limitations to designing the "average" center prototype due to the myriad of characteristics that define operational practices and design, revenue and expense scenarios, and other external variables such as discounted space and definition of teacher qualifications, and especially in Maryland competing quality assurance systems (MSDE Accreditation, EXCELS, NAEYC, EHS for example). There are also multiple forms of quality programming operating simultaneously within any one agency with multiple centers. Cost modeling is based on EXCELS, as specified in the Solicitation. However, even anchoring within EXCELS presents limitations for cost modeling. The scenarios also favor the WPA subsidy given this is the revenue source the client indicated they were most interested in potentially changing. In no scenario presented does FFF believe a clean “prototype” center is represented. It is in the “tools” presented that Montgomery County can formulate a more informed scenario and craft policy targeted at the various scenarios. Using these tools, Montgomery County can assess the impact of 4-year-olds being reduced across centers and their low reimbursement rate by way of state Pre-K; or, the scenario of increasing infants and toddlers at small centers by way of increasing WPA subsidy dollars.

Another caveat is around salary/wages. The approach used by FFF was to develop a salary scale that integrated the EXCELS levels and Credential levels as best as possible, anchored in the Montgomery County minimum wage for 2019 (mid-size business). It also drew upon focus group participant salary data provided and the Urban Institute Report ("Early Childhood Educator Compensation in the Washington Region", April 2018) which provided sound justification for salary range approach. Yet, each of these sources for teacher compensation had its own limitation in how it was used in this report for salary. For instance, the *Urban Institute* Report defined “Teacher” in a way that did not differentiate between levels of experience/education in a clean manner nor align with quality standards for EXCELS or Credentialing in Maryland. Focus group data from Centers also has limitations within the context of unique and varied approaches to salary/wage setting and definition of teacher roles and qualifications. Nonetheless, FFF believes all sources used provide a sound basis for setting a target salary range by EXCELS levels. What is revealed through the scenarios is that salary setting is most likely falling way below the salary ranges FFF proposes for cost modeling for quality, except for those serving families who can afford the higher rates of tuition for highest levels of quality.

Finally, the scope of this work had additional limitations in the cost modeling variables.

1) Montgomery County funder opted for this scope of work to be for child care “center” providers and not “family homes” given the limitation of funding as specified in FFF’s proposal. The PCQC is capable of modeling “family homes” and the provided Excel document tool could be adapted for “family homes.”

2) The span of age groups ranges from six weeks to children 60 months of age – following Maryland Licensing Standards (which is no different for EXCELS);

3) There is no cost modeling of Pre-K funding streams or before and after school programming due to the scope of the original proposal and limitations of how the PCQC factors Pre-K funding. However, the Excel document tool could be adapted to the Pre-K funding, before and after school, and other revenue cost driving variables quite easily.

ITEMS 1 AND 2

Using the PCQC, FFF identified baseline scenarios of 7 (4 more than Solicitation specified) child care center providers profiles. The profiles use operating budgets, fiscal data points, and standardized characteristics aligned with EXCELS levels, as defined by the PCQC tool methodology and its own default data points derived from child care industry, national, and state sources. The profiles also use data points derived by FFF for salary scales, subsidy and tuition revenue, licensing and EXCELS standards, and rent.

All of the scenarios under this scope of work range from "Average" (labeled Small[5]) Centers of (82 children) to "Medium" size Centers (140-152 children), with a range of ages served.

The scenarios include:

1. Small (Average) center, mix of all ages up to 4
2. Small (Average) center, no infants/toddlers
3. Small (Average) center, infant/toddler and no age 4
4. Medium center mix of all ages up to 4
5. Medium center, no infants/toddlers
6. Medium center, infant/toddler and no age 4

In addition to size of center and mix of ages, FFF customized the PCQC and the *FFF Cost Estimation Model Cost Estimation* tool scenarios using industry standard cost driver variables at varying levels of EXCELS level quality. The following 14 **illustrations** from the FFF Cost Estimation tool worksheets show the Montgomery County data points in these cost drivers. (**Please note that highlights in color (purple, green, and yellow) serve a specific function within the spreadsheet but not for the purposes of this report's illustrations.)*

1) **Regulatory specifics of Maryland Licensing staff-to-child ratios, group size.** Both provide a mix of age groups across the categories that align with Code of Maryland Regulations (COMAR) Maryland Licensing Standard. It is FFF's understanding, that many, if not most Montgomery County centers, use this ratio/group size option in their centers. For those that do not, this would be an example of creating a different scenario for cost modeling.

[5] Note that the term "small" in this report should be interpreted more as "average" size. A review of a recent unpublished list of Montgomery licensed child care centers by capacity suggest about 68% of the providers (313) have licensed capacity of less than 82 children; 40% (182) have less than 50 children; and, almost 25% of them have 30 children or less.

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	COMAR Licensing Standards			
Enter staff-child ratios (children per adult)	Child Ages - Same Age Groups		Staff Child Ratio	Max Group Size
Age Group A	Infants	6 weeks -18 mths	3	6
Age Group B	Toddlers	18-24 months	3	6
Age Group C	2 year olds Preschool	24-36 months	6	12
Age Group D	3 year olds Preschool	36-48 months	10	20
Age Group E	4 year Preschool	48-60 months	10	20
Age Group F	5 year	60-72 monts	15	30

2) **Subsidy:** Working Parents Assistance (WPA) and the Child Care Subsidy (CCS) Reimbursement Rates (levels recommended for use by Monica Ortiz).

SUBSIDY PAYMENTS - Full-Time Weekly Subsidy Reimbursement Rates									
		Weekly with Parent Co-Pay	Weekly without Co-Pay						
		State CCS	WPA - Cty	WPA Copay	EXCELS 1	EXCELS 2	EXCELS 3	EXCELS 4	EXCELS 5
Infants	6 weeks -18 mths	$ 261	$ 236	$ 101	0	0	$ 48.18	$ 81.03	$ 96.36
Toddlers	18-24 months	$ 261	$ 236	$ 101	0	0	$ 48.18	$ 81.03	$ 96.36
2 year olds Preschool	24-36 months	$ 166	$ 177	$ 76	0	0	$ 13.63	$ 25.90	$ 35.45
3 year olds Preschool	36-48 months	$ 166	$ 177	$ 76	0	0	$ 13.63	$ 25.90	$ 35.45
4 year Preschool	48-60 months	$ 166	$ 177	$ 76	0	0	$ 13.63	$ 25.90	$ 35.45

3) **<u>Private Pay Tuition</u>**: Maryland Family Network 2017 average tuition rates tiered by EXCELS levels.

Tuition Rates - Centers									
TABLE 1									
2017 August Montgomery #'s "Average Weekly cost of Child Care"					-10%	-10%	-10%		+15%
		Weekly	Monthly	Annual	EXCELS 1	2	3	4	5
		MFN-Mtgmy	MFN-Mtgmy	MFN-Mtgmy					
Infants	6 weeks -18 mths	$ 367	$ 1,590	$ 19,084	$ 268	$ 297	$ 330	$ 367	$ 422
Toddlers	18-24 months	$ 367	$ 1,590	$ 19,084	$ 268	$ 297	$ 330	$ 367	$ 422
2 year olds Preschool	24-36 months	$ 274	$ 1,187	$ 14,248	$ 200	$ 222	$ 247	$ 274	$ 315
3 year olds Preschool	36-48 months	$ 274	$ 1,187	$ 14,248	$ 200	$ 222	$ 247	$ 274	$ 315
4 year Preschool	48-60 months	$ 274	$ 1,187	$ 14,248	$ 200	$ 222	$ 247	$ 274	$ 315

*Assumption that MFN "Average rate" is at 75th percentile.

Here is the sample budget worksheet as defined in the *FFF Cost Estimation Model* for both Subsidy and Tuition that draws upon the Tuition Rates and Subsidy Rate worksheets for source data:

Full attendance is:	250	days/year				
Weeks	52					
	Rates Per Child by period	Annualized	Weekly Full Day Rates W EXCELS	WPA w/o Co Pays	Co-Pay WPA	Increased EXCELS or WPA
Publicly funded children: Subsidy	6 weeks - 18 mths	$84,096	$261	$236	$101.08	
	18-24 months	$84,096	$261	$236	$101.08	
	24-36 months	$252,979	$166	$177	$75.92	
	36-48 months	$632,448	$166	$177	$75.92	
	48-60 months	$632,448	$166	$177	$75.92	
Private pay children:	6 weeks - 18 mths	$18,550	$297			
	18-24 months	$18,550	$297			
	24-36 months	$55,396	$222			
	36-48 months	$138,491	$222			
	48-60 months	$138,491	$222			
Subtotal tuition		**$2,055,544**				

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4) **Salary/Wage Compensation Scale**: Salary/Wage differentials for qualifications by EXCELS levels set within an FFF created Salary Scale. This is a sample of the 2019 Salary Range for Montgomery County developed to be anchored in the minimum wage for a mid-size business.

18-Jul-18

SALARY RANGE AT 2019 MONTGOMERY MINIMUMWAGE LEVELS AND 2018 URBAN INSTITUTE DATA

POSITIONS	Qualifications and/or Size of Cent	EXCELS LE	Urban Institute Hrly Wage	Hourly Beginning		Hourly Mid		Hourly Max	ANNUALIZED SALARY - at 2080 hours; 1.0 FTE				
EXCELSS Level most likely coorelated salary				EXCELS 1	2	EXCELS 3	4	EXCELS 5	EXCELS 1	2	EXCELS 3	4	EXCELS 5
					Director and at least 60% of lead staff								
Credential Level	*Not all detail for credential requirements specified in this scale - captured minimums*			Equivalent to Licensing	Level 1 - No college; just clock hours	Level 3 - At min 1 yr college for 60% of Lead Staff	Level 4 - CDA or 135 hours & 15 college credits	Level 4+, 5, 6 - 135 clock hrs + college credits, & Enrollment in College. A.A. BA/BS					
Center Director Mid-Large Center	More than 100 children - No college required; meet Credential level for EXCELS or Licensing		N/A	$ 31.90	$ 33.81	$ 35.84	$ 37.99	$ 40.27	$66,347	$70,328	$74,547	$79,020	$ 83,761
Center Director Small Center	Less than 100 children No college required; meet Credential level for EXCELS or Licensing		N/A	$ 25.27	$ 26.78	$ 28.39	$ 30.09	$ 31.90	$52,553	$55,706	$59,048	$62,591	$ 66,347
Assistant Center Director	when more than 80 children		N/A	$ 20.01	$ 21.21	$ 22.49	$ 23.84	$ 25.27	$41,627	$44,124	$46,772	$49,578	$ 52,553
Administrative Support	Minimun AA degree or 1 year of related experience		$ 13.95	$ 12.50	$ 13.00	$ 13.52	$ 14.06	$ 14.62	$26,000	$27,040	$28,122	$29,246	$ 30,416
Curriculum Specialist	Bachelors Degrees in relevant ECD degree; 5 yrs relevant exp		N/A	$ 20.01	$ 21.21	$ 22.49	$ 23.84	$ 25.27	$41,627	$44,124	$46,772	$49,578	$ 52,553
Teacher III	Bachelors Degrees in relevant ECD degree and meet licensing requirements	Cred Level 4+ or higher w/ Req COK	$ 18.84	$ 17.11	$ 17.79	$ 18.50	$ 19.24	$ 20.01	$35,583	$37,006	$38,486	$40,026	$ 41,627
LEAD Teacher II - EXCELSS LEVEL 4-5)	Associates Degree in ECE; or 135 Clock hours; or CDA; 2 years experince; and meet licensing requirements	Cred Level 4+ and 5 w/ Req. COK	$ 16.45	$ 15.82	$ 16.45	$ 17.11	$ 17.79	$ 18.50	$32,898	$34,214	$35,583	$37,006	$ 38,486
LEAD Teacher I / SUBSTITUTE EXCELS LEVEL 1-3	No Associates; meet licensing requirements plus 2 years related exp. - Serves as "Lead Teacher"	Cred Level 1-4 with required COK	$ 15.53	$ 14.62	$ 15.21	$ 15.82	$ 16.45	$ 17.11	$30,416	$31,633	$32,898	$34,214	$ 35,583
Assistant Teacher	No Associates; meets licensing description for Teacher Assistant	Not part of "lead staff" under EXCELSS	$ 13.95	$ 13.52	$ 14.06	$ 14.62	$ 15.21	$ 15.82	$28,122	$29,246	$30,416	$31,633	$ 32,898
Teacher Aide	No Associates; meets licensing description for Teacher Aide			$ 12.50	$ 13.00	$ 13.52	$ 14.06	$ 14.62	$26,000	$27,040	$28,122	$29,246	$ 30,416
Public K- Teacher*	entry level; salary at 1733 hours - 10 month		$ 27.54	$ 27.54	$ 28.64	$ 29.79	$ 30.98	$ 32.22	$47,727	$59,575	$51,621	$64,436	$ 55,834

5) **Staff Time**: Increases in staff time by EXCELS levels for daily coverage, breaks, opening/closing and planning time, and professional development for family engagement and/or child assessments by EXCELS levels. Each EXCELS Level from low to high has an increasing level of percentage of staff time for daily coverage and quality measures, and cost for assessments. Here is sample from a Level 2 program:

20%	= % for daily coverage
	breaks, opening/closing

Child assessments	$25	$3,900

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6) **Mandatory and Non-mandatory Employee Benefits by EXCELS levels**: Here is an example for the mandatory and non-mandatory benefits. The “Additional” benefits represent a Level 5 center. Each EXCELS Level from low to high has an increasing level of non-mandatory benefits.

Mandatory* benefits @ % salary						
FICA: Social Security	6.20%	$66,707				
FICA: Medicare	1.45%	$15,601				
Disability (not required)						
Unemployment	1.00%	$10,759				
Workers Compensation	1.35%	$14,525				
Subtotal Mandatory Benefits	10.00%	$107,592				
Additional benefits:			Rate/month	Employer con	Employee takeup rate	
contribution to health insurance/FTstaff	$540	$87,480	$600	90%	50%	
Subtotal Personnel		**$1,270,993**	**68%**	**of expenses**		

7) **<u>Non-Personnel Cost Drivers by Classroom, Child and Agency</u>**: Operational costs are ongoing costs per child, classroom, and agency and do not represent imputed costs such as volunteer time and building/lease discounts. Non-personnel costs do not change based on levels of EXCELS in FFF cost model but can for future modeling.

Pro Forma Non-personnel Budget						
						DO NOT ALTER = used in formulas on other spreadsheets
	sq ft/classroom =		1152			These cells can be varied by user IF EVIDENCE IS PROVIDED
Line Items						FYI these are opportunities for shared services
	Annual Costs per Classroom					
Rent /Lease	$25,344		$22.00	per sq ft per year		
Utilities	$2,523		$2.19	per sq ft per year		
Building Insurance	$2,592		$2.25	per sq ft per year		
Maintenance/Repair/Cleaning	$3,456		$3.00	per sq ft per year		
	Annual Costs per Child					
Food & Food Prep	$1,000		per child	with either PT food staff on payroll or contracted out		
Kitchen Supplies	$50		per child			
Education. Supplies	$50		per child			
Education. Equipment	$100		per child			
Office Supplies	$30		per child			
Office equipment	$22		perchild			
Insurance (liability, accident, etc.)	$75		per child			
Payroll service	$30		per child			
Credi/debit card processing fees	$20		per child			
Advertising	$25		per child			
Postage	$24		per child			
Miscellaneous	$15		per child			
Consultants/Training	$50		per child			
Transportation	$0		per child			
	Annual Costs - other basis					
Telephone & Internet	$1,440		$120	per month		
Audit	$3,000			set based on experience		
Fees/Permits	$550			set based on industry averages		
Miscellanaeous including bookkeeper	$7,700					
Total Non-Personnel Annual			$1,491	per child		
			$33,915	per classroom		
			$12,690	set costs		
Estimated non-personnel expenses for average center, assuming classrooms, kitchen and offices						
Anne Mitchell (2004-10, updated at least annually, original based on several dozen centers' actual budgets)						

8) **Retail Space Lease Averages**: On leasing costs, the difference between urban/suburban areas was not included in the any of the scenarios but easily could be changed. FFF discovered no discernable changes in salary and rent amounts in the Germantown, Silver Spring, and Rockville lease markets using LoopNet. Rental/leasing space is one significant cost driver in the child care industry. FFF used an average of rent of $22 per square foot for all scenarios. Please see worksheet below for cost estimates. Lease costs and square footage per child/classroom formulas did not change based on levels of EXCELS in the FFF cost model given the consistent child/staff ratio and group sizes for Levels.

Source Loopnet June 2018			
Rent			
Retail Space Locations	**low**	**high**	**average**
Rockville	$ 22.00	$ 45.00	$ 33.50
Silver Spring	$ 22.00	$ 35.00	$ 28.50
Germantown	$ 18.00	$ 38.00	$ 28.00
		# of Classrooms Small Center	Mid Size
Per-classroom costs:		7	11
		8064	12672
Square feet/classroom	1152	$ 177,408	$ 361,152
Enter costs per square foot			
Rent /Lease	$22.00	$ 177,408	$ 278,784
Utilities	$2.19	$ 17,660	$ 27,752
Building Insurance	$2.25	$ 18,144	$ 28,512
Maintenance/Repair/Cleaning	$3.00	$ 24,192	$ 38,016

9) **Percent of Subsidy Participating Families:** This key cost driver demonstrates the impact of serving varying levels of subsidy receiving children versus private pay children. Montgomery County is interested in more families who are eligible and/or receiving WPA and/or CCS subsidy to be attending child care providers who are participating in EXCELS at a Level 2 or higher.

INCOME MIX of CHILDREN (Subsidy/Tuition)		
80%	<185% FPL	
20%	Private Pay	

10) **Percent of CACFP Children At "Reduced and Free" Levels:** This cost driver is key to modeling the impact of serving varying levels of participation in the federal Child and Adult Care Food Program (CACFP). Too many child care providers in the country do not participate in (or inadequately bill) CACFP program where perhaps they should to maximize additional revenue.

INCOME MIX of CHILDREN for CACPF		
40%	<130% FPL	**Free**
40%	<185% FPL	**Reduced**
20%	>185% FPL &	**Paid**
INCOME MIX of CHILDREN (Subsidy/Tuition)		
80%	<185% FPL	
20%	Private Pay	

USDA CHILD AND ADULT CARE FOOD PROGRAM (CACFP)							
Per Meal Rates in Whole or Fractions of U.S. Dollars							
Effective from July 1, 2017 - June 30, 2018							
Centers							DO NOT ALTER = used in formulas on other spreadsheets
Family Income Eligibility			**Breakfast**	**Lunch /Supper**	**Snack**	**Daily per child**	
<130% FPL	FREE		$1.75	$3.23	$0.88	$6.74	
<185% FPL	REDUCED PRICE		$1.35	$2.83	$0.44	$5.06	
185% and up	PAID		$0.30	$0.31	$0.08	$0.77	

11) **Bad Debt and Enrollment Efficiency Factors** are layered in for adjustments to revenue projections and represent a key cost/revenue variable in the scenarios:

Adjustments to revenue		
Enrollment inefficiency	85%	
Revenue lost due to enrollment/capacity percent		-$337,174
Billed tuition revenue		**$1,910,655**
Bad debt basis (not including CACFP)		$1,747,212
Bad debt (as % of tuition)	15%	-$262,082
Actual Tuition Revenue		**$1,648,574**

12) **Breakdowns by ages, categories of expenses and per child, day and subsidy funding calculations** provide even more analysis within the FFF cost estimation tool under each level of Excels.

BREAKDOWN BY CATEGORY & AGE GROUP		Total children	6 weeks -18 mths	18-24 months	24-36 months	36-48 months	48-60 months
Classroom-related personnel		$753,647	$75,365	$75,365	$150,729	$226,094	$226,094
Other Personnel		$163,141	$16,314	$16,314	$32,628	$48,942	$48,942
Assessment		**$3,900**	$150	$150	$600	$1,500	$1,500
Nonpersonnel		$584,435	$44,130	$44,130	$106,152	$195,012	$195,012
Bad debt/uncollected		$262,082	$10,080	$10,080	$40,320	$100,801	$100,801
Total Cost		**$1,767,205**	**$146,039**	**$146,039**	**$330,430**	**$572,349**	**$572,349**
Cost per child (includes bad debt)		**$13,327**	**$28,635**	**$28,635**	**$16,198**	**$11,223**	**$11,223**
Cost per child per day	260		$110	$110	$62	$43	$43
Subsidy funding as % of cost		**112%**	**6%**	**6%**	**17%**	**42%**	**42%**

All of these cost drivers and variables are best illustrated by a demonstration of the tool and spreadsheet. This report presents illustrations of the degree of variables and data points used to develop the cost models.

ITEM 3

The findings from the 16 scenarios developed under the *FFF Cost Estimation Model* tool are provided below. The PCQC 7 scenarios and *FFF Cost Estimation Model* 16 Scenarios all identified significant funding gaps in programs receiving state and local child care subsidies at varying levels of EXCELS and configurations of programming.

Due to limitations of the PCQC that does not allow FFF to vet the final numbers, FFF cannot discuss the final net/profit/loss from the PCQC scenarios in the report. Instead, FFF has provided the customized *FFF Cost Estimation Model* tool to Montgomery County to demonstrate transparency on how the numbers are calculated.

Prepared by Linda Dunphy, Senior Consultant, Foundations for Families, Inc. July 18, 2018

Scenarios of Cost Models with Variations on Subsidy %, Ages, #'s of children, by Level, Bad Debt, and Enrollment Capacity.

*See Foundation's for Families "*Montgomery County Child Care Center Cost Model Description, Methods, Assumptions, Observations, & Recommendations report* for more insight.

				Classrooms & Enrollment							Profit/(Loss) Rev less Exp				
	Scenarios	Subsidy	% Private Pay	Infants	Toddlers	2 year olds Preschool	3 year olds Preschool	4 year Preschool	5 year olds	Totals	Level 1	Level 2	Level 3	Level 4	Level 5
1	Small Center Mix all ages up to 4	CSS	60	1	2	2	1	1	0	7	($288,837)	($256,213)	($227,654)	($279,248)	($241,207)
	# Children			6	12	24	20	20		82.00					
2	Small Center No Infants/Toddlers	CSS	60	0	0	2	2	2	0	6.00	$ (98,754)	$ (57,669)	$ (20,962)	$ (16,427)	$ 5,118
	# Children					24	40	40		104.00					
3	Small Center Mix all ages up to 4	WPA no parent co pay	60	1	2	2	1	1	0	7	$ (284,788)	$ (252,164)	$ (251,290)	$ (324,789)	$ (300,857)
	# Children			6	12	24	20	20		82.00					
4	Small Center No Infants/Toddlers	WPA no parent co pay	60	0	0	2	2	2	0	6	$ (80,565)	$ (39,479)	$ (25,335)	$ (41,106)	$ (35,353)
	# Children					24	40	40		104					
5	Small Center Mix all ages up to 4	WPA no parent co pay	80	1	2	2	1	1	0	7	$ (286,779)	$ (238,598)	$ (220,437)	$ (274,729)	$ (221,986)
	# Children			6	12	24	20	20		82					
6	Small Center No Infants/Toddlers	WPA no parent co pay	80	0	0	2	2	2	0	6.00	$ (84,801)	$ (25,352)	$ 9,198	$ 16,098	$ 55,858
	# Children					24	40	40		104.00					
7	Small Center Infant/Toddlers & no 4 yrs	WPA no parent co pay	80	1	1	2	3	0	0	7.00	$ (209,282)	$ (153,001)	$ (125,521)	$ (169,465)	$ (101,172)
	# Children			6	6	24	60	0	0	96.00					
8	Medium Center Mix all ages up to 4 AND LOWER DIRECTOR SALARY	WPA no parent co pay	80	1	2	2	2	3	0	10.00	$ (241,032)	$ (156,802)	$ (142,774)	$ (141,911)	$ (69,787)
	# Children			6	12	24	40	60	0	142.00					
9	Medium Center Mix No Infants/Toddlers AND LOWER DIRECTOR SALARY	WPA no parent co pay	80	0	0	3	3	3	0	9.00	$ (92,327)	$ (2,280)	$ 21,898	$ 38,713	$ 125,758
	# Children					36	60	60		156.00					
10	Medium Center Infant/Toddlers & no 4 yrs AND LOWER DIRECTOR SALARY	WPA no parent co pay	80	2	2	4	4	0	0	12.00	$ (395,804)	$ (306,123)	$ (257,390)	$ (302,715)	$ (226,547)
	# Children			12	12	48	80	0	0	152.00					
11	Medium Center Mix w/ parent WPA co-pay AND LOWER DIRECTOR SALARY	WPA & parent co-pay	80	1	1	2	3	3	0	10.00	$ (66,903)	$ 25,427	$ 48,774	$ 59,985	$147,658
	# Children			6	6	24	60	60		156.00					
12	Medium Center Mix w/ increased WPA increased bad debt % AND LOWER DIRECTOR SALARY	WPA & parent co-pay	60	1	1	2	3	3	0	10.00	$ (43,041)	$ 16,312	$ 3,020	$ (26,480)	$ 127
				6	6	24	60	60		156.00					
13	Medium Center Mix w/ no Subsidy ; decreased bad debt 5%; increased enrollment capacity to 95%	none	100	1	1	2	3	3	0	10.00	$ 47,603	$ 192,759	$ 274,826	$ 351,320	$ 537,373
				6	6	24	60	60		156.00					
14	Medium Center No InfTddlr w/ no Subsidy: decreased bad debt 5%; increased enrollment capacity to 95%	none	100	0	0	3	3	3	0	9.00	$ 112,095	$ 253,603	$ 334,983	$ 415,396	$ 598,292
	# Children			0	0	36	60	60		156.00					
15	Medium Center No 4yr & no Subsidy	none	100	2	2	3	3	0	0	10.00	$ (158,801)	($42,952)	$ 5,858	$ 46,176	$ 174,936
	# Children			12	12	36	60	0	0	120.00					
16	Medium Center Mix w/ parent WPA co-pay & 15% bad debt	WPA & parent co-pay	20	1	1	2	3	3	0	10.00	$ 138,396	$ 143,450	$ 69,871	$ (26,564)	($99,911)
	# Children			6	6	24	60	60	0	156.00					

Key: Shaded Line Groupings

Scenarios with No Infants/Toddlers

Scenarios with Mix Ages from infants to 4 years (60 months)

Scenario with no 4 Year old (48-60 months)

These scenarios (each depicted in their own separate Excel spreadsheet) show the impact of the increased levels of quality on provider financial health. These 16 scenarios will help Montgomery County and child care providers understand the size of the revenue-cost gap associated with different quality levels and specific cost drivers to provider types to inform the design of financial incentive packages to help cover the cost of maintaining quality (Solicitation Item 10). Here are the initial observations from these select 16 scenarios worthy of note and related recommendations:

1. **Profit Scenarios**: The following two scenarios are profitable:
    a. Where no infants and toddlers are being served (Scenarios 2, 4, 6, 9, & 14).
        i. **Next Steps**: Examine impact of tiered reimbursements with WPA and EXCELS for greater reimbursement for this age group. The full cost of the licensed requirements for low staffing and group size ratios need acknowledged in the funding formula. This is in addition to other recommendations below.
    b. Where WPA parent co-pays are being paid nearly in full.
        i. **Next Steps:** Gather more data on the “parent co-pay” rates of uncollectable(s) and develop a more refined cost model to address this revenue loss. In the Scenarios where WPA co-pays are not included (Scenarios 3, 4, 5 7, 8 & 9, & 10), there are large deficits across all EXCELS levels. There are exceptions where infants and toddlers are not served and EXCELS is at level 3-5 (Scenario 6). If co-pays have low percentages on payment, then consider raising the WPA payments to account for the loss of parent co-pays. It highly suggests centers are likely paying lower wages to make up for low to no parent co-pays, in combination with dropping infants/toddlers.
    c. There are unsustainable losses occurring in all other scenarios. The most profound losses occur where infants/toddlers are served, and a high percentage of families receive a subsidy and co-pays are not collected. (Scenarios 1, 3, ,5, 7, 8, & 10)
        i. **Next Steps**: See next steps for a. and b. above. In addition, the county sets performance targets to reduce operating deficits in these cost models via investments and overall improvements in revenue maximization from subsidies, shared service incentives, and fiscal practices by providers. Stabilize the essential full funding for the 4-year-olds served by child care centers and create opportunities for centers to have before and after school programming for off-setting profit margin children. And, with “cost” being the greatest barrier to success, increases to the income levels for WPA accessibility can increase access and provide a greater likelihood of parent co-pays. Spread the income levels of WPA families within centers.

2. **Best Scenario**: The best profitability scenarios are #13 and 14, with no subsidy children, a medium size number of children (125-175 in this scenario); and tuition being paid according to quality level.
    a. **Next Steps:** Consider creating incentives for these centers to take a certain percentage of WPA families as demonstrated in cost modeling for how the center can remain

profitable. Increase the income levels for WPA accessibility as well, where co-pays are more likely to be paid.

3. **<u>Difference between Small and Medium Size Centers</u>**: Small centers face the greatest losses, except for Scenario 10 where 4-year olds are removed. Larger centers have greater probability for reducing operating losses, and the less subsidy they take on, the less their losses. Interestingly, if the medium centers go up the EXCELS levels, their profits can rise if parents can pay top tier – which is the case for some centers depending on location. See recommendation for Shared Services as well.

4. **<u>Private Tuition</u>**: In the scenarios with 100% private pay tuition (13 & 14), profit rises by EXCELS levels. However, in practice, tuition will vary by provider and the "effective demand" for what parents can afford will set in. It will particularly become stagnant when serving lower to moderate level income parents. The tuition levels at the highest levels in FFF 's tuition tables were vetted against the providers who participated in the focus groups and anchored in the Maryland Family Network 2017 data.
    a. **<u>Next Steps</u>**: Gather tuition schedules/data and along with center credentials and ratings across providers to determine more accurate tuition setting practices. Reset the tuition schedules by region or percentage of subsidy children.

5. **<u>Best Practice Fiscal/Business Practices</u>**. Nearly all the scenarios presume sufficient to strong fiscal and business operating practices and support in the budgets for bookkeepers, audit, and quality staffing by EXCELS levels. These scenarios presume programs maximize revenue and contain costs, although the setting for "bad debt" rate ranges from 10-15%, which is above best practice of 3%. (One of the focus group centers reported "less than 0.5% bad debt" rate. This is impressive and is only possible with a very low subsidy receiving rate). See Scenario 14 vs. 16 for changes in bad bebt percentage.
    a. **<u>Next Steps</u>**: Providers need to put into practice strong tuition collection policies, practices, and technology for monitoring. This is one of cornerstones of the "Iron Triangle" method for the child care industry of "collecting all revenue in full and on time." Containing "bad debt" would decrease the loss margins for all scenarios, but it's not that straightforward nor in their control to influence completely. It is important to note that "bad debt" should be distinguished from a function of "missed or lost" subsidy days and/or the parents' inability to pay. These factors that may be out of the hands of providers to fix. Anecdotal evidence points to the need for Montgomery County's WPA program improve payment for all "missed/lost" subsidy days post enrollment, and during in-between periods where subsidy children and payment are secured administratively.

       Another alternative is for direct contracting for slots to providers. Several models across the country exist, demonstrating how to deliver this allowable approach under the Federal Child Care Development Fund (which could have easy applicability for WPA). Child care centers do not have the administrative capacity to track down WPA/CCS funds; based on anecdotal evidence, parents do not have the capacity to sign up for and maintain documentation. If the aim is for the County to raise the bar on quality and accessibility, it is up to the governing "systems" to create alignment of access and payment, so the burden does not fall to the providers and parents.

Another cost modeling adjustment is to treat "number of weeks" for subsidy payment or "bad debt" for subsidy payment differently than parent tuition payments. As discussed earlier, these are derived from totally different sources and providers have limited recourse over how to influence.

Lastly, FFF recommends setting Montgomery County WPA performance objectives to target percentages for "lost subsidy" days to help bring attention to the strategies for lost revenue incurrences due to bureaucracy delays. Repayments for "lost days" to those centers committed to subsidy slots should be a consideration. In addition, setting County WPA performance objectives to target infant and toddler slots, keep "slots" fully funded (from initial enrollment to re-enrollment, and adding siblings), and streamline the enrollment process whether via "contracting" directly or "deploying enrollment agents" to the Centers would ensure stable funding for Providers.

6. **Compensation of Teachers and Administrators**: From all angles, it is clear the current Montgomery County and state financial incentives are not calibrated correctly by quality level. The conclusion is that providers are most likely paying staff way below the reasonableness of salary setting anchored in the County's minimum wage given that personnel costs are typically at 70-80% of operating budgets. Yet with an apparent growing early childhood teacher shortage crisis, raising salaries is paramount for stabilizing this labor sector. Offering nonmandatory benefits is also important. FFF's model layers in benefits from EXCELS level 3-5 at increasing percentages. Furthermore, compensation overall will be exacerbated by the rising Montgomery approved minimum wage levels. Below, find the projected FFF 2021 Salary Scale which none of the 16 scenarios considered. If applied, it shows that operating deficits would balloon to ever greater levels. Yet, this is where the labor market is headed and cost modeling for child care compensation must follow. Targeted government investment in compensation is essential given that raising tuition to pay for the labor demand will not be an option for many tuition paying parents.

18-Jul-18

Sample Salary Scale for Montgomery County Projected to Increased Mininum Wage 2021 (Mid Size Business)

POSITIONS	Qualifications and/or Size of Cen	EXCELS LE	Urban Institute Hrly Wage	Hourly Beginning		Hourly Mid		Hourly Max	ANNUALIZED SALARY - at 2080 hours; 1.0 FTE				
EXCELSS Level most likely coorelated salary				**EXCELS 1**	**2**	**EXCELS 3**	**4**	**EXCELS 5**	**EXCELS 1**	**2**	**EXCELS 3**	**4**	**EXCELS 5**
					Director and at least 60% of lead								
Credential Level	*Not all detail for credential requirements specified in this scale - captured minimums*			**Equivalent to Licensing**	**Level 1 - No college; just clock hours**	**Level 3 - At min 1 yr college for 60% of Lead Staff**	**Level 4 - CDA or 135 hours & 15 college credits**	**Level 4+, 5, 6 - Beginning with 135 clock hours plus college credits, enrollment & Enrollment in College. A.A. BA/BS**					
Center Director Large Center	More than 100 children - No college required; meet Credential level for EXCELS or Licensing		N/A	$ 38.64	$ 40.96	$ 43.42	$ 46.02	$ 48.78	$80,372	$85,194	$90,306	$95,724	$101,468
Center Director Small Center	Less than 100 children No college required; meet Credential level for EXCELS or Licensing		N/A	$ 30.61	$ 32.44	$ 34.39	$ 36.45	$ 38.64	$63,662	$67,482	$71,531	$75,823	$ 80,372
Assistant Center Director	when more than 80 children		N/A	$ 24.24	$ 25.70	$ 27.24	$ 28.87	$ 30.61	$50,426	$53,452	$56,659	$60,059	$ 63,662
Administrative Support	Minimun AA degree or 1 year of related experience		$ 13.95	$ 14.00	$ 14.56	$ 15.14	$ 15.75	$ 16.38	$29,120	$30,285	$31,496	$32,756	$ 34,066
Curriculum Specialist	Bachelors Degrees in relevant ECD degree; 5 yrs relevant exp		N/A	$ 24.24	$ 25.70	$ 27.24	$ 28.87	$ 30.61	$50,426	$53,452	$56,659	$60,059	$ 63,662
Teacher III	Bachelors Degrees in relevant ECD degree and meet licensing requirements	Cred Level 4+ or higher w/ Req COK	$ 18.84	$ 20.72	$ 21.55	$ 22.41	$ 23.31	$ 24.24	$43,105	$44,829	$46,622	$48,487	$ 50,426
LEAD Teacher II - EXCELSS LEVEL 4-5)	Associates Degree in ECE; or 135 Clock hours; or CDA; 2 years experince; and meet licensing requirements	Cred Level 4+ and 5 w/ Req. COK	$ 16.45	$ 17.71	$ 18.42	$ 19.16	$ 19.93	$ 20.72	$36,846	$38,320	$39,853	$41,447	$ 43,105
LEAD Teacher I / SUBSTITUTE EXCELS LEVEL 1-3	No Associates; meet licensing requirements plus 2 years related exp. - Serves as "Lead Teacher"	Cred Level 1-4 with required COK	$ 15.53	$ 16.38	$ 17.03	$ 17.71	$ 18.42	$ 19.16	$34,066	$35,429	$36,846	$38,320	$ 39,853
Assistant Teacher	No Associates; meets licensing description for Teacher Assistant	Not part of "lead staff" under EXCELSS	$ 13.95	$ 15.14	$ 15.75	$ 16.38	$ 17.03	$ 17.71	$31,496	$32,756	$34,066	$35,429	$ 36,846
Teacher Aide	No Associates; meets licensing description for Teacher Aide			$ 14.00	$ 14.56	$ 15.14	$ 15.75	$ 16.38	$29,120	$30,285	$31,496	$32,756	$ 34,066
Public K- Teacher*	entry level; salary at 1733 hours - 10 month		$ 27.54	$ 27.54	$ 28.64	$ 29.79	$ 30.98	$ 32.22	$47,727	$59,575	$51,621	$64,436	$ 55,834
*NOTE: public K - teacher annualized salary calculated at 10 months and 1733 hours													

Source: Urban Institute, Report "Early Childhood Educator Compensation in the Washington Region", April 2018

COMAR only allows for the terms teacher, assistant teacher, aides, substitutes and volunteers.

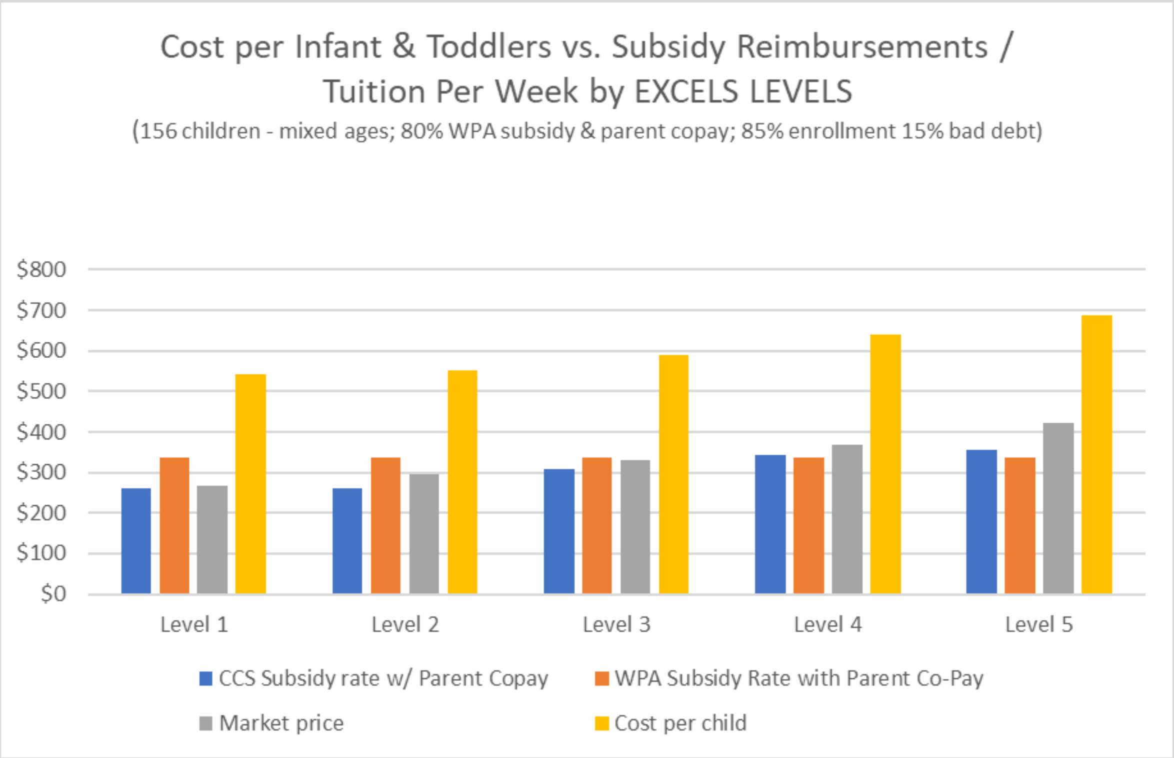
Conclusion: Items 1-3

The PCQC/*FFF Cost Estimation Model* analysis shows several important findings. One overarching finding is that EXCELS standards are financially unfeasible and unsustainable for participating providers who serve low to high numbers of subsidy receiving children (whether CCS or WPA). The 16 scenarios show that it is even challenging for non-subsidy receiving programs. Mainly, the strict and high licensing standards for ratios/group sizes for infants and toddlers appears to be the greatest unfunded financial factor for the EXCELS standards. This creates a serious disincentive to provide infant/toddler care, given the limitations of parent's capacity to pay for these ratios/group sizes in addition to quality.

Here are the key over-arching findings and recommendations:

Finding #1: The state requirement for 1 teacher to every 3 infants or toddlers results in an annual cost per child between $28,300 and $35,700 (depending on the center's quality level).

- The actual cost of serving infants and toddlers is almost double the current WPA reimbursement rate (with parent copay) which ranges from $17,520 ($337/week) to $30,698 ($590/week) for this age group at Level 3.
- This cost of serving infants and toddlers is higher than the market price a center could reasonably charge. Very few families in Montgomery County can afford to pay this much for only one child in care.



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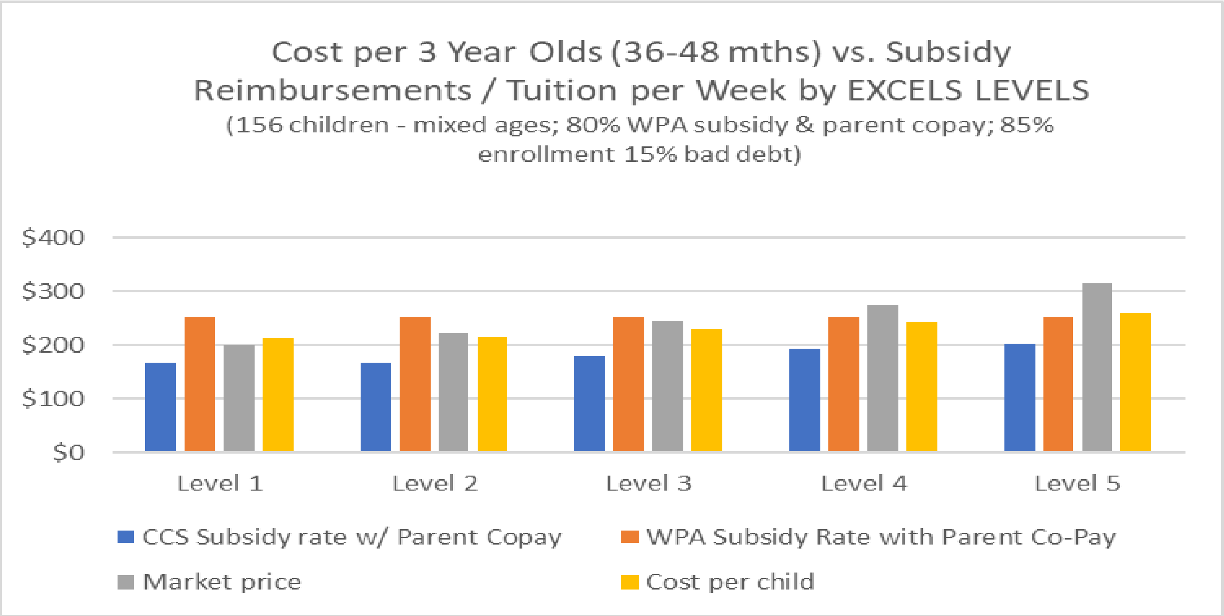

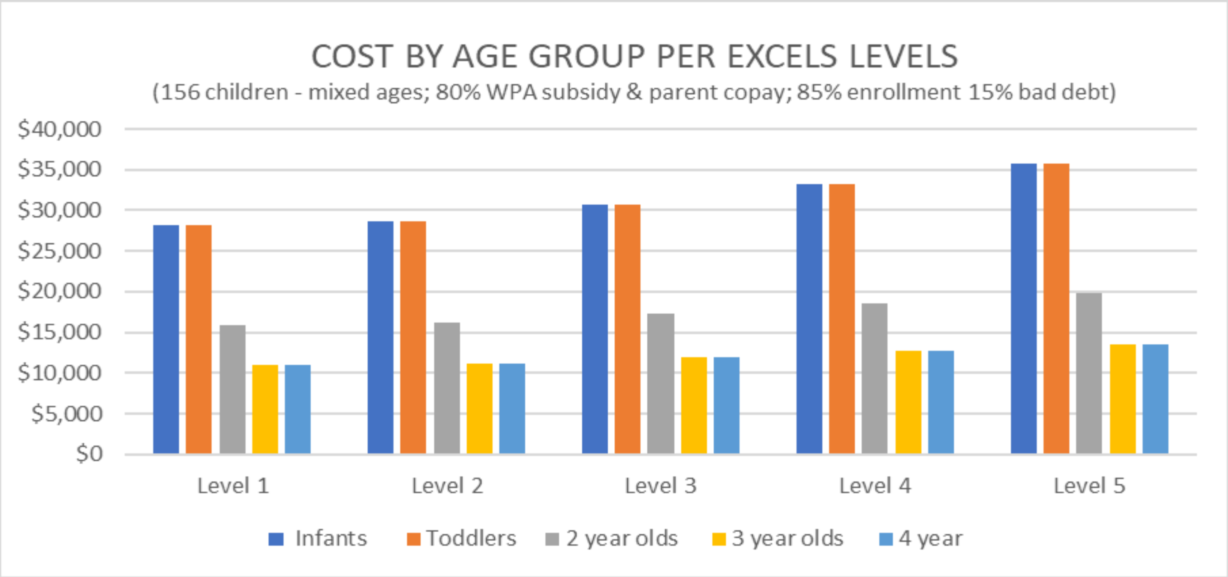

Unintended consequence: The best way for a program to balance its budget is to close infant rooms. It is just too expensive to serve these children, even as "loss leaders" to help open an enrollment pipeline and maintain full enrollment for classrooms of older children.

Recommendations:

- Significantly boost WPA reimbursement rates for infants and toddlers.
- Consider higher reimbursement rates across the board (in all age groups) for centers that serve children of all ages (infants, toddlers and preschoolers) but not for centers that exclusively serve

children three years of age and older. This would help address the finding that centers who only serve preschool or school-age children can potentially earn a profit, but not those that served children of all ages, including those under the age of three.

- Consider contracts for infant/toddler slots, to promote stability and prevent further losses due to absences. (Babies get sick a lot.)
- Explore alternative service delivery models for infant/toddler care (such as networked family child care homes or micro centers.)

Finding #2: Strong fiscal management is key to child care program sustainability.

- Financial losses due to bad debt, enrollment gaps, or unpaid absences are significant.
- Monitoring these losses carefully, and making a plan to address them quickly, is essential. Few programs can do so, largely because they are not using state-of-the-art automated child management systems, nor do they have skilled business management staff.
- Some of these losses (such as unpaid absence days) are beyond center control, even with skilled management, and require policy intervention.

Unintended consequence: Few programs collect the full market price or WPA rate for each child. It is common for money to be left on the table.

Recommendations:

- Encourage automation
  - Award grants to purchase hardware and software and accompanying technical assistance to launch and implement new systems that improve efficiencies in enrollment, tuition collection, business practices, and staffing classrooms. (Vermont invested in providing software systems for their providers as a tactic for advancing affording quality.)
  - Explore strategies for pulling state-required payment and reporting data directly from child management systems.

- Encourage provider networks that share administrative or business leadership. While a small, independent program cannot afford a skilled fiscal manager on its own, a network of centers could share the cost.
- Parent co-pay rates are a major factor for revenue generation in the FFF cost modeling, and FFF found no data to determine the rate of WPA co-payments for families in Montgomery County. Look closely at models of family co-payments and consider revisions. Can families at these incomes afford to pay these amounts for child care? Is it possible for centers to collect co-payments at this level?
- Require that centers track bad debt and include policies and procedures to collect fees in full and on-time.

Finding #3: Size matters. The cost models for this report were based on an "average" center that enrolls at least 82 children. However, 68% of the providers included in our sample reported licensed enrollment of 81 children or less; 40% reported licensed enrollment of less than 50 children; and 25% of the sample enrolled 30 or fewer children. These smaller centers are very likely to struggle financially.

- The only scenario where a small center could earn a profit was if they eliminated service to infants and toddlers and they remained fully enrolled all year long.
- FFF could not create a single scenario where a center with 30 or fewer children could break even – regardless of what ages they served. In fact, the projected losses were substantial.

Unintended consequence: It is not possible to run a profitable small child care business unless services are limited to 3 and 4-year-old children, and they are enrolled year-round. This sends a troubling message to many small entrepreneurs and fails to address one of our most high-need populations, infants and toddlers.

Recommendations:

- Help Montgomery County child care providers learn more about shared service strategies, which enable them to share staff among a network of small centers, thereby reducing costs.
- Review Maryland child care licensing and QRIS rules to identify policies that prohibit or discourage shared staffing among a network of small centers (e.g. a shared director over several small sites.)
- Consider contracting with small, high-quality centers for child care slots. Helping these small centers secure a 'block' of funded children could help provide some measure of financial stability.
- Explore new regulatory strategies for centers as small as 12 children. Perhaps these "micro centers" could use an alternative business strategy, like that of a family child care home?

Key Finding #4: The proposed higher minimum wage (set for 2020) was not included in these cost models, because to do so would result in even higher losses and budget gaps.

Unintended consequence: The mis-match between minimum wage requirements and State child care licensing requirements for ratios and staff qualifications fuels high turnover.

Recommendations:

- Create a wage subsidy program for early childhood teachers, designed to help augment wages without raising center costs or market prices.
- Ensure that increases in minimum wages is equally addressed in subsidy reimbursements.
- Publish a recommended salary scale for the child care sector aligned with EXCELS levels of quality (and other QRIS recognized programs) to provide guidance on how to structure and plan for competitive salaries that are anchored in the lowest skilled staff paid at minimum wage.

- Create model staffing plans and personnel metrics to help center leadership think strategically about how to shift resources from administration into classrooms, potentially leveraging funding for increased teacher compensation.

Additional Next Steps and Considerations:

- The FFF cost modeling is conducive for individual center's use to determine/compare their own budgeting models. FFF recommends supporting training for providers who are interested in using the tool themselves. Additionally, FFF could inform the next stage project, reviewing 20-25 centers of various characteristics, creating additional scenarios and modeling a range of policy options aimed at changing levels of WPA payments or other financial incentives; adjusting salary levels upward; and, playing with different mixes of ages. These additional models could provide useful insights to inform both policy and practice.

- Any recommendation on cost modeling would be remiss not to point out the compelling arguments to encourage consolidation and shared service modalities within the child care sector. Economies of scale are viable strategies for cost containment and enhancing quality mechanisms and levers. It is no secret that the larger, multi-site centers are generally more profitable. How can consolidation/shared service approaches be fostered including shared back office, shared education specialists, shared directors, bookkeeper, budgeting, health plans, recruitment of children and teachers?

- Consider administrative burdens for multi-site child care centers that are subject to single center licensing, quality assurance applications, and the like. These create disincentives to pursue quality ratings. Could there be one overarching option for an entire multi-site agency to receive an EXCELS rating rather than rating each site independently?

- Consider expanding the cost modeling to family homes to explore their financial viability and strategies for serving infants and toddlers under specified quality terms.

In summary, these findings and recommendations are common for any child care community seeking to close cost-quality gaps in the pursuit of higher quality child care. There are multiple and serious financial stressors among providers attempting to serve low-income families and infant/toddlers. These stressors will likely increase if public Pre-kindergarten expansion reimbursements are too low to incentivize private child care providers to partner in a mixed delivery system.[6] The aim should be to balance a provider's fiscal viability with access to quality care for all age groups of young children. The 16 *FFF Cost Estimation Model* scenarios are the hypothetical building blocks to continue refined

[6] 4-year-olds in FFF Scenario at EXCELS Level 3-5 cost $11,000-$13,500 without adjusting to bachelor's Level Teacher Pay.

modeling aligned with strategic community objectives (e.g. more infant/toddler slots for lower income families that will then support fiscal and policy decisions at the county and state level.

Item 4: See Appendix A

Item 5: See Appendix B

Item 6: See Appendix C

Item 7

Based upon the data analysis, FFF makes the initial recommendation to help elevate the compensation of directors and teachers through increased child care subsidies, or other methods to align with the FFF compensation scale projected for 2019 through 2021. (See Salary Scales for 2019 and 2021 earlier in report). The best way to increase wages is via a targeted initiative, such as NC WAGES or the Louisiana School Readiness Tax Credits. Alternatively, subsidy payments could be increased and coupled with model wage scales. Consider escalating increased amounts in the subsidy payments and Pre-K funding to account for these mandated escalations in wages that cascade upward through the compensation scales. Mechanisms to ensure funding is directly going to wages would be an avenue to explore.

Item 8

To the degree possible in remaining hours, FFF will assist the DHHS Early Care and Education Policy Officer with options for blending and layering funding streams to coordinate a system of affordable child care options for all families with children ages 0-5 due to the limitation of funds.

Item 9

Based upon the recommendations for closing the cost-quality funding gap(s), FFF will provided limited assistance to the DHHS Early Care and Education Policy Officer with planning for budget changes to the Montgomery County WPA child care subsidy program, as time permits, after the primary scope of work is completed.

Appendix A: Item 4

Identify and research options used internationally to reduce the cost of care to low income families.

Summary

The Organisation for Economic Co-operation and Development (OECD) website[i] provides a policy overview table[ii] for childcare policies in countries around the world. The table was last updated in March 2014. The information below is from Table 1: Non-parental child care, 2012.

Australia

Fee subsidies and cash benefits. Child Care Benefit (CCB) is a means-tested fee subsidy payable to parents using up to 50 hours per week of approved (including most long day care, family day care, outside school hours care, vacation care, occasional care and in-home care) and registered (provided by relatives, friends or nannies registered as carers) childcare. Maximum hourly CCB rates are independent of actual fees and are determined by the number of children in care and the type of child care used. CCB is much lower for users of registered care, but CCB for approved care is means-tested while CCB for registered care is not. Families with no stay-at-home parent may claim both types of CCB. The system is demand-driven, i.e. all those entitled can claim the benefit. Maximum rate of CCB in an approved centre based long day care service for one child is AUD 3.78 per hour (85% of this amount for school children), the rate for registered care is AUD 0.632 per hour (85% of this amount for school children).

Tax concessions. Those using approved childcare and eligible for CCB, may also claim the non-means tested Child Care Rebate (CCR) of up to 50% of expenses (after the CCB entitlement is deducted) for "work-related" use of approved childcare, up to an annual cap per child per year. The annual cap for CCR payable for child care costs incurred in 2011 - 12 is AUD7500 per child per year.

Activity Testing. Up to 50 hours of CCB per child per week for CCB approved care is available if families meet the work, training study test (both parents are (or a single parent is) working, training, studying, looking for work at least 15 hours a week or 30 hours a fortnight or have an exemption) or up to 24 hours without meeting the work, training study test. CCB for up to 50 hours per child per week of registered care if parents are working, training, or studying at some time during the week or have an exemption. No minimum number of hours is required. CCR only for CCB approved care where the parents meet the work, training, or study test at some time during a week or have an exemption.

Child Care Facilities – Subsidized. Parents can choose between receiving CCB for use of approved childcare services in the form of fee reductions or as a lump sum cash payment at the end of the financial year. Families using registered care can access CCB at the registered care rate from the Department of Human Services upon presentation of child care fee receipts and a claim form. Families eligible for the CCR may choose to receive it on a fortnightly (sometimes weekly) basis, paid either to a child care service as a fee reduction or directly to their bank account or as a lump sum paid quarterly or annually.

Benefits Income Testing. Both rebates for approved care and parenting payments are family income tested (No income test for registered care fees). Families whose income is less than AUD 39,785, or in receipt of an income support payment, receive maximum rate CCB. For families above this income, CCB rate is reduced depending on number of children. CCB is not payable above certain income levels: AUD 138,065 for one child in approved care, AUD 143,095 with 2 children in approved care and AUD 161,581 with 3 children in approved care (plus additional AUD 30,528 for each further child in approved care).

Part-Time Regulations. Part-time loadings apply to CCB payments for both family day care and long day care. For children in long day care, 10% loading for up to 33 weekly hours of care, tapering progressively from 8% to 0% from 34 to 38 hours of care. For one child in part-time family day care a loading of 33.33 per cent applies up to 37.5 hours of care, and tapers progressively from 33.33 per cent to 0 per cent from 37.5 to 50 hours of care.

Austria

Fee subsidies and cash benefits. From September 2010 day-care is provided free of charge for at least 4 hours per day for children aged 5 throughout Austria. The criteria in detail are fixed by a treaty between the federal government and the federal states: child-care is provided free of charge in the different states: all-day-care for children 0 - 6 years in Vienna (meal fee remains) and Burgenland; all-day-care for children 2.5 - 6 years in Upper Austria, half-day-care for children 2.5 - 6 in Lower Austria, half-day-care for children 4 - 6 in Tyrol. Elsewhere parents' fees depend on the family net income, the number of cared for children, the number of siblings.

Tax concessions. Since 2009 the costs for qualified child care are deductible from the calculation basis for income tax up to the amount of EUR 2,300 per year for each child up to the age of ten years. Also, payments (up to EUR 500 p.a.) from employers to their employees for child care are tax-free.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Yes, varies by state (Länder). In 2011, it was decided to continue the expansion of childcare facilities – especially for children aged up to three years – via a mix of in-kind and monetary spending. It aims to create about 5,000 additional childcare places annually. To this end, the federal and the regional governments each invest a total amount of EUR 55 million from 2011 to 2014. Starting with the schoolyear 2013/2014, only child-care facilities with minimum weekly and yearly opening hours are funded, as well as additional personnel costs arising from extended opening hours.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Belgium

Fee subsidies and cash benefits. Fee calculated based on family income and number of children in care.

Tax concessions. Costs are deductible from taxable income (up to a limit of EUR 11,20/day and per child of less than 12 years). If the child does not use formal childcare, a standard deduction on taxable income is applied. (420 EUR / child in 2012). The standard deduction is limited to children under 3 years of age.

Other: For children aged three or older fulltime preschool is free of charge.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Yes, varies by Communauté. Facilities in French community is subsidized by ONE if approved and fulfilling certain conditions such as minimum occupancy rate. Facilities in Flemish community are subsidized by Kind en Gezin which provides a fixed subsidy per child care place and pays part of the wages of employees.

Benefits Income Testing. No, there is a maximum of deductible childcare expenses, which is independent of parent's income.

Part-Time Regulations. If attendance does not exceed 5 hours per day, the parental contribution is 60 percent of the amount of the fee normally due.

BULGARIA

Fee subsidies and cash benefits. The fees for childcare at public sector nurseries and kindergartens are set by local governments. Fees may be differentiated depending on whether: it is nursery (<3) or kindergarten (3-5); it is weekly, all day or half-day nursery/kindergarten. In Sofia there are discounts for lone parents, for the second child in care and for children from large families.

Tax concessions. Fees are not tax deductible.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Public authorities fund public kindergartens and schools.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

CANADA (ONTARIO)

Fee subsidies and cash benefits. Fee subsidies vary by province. Individual jurisdictions legislate maximum subsidy amounts, based on age of child, type of care setting, and duration of care (full/part time). E.g. Ontario Child Care Supplement for Working Families (OCCS) (which is in the process of being replaced by the Ontario Child Benefit). Provincial governments may cover all or part of the cost if SA beneficiaries are involved in training or similar programs.

Tax concessions. Federal tax allowance for expenses up to limit. Child care expenses deduction is calculated based on earned income. Child care expenses claimed as a deduction cannot exceed two thirds (2/3) of the earnings of the spouse with the lower earned income. The deduction reduces taxes paid to both levels of government (federal and provincial/territorial) and is limited to CAD 7 000 for each child who is under age seven, and CAD 4 000 per child between seven and sixteen years of age.

Other. Ontario Child Care Supplement for Working Families (OCCS), which is being replaced by the Ontario Child Benefit, provides some relief for lone parents in 2012.

Activity Testing. OCCS benefits low-to-middle income single- or two-parent families, families with one stay-at-home parent, or families with one or both parents studying or in training.

Child Care Facilities – Subsidized. Not mentioned.

Benefits Income Testing. For Federal tax allowance: least of childcare expenses, 2/3 of earned income (of spouse with lowest earnings). The OCCS is family income tested. The supplement is reduced if family net income for tax purposes exceeds CAD 20,000.

Part-Time Regulations. Not mentioned.

Canada (Quebec)

Fee subsidies and cash benefits. The province of Québec government has established a system of subsidized daycare services. Subsidized daycare services are available to parents at a cost of $7 per child per day.

Tax concessions. In Quebec, a refundable tax credit for child care expenses in excess of $7 a day can be claimed, subject to meeting requirements relating to residency and the purpose of the child care, up to $9,000 per year for children who were born after December 31, 2005 ($10,000 if the child has a severe and prolonged impairment in mental or physical function). The percent of eligible expenses that can be claimed diminishes as family net income increases.

Activity Testing. Not mentioned

Child Care Facilities – Subsidized. Not mentioned.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Chile

Fee subsidies and cash benefits. All government provided pre-school services are free. Free preschool education exists for the infants in the 60% lowest income families.

Tax concessions. Not mentioned.

Other. Children of working women have free access to childcare paid by the employer (in firms employing more than 20 women). Not working women (or from smaller firms) would need to pay for these services.

Activity Testing. See other.

Child Care Facilities – Subsidized. Not mentioned.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Czech Republic

Fee subsidies and cash benefits. Both public and private crèches (for children to 3 years) and kindergartens (3 - 6-year olds) exist. Families in receipt of benefits of assistance in material need or families who personally take care of the child and receive foster care allowances are exempt from kindergarten fees.

Tax concessions. Childcare fees are not tax deductible.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Costs expended on running the kindergarten founded by an enterprise under the Education Law as a service for its employees, are tax deductible. For kindergartens the basic fee shall be set in such a way as not to exceed 50 % of the real average non-investment costs per child per month in the past calendar year.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Denmark

Fee subsidies and cash benefits. For low-income families' fees are subsidized up to 100%. The extent of the subsidy diminishes as income increases. There are also special discount rates for single-parents and for siblings.

Tax concessions. Childcare fees are not tax deductible

Activity Testing. Subsidized day-care is available to all households with young children.

Child Care Facilities – Subsidized. Local authorities finance nurseries, kindergartens, other day-care institutions, and pre-school classes from block grants allocated to them by the State. A so-called care guarantee has been introduced by many authorities guaranteeing a subsidized day-care place for the child from when the child is 26 weeks until school age. Parents pay a maximum of 25% of the budgeted gross operating expenditure for day-care services.

Benefits Income Testing. There is no charge for day-care if the personal income [gross income net of general social security contributions] is below DKK 156 301. From DKK 156 301 to DKK 159 765 the payment is 5% of the full rate. From that income level, the payment is linearly increased until the full price is paid at a personal income of DKK 485 499.

Part-Time Regulations. Not mentioned.

Estonia

Fee subsidies and cash benefits. Local municipality decides upon the child care fee paid by parent. The fee may not exceed 20% of the minimum wage.

Tax concessions. Child care fees excluding food costs are tax deductible.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Child care facilities are subsidized by local municipalities. Child care expenditure per child per month borne by these amounts to a maximum of 1985€ and an average of 266€ in 2011, compared to average parental expenditure of 36€ per child per month.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Finland

Fee subsidies and cash benefits. The public day care fees are income related; the higher the family income, the higher the fee. The fee is a portion (percentage value) of the family income exceeding the income limit until the maximum amount is reached. These limits and percentages depend on family size. The fees and income limits which applied for 1.7.2012 were adjusted according to indexation rules 1.8.2010, they were revised on 1.8.2012 according to indexation rules.

Tax concessions. Not mentioned.

Other. The private day care allowance consists of a basic allowance and an income-tested supplement, which both are paid for each eligible child. The basic allowance is EUR 166.71 /child /month and the supplement is at most EUR 140.19 /child /month. Some municipalities, in particular the Helsinki area, pay additional supplements to home care and private day care allowances. Rates and eligibility varies with municipality.

Activity Testing. No - parents of all children under official school age (7 years) have the right to a place in day care for their child provided by their local authority.

Child Care Facilities – Subsidized. Day care fees cover only a small part of the total costs of municipal day care (about 14% in year 2010). Public day care is available to all children aged under 7 (school age).

Benefits Income Testing. Public day care fees, up to a maximum amount, are a percent of income exceeding a limit based on family size. Similar income limits apply to the supplements for home care and private day care but not to the allowances. If family qualifies for social assistance, then children's day care fees are fully covered by the additional allowance.

Part-Time Regulations. Not mentioned.

France

Fee subsidies and cash benefits. The day care fees are income related; the higher the family income, the higher the fee. The fee is a portion (percentage value) of the family income exceeding the minimum amount until the maximum amount is reached. The minimum and maximum fees, as well as the income percent are dependent on the number of children in the family attending childcare.

Tax concessions. There is a refundable tax credit amounting to 50% of the cost of child-minders or centre-based care (subject to a ceiling of 1150€ in 2012).

Other. For children born from 1st January 2004, a unified and revised system of parental support ("prestation d'accueil du jeune enfant", PAJE) provides income-tested benefits that cover (some or all of) the social security contribution costs due for the employment of a qualified child-minder to care for children aged under 6, either at the parents' or the carer's home (complément de libre choix du mode de garde).

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Public sector crèches are subsidized. Most children are in free full-time pre-school from age 3.

Benefits Income Testing. The amount of the complément de libre choix du mode de garde depends on the parents' income.

Part-Time Regulations. Not mentioned.

Germany

Fee subsidies and cash benefits. Fees differ regionally. Fees for child care depend on the family income and the household size (parents and number of children) and the number of children per family in child care.

Tax concessions. Two thirds of the cost of childcare for children up to the age of 14 years can be deducted as expenses from taxable income. The maximum deduction is EUR 4,000 per child.

Other. For the last year before school enrolment (Vorschuljahr) child care is free up to 30 hours per week.

Activity Testing. Child care costs for all children under 14 can be deducted as special expenses since 2012 regardless of whether parents work or are in training.

Child Care Facilities – Subsidized. Day care and related services are mostly funded by public means.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Greece

Fee subsidies and cash benefits. Municipal day nurseries may define the criteria for the imposition of a monthly payment (catering fees) to the families of the hosted children. Family income is considered in order to determine the amount to be paid. There are additional subsidies for second and subsequent children in care and for parents with disabilities.

Tax concessions. Not mentioned.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Public nurseries are subsidized by the municipalities.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Hungary

Fee subsidies and cash benefits. At the centre-based institutes providing the day-time provisions for children the care is free of charge, the family have to pay only for the meal. The liability for social support gives possibility for reduction of the fees. Free of charge meals are provided for children entitled to regular child protection allowance in nurseries, kindergartens and in the first eight grades of primary schools. Families are entitled to pay 50% reduced fee for the daily meals for children suffering from permanent disease or being seriously disabled or those living in families with 3 or more children.

Tax concessions. The fees are not tax deductible.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Centre-based institutes are subsidized, parents only pay for meals.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Iceland

Fee subsidies and cash benefits. In most municipalities, reduced rates are available to lone parents and students and some, including Reykjavík, offer reduction to parents who have two or more children attending schools at the pre-primary level.

Tax concessions. Not mentioned.

Activity Testing. None (to get student discount must study full-time).

Child Care Facilities – Subsidized. Local municipalities pay for the construction and the operation of pre-primary schools. Parents contribute a substantial amount towards operating costs at the pre-primary level. The share that the parents contribute varies from one municipality to another. On the whole, parents contribute about a sixth of the operating costs of pre-primary schools. Reykjavík and many other municipalities also subsidies child-care with day-care parents, generally when parents are unable to place their children in pre-schools or day-care centers.

Benefits Income Testing. No.

Part-Time Regulations. Not mentioned.

Ireland

Fee subsidies and cash benefits. Rates are not regulated by Government, and may depend on several factors such as the child's age, location, type of provider, type of service, parental income, etc.

Tax concessions. Not mentioned.

Other. Early Childhood Care and Education (ECCE) subsidy introduced 2010 provides 1 year (3 hours per day over 38 weeks) free pre-school, for children aged 3, 4 or 5.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Not mentioned.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Israel

Fee subsidies and cash benefits. Reduction percentage benefit for kindergarten fees, depending on income bracket up to a maximum monthly income amount of NIS 1494. Full refund for people living in preferred areas A and B, 90% refund for children, from age 4, living in distressed neighborhood.

Tax concessions. Not mentioned.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Not mentioned.

Benefits Income Testing. Yes, reductions based on income. For an income superior to NIS 1494, there is no fee reduction from the Ministry of Education, local authorities can fund benefits beyond this level.

Part-Time Regulations. Not mentioned.

ITALY

Fee subsidies and cash benefits. Child-care services are essentially nurseries for children below 3 years of age. They are provided according to rules set by regional laws and implemented at municipal level with different criteria. These provisions mainly consist of in-kind means-tested benefits. The household income and composition are considered to rank eligibility and fees. Above 3 years of age, while not compulsory, the public system provides for an almost universal and free of charge coverage (except for food) through the State and municipal “maternal” schools.

Tax concessions. Not mentioned.

Activity Testing. In the pre-school years, childcare services are offered almost universally.

Child Care Facilities – Subsidized. Not mentioned.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

JAPAN

Fee subsidies and cash benefits. The fees for day care depend on parents’ previous income tax or municipal tax increasing with local and central income tax with additional subsidies for low earning lone parents. Families eligible for social assistance are exempt from the fees.

Tax concessions. Childcare fees are not tax deductible

Activity Testing. Candidates can apply to use day-care centers if they have pre-school children and are unable to take care of their children due to work, illness etc.

Child Care Facilities – Subsidized. Public (municipal) day-care centers are subsidized (covering about 60% of total cost).

Benefits Income Testing. Yes.

Part-Time Regulations. Not mentioned.

KOREA

Fee subsidies and cash benefits. From March 2012, all households with 0-2-year olds, 5 year olds, children with disabilities and children of multicultural families have received support, without regard to their income levels, equivalent to fees charged at government supported facilities. The same support is provided to households with 3-4-year olds in bottom 70% in income distribution.

Tax concessions. Child care fee deduction' and 'Education fee deduction for preschool babies, infants and kindergarten children' (up to 3,000,000 won per year per child) as tax deductions for child care fees.

Activity Testing. No; child care fee support is provided for 0-4-year olds, 5 year old children, children with disabilities and children of multicultural families.

Child Care Facilities – Subsidized. The government supports facilities by providing costs for operating the facility such as labor costs. This makes child-care fees at government supported facilities (state & public, corporations) cheaper than unsupported facilities (private).

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Latvia

Fee subsidies and cash benefits. Parents generally only pay for catering.

Tax concessions. Not mentioned.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. In the general mixed-type pre-school establishments parents pay for catering of children but all other expenses - maintenance of buildings, administrative expenses, salaries of the administrative staff and teachers are paid for by local governments. Salaries of those teachers for compulsory preschool attendance (5 and 6-year-old children) are paid for by the state.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Lithuania

Fee subsidies and cash benefits. Municipal councils determine the fees for children attending their pre-schools. Meals expenditures account for 80-100 per cent of these fees. Parents pay additional fees for teaching aids. The meals fee is discounted for lone parents, large families and if more than one child from the same family attends the same pre-school. Municipal councils have the right to set additional fees privileges, considering the income status of parents, child's health, etc.

Tax concessions. Not mentioned.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Yes.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

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Luxembourg

Fee subsidies and cash benefits. The "childcare-service voucher" scheme introduces the same criteria for all service providers regardless of parents' financial contributions. The service voucher gives each child the right, whatever the parents' income, to at least 3 free hours of childcare per week. In addition, there are 21 hours at the "service voucher tariff" (maximum 3 euro per hour) and 36 hours at the "socio-family tariff" (maximum 7.50 euro per hour). The hourly fee varies for each child according to the income of the household and the birth order of the child. Children exposed to the risk of poverty are entitled to a higher level of benefit.

Tax concessions. Childcare fees are tax deductible as far as they are higher than an amount of expenses not considered as extraordinary according to the level of income. The taxpayer can also obtain a standard abatement for childminding expenses which cannot exceed the amount of the real expenses nor EUR 300 per month (EUR 3 600 per year). In this case the taxpayer has to renounce to the abatement for inevitable extraordinary charges for child care expenses.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Not mentioned.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Malta

Fee subsidies and cash benefits. Not mentioned.

Tax concessions. A tax credit is given on childcare fees paid by the household. The maximum amount is €1,300. The tax credit cannot exceed the tax liability.

Other. The majority of 3 to 4-year olds attend pre-primary schools. State pre-primary schools are free of charge.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Not mentioned.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Mexico

Fee subsidies and cash benefits. Not mentioned.

Tax concessions. Not mentioned.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Not mentioned.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

NETHERLANDS

Fee subsidies and cash benefits. Parents receive the subsidy that the government contributes to childcare, which includes the employer's contribution, through the Tax Department. The amount parents receive depends on their income and varies from 90.7% of the costs to 0% for the first child and varies from 93.3% of the costs to 58.2% for next children.

Tax concessions. Not mentioned.

Activity Testing. Yes - working, looking for work/training (as part of a reintegration program) or studying.

Child Care Facilities – Subsidized. The Childcare Act (2005) assumes that parents, employers, and government collectively bear the costs of childcare. An obligatory contribution for employers exists since 2007. All together parents paid 27% of the costs, government, and employers 73% in 2011.

Benefits Income Testing. Yes, childcare benefit varies with the income of the parents.

Part-Time Regulations. Not mentioned.

NEW ZEALAND

Fee subsidies and cash benefits. Child Care Subsidy is a non-taxable payment which assists low- and middle-income families to pay for under 5-year-old children in approved early childhood programs, including licensed early childhood services. The payment is made to the provider on behalf of the of the parent and varies according to the number of children and family income.

Tax concessions. Not mentioned.

Other. Children aged 3-5 years are provided 20h/ week of early childhood education, funded by the government. This benefit cannot be received for the same time as child care subsidy and is paid directly to the provider.

Activity Testing. Yes - childcare subsidy is for work related activity after first 9 hours / week.

Child Care Facilities – Subsidized. All licensed pre-school facilities are subsidized. Universal funding of between NZD 3.33 and NZD 12.81 per hour per child according to age of the child (under or over 2), the type of service and the proportion of regulated teaching staff who are ECE qualified and registered.

Benefits Income Testing. Childcare subsidy rate is related to income and number of children. Maximum 50 hours of subsidized care/week to cover periods of work-related activity. Up to 9 hours of subsidized care per week for other families not satisfying the income test.

Part-Time Regulations. 20 hours/ week of free early childhood education provided by the government.

Norway

Fee subsidies and cash benefits. Provision of childcare is mostly municipality based. There is an upper limit on fees (NOK 2 330 per month). There are discounts depending on income levels and for siblings

Tax concessions. Documented childcare expenses for children aged under 12 are deductible from taxable income up to a limit (NOK 25000 for one child, NOK 15000 for each subsequent child, maximum NOK 70000 for 4 children). Allowance is equally divided between spouses unless otherwise agreed. Allowance applies to single parents as well.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Subsidized childcare. Open Kindergarten usually free of charge for parents.

Benefits Income Testing. No.

Part-Time Regulations. The cash amount for children who are not in public kindergarten (and kindergartens that receive a public grant) is reduced for part-time care in public kindergarten, parents receive: Up to 8h: 80% of the full benefit; 9-16h: 60%; 17-24h: 40%, 25-32h: 20%; 33+ h: no benefit is paid.

Poland

Fee subsidies and cash benefits. Nurseries and children's clubs (for children under 3) can be established by: commune (gmina), as well as non-public entities, including private persons. Fees for nursery schools (for children aged 3 - 6) consist of monthly fee (fixed on gmina level and established by local government) and payment for feeding (depends on institutions).

Tax concessions. Not mentioned.

Other. Unemployed lone parents taking up a new job or participating in training measures may be entitled to temporary compensation for care-related expenditures. The reimbursement amounts to up to 50 percent of the unemployment benefit and is means-tested (family income criterion within social assistance legislation). It is paid for the period of 6 months.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. In case of public nursery school (3-6-year olds), local governments generally cover 5 hours of childcare per day. The cost of non-public nurseries and nursery schools have to be fully covered by parents. The state budget pays the obligatory social insurance contributions to the amount of a minimum wage for hiring a nanny.

Benefits Income Testing. Family benefits are means tested.

Part-Time Regulations. If the parent starts working during the parental leave, the family allowance supplement shall not be awarded. In public nursery schools, 5h/ day are provided for free by local governments.

Portugal

Fee subsidies and cash benefits. Fees to be paid for using childcare services provided by public or non-profit organizations are determined as a percentage of the per capita income of the household, with the percentage increasing as income increases and the maximum fee calculated according to these rules cannot be higher than the real average cost (including administration expenses) per user of the service in question. In addition, the fee is discounted if more than one child at the establishment.

Tax concessions. 30% of formal childcare costs are tax deductible up to 160% of the National Minimum Wage. Limit is higher for families with three or more children.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Most childcare institutions (Crèches: non-profitable organizations) receive State Support through Cooperation Agreement (monthly amount of €242.97 per child in 2012) and in return they must provide priority in access to children of low income families and comply with the rules for family fee calculation. Nannies can also benefit from these arrangements.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Romania

Fee subsidies and cash benefits. Pre-school children may benefit of child day care services provided by state centers or non-profit organizations

Tax concessions. Not mentioned.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Not mentioned.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Russia (information from 2009)

Fee subsidies and cash benefits. Not mentioned.

Tax concessions. Subsidy of childcare costs by public authorities: 20% of region's average fees subsidized for the first child, 50% for the second and 70% for the third and following children. Parents may claim Child and Dependent Care Credit: credit up to 35% of expenses up to a ceiling of RUR 3000 for one child and RUR 6000 for two or more children.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Not mentioned.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Slovak Republic

Fee subsidies and cash benefits. In pre-school facilities, which include kindergartens and special kindergartens, established by municipality (local government authorities) parents pay a monthly fee per child to cover part of the costs related to the material provision for the education process in a pre-school facility. The maximum contribution for the stay of the child is 15 % (7.5 %) of the amount of the subsistence minimum for a dependent child (EUR 13,3 (6,66) in the second half of 2012). The director of the facility determines the actual fee. Fees can be differentiated according to the number of siblings in the kindergarten, the child's age, duration of stay in the pre-school facility, etc. If the child is one year before the compulsory school attendance or the legal representative of the child is a recipient of assistance in material need the fee is waived.

Tax concessions. Child care costs are not tax deductible.

Other. Child care allowance is provided, to persons taking care of a child up to the age of 3 years who pursues economic activity or studies, to compensate for childcare expenses and ensure the care of his/her child by an official childcare service provider. It covers documented expenses to a maximum of 230 € per month.

Activity Testing. See other: persons taking care of a child up to 3 years is entitled to child care allowance to compensate for child care expenses, if he/she pursues gainful activity or studies

Child Care Facilities – Subsidized. Parents pay a monthly fee for children in kindergarten to only cover parts of material provision and meals.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Slovenia

Fee subsidies and cash benefits. The price of the program for which parents pay a certain percentage (ranging from 0 to 77% depending on net income) is determined by the municipality on the proposal of the kindergarten. The kindergarten calculates the price based on identified costs of education, care and food in the kindergarten. Government provides co-financing for families with more than one child in childcare: Parents pay full income based fee for the oldest child and 30% of that fee for the second , the other children are exempted from fees.

Tax concessions. Childcare fees are not tax deductible.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Funding and financing of for childcare and preschool education by local communities (68.4% of the costs for childcare in 2007). Municipalities pay the difference between the full price of the kindergarten costs and the amount paid by parents according to their income bracket.

Benefits Income Testing. Subsidies for childcare fees dependent on income bracket.

Part-Time Regulations. Not mentioned.

Spain

Fee subsidies and cash benefits. There are a wide variety of situations throughout the different autonomous or local administrations regarding the expenditure, in centers that attend to children under 3 years of age. The level of income of the family group is subject to the establishment of an appropriate fee. Fees are established, based on the level of income of the family group and a scale in function of various criterion is also used including if; a "family group" is based upon there being a lone-parent, there are siblings in the center, both parents work, etc.

Tax concessions. Maternity tax credit: A non-wastable tax credit for working mothers and lone parents with children under 3 (maximum EUR 1200 per year) independent of childcare expenses. Deductions of childcare expenses for children under 3 in some Autonomous Communities.

Other. Pre-primary education for children aged 3 to 6 is free of charge both in public and government dependent private schools.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Yes. Most children aged 3-5 are in free of charge pre-primary education. Almost all communities have subsidized facilities for children age 0-2. In general, 2/3 of the cost is funded by local or central government.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

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Sweden

Fee subsidies and cash benefits. For the youngest pre-school child, the fee is 3 per cent of the gross income (earned income plus unemployment benefits), for the second youngest the fee is 2 per cent and 1 per cent for the third youngest and monthly caps of SEK 1 260, 840 and 420 for the 1st, 2nd and 3rd child respectively.

Tax concessions. Childcare fees are not tax deductible.

Other. For children aged 3-6 there is general pre-school - 15 hours a week for 35 weeks (525 hours a year) are free of cost for the child. Childcare fees are considered when determining entitlement to benefits such as social assistance.

Activity Testing. All children from age 1 are legally entitled to 15 hours of publicly subsidized ECEC per week, if parents work or study children are entitled to a full-time provision.

Child Care Facilities – Subsidized. Heavily subsidized by state and local governments, parents pay fees according to their income.

Benefits Income Testing. Yes, parents only pay (per child) 1-3% of their gross income in childcare fees. Percentage varies with number of children.

Part-Time Regulations. Not mentioned.

Switzerland (Zurich)

Fee subsidies and cash benefits. In Zürich parents pay a maximum of CHF 117 and at least CHF 11.7 per day for subsidized care. The actual fee between these limits is determined by family income and the number of people in the family.

Tax concessions. The costs of childcare, up to CHF 6,500 per year per child, are deductible from taxable income at the cantonal level and up to CHF 10100 at the federal level.

Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. About 45% (in 2009) of facilities are subsidized. Considerable variation across cantons and municipalities.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

Turkey

Fee subsidies and cash benefits. Not mentioned.

Tax concessions. Not mentioned.

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Activity Testing. Not mentioned.

Child Care Facilities – Subsidized. Not mentioned.

Benefits Income Testing. Not mentioned.

Part-Time Regulations. Not mentioned.

United Kingdom

Fee subsidies and cash benefits. Not mentioned.

Tax concessions. As part of the Working Tax Credit, parents may claim up to 70% of eligible childcare cost. At its maximum level, the monthly value of the CCTC amounts to approximately GPB 760 for one child, GPB 1300 for 2 or more children (GBP 175 and 300 per week respectively).

Other. Employer vouchers for childcare: Under certain conditions tax and National Insurance exemptions are available through employer-supported childcare (childcare vouchers, directly contracted childcare and workplace nurseries).

Activity Testing. When working parents may claim up to 70% of eligible child care cost in the scope of the Working Tax Credit.

Child Care Facilities – Subsidized. For children aged three years or more, free part-time care - 15 hours x 38 weeks of early childhood education is provided by the government. Parents pay for supplementary care.

Benefits Income Testing. Income and asset test for recipients of the Working Tax Credit.

Part-Time Regulations. At least one parent must be working 16 hours per week or more to be eligible for the Working Tax Credit. Under certain conditions, parents have a statutory right to flexible working.

Appendix B: Item 5

Research of evidence, trends, and outcomes in Early Care and Education for diverse populations

Access to High Quality Early Care and Education: Readiness and Opportunity Gaps in America

***Across America, there are readiness and opportunity gaps in access to high quality early education*.**

The *Access to High Quality Early Care and Education: Readiness and Opportunity Gaps in America*[iii] report outlines readiness and opportunity gaps in access to high quality early education. CEELO's research on access to preschool in the United Sates finds that access, especially access to quality, is highly unequal despite the extent to which public policy at federal and state levels targets disadvantaged children. To some degree, this is because targeted programs often are not high quality. Targeting is not as effective in reaching disadvantaged populations as many policymakers believe. In addition, different and uneven state policies exacerbate inequalities. Inequality of opportunity for good early education is a concern for African American, Hispanic, and non-English-speaking children.

…public investments are not large enough to produce full equality of early opportunity by income and ethnicity.

The CEELO report references kindergarten entry studies that demonstrate significant inequalities in school readiness, and these have not changed much in the last ten years. Children in the lowest 20% income bracket begin kindergarten with academic skills 20 months behind those of children in the top 20% income bracket. Limited and unequal access to early care and education during the first five years contribute to these inequalities in kindergarten readiness. Public investments in Early Head Start, quality of subsidy care, Head Start, and state-funded pre-K do help to lessen inequalities in early care and education opportunities. However, these public investments are not large enough to produce full equality of early opportunity by income and ethnicity. The report posits that the remaining inequalities in access likely contribute to the large inequalities in reading and math readiness we see by income, education, ethnicity, and language background. Overall, gaps are larger in math than in reading.

…states have reduced rather than increased their funding per child as state pre-K enrollment has expanded; with less funding per child they have less capacity to support program quality.

These inequalities are long standing, and there has been little improvement over the last decade in access to quality pre-K and other programs. The only large-scale improvement observed is an increase in state pre-K, which might have produced very small overall increases in access to quality for disadvantaged children. Unfortunately, the impact of state pre-K expansion on access to quality has been limited, because states have reduced rather than increased their funding per child as state pre-K enrollment has expanded; with less funding per child they have less capacity to support program quality.

Good pre-K is rare across all groups, and, to the extent that it is available, still tends to increase rather than offset inequalities in readiness…

Early care and education services not even close to universal, even in the year before kindergarten, and vary across various subpopulation groups. Good pre-K is rare across all groups, and, to the extent that it is available, still tends to increase rather than offset inequalities in readiness because of disparities in access to good programs. Inequality of opportunity appears to be an issue across the entire birth-to-5 age span, as indicated by data for children at age 2 as well as age 4. At age 4, where access is highest and best supported by governments, there remain strong differences by location, including region, and rural children have especially limited access. The authors note, with surprise, an unexpected difference in quality that disadvantages girls. The author's strongest conclusion is the need to greatly increase quality for all children.

Unequal early opportunities contribute to pervasive inequalities in early learning and development.

The report concludes that major inequalities in early learning and development remain pervasive, and unequal early opportunities contribute to these inequalities. Major policy changes are necessary, to broadly increase access to high quality of early childhood services. Policy makers at local, state, and federal levels need to be aware of the extent of both opportunity and readiness gaps across the full spectrum of the population, and not just for the most disadvantaged, when making decisions about early care and education standards and funding.

NIEER's State of Preschool 2017[iv]

"Recent changes in federal policy–including the Every Student Succeeds Act (ESSA)–make it clear that progress in early education depends more than ever on the states," said NIEER Senior Co-Director Steven Barnett.

The State of Preschool 2017 (NIEER) annual report, based on 2016-17 academic year data, finds states responding to the demand for pre-K and increasing access to publicly funded programs in a variety of settings. Authors found that instead of supporting quality early learning with adequate resources, most state programs invest too little to help children catch up with their more advantaged peers by kindergarten. The NIEER *State of Preschool* yearbook reports on state-funded preschool programs. This year's report includes a special section on policies affecting Dual Language Learners (DLLs), summarized below.

State funding per child was $5,008, a slight decline from 2015 -16…

Nationwide, state-funded preschool program enrollment exceeded 1.5 million children, 33 percent of 4-year-olds and 5 percent of 3-year-olds. State funding for preschool rose two percent to about $7.6 billion, an almost $155 million increase (adjusted for inflation), since 2015-2016. State funding per child was

$5,008, a slight decline from 2015-16 adjusted for inflation. Three state funded preschool programs met all 10 new quality standards benchmarks. Ten programs met fewer than half, and seven states do not invest any state dollars into preschool.

Maryland is investing less in pre-K and enrolling fewer children…

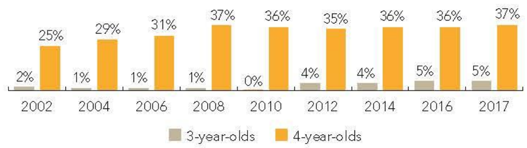
According NIERR's April 18, 2018's press release[v], "A new state-by-state report shows more young children enrolled in public pre-K programs nationwide, with Maryland investing less in pre-K and enrolling fewer children". Maryland pre-K enrolled about 37% of 4-year-olds and almost 5% of 3-year-olds statewide. State investment in pre-K fell nearly $2 million (adjusting for inflation) and state spending per child ranked toward the bottom nationwide. Maryland supplemented state spending with local support and a federal Preschool Development grant. Maryland has no policies to support early learning for Dual Language Learners. "Our report highlights which states invest best in their young children and which leave too many children behind," said NIEER Senior Co-Director Steven Barnett. "Preschool enrollment in Maryland has been relatively flat for the past several years. The state should commit to expanding access further to avoid leaving children behind."

MARYLAND STATE PROFILE: NIEER 2017 REPORT

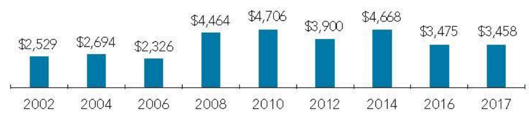
The following are the Maryland State Profile Pages from the State of Preschool 2017 report.

Maryland

PERCENT OF STATE POPULATION ENROLLED



STATE SPENDING PER CHILD ENROLLED
(2017 DOLLARS)



Maryland created the Extended Elementary Education Program (EEEP) in 1980 as a pilot preschool program in Baltimore City and Prince George's County. The 2002 Bridge to Excellence in Public School Act created the Maryland Prekindergarten Program, which required all local boards of education to increase pre-kindergarten enrollment in public schools to all 4-year olds from families with incomes at or below 185% of the federal poverty level (FPL) by the 2007-2008 school year.

In an effort to expand pre-K to children above 185% FPL, Maryland, in 2014, enacted the Prekindergarten Expansion Act, adding an additional $4.3 million per year to increase access to half-day and full-day public pre-K for 4-year-olds from families with household incomes at or below 300% FPL. This funding was extended to provide an additional $3.7 million in 2017-2018. In 2014, Maryland was awarded a Preschool Development Grant (PDG) of $15 million per year through fiscal year 2017. These funds, which can be used to support children from families with incomes at or below 200% FPL, have been used to serve 3,530 children in the state pre-K program. In 2016-2017, a total of 31,382 children participated in the Maryland Prekindergarten Program.

In addition to public prekindergarten, Maryland has 52 early learning centers of distinction known as Judy Centers, which are located in Title 1 school districts. The Judy Centers work collaboratively with select elementary schools to offer comprehensive, year-round services for children from birth to age 6.

The Division of Early Childhood Development (DECD), housed in the Maryland State Department of Education (MSDE), is responsible for early care and education in Maryland. Funding for the Maryland Prekindergarten Program is based on the K–12 per pupil amount, prorated for the percent of children attending half- and full-day programs.

Maryland's Division of Early Childhood Development, Early Learning Branch, monitors pre-K programs annually using a self-developed checklist. Through the required participation in Maryland EXCELS, the state's QRIS, pre-K programs are able to access targeted technical assistance, both online and face-to-face.

ACCESS RANKINGS		RESOURCE RANKINGS		TOTAL BENCHMARKS MET	
4-YEAR-OLDS	3-YEAR-OLDS	STATE SPENDING	ALL REPORTED SPENDING	CURRENT STANDARDS	NEW STANDARDS
13	16	34	12	8	7

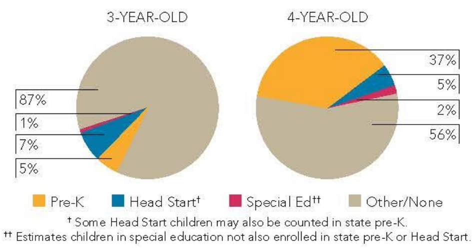
THE STATE OF PRESCHOOL 2017 - STATE PRESCHOOL YEARBOOK - NATIONAL INSTITUTE FOR EARLY EDUCATION RESEARCH - WWW.NIEER.ORG

MARYLAND PREKINDERGARTEN PROGRAM

ACCESS

Total state pre-K enrollment 31,382
School districts that offer state program 100%
Income requirement .... 185% FPL
Minimum hours of operation .... 2.5 hours/day; 5 days/week
Operating schedule .... School or academic year
Special education enrollment, ages 3 and 4 8,359
Federally funded Head Start enrollment, ages 3 and 4 8,393
State-funded Head Start enrollment, ages 3 and 4 0

STATE PRE-K AND HEAD START ENROLLMENT AS PERCENTAGE OF TOTAL POPULATION



† Some Head Start children may also be counted in state pre-K.
†† Estimates children in special education not also enrolled in state pre-K or Head Start.

QUALITY STANDARDS CHECKLIST

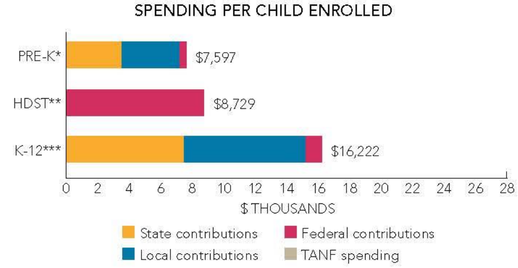
POLICY	MD PRE-K REQUIREMENT	CURRENT BENCHMARK	MEETS CURRENT BENCHMARK?	NEW BENCHMARK	MEETS NEW BENCHMARK?
Early learning & development standards	Comprehensive, aligned, supported, culturally sensitive	Comprehensive	✓	**Comprehensive, aligned, supported, culturally sensitive**	✓
Curriculum supports	Approval process & supports	New in 2015-2016	—	**Approval process & supports**	✓
Teacher degree	BA	BA	✓	**BA**	✓
Teacher specialized training	ECE	Specializing in pre-K	✓	**Specializing in pre-K**	✓
Assistant teacher degree	HSD	CDA or equivalent	☐	**CDA or equivalent**	☐
Staff professional development	6 credit hours/5 years (teachers); 24 hours/year (assistants); PD plans	For teachers: At least 15 hours/year	✓	**For teachers & assistants: At least 15 hours/year; individual PD plans; coaching**	☐
Maximum class size	Average of 20 (3- & 4-year-olds)	20 or lower	☐	**20 or lower**	☐
Staff-child ratio	1:10 (3- & 4-year-olds)	1:10 or better	✓	**1:10 or better**	✓
Screening & referral	Vision, hearing, health & more; Support services	Vision, hearing, health & at least one support service	✓	**Vision, hearing & health screenings; & referral**	✓
Meals	Lunch	At least one meal/day	✓	**Discontinued**	—
Monitoring/ Continuous quality improvement system	Structured classroom observations; Data used for program improvement	Site visits	✓	**Structured classroom observation; program improvement plan**	✓
			8		7

RESOURCES

Total state pre-K spending $108,517,098
Local match required? .... No
State Head Start spending $1,800,000
State spending per child enrolled $3,458
All reported spending per child enrolled* $7,597

* Pre-K programs may receive additional funds from federal or local sources that are not included in this figure.
** Head Start per-child spending includes funding only for 3- and 4-year-olds.
*** K-12 expenditures include capital spending as well as current operating expenditures.

SPENDING PER CHILD ENROLLED



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State of Preschool 2017 Supplemental Report on Dual Language Learners[vi]

….participation in preschool that meets their specific learning needs is critical to prepare DLLs to thrive in kindergarten.

The 2016-2017 State of Preschool survey included supplemental questions intended to better understand policies to support dual language learners (DLLs) in state-funded preschool. Nationwide, DLLs comprise about 23% of the preschool-aged population. Dual language learners live in every state. The report shows that most state preschool programs do not collect data on children's home language, which makes it difficult to implement policies to support effective classroom practices for DLLs. Most state preschool programs do have some policies in place to support DLLs, but these policies vary widely across state programs in both quality and quantity. With non-English speaking families making up a disproportionate share of low-income households, participation in preschool that meets their specific learning needs is critical to prepare DLLs to thrive in kindergarten.

Research has found that young DLLs particularly benefit from participation in high-quality preschool programs, making access an important issue. Information on participation by children's home language—knowing how many DLLs are in the general population and how many are enrolled in the state preschool program—is a starting place for understanding and increasing access.

Unfortunately, only 26 state-funded preschool programs in 24 states and Guam collect data on child home language. In those states, on average, 29% of children in state preschool were DLLs; whereas nationwide, about 23% of the preschool-aged population are DLLs. Maryland does not collect data on child home language.

When state preschool enrollment is restricted by income and other risk factors, DLL children would be expected to represent a higher percentage of preschool enrollment as they are disproportionately represented in low-income populations. Eleven of the programs that report enrollment of DLLs determine preschool eligibility by age only. In seven of these states, DLL enrollment in preschool is relatively consistent with, or surpasses, the proportion of DLLs in the state population. Authors notes that this is positive.

Across all 60 state preschool programs nationwide, 32 target low-income populations. Nineteen state preschool programs use non-English home language as an eligibility criterion, including five programs that also reported information on children's home language. In four of these five programs, the percentages of DLLs in state preschool exceeds the percentage of DLLs in the state population.

Six states with a high proportion of DLLs in their populations also have high DLL enrollment in state preschool: California, Illinois, Nevada, New Jersey, New Mexico, and Texas. However, several states with high populations of DLLs—including Arizona, Florida, and New York—cannot report the home language of children enrolled in their state-funded preschool programs.

Five states report a substantially lower DLL enrollment in state preschool than expected given the proportion of DLLs in their general populations: Georgia, Hawaii, Iowa, Massachusetts, and Oklahoma.

Three states with a low proportion of DLLs in the population report a relatively high enrollment of DLLs in preschool: Oregon, Rhode Island, and Washington.

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Appendix C: Item 6

Identify options for improvements to and enhancement of child care quality for diverse learners

Summary

Maryland could develop any of the research-based policies related to supporting preschool DLLs described below. Any progress in developing and implementing policies for preschool DLLs, their families or their teachers would begin to improve and enhance child care quality for diverse learners, narrowly defined by DLL status due to the scope of this project.

State of Preschool 2017 Supplemental Report on Dual Language Learners[vii]

Maryland has no policies in place to support preschool DLLs, their families, or their teachers, as identified in the report supplement.

NIEER's 2016-2017 State of Preschool[viii] survey included supplemental questions intended to better understand policies to support dual language learners (DLLs) in state-funded preschool. The report examined the enrollment of DLLS in state-funded preschool (summarized in Item 5), policies to support DLLs in state preschool, policies to support families of preschool DLLs, and qualifications of staff working with preschool DLLs. As noted in Item 5, most state preschool programs do have some policies in place to support DLLs, but these policies vary widely across state programs in both quality and quantity. Maryland has no policies in place to support preschool DLLs, their families, or their teachers.

Policies to Support DLLs in State Preschool

Maryland has none of policy requirements identified in the report related to supporting preschool DLLs.

Thirty-five state preschool programs have specific policies to support DLLs. These policies include:

- Requiring approved written plan for supporting DLLS;
- Allocating extra funding for serving DLLS;
- Permitting bilingual instruction;
- Focusing monitoring on the quality of bilingual instruction;
- Screening children in their home language;
- Assessing children in their home language;
- Placing DLS in classes with other children with the same home language;
- Expecting policies to support families of preschools DLLs; and
- Requiring staff to have the training and/or qualifications to work with DLLs.

These policies vary widely across the states. All 35 programs permit bilingual instruction. However, only four states expect programs to group DLLs together in classrooms which can provide an opportunity for targeting specialized supports and reduce children's sense of isolation. This practice can also lead to language segregation if not combined with guidance on ensuring mixed home languages in the classroom. States that stand out for having at least seven of the nine DLL policies include Kansas, Maine, Minnesota Head Start, Nevada, and Texas. Of these states, only Nevada and Texas have a high population of DLLs. However, other high DLL population states, have important policies in place. The California TK program, for example, requires written program plans for serving DLLs, provides extra funding for serving DLLs, monitors quality of DLL supports, and mandates specialized training for teachers working with DLLs. Maryland has none of policy requirements identified in the report related to supporting preschool DLLs.

Policies to Support Families of Preschool DLLs

Maryland has none of policy requirements identified in the report related to supporting families of preschool DLLs.

Family engagement in young children's learning and education has long been an expectation for effective preschool. Family engagement can be particularly challenging when family members do not speak English.

Thirty-three state preschool programs have at least one specific policies to support families of DLLs. These policies include:

- Requiring recruitment, enrollment, and outreach information be provided in the family's home language;
- Requiring communication with the family about the program or child in the family's home language;
- Requiring the collection and use of information on language inputs in the home (e.g., a home language survey); and
- Implementing other policies to support families of DLLs.

Thirteen state preschool programs require all three of the family support policies identified in the report: use of home language in recruitment, use of home language in program communications, and systematic collection and use of information on home language: Alabama, California (SPP & TK), District of Columbia, Iowa (Shared Visions and SWVPP), Kansas Preschool, Maine, Nevada, New Mexico, New York, Texas, and West Virginia.

Two states with lower than expected DLL preschool enrollment considering their DLL population (Hawaii and Oklahoma) do not require that programs translate recruitment information into the home languages of those eligible. Twenty-six programs require recruitment information to be provided in families' home languages. Twenty state programs require communications about a child to be shared in the family's home language, and 23 have policies to collect and use information gathered about the language inputs in the home (e.g. a home language survey). Maryland has none of policy requirements identified in the report related to supporting families of preschool DLLs.

Policies Related to Preschool Staff Qualifications for Working with DLLs

Maryland has none of policy requirements identified in the report related to preschool staff qualifications required for working with DLLs.

Qualified teachers are key to providing the high-quality early learning experiences that help prepare young children for kindergarten. The authors of the report argue that preschool effectiveness for DLLs will be higher when teaching staff have specific knowledge and skills to support the unique learning and development needs of DLLs. The report identifies the following policies related to preschool staff qualifications for working with DLLs:

- Bilingual staff are required if a specified percentage of children speak the same non-English language;
- Specific training or qualifications related to working with DLLs is required;
- Lead teachers are required to have a bilingual certification/license endorsement; and
- Tracking of the percent of teaching staff fluent in a language other than English.

Only nine state preschool programs have even one policy relating to staff qualifications for teachers of DLLs. Six programs can report whether teachers are fluent in a language other than English, but none of these have specialized staffing requirements relating to DLLs. Delaware, Illinois, and Oregon's supplemental Head Start program require bilingual staff in the classroom if a specified percentage of the children speak the same non-English home language. Six state programs require lead teachers to have specific training to work with DLLs, and three of these require lead teachers to have a bilingual certification or license (California TK, Illinois, and Texas). No states require specific training for teacher assistants—even though the assistant teacher more often speaks the home language of DLL children. Maine does not require DLL training for teaching staff but does require it for program administrators. Maryland has none of policy requirements identified in the report related to preschool staff qualifications required for working with DLLs.

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Appendix D: Bibliography for Items 4, 5, and 6

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About Foundations for Families:

Foundations for Families is a woman-owned consulting, training and technical assistance company that provides services to the birth to eight early education and care community. Our mission is to support families and strengthen communities by promoting excellence in systems of early education, community-based organizations, and individual service providers.

Our experienced consulting team brings expertise, academic credentials, up-to-date research, and regulatory knowledge to every project. Engaging trainers deliver high-quality, cost effective training to early childhood programs in the DC/MD/VA area in English and Spanish.

In addition to program management, financial operations, and program technical assistance, we offer specific capabilities in Head Start, Early Head Start, Early Head Start-Child Care Partnership startup/implementation and Designation Response System response/grant writing. Through our DRS and EHS-CCP blogs, we bring you insights on the latest research and regulations in Head Start and Early Head Start.

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[i] www.oecd.org

[ii] See Childcare Policies link. http://www.oecd.org/els/benefits-and-wages-policies.htm

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July 31, 2018

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