

A Report by the Rate and Quality Workgroup

August 15, 2022

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Executive Summary

The Rate and Quality Workgroup was established under AB-131 (codified as Welfare and Institutions (WIC) Code 10280.2) to assess the methodology for establishing reimbursement rates and the existing quality standards for child care and development and preschool programs and to make related recommendations. The Rate and Quality Workgroup included early learning and care¹ providers, alternative payment providers, child care experts, families, and state agency representatives. **The recommendations in this report reflect those of the Workgroup and not those of the California Department of Social Services or the California Department of Education.** The Rate and Quality Workgroup convened over a dozen times between January and August 2022, and members reviewed extensive materials and provided comments as recommendations were developed.

Building on its statutory charge, the Rate and Quality Workgroup established a vision and values to inform its work.

Vision: *California will create a Single Reimbursement Rate structure that addresses quality standards for equity and accessibility while supporting positive learning and developmental outcomes for children.*

Values: *equity, quality, children and families, early educators, and accessibility*

The Rate and Quality Workgroup recognized that to establish a reimbursement rate structure that supports positive outcomes for children, families, and the early learning and care workforce, California must first acknowledge and address the systemic racism, classism, sexism, and stereotypical beliefs embedded in current early learning and care funding and policies.

Over time, these policies and structures have yielded an **early learning and care market failure**. In response to this context and its statutory charge, and guided by its vision and values, the Rate and Quality Workgroup assessed the current rate-setting methodology and developed recommendations for the state to advance equity, accessibility, and positive outcomes for children, families, and educators.

¹ Statute (Welfare and Institutions (WIC) Code 10280.2) uses the terms “California’s child care and development and early learning system” and references “child care and development and preschool programs.” For consistency throughout this report, and in alignment with the Master Plan for Early Learning and Care, the Workgroup will use the term “early learning and care.”

Assessment Findings

Despite the strengths and quality currently present in California’s early learning and care programs, and the critical and nurturing role that the predominately women of color workforce plays in educating and caring for California’s young ones, the current reimbursement rate-setting methodology establishes rates that are not sufficient to cover the true cost of providing early learning and care services in accordance with current state licensing and program quality requirements. The historic Standard Reimbursement Rate approach failed to account for or differentiate for the cost of meeting the various program quality standards required of different early learning and care programs. The current approach of using a Regional Market Rate survey of prices that programs are charging families institutionalizes race- and income-based inequities by establishing low rates in low-income areas where programs are offsetting their prices so that families can afford to pay. In addition, a history of opaque policy choices and changes have resulted in an exceptionally complex and unaligned set of base rates and adjustment factors that are virtually un navigable by programs, educators, and families. The result is inequitable access to early learning and care opportunities that meet child and family needs, and exceptionally low compensation for program owners and educators.²

Recommendations

The Rate and Quality Workgroup has identified specific equity considerations and recommendations, including the need to elevate the voices of early educators and families and the need to take a Targeted Universalism approach to implementing changes to California’s reimbursement rate and program quality systems. The Workgroup has identified four core recommendations, each of which are detailed in the full report and associated appendices.

1. **Ensure equity is foundational to all change**—Work toward equity as an outcome and implement equity as a process.³
2. Replace the current methodology of using a market price survey to set rates with an **alternative methodology**, which uses cost estimates/models to set base rates to compensate early learning and care programs. The cost of care for meeting current state requirements will become the basis of the reimbursement rate, including wage scales that set a living wage floor.

² U.S. Department of the Treasury. (2021). *The economics of child care supply in the United States*. <https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf>

³ Equity is the condition achieved when personal characteristics outside children/families’ control (e.g., race, ethnicity, gender, sexual orientation, ability status, religion, age, class) no longer statistically predict how they fare. As a process, equity is applied when children/families most impacted by structural inequity are meaningfully involved in the creation and implementation of the institutional policies and practices that impact them. See Appendix A for additional information on the Workgroup’s definition of quality.

3. Create a **single rate structure that specifies base rates** and that is designed to address historical inequities. This structure should specify separate base rates for Family, Friend, and Neighbor care and Home-Based and Center-Based early learning and care and should differentiate base rates for meeting different sets of state standards.
4. **Continuously evaluate** the rate-setting methodology **to address equity** and adjust for changing conditions and rising costs.

The Rate and Quality Workgroup has recognized that achieving comprehensive reimbursement rate and quality reform will require changes to systems and policies beyond its charge and focus. As such, the Workgroup has developed a set of broader recommendations to support rate and quality reform, including those related to systems; outcomes for children, families, and educators; accessibility; and alignment across programs.

The Workgroup proposes that its recommendations be implemented in three stages:

- Stage 1.** Increase reimbursement rates immediately, even before an alternative methodology can be implemented. Simultaneously, obtain federal approval for an alternative methodology and state change to delink subsidy rates from those charged to private pay families.
- Stage 2.** Implement a federally approved alternative methodology to set base rates that are informed by the cost of providing early learning and care services. Do not increase requirements on early learning and care programs and educators until the new base rate using the alternative methodology is fully funded.
- Stage 3.** Continuously evaluate the new alternative methodology and base rate and make appropriate changes and broader system investments based in part on this evaluation and recommendations laid out in the Recommendations Beyond August 2022 section.

California is poised to make considerable advancements for its children, its families, and the tireless early educators who serve them by creating a Single Reimbursement Rate structure that addresses quality standards for equity and supports positive learning and developmental outcomes for children. By fully implementing the recommendations contained in this report, California will make considerable progress in providing quality, easily accessible early learning and care opportunities for the diverse range of children and families who call California home and for compensating and valuing the early educators who serve them.

1. Introduction

California has made major strides to expand services and supports for young children and their families. Governor Newsom stated, “Every child in California deserves a shot at opportunity. By investing in the development and learning needs of our kids, with a focus on equity, we are investing in the future of our state.”⁴ He went on to indicate that it is key that California’s implementation of the Master Plan for Early Learning and Care “centers on the success of our youngest Californians, their families, and the communities and caregivers that lift them up.”

Early learning and care are critical, as they can have a positive effect on numerous aspects of children’s development,⁵ child outcomes later in life, and family outcomes.⁶ Additional commitments by the Newsom Administration and Legislature have recognized the need to support the adults working with young children and to finance early learning and care programs in a way that allows these programs to offer quality learning experiences and environments that meet the diverse needs of California’s young (birth to age 5) and school-aged children.

To make progress toward these goals, the Administration and the California State Legislature enacted into law AB-131 (codified as Welfare and Institutions (WIC) Code 10280.2), requiring in part that California shall establish a Joint Labor Management Committee (JLMC) comprising representatives of the State and the Child Care Providers United Union – California (CCPU) to develop recommendations for a Single Reimbursement Rate structure⁷ that addresses quality standards for equity and accessibility while supporting positive learning and developmental outcomes for children. The JLMC shall develop the recommendations described in paragraph (1) and shall present the recommendations to the Department of Finance no later than

⁴ Office of Governor Gavin Newsom. (2020, December 1). *Governor Newsom releases the Master Plan for Early Learning and Care: California for All Kids* [Press release]. <https://www.gov.ca.gov/2020/12/01/governor-newsom-releases-the-master-plan-for-early-learning-and-care-california-for-all-kids/>

⁵ Nurturing relationships and supportive learning and care environments not only support early language, literacy, and numeracy but also foster the development of executive functioning skills and social–emotional skills. Melnick, H., Tinubu Ali, T., Gardner, M., Maier, A., & Wechsler, M. (2017). *Understanding California’s early care and education system*. Learning Policy Institute.

⁶ Sabol, T. J., & Chase-Lansdale, P. L. (2015). The influence of low-income children’s participation in Head Start on their parents’ education and employment. *Journal of Policy Analysis and Management*, *34*(1), 136–161. <http://www.jstor.org/stable/43866090>

⁷ A reimbursement rate structure describes the collection of federal and state policies/regulations that defines how child care and development programs receive state subsidies and payments.

November 15, 2022, to inform the Governor’s proposed budget for the 2023–24 fiscal year, which will be presented to the Legislature by January 10, 2023.

Importantly to this report, AB-131 also directed the California Department of Social Services (CDSS), in consultation with the California Department of Education (the CDE), to convene a Workgroup to assess the methodology for establishing reimbursement rates and the existing quality standards for child care and development and preschool programs. This assessment must be informed by evidence-based elements that best support child development and positive child outcomes.

The Workgroup provides recommendations to the Rate and Quality JLMC, the Department of Finance, and the Joint Legislative Budget Committee by August 15, 2022.

The CDSS, in consultation with the CDE, convened the Rate and Quality Workgroup beginning in January 2022. The members of the Workgroup include, but are not limited to, representatives from CCPU, administrator representatives of state-funded Center-Based contractors, child care and development experts, family representatives, a Head Start representative, an Alternative Payment Program agency representative, and representatives from the administration.⁸ The Workgroup has met over a dozen times between January and August 2022. The findings and recommendations contained in this report reflect those of the Workgroup members, and not necessarily those of the CDSS or the CDE.

Statute (Welfare and Institutions [WIC] Code 10280.2) uses the terms “California’s child care and development and early learning system” and references “child care and development and preschool programs.” For consistency throughout this report, and in alignment with the Master Plan for Early Learning and Care, the Workgroup will use the term **early learning and care**.

Established by AB-131, the Rate and Quality Workgroup recognizes that to assess and establish the reimbursement rate structure for a Single Reimbursement Rate that addresses quality standards for equity and accessibility while supporting positive learning and developmental outcomes for children, as outlined in statute above, California must first acknowledge the systemic racism, classism, sexism, and stereotypical beliefs embedded in current child care funding and policies. As eloquently stated by the authors of *Mary Pauper: A Historical Exploration of Early Care and Education Compensation, Policy, and Solutions*,

⁸ See Acknowledgements for a list of Workgroup members.

The U.S. was founded on racist and sexist ideologies including the theft of land and labor and the superiority of White patriarchal culture. These ideas have been reflected in laws and policies over the centuries. The devaluing of child care reflects a longstanding public perception of child care as “women’s work”—an unskilled, domestic task not deserving of respect or adequate compensation. This has been especially true for women who are minoritized and women of color, who have been “literally and effectively coerced into domestic labor” for centuries, for little or no compensation. These issues are also inextricably bound in class.⁹

The Rate and Quality Workgroup recognizes that while facing these conditions the early learning and care workforce, composed of predominantly women of color, have carried the system on their backs. They have loved and nurtured and educated generations of our children and enabled families to work with the assurance their children were cared for. They have been essential workers during the COVID-19 pandemic and have held the system together despite being compensated at some of the lowest levels in the state, facing extreme economic insecurity, lacking employee representation or protection (until recently), and facing considerable risks to their health and the health of their families.¹⁰

Black, Indigenous, Latina,¹¹ and other women of color have been systematically disadvantaged around both access and affordability of early learning and care for their children and with regard to wages, benefits, and compensation when it comes to the care and education they provide for other people’s children (see Section 3.A.).¹²

⁹ Lloyd, C. M., Carlson, J., Barnett, H., Shaw, S., & Logan, D. (2021). Mary Pauper: A historical exploration of early care and education compensation, policy, and solutions. *Child Trends*.

¹⁰ Powell, A., Chávez, R., Austin, L. J. E., Montoya, E., Kim, Y., & Petig, A. C. (2022). “The forgotten ones”—The economic well-being of early educators during COVID-19 [Brief]. Center for the Study of Child Care Employment. <https://cscce.berkeley.edu/publications/brief/the-forgotten-ones-the-economic-well-being-of-early-educators-during-covid-19/>

¹¹ Because the early learning and care workforce is overwhelmingly composed of women, we use the gender-specific term “Latina” to describe members of the early learning and care workforce who identify as Hispanic, Latino/a, or Latinx.

¹² Adapted from Lloyd, C. M., Carlson, J., Barnett, H., Shaw, S., & Logan, D. (2021). Mary Pauper: A historical exploration of early care and education compensation, policy, and solutions. *Child Trends*.

In the mid twentieth century, women began entering the formal workforce (outside of the home) in far greater numbers than even before.¹³ While White women were often employed in service-sector or office jobs, Black women and other women of color often filled positions that enabled White women to participate in the formal workforce or in leadership positions within the care sector. Many of these positions included domestic work and child care.¹⁴

Women of color comprise most home- and Center-Based early educators in California.¹⁵ Centuries of racist and sexist policies have resulted in chronic underfunding for early learning and care programs and an overall failure of government to treat early learning and care services as a public good.¹⁶

The result, in addition to inadequate compensation for early educators, is unequal access to early learning and care services for children and families, particularly for families of color. Not only is affordability a challenge for families with low incomes, but often the programs and services they are able to access do not provide early learning and care opportunities at the times of day or locations that allow families to work (such as full-day programs and care during nontraditional hours) and children to experience continuity.

Over time, these policies and structures described above have resulted in an **early learning and care market failure**. “Market failure” is an economic term for the inefficient distribution of goods and services in a free market. The U.S. Department of the Treasury notes that the following factors contribute to the market failure of early learning and care:

- Quality early learning and care services benefit society by supporting overall positive child development outcomes and supporting families’ abilities to work.
- Most families are unable to pay for the cost of quality early learning and care for their children.
- Early learning and care programs do not receive sufficient revenue, either by private fees collected from families or by the public subsidy system, to meet the true cost of providing quality care, having the impact of limiting the extent to which families can access care and learning opportunities for their children.

¹³ Lloyd et al., 2021.

¹⁴ Minoff, E. (2020). *The racist roots of work requirements*. Center for the Study of Social Policy. <https://cssp.org/wp-content/uploads/2020/02/Racist-Roots-of-Work-Requirements-CSSP-1.pdf>

¹⁵ Powell, A., Montoya, E., & Kim, Y. (2022). *Demographics of the California ECE workforce*. Center for the Study of Child Care Employment. Retrieved July 26, 2022, from <https://cscce.berkeley.edu/publications/data-snapshot/demographics-of-the-california-ece-workforce/>; Smith, L., McHenry, K., Morris, S., & Chong, H. (2021). *Characteristics of the child care workforce*. Bipartisan Policy Center. <https://bipartisanpolicy.org/blog/characteristics-of-the-child-care-workforce/>

¹⁶ Gould, E., & Blair, H. (2020). *Who’s paying now? The explicit and implicit costs of the current early care and education system*. Economic Policy Institute. <https://www.epi.org/publication/whos-paying-now-costs-of-the-current-ece-system/>

- Early learning and care educators are underpaid. In part, this is because early learning and care educators are disproportionately women of color who are undervalued and underpaid in the labor market broadly.

As a result, the private market fails to adequately provide enough quality early learning and care services to families (both those who receive subsidies and those who privately pay for their children’s care). Accordingly, the federal and state governments intervene—but in doing so, institutionalize elements of the market failure in the reimbursement rate system (see Section 2.A.). The list below describes how the federal and state governments contribute to institutionalizing the market failure in the reimbursement rate system:

- The current institutionalized structure for rate setting, using a Regional Market Rate survey, sets rates based on prices charged to families, which programs often deflate based on families’ abilities to pay. This regionalized rate-setting structure institutionalizes low rates in low-income areas.
- Government subsidies and current levels of public investment fail to provide sufficient funding to cover the cost of providing quality early learning and care.
- Government has not invested sufficient funds to ensure families can afford child care.
- Early learning and care programs make ends meet by limiting the compensation and benefits provided to their staff or themselves.
- There is a shortage of licensed child care programs and early learning and care opportunities for the children and families that need them.

This market failure hurts everyone: children and families; educators and programs; public, private, and civic institutions; and communities as a whole. The impacts of these failures are disproportionately felt by low-income women of color, from the family fees they pay to utilize early learning and care services for their children to the low wages they receive when providing these services themselves.

California has an opportunity to do things differently.

The Rate and Quality Workgroup seeks to assess and dismantle a racist, sexist, and classist methodology for setting reimbursement rates for early learning and care programs. The Rate and Quality Workgroup’s efforts are driven by its core values: equity, quality, positive well-being of children and families and early educators, and accessibility. With these in mind, the assessments and recommendations presented in this report strive for an early learning and care funding methodology in California that combats systemic inequity and racism, addresses the

existing market failure and lack of federal and state investment, and maximizes early learning and care as a public good.

For the Rate and Quality Workgroup to successfully meet its charge, **the voices of those most impacted by the early learning and care systems—families and educators—**must be at the center of its work. This work is also contingent on **strengthening authentic choices for families** and **strengthening the mixed-delivery system**¹⁷ of early learning and care services across a range of settings (e.g., small and large Home-Based programs, community-based centers, school-based centers) that meet the diverse needs of families (see also the list of state-subsidized programs in Appendix A). As detailed in the recommendations contained in this report, the Workgroup proposes an ongoing process to assess the state’s early learning and care funding for equity, including through hearing and being responsive to the experiences of families and educators.

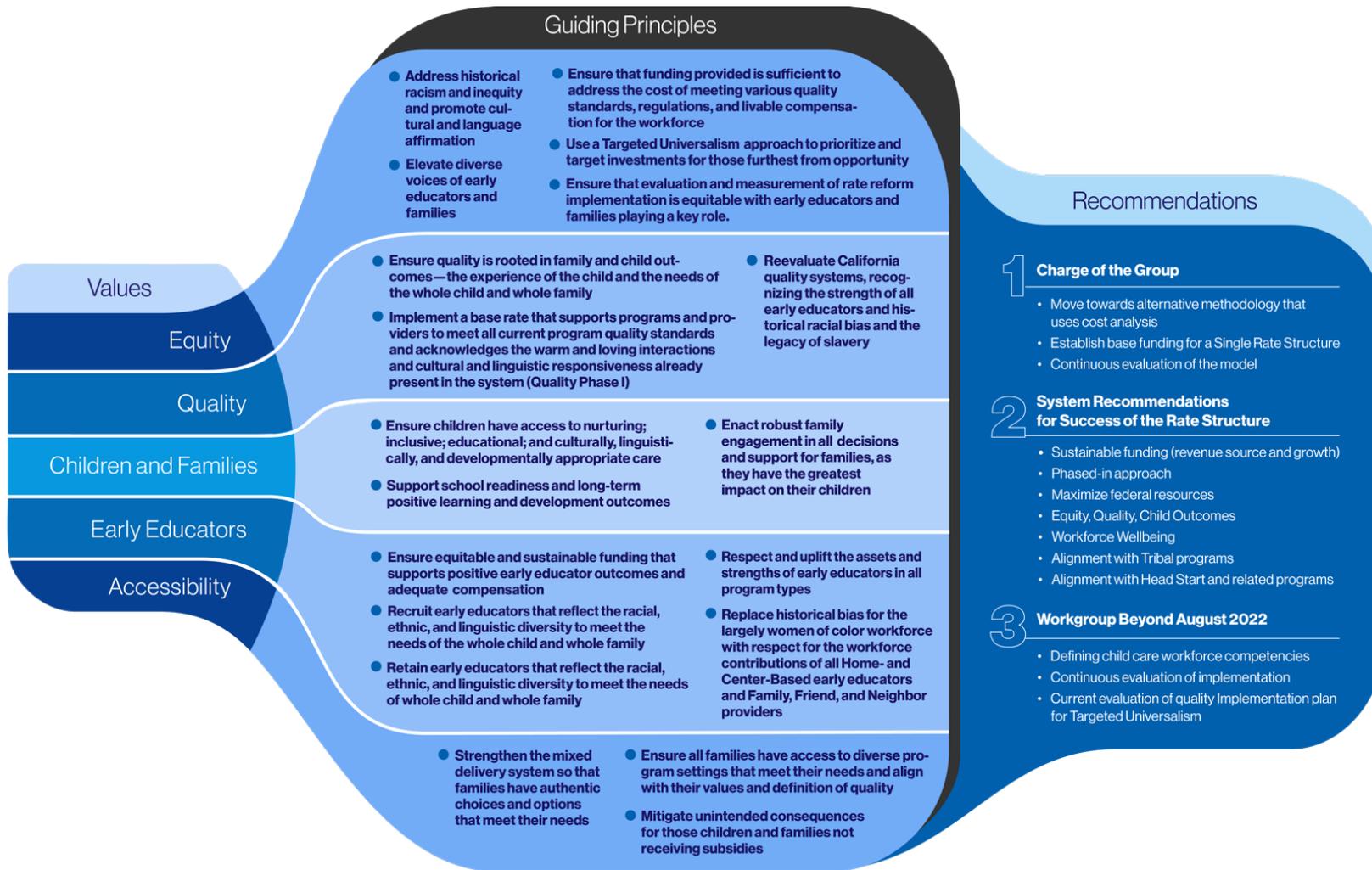
1.A. Rate and Quality Workgroup Vision and Guiding Principles

The Rate and Quality Workgroup’s vision is that **California will create a Single Reimbursement Rate structure that addresses quality standards for equity and accessibility while supporting positive learning and developmental outcomes for children.**

The Rate and Quality Workgroup has defined a set of core values to uplift and incorporate throughout its work. These values align closely with its [statutory charge](#), which identifies equity, accessibility, child development and positive child outcomes, and accounting for the diversity of California’s early educators as some of the key factors that should guide and inform the assessments and recommendations produced by the Rate and Quality Workgroup. For each value, several guiding principles are identified that indicate how the Rate and Quality Workgroup intends to apply each value in the context of its statutory charge (see Figure 1).

¹⁷ California has a mixed child care and development delivery system, designed to provide families the flexibility to select the type of subsidized care that works best for their family in either child care center or home settings. This can include programs for children from birth through 12 years old (see the definition of state-subsidized programs in Appendix A).

Figure 1: Rate and Quality Workgroup Values and Guiding Principles



Note: This figure is fully described in Appendix J

2. Assessment of the Current State Methodology for Establishing Reimbursement Rates

The Rate and Quality Workgroup is charged with assessing California’s current methodology for establishing reimbursement rates and the existing quality standards for child care and development programs and preschool programs. This section of the Rate and Quality Workgroup’s report presents the historical context for the current reimbursement rate system and methodology. The section then presents an evidence-informed assessment of inequities within the current system as they pertain to quality of and access to early learning and care services. Finally, this section outlines a path toward a single rate structure that addresses these inequities.

2.A. Background and Context on Setting Reimbursement Rates

In California, rate setting for direct service contracts is governed by the CDE Management Bulletin 22-01 and CDSS Child Care Bulletins CCB 21-26/CCB 21-26E (which specify reimbursement rate categories and adjustment factors as of August 2022), and it is additionally impacted by the CCPU California Agreement. Provider reimbursements are governed by Title 5 of the California Code of Regulations (5 CCR) Section 18075.

Historically, California has had two different and unaligned systems for reimbursing early learning and care programs: the Standard Reimbursement Rate (SRR) and the Regional Market Rate (RMR). Some state subsidy programs reimbursed early learning and care programs using an RMR that varied by county and was determined based on a periodic price survey (see below for details). These programs required early learning and care programs to meet the standards outlined in Title 22 of the California Code of Regulations or be exempt from licensure. Other state subsidy programs reimbursed early learning and care programs using a flat SRR. These

programs also required early learning and care programs to meet the Title 22 Regulations or school district standards as well as additional program standards outlined in Title 5 of the CCR.

This section outlines how those reimbursement rate structures worked and the history of rate reform efforts that resulted in the current system.

Overview of the Regional Market Rate and Standard Reimbursement Rate

Regional Market Rate

State subsidy programs not historically reimbursed using the SRR, such as voucher-based programs like CalWORKs and the Alternative Payment Program, follow Title 22 Regulations. These programs are funded in part by CCDBG, which requires states to set payment rates that child care programs receive for serving subsidy-eligible children. States must assess the cost of delivering quality services and use this information to set rates. Before 2014, states were required to implement a statistically valid and reliable survey of the market rates (e.g., prices charged) for child care services that considered variations in the cost of these services by geographic area, type of program, and age of child. This survey was previously administered by the CDE until the transition of child care and development programs to CDSS on July 1, 2021. The lead agency for CCDBG in California is now CDSS.

In California to date, the RMR survey has collected data about the prices that early learning and care programs charge for nonsubsidized care, in addition to other information. In California, this information is then used by the Legislature to determine the reimbursement ceilings for each county, determine ceilings across different early learning and care settings (e.g., centers, family child care homes), and used to determine ceilings based on other characteristics of the services provided (e.g., part-day, full-day, age group). CCDBG regulations require the use of the most recent survey in determining reimbursement ceilings, but states have flexibility in how they use the survey results. Specifically, states can set reimbursement ceilings at a certain percentile of the full distribution of prices charged by programs, as captured by the survey. States are also required to complete the survey no earlier than 2 years before submitting the state's CCDBG plan, which must be completed every 3 years.

As of June 2022, the reimbursement ceilings in California are based on the 2018 RMR survey, inclusive of a hold harmless provision. Through a competitive request for applications, the firm ICF Macro was selected to conduct the 2018 iteration of the Regional Market Rate Survey and its six previous iterations. Despite serious questions about equity and transparency in previous iterations, the 2018 Market Rate Survey employed the same sampling and analysis methods developed for and utilized in previous survey iterations. A full description of the survey

methodology can be found in the [2018 Regional Market Rate Survey of California Child Care Providers Full Findings Report](#).¹⁸

Standard Reimbursement Rate

Until January 1, 2022, California used the SRR for most direct contract programs that follow Title 5 standards, including the California State Preschool Program (CSPP), California Migrant Child Care (CMIG), and General Child Care (CCTR).¹⁹ California funded these programs primarily through nonfederal funding sources. Reimbursement to early learning and care programs for these programs was determined utilizing the SRR, the amount of which was specified in the annual Budget Act. The SRR was structured as a base rate with adjustment factors (e.g., multipliers) for length of service (hours enrolled per day) and specific populations (e.g., infants, children with severe disabilities, limited and non-English speaking). These adjustment factors were applied to the SRR on a per child basis as part of direct service contractors' process of reporting to the state.

The SSR was a single statewide rate with no regional variation (e.g., \$51.87 per day for CSPP just prior to the January 1, 2022, changes).²⁰ The SRR was also not linked to an evaluation of the costs associated with meeting the required program quality standards specified in Title 5 (e.g., costs associated with curriculum, child and environmental assessments, ratios, etc.). Furthermore, the SRR was not linked to a market rate survey (see the overview of the RMR above), so there was less pressure to raise the SRR in response to market changes. The SRR was subject to Cost of Living Adjustments (COLAs) pursuant to Education Code Section 42238.15. As a result, the SRR was lower for some programs than the rate they would have received through the RMR, even though the SRR-reimbursed programs were required to meet additional program quality requirements (in addition to licensing standards).

In 2021, the state took initial steps to address the separate rate structures and inadequate financing level by passing AB-131 (see History of Rate Reform below).

History of Rate Reform

California has a long history of early learning and care reimbursement rate reform efforts. The current reimbursement rate system reflects a patchwork of legacy changes and adjustments that, as described in the sections below, have resulted in institutionalized inequities.

¹⁸ The 2020 RMR survey was delayed because of the COVID pandemic and concerns over how program closures would affect the results.

¹⁹ In the 1970s and 1980s, the share of state investment in local child care and early education programs was increasing in California, and there was a call to develop a standard rate of reimbursement across the state due to inequities in the piecemeal rate-setting process that had happened between local agencies and the state up until that time. The Child Care and Development Services Act established the SRR in 1980.

²⁰ Some pilot counties had higher rates.

Legislative efforts to impact child care supply and demand and to restructure reimbursement rates date back to the early 2000s. In 2014, there was an attempt to implement a single reimbursement system that reflects the actual current cost of child care based on the most recent market rate survey and that increases payments to programs.

In 2018, a Reimbursement Rate Workgroup composed of key early learning and care interest holders outlined three phases in moving toward a single system: (a) regionalizing the SRR, (b) revising the RMR-setting methodology to be cost-based, and (c) incentivizing and compensating for quality. Since then, additional planning (including the Blue Ribbon Commission Report and the Master Plan for Early Learning and Care) and legislative attempts (SB-246 in 2021) have been carried out to establish a Single Reimbursement Rate system.

AB-131 (2021) and recent budget investments took initial steps toward unifying California's disparate SRR and RMR rate structures. AB-131 included a commitment to reforming the reimbursement rate system and made investments to begin moving toward a single rate system and a process for permanent rate reforms. AB-131 established the Rate and Quality Workgroup and the JLMC in part because of negotiations between the state and CCPU. Finally, AB-131 also resulted in the following increases to subsidy payment rates for child care programs:

- All subsidy payment rates to child care programs increased to the 75th percentile of the 2018 Regional Market Rate Survey (from the 75th percentile of the 2016 RMR for voucher-based programs and from the previous SRR rates for direct contract programs). Rate changes for both program types were applied so programs' rates were not less than they were before the increase.
- Reimbursement ceiling for Family, Friend, and Neighbor early educators changed to 70 percent of the commensurate family child care home rate.
- Child care providers received a subsidy payment supplement (from COVID-19 federal relief funding) for 2 years.
- AB-131 provided a 4.05 percent COLA to all direct contract programs, effective July 1, 2021.

Additional context on California's history of reimbursement rate reform can be found in Appendix F.

2.B. Assessment of Current Rate-Setting Methodology

The Rate and Quality Workgroup is charged with assessing the current reimbursement rate-setting methodology and program quality standards for equity and access. This report section provides key definitions of equity, accessibility, and quality; begins to unpack the root issues and policy choices that have institutionalized inequities within the reimbursement rate system and program quality standards; and describes some of the impacts these inequities have on child, family, and educator outcomes.

Definitions

Equity

Equity is both an outcome and a process. Equity starts with acknowledging and addressing historical inequities in early learning and care systems and how those furthest from opportunity have not fully benefited from the current system.

- As an outcome, equity is the condition achieved when personal characteristics outside of one's control (e.g., race, ethnicity, gender, sexual orientation, ability status, religion, age, class) no longer statistically predict how one fares (e.g., access to programs, developmental outcomes).
- As a process, equity is applied when those most impacted by structural inequity are meaningfully involved in the creation and implementation of the institutional policies and practices that impact them.²¹

A **Targeted Universalism** approach can achieve equity by prioritizing inputs and investments for those furthest from opportunity (see Appendix C). For more on how the Workgroup defines equity for children and families and equity for educators and programs, see Appendix A.

Accessibility

Accessibility must be considered from the perspective of children and families and for educators and programs.

- **For children and families**, accessibility (or availability) of early learning and care means that families, with reasonable effort and affordability, can enroll their child in an arrangement that supports the child's development and meets the family's needs.²² The Blue Ribbon Commission presents a universal goal for access, which indicates that California families at or below the State Median Income (SMI) would pay no more than 7 percent of their income on early care and education for children under the age of 6 regardless of whether they have access to subsidized child care, the state preschool program, or a federally funded program.²³
- **For educators and programs**, accessibility includes availability of professional learning opportunities and supports, fair compensation and benefits and program reimbursement, and pathways to career advancement or program quality improvement opportunities and infrastructure.

²¹ May 20, 2022, Workgroup presentation

²² American Institutes for Research. (2019). *California Preschool Grant Birth Through Five program needs assessment*. California Department of Education. <https://www.cde.ca.gov/sp/cd/re/documents/pdgneedsassessment.pdf>

²³ California Assembly Blue Ribbon Commission on Early Childhood Education. (2019). *Final report*. <https://speaker.asmdc.org/sites/speaker.asmdc.org/files/pdf/BRC-Final-Report.pdf>

Quality

Quality early learning and care must address whole-child and whole-family development and must be culturally and linguistically responsive and affirming. Quality early learning and care means safe, loving, and healthy learning environments in which staff are skilled, supported, and incentivized in acquiring or increasing their knowledge and skills to promote relationships, interactions, and activities that support all children’s growth and development to prepare them for school and life.²⁴

For more context on quality, see Section 3.C. and Appendix A.

Root Causes of Systemic Inequities

The Rate and Quality Workgroup’s assessment of the current methodology for rate setting starts with elevating the root causes of systemic inequities that permeate every aspect of the early learning and care landscape.

Systemic racism, classism, sexism, and stereotypical beliefs make up the foundation on which the early learning and care system was built (see Section 1 for additional information).

The **chronic undervaluing of “women’s work”** and racial bias against women of color contributed to low wages and low program reimbursement standards for the educators and programs providing these services. The **chronic judgment of women that work outside of the home and need care for their own children** resulted in limited access to early learning and care services for all women and children but especially for women of color, who historically disproportionately made up the group of women doing labor outside of the home, and their children.²⁵

An overarching devaluing of the voices of families and educators most impacted by early learning and care funding policies and program quality standards, grounded in the racism, classism, and sexism described above, has resulted in unjust systems that disproportionately limit access to policymaking tables for some groups.

A **history of opaque policy choices and changes** has resulted in an exceptionally complex and unaligned set of policies, reimbursement rates and adjustment factors, program standards, and rate-setting processes (e.g., the market rate survey) that are virtually unnavigable and incomprehensible to those most impacted by them.

These root causes also contributed to the **market failure**, described above, which in itself is a root cause of ongoing systemic inequities.

²⁴ American Institutes for Research. (2019). *California Preschool Grant Birth Through Five program needs assessment*. California Department of Education. <https://www.cde.ca.gov/sp/cd/re/documents/pdgneedsassessment.pdf>

²⁵ May 13, 2022, Workgroup presentation

Root-Cause Assessment of Inequities in Accessibility and Quality

Using the definitions provided above, and with an understanding of the reform history and the root causes of systemic inequities, the Rate and Quality Workgroup sought to assess the impact that the current reimbursement rate–setting methodology and current program standards have on accessibility and quality. This section assesses the impact of the current reimbursement rate–setting methodology and current program standards on outcomes for children, families, and early educators.

Accessibility

As described in the Introduction, there is an early learning and care **market failure** in California and nationwide. The market failure results because the supply of quality early learning and care services is lower than the demand for these services, and the cost of care is higher than most families can afford, limiting the ability of families to access the services they need for their children.

The cost of care is often not something that private programs can meet with fees from the families, including fees from those who are low income and just above eligibility for subsidy. Providers cannot afford to offer a high-quality program with equitable access. Not receiving a rate based on the cost of care for subsidized families— even when that rate is higher than the rate that can be reasonably charged to private pay families —can impact a programs financial solvency and ability to remain open.

California’s state subsidy reimbursement rate structures have been woefully inadequate to address this market failure. The current rate-setting methodology perpetuates the low and inequitably distributed supply of early learning and care opportunities for children by setting rates based on a survey of prices in a failed market.

As described in Section 2.A., the current reimbursement rate methodology uses a market rate survey for rate setting, which reflects the prices that programs charge families. Programs set these prices at levels that families in their communities can afford rather than what it costs to provide the services. By surveying the prices that programs charge to families, California systemically and inequitably funds programs in areas where families cannot afford high tuition at lower rates than programs in higher-income communities.

This current methodology financially disincentivizes programs to open or expand, particularly in low-income areas, perpetuating the supply-and-demand issues that limit family access to services and educator and program access to equitable funding that covers the cost of offering services. The current approach also limits the ability of early learning and care programs to provide their staff with adequate compensation, as well as access to professional development.

The 2018 [Rate Reform White Paper](#) identified the following problems with California’s historically separate systems for reimbursing child care programs and state-contracted centers:

- Reimbursement rates have not covered the true cost of providing care across different economic regions of the state or of meeting program quality standards.
- Families are left with inauthentic choices because programs are inequitably resourced to meet quality standards.
- Early educators throughout the publicly funded and private markets have been undercompensated and have had limited support to participate in continuing education and ongoing professional learning.
- Low reimbursement rates resulted in an early educator shortage and contributed to excessive turnover as the incumbent workforce leaves the profession—thereby impacting the overall supply of early learning and care services and families’ abilities to access those services.²⁶

Under the current methodology, the reimbursement rates that programs receive vary depending on a number of factors, including the program standards they are required to meet, the ages of children they service, the geographic location in which they offer services, and the setting (e.g., Home-Based or Center-Based) in which they operate. The historic piecemeal layering of these rates and adjustment factors creates a system in which the reimbursement rate that some programs receive is further than others from the true cost of providing care, resulting in systemic inequities for certain programs and in certain geographies. Furthermore, even with the adjustment factors that are in place, rates and adjustment factors are not adequate to target the needs of programs or the costs associated with providing care that meets specific family needs (e.g., providing care at nontraditional hours, providing care that aligns with the cultural needs of families).

As a result, families have limited access to the types of quality programs that would best meet their needs.²⁷ These inequities compound over time to more deeply impact some communities, exacerbating and reinforcing inequities around access to care and corresponding impacts on employment and compensation (e.g., the proportion of income that some families pay in fees disproportionately impacts some communities more than others; mothers in some communities may be more likely to leave the labor market because they cannot access care).²⁸

Quality

Evidence suggests that children’s learning is best supported through responsive interaction with caring adults. These types of quality interactions take place primarily at home, with families, and in early learning and care environments. Quality early learning and care happens across a

²⁶ First 5 California. (2018). *Developing a single-rate system reimbursement structure for California*. https://www.cafc.ca.gov/pdf/about/organization/policy/Developing_Single-Rate_Structure.pdf

²⁷ April 8, 2022, Workgroup presentation and discussion

²⁸ I. Iruka (personal communications, May-July 2022).

variety of settings: in classrooms, in centers, in Home-Based settings, and with other adults working to support a child's growth and development.

California and the federal government make significant investments, both at the state and local levels, to support early learning and care program quality and quality improvement efforts, including through Quality Counts California and CCDF. Until recently, however, the primary research used to inform program quality standards and investment in quality improvement infrastructure has been conducted by White researchers in a White-dominant research environment. Furthermore, most of this research focused on preschool programs and Center-Based care, as opposed to Home-Based care.²⁹ Furthermore, the opinions and input of programs, educators, and families on how California defines program quality standards have not historically been elevated in related policy decisions. As such, the state's current program quality standards and associated reimbursements do not address core components of quality that matter to families, such as cultural responsiveness and linguistic match with a family's primary language.

State policy has institutionalized differences in program quality standards through the specific regulations different programs are required to follow (e.g., Title 22 licensing standards vs. Title 5 program quality standards that apply to programs contracted directly with the state). These standards are linked to the reimbursement-rate methodology and rate-setting methodology. The current reimbursement rate-setting process does not adequately finance programs or vary in meaningful ways to meet the costs associated with providing care and meeting required program quality standards.³⁰ As a result, programs are often forced to make their budgets work by suppressing wages for employees and/or owners.

Assessment of Outcomes for Educators, Families, and Children

As defined above, equity is both a process and an outcome. The Workgroup seeks to unpack the disproportionate impact that inequities related to accessibility and quality have on outcomes for children, families, and educators. The Workgroup emphasizes that children are most influenced by families and nurtured by educators, and the well-being of those families and educators matters to the well-being of the child (see Appendix D for additional information).

Equity for Educators

According to estimates by the Center for the Study of Childcare Employment at the University of California, Berkeley, there were approximately 116,800 members of the early learning and

²⁹ Allen, R., Shapland, D. L., Neitzel, J., & Iruka, I. U. (2021). Viewpoint. Creating anti-racist early childhood spaces. *Young Children*, 76(2). <https://www.naeyc.org/resources/pubs/yc/summer2021/viewpoint-anti-racist-spaces>

³⁰ April 8, 2022, Workgroup presentation and discussion

care workforce in California.³¹ The members of this workforce experience considerable inequities when examined by race, setting type, and job position (see Appendix B). Poor compensation of the early learning and care workforce is rooted in sexist, racist, and classist beliefs and stereotypes, which were institutionalized in both the SRR and the RMR methods of rate setting and the levels at which rates were set.³²

While women of color make up the vast majority of California’s ECE workforce, both in center- and Home-Based settings, the diversity of California’s early learning and care workforce is not distributed evenly across positions in the field, with women of color disproportionately represented in the lowest paying jobs and underrepresented in leadership roles.³³ Early educators must meet different requirements depending on the type of program/setting they work in, and there are different expectations for how early educators support child development. Research suggests that fewer women of color and fewer women who immigrated to the United States have access to higher education opportunities that lead to the educational qualifications required for higher paying roles.³⁴ Barriers include cost, time and location of coursework, low rates of admission to public universities, and cultural and linguistic barriers. In 2019, the median hourly wage in California was \$13.41 for child care workers and \$16.83 per hour for preschool teachers, compared to \$41.86 per hour for kindergarten teachers.³⁵ Additionally, Black and Latina early educators are more likely to earn lower wages than their White colleagues, and in California, 39 percent of White Center-Based staff earn less than \$15 an hour, compared to 57 percent of African American staff and 59 percent of Latina staff.³⁶ Many segments of the early learning and care workforce in California do not receive health and retirement benefits, payment for personal or sick leave, or paid time off for planning or

³¹ The Center for the Study of Childcare Employment (CSCCE) defines the early education and care workforce as early educators who work in public- and private-sector homes, centers, and schools. CSCCE’s estimate includes the following occupations as defined by the U.S. Bureau of Labor Occupational Employment Statistics: “child care workers,” “preschool teachers, excluding special education,” “preschool teachers, special education,” and “education administrators: preschool/child care center programs.” These data do not include the self-employed, although Home-Based child care assistants, who are employees, are likely included in the “child care worker” category. This estimate is from 2019 and does not reflect employment changes as a result of the pandemic. Demographic characteristics such as race/ethnicity and gender are not reported due to a lack of comparable data across states. State-based surveys or registries may provide more comprehensive estimates of the early learning and care workforce.

³² May 13, 2022, Workgroup presentation and discussion

³³ Whitebook, M., McLean, C., Austin, L. J. E., & Edwards, B. (2018). *Early childhood workforce index – 2018*. Center for the Study of Child Care Employment, University of California, Berkeley. <https://cscce.berkeley.edu/wp-content/uploads/2022/04/Early-Childhood-Workforce-Index-2018.pdf>

³⁴ Park, M., McHugh, M., Batalova, J., & Zong, J. (2015). *Immigrant and refugee workers in the early childhood field: Taking a closer look*. Migration Policy Institute. <https://www.migrationpolicy.org/research/immigrant-and-refugee-workers-early-childhood-field-taking-closer-look>

³⁵ McLean, C., Austin, L. J. E., Whitebook, M., & Olson, K. L. (2021). *Early childhood workforce index – 2020*. Center for the Study of Child Care Employment, University of California, Berkeley. <https://cscce.berkeley.edu/workforce-index-2020/>

³⁶ McLean, C., Austin, L. J. E., Whitebook, M., & Olson, K. L. (2021). *Early childhood workforce index – 2020*. Center for the Study of Child Care Employment, University of California, Berkeley. <https://cscce.berkeley.edu/workforce-index-2020/>

professional development.³⁷ The poverty rate for early educators in California is 17 percent, much higher than for California workers in general (8.7 percent) and 6.7 times as high as for K–8 teachers (2.5 percent).³⁸

The current rate-setting methodology, as described above, is not reflective of costs associated with providing adequate compensation (wages and benefits), which results in depressed wages across all settings and disparities in which these wages are depressed across program types. Furthermore, the methodology does not provide enough funding to adequately compensate educators with specific expertise (e.g., bilingualism, ability to provide services to children with disabilities and special health care needs, expertise in trauma-informed care) or education (e.g., degree attainment or completed professional development) or educators that provide early learning and care to address specific family needs (e.g., educators in dual immersion programs, educators that offer overnight care).

As described in the equity assessment of accessibility above, the current rate-setting methodology does not take into consideration the full costs associated with providing workforce supports such as coaching and professional development. It also does not account for the need to pay early educators for increasing levels of experience or education. As a result, there is inadequate financial incentive for early childhood educators to increase their educational attainment.³⁹

Finally, early educators have had limited ability to influence the reimbursement methodology and quality standards. The use of a market rate survey and the associated data-collection and rate-setting methodologies limit authentic program and early educator engagement. The establishment of the Child Care Providers Union in 2021 addresses this for certain members of the workforce, but many Center-Based educators still lack representation.

Equity for Families and Children

The Workgroup firmly supports and uplifts the fact that all children have the incredible capacity to learn, develop, and thrive. All children deserve to access the types of positive early learning and care experiences that, along with support from their families, maximize this potential.

However, use of market rates results in inequities in the supply of early learning and care programs and services and thus the ability of children and families to access these programs,

³⁷ Whitebook, M., King, E., & Sakai, L. (2017). *Teachers' voices: Work environment conditions that impact teacher practice and program quality*. Center for the Study of Child Care Employment, University of California, Berkeley. <https://csce.berkeley.edu/publications/report/teachers-voices-work-environment-conditions-that-impact-teacher-practice-and-program-quality/>

³⁸ Gould, E., Whitebook, M., Mokhiber, Z., & Austin, L. J. E. (2020). *Financing early educator quality: A value-based budget for every state*. Center for the Study of Child Care Employment, University of California, Berkeley. <https://csce.berkeley.edu/publications/report/financing-early-educator-quality-a-values-based-budget-for-every-state>

³⁹ March 11, 2022, Workgroup presentation and discussion

which disproportionately impacts low-income communities and communities of color.⁴⁰ Because rates do not authentically vary to account for the true costs associated with providing care that meets specific family needs, some families lack access to the types of care that would most suitably meet their needs (e.g., specific language supports, overnight care).

To realize equity, families need to be engaged in the process to formulate rates structures and methodologies. California has strong family and community-based advocates, but the rate-setting process has not been accessible (see Section 2.A.). Families also need opportunities to share their opinions about what elements should be included in program quality standards to ensure the early learning and care services reflect what families value when it comes to quality.

The Workgroup submits that a statewide funding system with clearly defined, agreed-upon outcomes for programs, early educators, children, and families requires time to build and is not currently in place. The first step in building the system is to engage leadership, interest groups, early educators, families, and experts to review available evidence and define outcomes.⁴¹

2.C. The Path Forward

Given the assessment above, the Rate and Quality Workgroup finds the following:

- The current reimbursement rate systems have institutionalized racism, sexism, and bias; fail to address the cost of providing quality care; and exacerbate the current market failure in the early learning and care system.
- The costs of meeting current program standards, as outlined by Title 22 and Title 5, are not reimbursed for in the current reimbursement rates and by using the current rate-setting methodology.
- The ability of families to pay, coupled with low reimbursement rates, limits the overall supply and quality of early learning and care services.

The Rate and Quality Workgroup’s recommended path forward—which is detailed in the following report section—addresses current inequities and underfunding in the system by implementing a Single Reimbursement Rate structure.

⁴⁰ A 2018 analysis of child care deserts found that high-income suburban neighborhoods are the least likely to experience child care shortages.

⁴¹ June 10, 2022, Workgroup presentation and discussion

3. Recommendations

As noted above, California has an extensive history of efforts to reform the reimbursement rate system. AB-131 established the JLMC and Rate and Quality Workgroup with the central charge of making recommendations to develop a Single Reimbursement Rate structure. The Rate and Quality Workgroup is also charged with addressing the rate-setting methodology through assessing the current methodology and developing recommendations.

In addition, the Rate and Quality Workgroup is charged with assessing existing quality standards and producing recommendations for how CDSS should define early educator skills and abilities (referred to as “competencies” in the statutory charge). As explained in Section 3.D. below, the Rate and Quality Workgroup recommends a two-phase approach, with the quality standards assessment and recommendations for early educator skills and abilities extending beyond August 15, 2022.

Per its [statutory charge](#), the Workgroup provides the recommendations below to the JLMC,⁴² the Department of Finance, and the Joint Legislative Budget Committee.

The recommendations are organized as follows:

- A.** An overall vision and recommendations for equity
- B.** Recommendations for establishing a Single Reimbursement Rate structure and rate-setting methodology
- C.** Additional recommendations for comprehensive reimbursement rate and quality reform that extend beyond the main charge of the Rate and Quality Workgroup but are important for the successful implementation of a single rate system
- D.** Description of additional work to take place following the August 15, 2022, deadline for submission of the Rate and Quality Workgroup’s report to further assess and define quality and early educator skills and abilities and increase equity for children and families furthest from opportunity.

⁴² See subdivision (a) of the statutory charge.

3.A. Equity Recommendations

The Workgroup submits that equity is a measure of justice, and that equity differs from equality (sameness) in that it prioritizes improved outcomes for groups furthest from opportunity.⁴³ Equity is both an outcome and a process (see definition in Section 2.B. and Appendix A).

Structural racism and the legacy of slavery has led to an early learning and care system with a racist presumption that child care is either care or education depending on the settings. In this racist presumption, care is considered to be the early education provided primarily in Home-Based settings, predominantly by women of color in the communities where they live, while education is provided by highly regulated programs and preschool programs. These biases have led to race-based and setting-based inequities that California can no longer perpetuate. Bias has led to inequities for early educators in respect, compensation, and access to education, training, and support. California must respect all its early educators, the quality of the services they provide, and the experience they bring with them to the important work of educating and nurturing young children.

Equity is a core value of the Workgroup, and the Rate and Quality Workgroup makes the following equity-focused recommendations:

1. Consider and address the existing structures where racial bias is embedded in order to create equitable policies and systems. For example, 55 percent of Center Directors are White, compared to 20 percent being Latina and 6 percent being Black.⁴⁴
2. Commit to addressing historical racism and inequity through policies that advance a single rate structure. Assess every recommendation in this report by applying the following questions:⁴⁵
 - Is the recommendation centered on the perspectives and voices of a diverse group of early educators, families, and children?
 - Who benefits and who is disadvantaged by any proposal?
 - Who is furthest from opportunity, and how do we erase gaps?

⁴³ Parris, D. (2022). *Foundations of equity and social justice* [Webinar]. Child Trends Diversity, Equity, and Inclusion Training (adapted from Racial Equity Tools' racial equity definition).

⁴⁴ Because the early care and education workforce is overwhelmingly composed of women, we use the gender-specific term "Latina" to describe members of the ECE workforce who identify as Hispanic, Latino/a, or Latinx.

Powell, A., Kim, Y., & Montoya, E. (2022). *Demographics of the California early care and education workforce*. – Center for the Study of Child Care Employment. Center for the Study of Child Care Employment, University of California, Berkeley. <https://cscce.berkeley.edu/publications/data-snapshot/demographics-of-the-california-ece-workforce/>

⁴⁵ Based in part on Presentation by Rate and Quality Workgroup member Lea Austin, Executive Director, Center for the Study of Child Care Employment (CSCCE), April 8, 2022.

- Does the recommendation work for the lowest paid and least resourced? If not, it does not work for anyone.
 - What is the role and responsibility of the state in building and funding an equitable system?
3. Elevate voices of all early educators and families in assessing equity, setting policy and investment priorities, and evaluating the system (e.g., People of Color, Native Americans, immigrants, speakers of languages other than English, those with disabilities), using data to make informed decisions and ensuring that the most marginalized are included and supported to participate fully.
 4. Black child care providers and families should be intentionally brought to the table, as their voices have been shut out by historical racism and the legacy of enslavement. Elevating includes support to participate, language access, and processes designed to prioritize their engagement
 5. Use equitable research methods and include quantitative and qualitative data in the evaluation of the system. Measure outcomes and use data to advance equitable results.
 6. Take an equitable approach to implementing changes to rate and quality systems by first targeting those furthest from opportunity, then evaluating and adjusting policies and investments. (See Appendix C for more information about Targeted Universalism.)

3.B. Recommendations for a Single Reimbursement Rate Structure and Rate-Setting Methodology

As described above, AB-131 identifies a Single Reimbursement Rate structure as a priority and specifies that the Rate and Quality Workgroup’s charge includes an assessment of the current rate-setting methodology (see Section 2 above). To complete this assessment, the Workgroup engaged with a range of experts and referenced an analysis of costs based on extensive focus groups and surveys of the field by Prenatal to Five Fiscal Strategies.⁴⁶ Based on this assessment, the Workgroup has formulated recommendations for a rate-setting methodology in the context of a Single Reimbursement Rate structure. The Rate and Quality Workgroup makes the following recommendations:

1. Use an alternative methodology instead of the current market rate survey to set base rates to compensate early learning and care providers for the cost of

⁴⁶ Philanthropic support funded Prenatal through Five (P-5) Fiscal Strategies to complete a statewide survey to gather information regarding the cost of care, representative of California’s diverse early care and learning field. Their process and data informed the Workgroup’s selection of components of the rates.

meeting current state requirements. The price of early learning and care in a broken market should no longer be the basis for setting reimbursement rates.⁴⁷

2. Create a single rate structure that specifies base rates and is designed to address historical inequities (see Appendices C and F).
3. Continuously evaluate the rate-setting methodology to address equity and adjust for changing conditions and rising costs.

Each of these overarching recommendations is further detailed in the subsections below.

The Rate and Quality Workgroup acknowledges that quality exists in our current system in all types of settings, as exemplified by love, connections,⁴⁸ cultural responsiveness, and current Title 22 and Title 5 program quality standards. The reimbursement rate structure and rate-setting methodology should recognize and support the quality already present in California's child care and development settings. California also has existing quality-rating and quality-improvement systems, which are currently being evaluated (see Section 3.D. for additional information) and should not be linked to reimbursement rates at this time.

Alternative Methodology

The Workgroup recognizes the inherent inequalities across programs and early educators, geographies, and ages of children served that were institutionalized through policies and investments, including the use of a Regional Market Rate survey and price-driven rate-setting process (see Section 2). The Workgroup emphasizes that rate and quality systems and related policies should be designed to meet the Workgroup's values and goals for equity, accessibility, and positive outcomes for early educators, families, children, and all of California. Systems must be transformed and must not be based on what exists today.

⁴⁷ The modeling of an alternative methodology rate structure can be found Capito, J., Fallin Kenyon, K. and Workman, S. (2022) "Understanding the True Cost of Child Care in California: Building A Cost Model to Inform Policy Change." Prenatal to Five Fiscal Strategies. Available at: <https://www.prenatal5fiscal.org/californiacostmodelreport2022>

⁴⁸ Nzewi, K., Marizán, P., Howard, G., Weatherspoon, F., & Crouch, C. (n.d.). *The love connection*. California Child Care Resource & Referral Network. Retrieved August 2, 2022, from <https://rrnetwork.org/policy/the-love-connection>

Box 1: Key Terminology and Background on Alternative Methodologies

The 2014 reauthorization of the Child Care and Development Block Grant Act redefined federal requirements, and now states have two options for how they set rates:

- a statistically valid and reliable **survey of the market** rates for child care services in the state that reflects variations in the cost by geographic area, type of provider, and age of child
- an **alternative methodology**, such as a cost estimation model

An alternative methodology for rate setting may be a cost study or a cost estimation model.

A **cost study** involves collecting data from providers about their current costs of operating a program that meets licensing standards as well as other quality standards, reflecting point-in-time data about provider costs.

A **cost estimation model** involves building a tool that is informed by provider data and that can run multiple scenarios to estimate the impact of several variables on cost, such as program characteristics (e.g., size and ages of children served), child populations served, program quality, and location in the state.

Any alternative methodology used in lieu of a market rate survey must be approved in advance (prior to data collection) by the Administration for Children and Families as part of the CCDF plan. Given the triennial cycle of CCDF plans and approval requirements, the process of establishing rates using an alternative methodology can take multiple years.⁴⁹

See Appendix H for additional context and details related to alternative methodology, including a more detailed analysis of how a cost-of-care approach relates to equity; quality; outcomes for children, families, and early educators; and accessibility.

The Workgroup proposes that the recommendations outlined below are implemented in three stages:

- Stage 1.** Invest more funding for reimbursement rates immediately; do not wait for an alternative methodology approval from the federal government in order to raise current reimbursement rates for California’s hardworking educators. In addition, take the steps necessary to obtain federal approval and take action to delink subsidy rates from the private market.

⁴⁹ National Center on Subsidy Innovation and Accountability. (2022). *Equal access: Steps to conduct a market rate survey or alternative methodology across the 3-year CCDF plan cycle* [Infographic]. https://childcareta.acf.hhs.gov/sites/default/files/public/mrs_am_nca_steps_checklist_final_approved_040122_ada.pdf

- Stage 2.** Implement a federally approved alternative methodology to set a base rate that is based on the cost of providing early learning and care services. Do not increase program requirements on early learning and care programs and educators until the new base rate using the alternative methodology is fully funded.
- Stage 3.** Continuously evaluate the new alternative methodology and base rate (and make appropriate changes based on this evaluation). In addition, the Workgroup makes numerous recommendations outlined in Section 3.D. for work post-August 2022.

The Workgroup recognizes that systems change takes time and wants to ensure that improvements that can be made immediately are made quickly to lessen the intense financial burden early learning and care programs and educators are experiencing due to current insufficient funding amounts; and those reforms are implemented on a timeline that allows for effective implementation.

The Rate and Quality Workgroup recommends the following:

- 1.** Develop and implement an alternative methodology that uses a cost estimation model rather than regional market price.
- 2.** Utilize the new federal options and seek federal approval, at the earliest possible opportunity, for use of alternative methodology, and utilize any flexibility in the interim to utilize the alternative methodology in setting rates.
- 3.** Change statute and regulation, and amend the State Plan so that rates providers are paid through the subsidy system are no longer linked to the private market. Providers should no longer be required to charge private-pay families rates based on those they receive to serve subsidized families. Immediate action will protect those not receiving subsidies as these reforms are implemented.
- 4.** Recognize the unintended consequences of rate reform on the families and providers not receiving subsidies.
- 5.** Implement a single, transparent, and accessible rate structure based on the actual cost of care, with regular biannual costs studies and guaranteed adjustments as costs increase (such as minimum wage increases). Cost increases should be guaranteed just as COLAs are regularly provided to TK–12 programs.⁵⁰

⁵⁰ The Workgroup has expressed concerns about both recognizing the need for complexity in the system and balancing this with the need for transparency and comprehension of the methodology.

6. Rate adjustments should not wait for the alternative methodology. Increases should be immediate, as providers are struggling to maintain programs with current funding based on 2018 market rates
7. Ensure that no program loses funding as a result of implementation of the reforms outlined by the Workgroup.
8. Ensure that families and early educators are strong participants in the development, implementation planning, and evaluation of the reimbursement rate reforms. Ensure that the pay is adequate and all can participate in the process in an equal way.
9. Use equity strategies and a focused equity analysis to ensure that decisions support varied programs and diverse early educators that reflect the diversity of California.

Establish Base Funding

The Workgroup believes all programs should be reimbursed at a base rate that accounts for the cost of providing quality services and meeting all current state requirements. The base rate is the foundational rate that providers receive for meeting current statutory and regulatory program standards. A base rate can be consistent across provider types and program settings or can vary based on program type, setting, location, age of children, etc. As required by the federal CCDBG, states must show “how base payment rates enable providers to meet health, safety, quality, and staffing requirements.”⁵¹

The base rate should support the Rate and Quality Workgroup values identified above: equity, quality, children and families, early educators, and accessibility. The Rate and Quality Workgroup recommends the following:

- Establish and fund the base rate before proceeding with supplemental rate levels or enhanced rates tied to program quality or new requirements.
- Ensure that all parts of the mixed delivery system are reimbursed equitably.

Base Rate for Centers and Licensed Family Child Care Homes

1. Develop a base rate that includes programs meeting Title 22 and Title 5 as currently defined in statute and regulation.
 - Home-Based early learning and care programs meeting Title 22 Regulations

⁵¹ 45 CFR § 98.45 - Equal access.

- Family Child Care Home Networks—Home-Based early learning and care programs meeting Title 5 standards
 - Center-Based early learning and care programs meeting Title 22 Regulations
 - Center-Based State Preschool programs operating on school campuses that are exempt from title 22 but subject to school site requirements⁵²
 - Center-Based early learning and care programs meeting Title 5 and Title 22 Regulations
2. Ensure the base rate covers the costs of the following:
- adequate and appropriate compensation (including wage scales that set a living-wage floor that account for job roles, experience, and education levels for early educators working in center- and Home-Based early education settings)
 - adequate and appropriate funding for health care, retirement, sick leave, and vacation time benefits
 - actual hours of care
 - ongoing time not necessarily spent with the children, including planning time, substitute coverage, assessment time, family engagement, and supporting services for families
 - ongoing professional development, including coaching and peer mentoring for early educators who choose to participate⁵³
 - services to target populations now recognized in statute and regulation
 - multilingual and dual language learners, including language capacity and home language support
 - children with special needs
 - children at risk, including access to trauma-informed care
 - children in classrooms receiving early childhood mental health consultation

⁵² These recommendations do not include other License Exempt Centers, as they have differing requirements; for example, nationally accredited recreation programs operated by organizations such as the Boys and Girls Clubs have their own standards. CDSS and the CDE will assess alignment issues as Rate Reform proceeds. For more information on License Exempt Centers, see *Child Care and Development Fund (CCDF) Plan for California FFY 2022–24*, pages 107 and 108.

⁵³ Examples of professional development topics include antibias, cultural competence, serving children with disabilities and special health care needs in the least restrictive environment, trauma-informed care, and supporting multilingual and dual language learners.

3. Meet the needs of working families requiring care during nontraditional hours that is responsive to flexible schedules; retain the current weekend and evening rate enhancements.
4. Provide for differing costs of care based on regulatory requirements and the needs of children and families for infants, toddlers, preschool children, and school-age children
5. Meet program standards and requirements that currently exist, ensuring that all current requirements are funded (i.e., those specified in Title 22 and Title 5).⁵⁴
6. Ensure that contract management costs for operation of all programs, including Family Child Care Home Education Networks (FCCHEN), are recognized and funded above and beyond the base rate for providers.
7. Include the cost of the services they are currently providing to serve the whole child and whole family, such as dedicated time for family communication and engagement.
8. Include the cost of translation services to ensure proper engagement of all children and families in their care (e.g., the cost of paying a translation agency to translate materials, the cost of hiring multilingual family engagement coordinators, cost associated with operating bilingual programs).
9. Consider as part of the base rate the quality services that many early educators are currently providing, including the following:
 - cultural responsiveness
 - language acceptance and affirmation as a major learning element beyond language capacity
 - participation in antibias training and support and use of training tools
 - developmental screenings where resources and supports are currently available
10. Ensure the new system removes barriers for agencies and providers to receive compensation for these costs; and the cost factors based on children and families' characteristics should be designed in such a way that agencies and contractors do not face issues earning their contracts.

⁵⁴ Rate and Quality Workgroup members support that defining quality needs to go beyond workforce qualification and include whole-child, whole-family outcomes such as health, mental health, and nutrition.

- 11.** Include the following initial base rate variables:
 - ratio
 - group size
 - non-teaching staff pattern (amount of each position and types of position in the program)
 - teaching staff pattern (breaks/coverage for full day of care, teaching staff pattern influenced by other drivers, such as bilingual staff, and nontraditional hour care)
 - compensation (salary and benefits, salary reflective of cost/living wage, higher levels of experience and qualifications). Definition of living wage is based upon a research-based tool that is critical to informing the overall cost. During the Workgroup deliberation, the MIT calculator⁵⁵ was the preferred tool.
 - professional development supports (training, planning time, coach staff position)
 - family engagement (conferences, family activities, family engagement staff position)
 - educational supports that are currently funded (developmental screening and assessment tools, curriculum costs, educational material costs, specialists, and activities)
 - child health and development supports that are currently funded; this could include health and behavioral health screening and tracking of health, dental, vision services; nutrition consultation; infant and early childhood mental health consultation; health consultation⁵⁶
- 12.** Ensure no program will be required to meet higher standards before they are provided with the resources that enable them to do so.
- 13.** After establishing the base rate, consider potential future modifications for costs related to the following (see Section 3.D. Rates and Quality Workgroup Beyond August 2022 for additional recommendations):
 - behavioral health supports, including mental health supports
 - trauma-informed care support and training for all providers

⁵⁵ Glasmeier, Amy K. Living Wage Calculator. 2020. Massachusetts Institute of Technology. Retrieved July 26, 2022, from <https://livingwage.mit.edu/states/06/locations>

⁵⁶ The Base Rate will not require providers to meet requirements for which they are not compensated. Many of the items outlined in h and l are not uniformly supported across all programs. However, where programs already have access to supports, they should be compensated. A longer-term goal is uniform support for these services for all providers and families.

- support and resources for conducting screenings for all children receiving child care subsidies
- serving additional targeted populations

Family, Friend, and Neighbor Recommendations

Family, Friend, and Neighbor providers (FFNs) are a part of the mixed-delivery system and are addressed throughout this report. The following section contains initial recommendations to ensure FFN is part of the single rate structure. Further work will need to be done to fully address the needs of FFN, and that is included in Beyond August 2022 recommendations.

1. **FFN Equity.** The vast majority of FFNs serving subsidy children are very low income and women of color. Policies and rates were set in the context of structural racism and the legacy of slavery, resulting in depressed rates and a lack of respect for the quality care they can provide and for the choices made by families.
2. **FFN Quality.** Recognize that FFNs can provide quality care and are the preferred choice (and sometimes only choice) of numerous families due to preexisting relationships built on trust, love, sense of belonging, location, flexibility, cultural responsiveness, safety, and opportunity for children to embrace someone they already know. FFNs often reflect the communities they serve and are culturally and linguistically responsive to children in their care—a critical component of quality. FFNs also fill a critical child care gap across the state, especially in child care deserts, and also for babies, flexible schedules, and weekend and weeknight care.
3. **FFN Base Rate**
 - FFN base rate should include compensation that is no less than hourly minimum wage and moving toward living wage. Further analysis is needed to establish rates for serving more than one child and for the number of children for which a FFN provider can be compensated. Once the cost of FFN care is determined, base rate should be based on cost of care.
 - FFN base rate should define standards for and include sick leave, vacation, and prep time
4. **Professional Development and Resources**
 - ensure FFNs have access to equitable professional development opportunities and trainings, supportive peer-learning networks and environments, and resources and supports to strengthen quality, health, and safety of care while ensuring FFNs' own well-being.

- distinguish between folks who care for children who could be supported to be licensed and folks who are planning to be with a child (e.g., grandparent or aunt) for 2 or 3 years but will never seek licensure. FFNs who desire to pursue a license should be offered support to become licensed.
- adequate compensation for FFNs will motivate people to continue and to explore the pathway to licensure. This is an opportunity to increase the pipeline of early educators.

Continuous Evaluation of the Model

The Rate and Quality Workgroup recommends continuous evaluation of the reimbursement rate structure, including the base rate, to support equity and transparency and ensure that the rates reflect the current context facing programs and early educators. The Rate and Quality Workgroup recommends the following:

1. Annually assess the implementation of the reimbursement rates and rate-setting methodology using equitable methods and including the voices of early educators and families to make recommendations to refine the cost model and rate system.
2. Collect qualitative and quantitative data on early learning and care programs, early educators, families, and children to assess how changes are impacting each population. Make data publicly available to families to ensure authentic, informed choice. This necessitates explicit investment in data systems.
3. Annually refine the reimbursement rate structure and base rate as the cost model is refined; equity and efficacy are evaluated and further recommendations regarding child outcomes are issued; program quality and educators' knowledge, skills, and abilities are developed.
4. Identify unintended consequences of rate reform on subsidized and unsubsidized families and recommend mitigation.
5. Evaluate the impact of implementation on early educator and Family Friend and Neighbor providers who serve low-income children who do not receive subsidies
6. Develop a transparent information portal so that programs and early educators can easily understand how the reimbursement rate system works, how their reimbursements are calculated, and how different programs and standards all work together.

3.C. Broader Recommendations to Support Rate and Quality Reform

The Rate and Quality Workgroup recognizes that changes to systems and policies beyond its statutory charge and focus are necessary to achieve comprehensive rate and quality reform.

System Recommendations

Transformation of public systems requires significant investment, particularly when the system in question is in crisis. The early learning and care system was in crisis before the COVID-19 pandemic and was further decimated because of the pandemic. Comprehensive rate reform will require a multistep process.

In addition to the systems-level recommendations in Section 3.B., the Rate and Quality Workgroup recommends the following:

1. Ensure funding stability for programs by implementing a reimbursement rate structure that addresses the cost of providing services and meeting current state requirements.
2. Implement an enrollment-based model in which programs are reimbursed based on enrollment, not attendance.
3. Align subsidy payment practice with private market practices of paying providers in advance. Replace daily attendance sheets with monthly signed attendance reports.
4. Assess the impact of developing a single revenue structure funded by a single fund source.
5. Immediately expand COVID protections and develop plans to respond to disasters such as pandemics and wildfires, including covering providers' expenses, such as forced closures, supplies, and alternate facilities.
6. Develop policies and funding streams to immediately respond to individual program and provider emergencies, such as a fire, medical leave, or other emergency situation.
7. Ensure rate reform is designed to maximize participation in the Child Care and Family Day Care Homes components of the Child and Adult Care Food Program, which provide reimbursement to licensed and unlicensed child care centers and Home-Based providers for healthy meals and snacks in eligible child care programs.

8. Maximize federal resources while not supplanting state funds, and maintain flexibility using state funds to meet state priorities.
9. Continue work to develop effective data systems so that equity and efficacy of Rate Reform efforts and its outcomes for children, families, and early educators can be measured. (Although CDSS and the CDE are working to develop data systems, there is currently no consistent robust data collection across the early learning and care system.)
10. Continue to address issues related to measurement and data collection, including all settings—centers, homes, and FFN—with a focus on equity and inclusion of the voices of families and providers. The following principles should be kept in mind:
 - not everything defined above in the base rate representing the quality currently present in early learning and care programs can be measured with current tools.
 - systematic measurement (measuring the system as a whole rather than individual programs) should be considered.
 - family input and representations are key; family surveys and focus groups are possible system tools to measure quality.
 - provider and educator surveys can assess well-being and working conditions.
 - confidentiality is a key issue, particularly for Home-Based educators.
 - a workforce registry is a tool that can potentially be used for collecting data on educator education, language abilities, experience, etc.⁵⁷
 - when they are enrolled in any subsidized program, children need a non-Personally identifiable information (PII) single identifier that they take with them through K–12.

Supporting Positive Outcomes for Children, Families, and Educators

The Workgroup believes that families must be recognized as partners and are essential to their children’s growth and development. Healthy development of children is most likely to occur when there is a partnership of children, their families, their communities, and their early educators. **The well-being of families and educators is key to the well-being of children**, and uplifting outcomes for families and educators constitute a key strategy for supporting the positive learning and development of children.

⁵⁷ The Workforce Registry could be a key data source for measurement and defining base rates. It currently includes 120,000 educators and includes experience, languages, professional development, fingerprint clearances, and course work.

Child and Family Outcomes

Rate and quality reform should support a Whole Child, Whole Families approach (see Appendix E) based on the diverse needs of families and children.

“Whole child” acknowledges that a child’s development is multifaceted and unique to them. Children need support in their early mental health and social–emotional development, including support to engage in nurturing relationships and responsive interactions with a trauma-informed lens. Children need to receive affirmations for their whole character—including, but not limited to, their race, ethnicity, culture, and home language—and need to have their personal interests, abilities, and strengths uplifted.

“Whole family” is the foundation of whole child. A family that is supported in their whole character and being—including feeling affirmed in their race, ethnicity, culture, and home language—will be best able to support their child in their early learning and care. Whole family is bringing family voice into the early learning and care environment so that families have an opportunity to learn from the educator, and the educator can learn from the family. Whole family also acknowledges that a family’s needs and wants are valued in their child’s learning and care and that they are invited to engage in every step of the way, including connections to services or community resources, and in discussions on their child’s academic and social–emotional learning.

Families are their children’s first and most important teachers and caregivers. California’s early learning and care system and associated reimbursement rate structures institutionalized racism and bias have chronically placed furthest from opportunity and undervalued the assets and importance of families, particularly Black, Brown, and immigrant families. A whole-child approach recognizes that the strength, stability, and well-being of the family is a critical part of the success and well-being of children.

In addition to the recommendations in Section 3.B. that support child and family outcomes through reimbursement rate reform, the Rate and Quality Workgroup recommends the following:

1. Uplift the ways in which family engagement and culture and language are critical to early learning and care program quality and in which family engagement and culture must be elevated to ensure families are connected to their children’s early learning and care experiences outside of the home.
2. Increase understanding of how family engagement and culture and language applies to early learning and care work. Engagement practices must demonstrate understanding of diverse cultures and respect for the family’s culture and language.

3. Support and reimburse providers for the skills they bring and their costs to serve children who are dual and multilanguage learners. It is important to families that child care is meeting the needs of their children culturally with language acceptance and support for their home language.
4. Ensure equitable access and support for providers for the skills they bring and their costs in serving children with special needs. All children struggled during the pandemic, but those with special needs were seriously affected when they could not attend their programs. Additional federal, state, and local resources are needed to serve children with disabilities.
5. Support and reimburse providers for the skills they bring and their costs in serving children at risk. The Bridge Program is a model.⁵⁸
6. Use of an evidence-based curriculum and learning activities that support whole-child development, including fostering school-readiness skills critical for later life success.
7. Consider the particular needs of babies, toddlers, preschool children, and school-age children in early learning settings when developing policies and determining rates.
8. In future work to define outcomes for children and families, consider the following program attributes that families and Rate and Quality Workgroup members identified as particularly important (see Appendix G for additional information):
 - loving, nurturing, culturally and linguistically responsive and accepting environments
 - responsive interactions and instruction that prioritize social and emotional development and are developmentally appropriate for children to learn and use new skills
 - flexible and extended hours for families that work nights and weekends and flexible schedules

⁵⁸ The Bridge Program addresses child care needs as a barrier for families otherwise willing to bring a child in the foster care system into their home and for parenting youth in the foster care system. It provides time-limited vouchers for child care and child care navigator services for families to assist with accessing child care. There is also a Trauma-Informed Care (TIC) training and coaching component for child care providers to enhance their ability to provide nurturing and safe environments for children. The Bridge Program is not an entitlement; rather, it is a time-limited “bridge” to longer term child care solutions used at the time of placement to stabilize children in the best possible settings, ensuring that caretakers have adequate support to balance their work and home lives. The Bridge Program was implemented in January 2018, with California County Child Welfare Agencies in partnership with their local Resource and Referral (R&R) Programs opting into a share of the funding. See the following link for additional information: <https://www.cdss.ca.gov/inforesources/calworks-child-care/ecc-bridge-program>

- continuity of care so children can develop relationships and care is uninterrupted, minimizing transitions for children
 - services that children deserve provided without delay
 - family navigators to help identify and address needs of families
 - appropriate attitude of intake workers (i.e., providers are helping people)
 - outdoor spaces in child care environments; families appreciate this because they may not have other access to outdoor environments that are safe and enriching for their child
 - a culture of trust and compassion when families are first accessing care and recertifying rather than scarcity and a compliance-based approach
 - no out-of-pocket expenses for meals, diapers, and supplies
 - funded time for educators to communicate with families and caseworkers
 - funded time to keep child care databases updated to aid families searching for early learning and care services
 - implementation of early and simple assessments to evaluate children for early intervention and implementation of services
9. After August 2022, using a Targeted Universalism approach, CDSS should identify other targeted groups of families and children and tie rates to equitable access and outcomes. This process should include robust involvement of families, providers and those communities identified.

Early Educator Outcomes

The Workgroup recognizes that early educators are a linchpin of program quality, family support, and optimal child learning and development outcomes. Early educators cannot offer the loving, compassionate, and nurturing care that children and families deserve if their own well-being is not supported.

Supporting early educators includes ensuring adequate compensation and working conditions and minimizing administrative burdens. Early educators should also have equitable access to supports for professional development and career pathways. Importantly, equity through a Targeted Universalism approach should be applied to the early learning and care workforce in addition to children and families seeking early learning and care.

In addition to the recommendations in Section 3.B. that address early educator outcomes through reimbursement rate reform, the Rate and Quality Workgroup recommends the following:

1. Develop guidelines that promote supportive working conditions for early educators. Support and provide resources for the development of positive work environments for early educators, including teaching supports, learning opportunities, policies and practices that support teaching staff initiative and teamwork, adult well-being, and positive interactions with staff to support their teaching practice.
2. Implement systems for programs to access substitute early educators (e.g., substitute pools) for both center- and Home-Based programs. Support efforts to uplift substitutes as important members of the early learning and care workforce.
3. Encourage support for investments and policies that address the provision of professional development, coaching, and peer mentoring for early educators and administrators across settings.
4. Recommend that the provision of supports for professional development, coaching, and peer mentoring for early educators and administrators across settings support both cultural and linguistic competency.
5. Recognize that it is also important that the trainers and coaches that provide the professional development be recruited from diverse cultural and linguistic backgrounds and can understand the lived experiences of families.
6. Increase access to training and support focusing on cultural competency; inclusion of children with disabilities; reduction of suspension and expulsion; and support for multilingual and dual language learners, language affirmation, and other targeted children and families.
7. Ensure that professional development, including coaching, is based on what early educators and families need and is available in the language of the early educator. Professional development should be provided on the following:
 - culturally and linguistically affirming practices
 - antibias, including eliminating harsh discipline based on racial bias
 - healing trauma-informed care
 - education of multilingual and dual language learners, including support for home-language development for monolingual English teachers
 - inclusion practices for children with disabilities and special health care needs
 - determination of how to best implement evidence-based curriculum and individualized learning activities to assess and strengthen children’s development

- business best practices and compliance with the Internal Revenue Service (IRS), California Employment Development Department (EDD), and other regulatory agencies, ensuring language access to all requirements
 - recognition of mental health challenges
 - pathways to leadership roles and opportunities
8. Recognize the experience and family connections of existing early educators while also creating pathways for prospective early educators without experience. Pathways should be linguistically and culturally accessible and include FFNs, Home-Based early educators, and center staff.
 9. In partnership with providers, implement structures and networks to connect early educators to one another for shared learning, mutual support, and peer mentoring.
 10. Utilize existing data sources to better understand the assets and strengths of existing early educators and their potential needs.
 11. Develop equitable and inclusive policies to recruit racially, ethnically, linguistically diverse, and bilingual early educators. Invest in efforts to recruit diverse early educators who represent the diversity of California and its children. It is important to families that early learning and care is meeting the cultural needs of their children and is accepting of their language.
 12. Begin recruitment for early educators in high school. Students could take early learning and care classes at a community college and graduate with a certificate to begin working in the field.
 13. Connect to state and local infrastructure related to employment ensuring that early childhood education (ECE) is a career, and we create a technical education pathway.
 14. Increase access to degree (associate degree and bachelor's degree) programs for early educators who choose to pursue higher education by providing targeted support to students in these programs (e.g., language access supports, cohort models, programming at times and locations that meet student needs).

Accessibility

The Rate and Quality Workgroup emphasizes that accessibility is multidimensional and must be considered from a range of perspectives and experiences. To understand accessibility, it is important to examine access to programs and services by families who currently or historically have not had access to a range of options that meet their child's needs. For families, access means that they can obtain affordable services through reasonable effort. Access also means

that families can enroll in programs that meet the child’s developmental needs and the family’s needs (e.g., location needs, hours of care).

Access for programs and educators means availability of professional learning opportunities and supports, adequate compensation and benefits and program reimbursement, and pathways to career advancement or program quality improvement opportunities and infrastructure (see the previous section on early educator outcomes).

The Rate and Quality Workgroup makes the following recommendations for increasing accessibility:

1. Increase affordability by removing family fee requirements for all families below 75 percent of the SMI. The family fee policy is based on a legacy of racism. This policy relies on families of color who are paid low wages and can least afford it to pay fees back into the system. It also assumes that child care providers who are already paid low wages can take a reduction in pay when families cannot pay.
2. Pay the cost of care, as depressed rates can lead to increases of co-payments for families, limiting their ability to afford the provider that best meets their needs. Co-payments are charged when the provider’s rates are higher than the subsidy rate. Families cannot afford to pay more, and providers cannot afford to be paid less.
3. Increase the availability of early learning and care programs that can meet family needs by the following means:
 - Ensuring early educators, including FFNs, have access to resources, training, and support services to support targeted populations
 - Ensuring children and families have access to early learning and care across diverse settings and during the needed hours and times of year.
4. Mitigate the unintended consequences of rate reform on the families not receiving subsidies, many of whom are low- and moderate-income families.
 - As part of the continuous evaluation, identify and remove new administrative barriers for these families and early educators as these reforms are implemented.
 - Continue efforts to expand access to subsidies and subsidy eligibility at the federal, state, and local levels.
5. Acknowledge families in rural and isolated communities who are very impacted by unmet child care needs. One fourth of children in rural communities live in poverty, and 60 percent of the population in California lives in child care deserts.

There may be only one center in the entire community and often no centers; often, FFN is the primary caregiving option available.

6. Acknowledge that Latino and Native American communities are more likely to live in child care deserts.

Alignment

The Rate and Quality Workgroup supports the implementation of reforms to bring greater coherence and alignment across systems. It will be particularly important for rate and quality reform efforts to be implemented in coordination with Tribal Child Care, Tribes, Early Head Start, and Head Start programs.

Head Start

In an ongoing effort to account for alignment across federal Head Start and state-subsidized programs, the current recommendation for enrollment versus attendance is vital to create greater cohesion and alignment across these systems.

State-subsidized and Federal Head Start programs were created to meet specific needs for children and families. These programs have different eligibility and funding requirements; however, there are some elements of both state and federal programs that could assist in alignment or reduce family burden and confusion and allow greater administrative efficiency. This includes, but is not limited to, reciprocity for things such as monitoring and reporting, quality components, and agency staff professional development requirements.

The Workgroup recommends that the Head Start Collaborative Office, representatives of Head Start grantees, CSPP contractors, and the CDE are brought together to identify reciprocity and create an alignment document.

Tribal Programs

Tribal Nations in California share a history of racism and face continued bias. Tribal Nations faced horrific treatment from federal and state governments, including supported mass murders and massacres, genocide, kidnapping of children, and forced boarding schools. Historical exclusions in education put students in a further disadvantage and families in a place of mistrust of the systems.

Before the missions and the gold rush, there were approximately 200,000 Native Americans in the state of California. Between 1840 and 1870, however, that population declined to 12,000 due to disease, removal, and death. Today there are 110 federally recognized Tribes with their own languages, culture, and traditions, with many more trying to get recognition.

Tribes must be respected, and this rich heritage must be honored. Tribes and Tribal families want to teach their children their languages, cultures, and traditions. It is critical that nonnative collaborators seek opportunities to gain cultural understanding and that they acknowledge Tribal culture and history.

California has 34 Tribal CCDF grantees representing over 80 Tribal Nations. Tribal Child Care and Development Fund dollars reach 80 percent of the federally recognized Tribes in California, providing services to families, children, and communities on Tribal land and in urban areas. Child care services are provided through child care centers operated on Tribal land, by regulated FFN care, and through private and not-for-profit child care facilities licensed by the state. Tribal Community Voices are strong and must be elevated to ensure inclusion of Tribal Child Care and early learning in state priorities, and their contributions will benefit the entire system.

The Rate and Quality Workgroup recommends alignment developed in collaboration with Tribal Child Care and Tribes. The foundation for successful collaboration between the state and Tribes is an understanding of and appreciation for Tribal sovereignty. The Workgroup recommends continued discussions regarding alignment and understands that this is critical to the benefit of children and families. Focus groups might offer ways to provide more input and cultural understanding and acknowledgment. Continued dialogue includes discussions to reach shared goals to provide accessible, affordable, and quality early learning and care services.

3.D. Rates and Quality Workgroup Recommendations Beyond August 2022

As defined by statute, the Rate and Quality Workgroup will complete its work with the submission of the Final Report on August 15, 2022. Members recommend, in addition to continuous evaluation defined above, that work continues in four key areas:

1. Assessing current quality standards with an equity lens
2. Defining and developing recommendations related to early educator skills and abilities
3. Developing an implementation plan for Targeted Universalism
4. Recommendations to strengthen support for Family, Friend, and Neighbor Care

As stated earlier, all assessments must acknowledge the systemic racism, classism, sexism, and stereotypical beliefs embedded in current child care funding and policies and not perpetuate inequities. We must develop an equitable new approach. Further, the Rate and Quality Workgroup recommends that early educators and families have key roles in all aspects of this work.

The following subsections provide additional information about each of these focus areas that the Rate and Quality Workgroup recommends be addressed after August 2022.

Assessing Current Quality Standard with an Equity Lens

The Workgroup assessment recommends a two-phase approach to assessing and defining quality and aligning quality with reimbursement rates:

Phase I (through August 2022) is focused on the current system, with quality as defined in section 2B, and the base rates established based on the cost of providing quality care within the current regulatory structure. This is reflected in the recommendations above.

Phase II (after August 2022)

The Rate and Quality Workgroup supports varied plans by the state to increase quality and equity, including completion of an equity analysis of quality standards in collaboration efforts by CDSS, the CDE, and First 5 California. This process must be inclusive, with a strong equity focus, and will not result in the recreation of a quality improvement system that perpetuates inequities and is not accessible to all providers. This process may generate recommendations for rate enhancements associated with quality factors.

For example, First 5 California is leading a collaborative and expansive equity analysis of Quality Counts California for some programs. Statewide community and partner engagement through focus groups and surveys will culminate in a set of recommendations around systems changes needed to address inequities. The Rate and Quality Workgroup recommends that early educators and families have key roles in all aspects of this analysis and that the strengths of all early educators and families be recognized.

The Workgroup recommends the following:

- Analysis should include looking at racism and bias in Quality Counts California and local Quality Rating and Improvement Systems (QRIS).
- Additional quality enhancements will not be tied to reimbursement rates until the base rate is funded, and these evaluations and policy developments have led to a more equitable and inclusive quality system.
- Reimbursement should be tied to additional quality standards only if achieving those standards is accessible equitably to all early learning and care providers. The current barriers related to language access, adequacy of funding for our higher education and Professional Development systems, and affordability (including paid time off) must be removed.

Additional future discussions should connect quality standards across different settings to quality practices and child outcomes that research suggests are most beneficial to helping

young children learn and thrive in the context of culturally and linguistically responsive early learning and care.

The following key beliefs should help guide efforts to define, assess, and make recommendations related to early learning and care program quality:

- Families make choices about programs and settings for their children based on their own definitions of what quality is for their child, including considerations around things like cultural competence or language matching of the child and the program/early educator, whether the program/early educator uses trauma-informed approaches, whether facilities are adequate, and whether the program/educator fosters a sense of safety and belonging for the child.
- Many families and educators share a view of quality based on love for the children, trusting relationships with the family, cultural and linguistic responsiveness, and a safe and nurturing environment.
- Because of the issues laid out in this report, families do not always have true choices. Too often families are forced to choose programs that meet some of their needs but may not address other aspects they are looking for. Addressing the inequities in rates and supports to early educators will support families having stronger and more authentic choices.

Defining and Developing Recommendations Related to Early Educator Skills and Abilities

The Rate and Quality Workgroup proposes important principles to guide this future work:

- Early educators in the current system have incredible strengths and experiences and provide loving and nurturing experiences for children and families.
- The inequitable and under resourced early learning and care system was developed on a foundation of institutionalized racism and has been propped up on the backs of the Black, Brown, Indigenous, and other women of color who disproportionately comprise California’s early learning and care educators.
- Early educators and families have key roles in all aspects of defining and developing these recommendations

As the history and impacts of specific words become more commonly known, language often shifts and evolves. While the term “competencies” is and has been frequently used to describe the skills and abilities of educators, members of the Rate and Quality Workgroup believe the definition and concept of the word “competencies” are rooted in bias. The Workgroup uses the phrase “skills and abilities” to replace “competencies” when making their recommendations. The following sections detail the background and current definitions related to the skills and abilities educators are expected to perform. As many of the seminal reports and current

requirements refer to educator skills and abilities as early educator “competencies,” some of the content in this section uses the language of the original source to share the authentic background related to the topic and to avoid plagiarism.

Early educator skills and abilities develop from experience, education, and family engagement. California has previously defined these skills as “competencies” in statute and regulation, including in Title 5 and Title 22, and extensive work has been completed regarding this topic. The Rate and Quality Workgroup has identified certain skills and abilities as foundational for quality and has included these as part of its recommendations related to setting base rates.

The Rate and Quality Workgroup elevates the need to recognize the assets and experiences of current early educators while also supporting efforts to prepare and/or provide additional skills to early educators to provide culturally competent, linguistically supportive, trauma-informed, whole-child and whole-family care. The Workgroup also recommends that any effort to outline early educator skills and abilities should be linked to the redefined, family and early educator-driven definition of quality.

To more systematically support quality improvement efforts for early learning and care programs, California must continue to assess its system with an equity and racial justice lens. The Rate and Quality Workgroup proposes that the following questions form the basis for those assessments:

- How is quality defined, and how are costs to deliver quality programming accounted for in the rate structure?
- Who benefits and who is placed furthest from opportunity from definitions of quality and access to quality supports?
- Is the definition of quality being attached to rates more likely to screen in or screen out one group or another?
- Are the measurements used equitable and accessible for all early educators?
- Are there sufficient supports for all early educators to achieve standards?
- Who is furthest from the basic definition of quality, and what is needed to erase those gaps and to ensure that everyone can participate in quality improvement efforts?
- What is the role and responsibility of the state in supporting program-level quality, especially as potential enhancements to base pay are considered?⁵⁹

California does not have a cohesive policy approach to early educator skills or abilities, referred to as “competencies” in current statutory language. It is important to recognize that program standards are not the same as what is currently referred to commonly as educator “competencies.” California’s Title 5 and Title 22 program standards outline different early

⁵⁹ April 8, 2022, Workgroup discussion

educator requirements depending on the program type and setting. These requirements may include higher education units, degrees, permit requirements, and background checks. In some instances, units, degrees, or permits are aligned with “competencies.” In other cases, they are not (e.g., health and safety training requirements). It would not be accurate to say that California has required early educator “competencies” across all program types, although it does have program standards that include education or permit requirements.

California’s current early educator “competencies” are embedded in a combination of policies and standards including the following:

- the standards for the Child Development Permit (CDP) and other teaching credentials, which are set by the California Commission on Teacher Credentialing (CTC)
- the CDE’s and [First 5 California’s California Early Childhood Educator competencies](#), developed in 2011

The CTC has developed the California Standards for the Teaching Profession, which include “competencies” for multiple subject credential holders; the Early Childhood Education Teaching and Administrator Performance Expectations (based on the California Standards for the Teaching Profession), which apply to the CDP; and draft Teaching Performance Expectations (TPEs) for the emerging preschool through 3rd grade credential, which will most likely be available in the next few years.⁶⁰ These “competencies” are required in that Title 5 regulations require early learning and care educators to hold a certain level of the CDP depending on their role. Similarly, the California Standards for the Teaching Profession provide required “competencies” for TK and K educators.

In 2011, the CDE and First 5 California developed California Early Childhood Educator competencies.⁶¹ These “competencies” are not currently required in a stand-alone manner but were incorporated into the CTC’s 2018 proposed revisions to the CDP TPEs. The California Early Childhood Educator competencies were designed to

⁶⁰ The California Standards for the Teaching Profession are as follows:

- Standard 1: Engaging and Supporting All Students in Learning
- Standard 2: Creating and Maintaining Effective Environments for Student Learning
- Standard 3: Understanding and Organizing Subject Matter for Student Learning
- Standard 4: Planning Instruction and Designing Learning Experiences for All Students
- Standard 5: Assessing Students for Learning
- Standard 6: Developing as a Professional Educator

⁶¹ The California Early Childhood Educator Competencies are organized into twelve overlapping areas: (a) Child Development and Learning; (b) Culture, Diversity, and Equity; (c) Relationships, Interactions, and Guidance; (d) Family and Community Engagement; (e) Dual-Language Development; (f) Observation, Screening, Assessment, and Documentation; (g) Special Needs and Inclusion; (h) Learning Environments and Curriculum; (i) Health, Safety, and Nutrition; (j) Leadership in Early Childhood Education; (k) Professionalism; and (l) Administration and Supervision. The term “early childhood educator” includes everyone responsible for the care and education of young children.

- provide coherent structure and content for efforts to foster the professional development of California’s early childhood workforce;
- inform the course of study that early childhood educators follow as they pursue study in institutions of higher education;
- provide guidance in the definition of ECE credentials and certifications; and
- give comprehensive descriptions of the knowledge, skills, and dispositions that early childhood educators need to support young children’s learning and development across program types.

Developing an Implementation Plan for Targeted Universalism

A number of critical issues related to specific populations of children and families were raised during the Rate and Quality Workgroup process which have implications for costs and setting rates. There are a number of key issues that will require careful consideration and planning. For example, the state does not have a consistent standard process for identifying dual language or multilingual learners (although work is underway in the CSPP). Furthermore, in addition to support for multilingual learners, we need to ensure linguistic acceptance and affirmation for Black children who use African American Vernacular English (AAVE). Finally, any reimbursement rate reform efforts that target specific populations need to ensure that information about the rates are accessible and transparent.

Targeted Universalism is the recommended approach for implementation of the Rate and Quality Workgroup’s recommendations and for setting funding priorities (see Appendix III.) The Rate and Quality Workgroup recommends that CDSS collaboratively develop an implementation plan that uses a data-driven approach and robust engagement of early educators, families, and targeted communities to effectively develop targeted investments and to identify, engage, and serve families, early educators, and programs that have historically been furthest from opportunity.

Recommendations to Strengthen Support for Family, Friend, and Neighbor Care

The Rate and Quality Workgroup supports the current assessment CDSS is conducting of current federal requirements, resources, and potential changes to policies relating to FFN Care. This evaluation will begin in the fall of 2022 and continue in 2023 and will involve broad consultation with key constituencies focusing on organizations that support FFN, FFN providers, and families.

The Rate and Quality Workgroup recommends DSS include consideration of the recommendations in this report in their assessment and conduct further discussion.

4. Conclusion

California is poised to make considerable advancements for its children, its families, and the tireless educators who serve them by creating a Single Reimbursement Rate structure that addresses quality standards for equity and accessibility while supporting positive learning and developmental outcomes for children.

A funding structure that supports programs and educators' abilities to provide the quality early learning and care they are working to provide now (without adequate resources) is integral to realizing the positive impacts of early learning and care for children, families, and the broader California economy and society. **The time has come for California to create the systems and policies that allow these positive impacts to finally be realized in more equitable ways.**

Through its recommendations and assessments, the Rate and Quality Workgroup seeks to dismantle a racist, sexist, and classist methodology for setting reimbursement rates for early learning and care programs. The recommendations presented in this report are guided by the Rate and Quality Workgroup's core principles including equity, quality, children and families, early educators, and accessibility. The Rate and Quality Workgroup proposes taking immediate steps to replace the current methodology of using a market price survey to set rates with an **alternative methodology**, which uses cost estimates/models to set base rates to compensate early learning and care programs.

By incorporating and implementing the recommendations contained in this report, California will be well positioned to lead the nation in providing quality, easily accessible early learning and care opportunities for the diverse range of children and families who call California home and for compensating and valuing the educators who serve them.

Appendix A. Terminology and Key Definitions

Terminology

The early learning and care field uses a variety of terms to describe different individuals and services. This section of the report seeks to explain how the Workgroup is using specific terms.

- **Early learning and care** are used to describe the different child care and development and early learning services families may choose for their children.⁶² This is inclusive of services offered across all care settings (Center-Based, Home-Based, licensed, license-exempt centers, and license-exempt homes, which are referred to as Family, Friend, and Neighbor settings) and program types (see the definition of Head Start and state-subsidized programs below).
- **Early educators** and **Home-Based educators** and **Family, Friend, and Neighbor caregivers** are used to describe the early learning and care workforce (see the definition below).
- **Multilingual** and **Dual Language Learner (DLL)** are used throughout the report to refer to children who are learning more than one language (e.g., learning a home language in addition to English). The federal government typically uses the term multilingual learner, while the field in California has traditionally used the term DLL.

Definitions

Welfare and Institutions (WIC) Code [10280.2](#) outlines the statutory charge for the Workgroup: to assess the methodology for establishing reimbursement rates and the existing quality standards for child care and development and preschool programs. This section of the statute goes into detail about what the Workgroup should consider and include in its report.

⁶² Statute (Welfare and Institutions (WIC) Code 10280.2) uses the terms “California’s child care and development and early learning system” and references “child care and development and preschool programs.” For consistency throughout this report, and in alignment with the Master Plan for Early Learning and Care, the Workgroup will use the term early learning and care.

This definitions section represents the Workgroup’s attempt to operationalize, in the form of working definitions, key terms and concepts from the statute. These working definitions were drafted based on foundational reports, current research, and Workgroup discussion.

Equity

Equity is both a process and an outcome. For the purposes of this report, it starts with acknowledging historical inequities in early learning and care systems and how those furthest from opportunity have not fully benefited from the current system. Working definitions of equitable outcomes and processes for both children/families and the workforce/programs are provided as follows.⁶³

For Children/Families:

- As an outcome, equity is the condition achieved when personal characteristics outside children’s/families’ control (e.g., race, ethnicity, gender, sexual orientation, ability status, religion, age, class) no longer statistically predict how they fare (e.g., access to programs, developmental outcomes, etc.).
- As a process, equity is applied when children/families most impacted by structural inequity are meaningfully involved in the creation and implementation of the institutional policies and practices that impact them. This includes having an intentional approach to partnering with the people most impacted by inequity to document disparities, identify underlying structural causes of disparities, and propose informed solutions.

For the Workforce/Programs:

- As an outcome, equity for the early learning and care workforce/programs means that race, gender, culture, primary language, geographic location, program type, or program setting of early learning and care programs does not predict access to
 - professional learning opportunities and supports;
 - leadership development and opportunities; fair compensation and benefits based on qualifications or a fair reimbursement rate based on setting and program standards; and
 - authentic, unbiased, and straightforward pathways to career advancement or program quality improvement.⁶⁴

⁶³ See May 13, 2022, Workgroup presentation

⁶⁴ This definition draws from work completed as part of California’s Transforming the Workforce for Children Birth Through Age 8 effort. First 5 California. (2016). *Transforming the Workforce for Children Birth Through Age 8: Implementation plan for the State of California*. <http://twb8-ca.net/>

- As a process, equity for the early learning and care workforce and programs is applied when the workforce/programs most impacted by systemic inequities within the current reimbursement rate and quality system are meaningfully involved in the creation and implementation of the institutional policies and practices that most impact them. The Workgroup also acknowledges the impact of racism and White-dominance in research and seeks to elevate more inclusive approaches to research and practice.⁶⁵ More recently, there is a growing body of research in early learning and care centered on inclusion and marginalized groups, specifically Black and Brown families. This newer research elevates opportunities for more equitable practices in early childhood learning and care.⁶⁶

Access

For Children/Families:

Access to (or availability of) early learning and care means that families, with reasonable effort and affordability, can enroll their child in an arrangement that supports the child’s development and meets the family’s needs.⁶⁷ The Blue Ribbon Commission presented a universal goal for access that California families at or below the State Median Income (SMI) would pay no more than 7 percent of their income on early learning and care for children under the age of 6 regardless of whether they have access to subsidized child care, the state preschool program, or a federally funded program.⁶⁸

For the Workforce/Programs:

Access here means access to (and availability of) professional learning opportunities and supports, fair compensation and benefits and program reimbursement, and pathways to career advancement or program quality improvement opportunities and infrastructure.

Environmental Settings of Early Learning and Care Programs

Early learning and care programs are delivered in different environmental settings, which include the following:

⁶⁵ Ardrey, T., & Hall, A. (2021, January 23). *Advancing equity in early childhood education*. Southern Conference on Children, virtual. <https://digitalcommons.georgiasouthern.edu/cgi/viewcontent.cgi?article=1228&context=scoc>

⁶⁶ Efforts such as the Children’s Equity Project, through the Center for Child and Family Success at Arizona State University, are among those that examine practice of and conduct research on marginalized groups, including children with disabilities, dual language learners, Tribal communities, and others.

⁶⁷ American Institutes for Research. (2019). *California Preschool Development Grant Birth Through Five program needs assessment*. California Department of Education. <https://www.cde.ca.gov/sp/cd/re/documents/pdgneedsassessment.pdf>

⁶⁸ California Assembly Blue Ribbon Commission on Early Childhood Education. (2019). *Final report*. <https://speaker.asmdc.org/sites/speaker.asmdc.org/files/pdf/BRC-Final-Report.pdf>

- Center-Based (licensed)
- Center-Based (license-exempt)
- Home-Based (licensed)
- Home-Based (license-exempt)

Quality

The Rate and Quality Workgroup recognizes the racial bias implicit in previously developed definitions of quality and quality improvement systems, some of which has been formalized in policy and some of which is informally present in attitudes and beliefs.⁶⁹ When the Workgroup refers to quality throughout this report, it refers to the Rate and Quality Workgroup definition of quality.

Quality must be inclusive of the whole child and whole family and must be culturally and linguistically accepting and responsive.⁷⁰ Quality early learning and care means safe and healthy learning environments in which educators have the skills and abilities needed to educate and nurture children in partnership with their families and to promote relationships, interactions, and activities that support all children’s growth and development to prepare them for school and life.⁷¹ Quality early learning and care also means that early educators have adequate compensation and support, including access to education and training to increase their knowledge and skills.

Families make choices about programs and settings for their children based on their own definitions of what quality is for their child, including considerations around things like cultural competence or language matching of the child and the program/early educator, whether the program/early educator uses trauma-informed approaches, whether facilities are adequate, whether the program/educator fosters a sense of safety and belonging for the child, and whether families feel the programs are promoting and supporting their child’s development.

Many families and educators share a view of quality based on love for the children, trusting relationships with the family, cultural and linguistic responsiveness, and a safe and nurturing environment.

⁶⁹ See the May 13, 2022, Workgroup meeting notes.

⁷⁰ See the August 5, 2022, presentation to the Workgroup by Keisha Nzewi. Being culturally and linguistically accepting and responsive includes being responsive to and accepting of African American Vernacular English (AAVE), which is an American dialect of English that grew from stolen Africans, who spoke many different languages.

⁷¹ American Institutes for Research, (2019) <https://www.cde.ca.gov/sp/cd/re/documents/pdgneedsassessment.pdf>

Child Outcomes

A child outcome is a statement of a desired result for a child. Child outcomes must reflect what families want for their children and what we would want every child to experience in early education and care and what research shows will benefit a young child in early learning and care.⁷² The Workgroup is taking a whole-child approach to defining outcomes (see the definition of whole child below), which asserts that children’s education and life outcomes are dependent upon their access to deeper learning opportunities, as well as their early learning and care environment and relationships.

Child outcomes can be identified across domains of child development and outcomes differ across age ranges and developmental periods. The Rate and Quality Workgroup is concentrated on outcomes for children from birth through age 12 and older children with exceptional needs given the eligibility requirements for state-subsidized early learning and care.

A number of frameworks have been created to identify domains of child development. For example, Head Start identifies the following domains:

- Approaches to Learning
- Social and Emotional Development
- Language and Literacy
- Cognition
- Perceptual, Motor, and Physical Development

In addition, the California’s Preschool Learning Foundations cover 9 domains:

- Social–Emotional Development
- Language and Literacy
- English–Language Development
- Mathematics
- Visual and Performing Arts
- Physical Development
- Health
- History–Social Science
- Science

⁷² See the June 10, 2022, Workgroup meeting notes

Research-Based

In the context of this report, research-based is used to be inclusive of *promising practices* that have theoretical/conceptual evidence that establishes that an approach is likely to work and *evidence-based practices*, which now typically means using empirical research to demonstrate that an approach does work.

Head Start Programs

Head Start programs include the following:

- Head Start: As a federally funded program contracting directly with programs, Head Start promotes school readiness for 3- and 4-year-old children primarily from low-income families.
- Early Head Start: As a federally funded program contracting directly with programs, Early Head Start serves infants and toddlers under the age of 3 and pregnant women.

State-Subsidized Programs

State-subsidized programs include the programs listed below. The following page includes a table that indicates state standards, settings, and ages of children served for each program.

- California State Preschool Program (CSPP): Administered by the California Department of Education (the CDE), CSPP offers age- and developmentally informed programs designed to facilitate the transition to kindergarten for 3- and 4-year-old children.
- General Child Care and Development (CCTR): Operated by CDSS, CCTR programs provide child development services for eligible children from birth through 12 years of age and older children with exceptional needs.
- Family Child Care Home Education Networks (CFCC): Operated by CDSS, contractors operating a CFCC support educational objectives for children in licensed family child care homes that serve families eligible for subsidized child care.
- California Migrant Program (CMIG): Operated by CDSS, CMIG programs provide early learning and care services for eligible migrant children from birth through 12 years of age and older children with exceptional needs.
- California Work Opportunity and Responsibility to Kids (CalWORKs) Child Care (Stages 1, 2, and 3): The CalWORKs child care stages are part of a two-generational approach to disrupt the cycle of poverty by simultaneously focusing on the needs of parents and children. Administered by CDSS, the CalWORKs child care program is intended to ensure that access to stable child care is never a barrier to fully engaging in the CalWORKs program. Once a CalWORKs applicant family is determined eligible for

CalWORKs cash aid, they will be immediately authorized CalWORKs Stage One Child Care.

- California Alternative Payment Program (CAPP): Funded by CDSS, Alternative Payment Programs (APPs) help eligible families arrange child care services and pay the early educators of the family's choice directly for those services. CAPP services are for children from birth through 13 years of age.
- California Migrant Alternative Payment Program (CMAP): Operated by CDSS, CMAP programs make payments on behalf of eligible, migrant families to early educators of the families' choice throughout California's central valley.
- Special Education Preschool Program: Funded through IDEA and coordinated by the child's district of residence, this program provides educational and support services for children (3–5 years old) with special needs.
- Early Start: Operated by the Department of Developmental Services (DDS), Early Start is California's early intervention program for infants and toddlers (from birth to age 3) who have been diagnosed with or are at risk of developmental delays or disabilities.
- Child Care and Development Services for Children with Severe Disabilities (CHAN): Operated by CDSS, the CHAN program provides federal and state funds for providing children with exceptional needs with additional access to child care and development programs up to 21 years of age.

State-subsidized programs	Standards			Settings		Age of children eligible	
	License-exempt	Title 22	Title 5	Home-Based	Center-Based	Birth to 5	School age (6–12)
CSPP		X	X	X	X	3–4 ⁷³	
CCTR		X	X	X	X	X	X
CFCC		X	X	X		X	
CMIG		X	X	X	X	X	X
CalWORKs	X	X		X	X	X	X
CAPP	X	X		X	X	X	X
CMAP	X	X		X	X	X	X
Special Education Preschool Program ⁷⁴						3–5	
Early Start						Birth to age 3	
CHAN		X		X	X	X	Up to age 21

⁷³ As defined in *Education Code* 8205(aa), “Three-year-old children” means children who will have their third birthday on or before December 1 of the fiscal year in which they are enrolled in a California state preschool program. Children who have their third birthday on or after December 2 of the fiscal year, may be enrolled in a California state preschool program on or after their third birthday. Any child under four years of age shall be served in a California state preschool program facility, licensed in accordance with Title 22 of the California Code of Regulations.

(ab) “Four-year-old children” means children who will have their fourth birthday on or before December 1 of the fiscal year in which they are enrolled in a California state preschool program, or a child whose fifth birthday occurs after September 1 of the fiscal year in which they are enrolled in a California state preschool and whose parent or guardian has opted to retain or enroll them in a California state preschool program.

⁷⁴ Requirements for the Special Education Preschool Program are specified in the federal Individuals with Disabilities Education Act (IDEA).

Early Educators (Early Learning and Care Workforce)

For the purposes of this report, the early educators are defined as anyone working with young children from birth through school age in an early learning setting that receives state or federal subsidies (see Environmental Settings of Early Learning and Care Programs, Head Start Programs, and State-Subsidized Programs).⁷⁵ The Workgroup applies the adjective “Home-Based” to early educators that work in family child care homes or license-exempt Home-Based settings when referencing the distinct needs and historic injustice facing those early educators.

Whole Child

“Whole-child” care and education prioritizes the full scope of a child’s developmental needs as a way to advance equity and ensure that every child reaches their fullest potential. A whole-child approach understands that life outcomes are dependent upon their family, access to community opportunities and learning opportunities as well as their early learning and environment and relationships.⁷⁶

Whole-child care and education focuses on the following:⁷⁷

- Social–Emotional Development
- Mental Health
- Physical Health
- Cognitive Development
- Academic Development
- Identity Development

The CDE has curated whole-child resources in five key areas:⁷⁸

- **Safe:** Children learn, play, and develop in an environment that is physically and emotionally safe.
- **Engaged:** Children are actively engaged in learning and are connected to the early learning and care setting and broader community.

⁷⁵ While standard federal terminology stipulates that anyone who is paid for a certain type of work, such as early learning and care, is a member of the workforce in that area of work, this report limits the child care workforce to those in state- or federally subsidized programs due to the scope of these recommendations as they pertain to California’s subsidized child care reimbursement system. While this report does acknowledge that recommendation may have an impact on the broader child care workforce, it is the intent of this report to focus its recommendations on the public systems.

⁷⁶ Adapted from the Learning Policy Institute Definition of Whole Child. Learning Policy Institute. (n.d.). *Whole child education*. <https://learningpolicyinstitute.org/issue/whole-child-education>

⁷⁷ Learning Policy Institute. (n.d.). *Whole child education*. <https://learningpolicyinstitute.org/issue/whole-child-education>

⁷⁸ Adapted from the CDE. California Department of Education. (n.d.). *Whole child resources*. <https://www.cde.ca.gov/eo/in/wholechildres.asp#accordionfaq>

- **Supported:** Children have access to personalized learning and development opportunities and are supported by qualified and caring adults.
- **Challenged:** Children are challenged to learn and try new things.
- **Healthy:** Children are healthy and learn about and practice a healthy lifestyle.

Whole Family

A whole-family approach recognizes that families are the essential foundations of whole-child development and that when the adults and children in a family are engaged and included and also provided with the tools and support they need (including feeling affirmed in their race, ethnicity, culture and home language) they can best set and achieve goals and support one another, including in regard to the development and learning of their children.

- A whole-family approach brings family voice into the early learning and care environment so that families and educators can learn from one another.
- A whole-family approach values a family’s needs and wants in relation to their child’s learning and actively engages families in various ways, including involvement in the IEP process, connections to services or community resources, and discussions about their child’s academic and social–emotional learning.

Targeted Populations

The term “targeted populations” refers to those groups furthest away from opportunity, identified at the time by the Blue Ribbon Commission:⁷⁹

- children and families in poverty, including CalWORKs
- children and families of color
- multilingual and dual language learners
- immigrant families
- migrant families
- Tribal families
- children with disabilities, mental health, and other special health care needs
- children and families connected to the child welfare system
- young parents not connected to child welfare
- children with incarcerated and recently released parents

⁷⁹ California Assembly Blue Ribbon Commission on Early Childhood Education. (2019). *Final report*. <https://speaker.asmdc.org/sites/speaker.asmdc.org/files/pdf/BRC-Final-Report.pdf>

Appendix B. Current Relevant Research and Data

Estimated Size of the California Early Learning and Care Workforce

The following tables are sourced from a data snapshot published by the Center for the Study of Child Care Employment, [Estimated Size of the California ECE Workforce](#). Refer to the data snapshot for a description of the methodology used.^{80, 81}

Number of Center-Based Early Educators in California

Estimated by region, role, and program funding source, 2020

Head Start programs include Head Start, Early Head Start, or Migrant Head Start; these programs may also receive Title 5 funding.

Title 5 programs have a contract for a state-subsidized (Title 5) program, including State Preschool; programs that also receive Head Start funding are excluded to avoid duplication.

Other funding includes programs with no contract for Head Start or Title 5; these programs may accept other types of subsidies, such as vouchers, but are otherwise tuition-funded.

⁸⁰ Family, Friend, and Neighbor care is not included in this data. To calculate the estimated size of the workforce, The Center for the Study of Childcare Employment derived an average number of paid teaching staff per program by region and facility type, based on data reported from a statewide representative sample of center directors and family child care educators through the Workforce Study. A weighted total was calculated using the total number of programs from data provided by the California Child Care Resource & Referral Network for centers and FCCs in 2019. Data were weighted to adjust for unequal response rates.

⁸¹ Kim, Y., Powell, A., & Montoya, E. (2021). *Estimated size of the California ECE workforce*. Retrieved July 27, 2022, from <https://cscce.berkeley.edu/publications/data-snapshot/estimated-size-of-the-california-ece-workforce/>

	Northern	Bay Area	Central	Southern	Los Angeles	Statewide
Assistant teacher/teacher aide						
Head Start	700	700	1,700	1,800	900	5,800
Title 5	500	800	1,800	2,100	1,100	6,300
Other funding	800	2,500	1,500	3,400	2,700	10,900
Total	2,000	4,000	5,000	7,300	4,700	23,000
Teacher						
Head Start	600	1,100	2,000	1,700	1,500	6,900
Title 5	500	1,300	1,400	3,000	1,600	7,800
Other funding	2,300	12,500	5,700	14,600	11,000	46,100
Total	3,400	14,900	9,100	19,300	14,100	60,800
All Center-Based teaching staff						
Head Start	1,300	1,800	3,700	3,500	2,400	12,700
Title 5	1,000	2,100	3,200	5,100	2,700	14,100
Other funding	3,100	15,000	7,200	18,000	13,700	57,000
Total	5,400	18,900	14,100	26,600	18,800	83,800

Number of Home-Based Educators in California

Estimated by region and role, 2020

	Northern	Bay Area	Central	Southern	Los Angeles	Statewide
All Home-Based educators						
Owners	1,500	5,700	4,800	7,600	5,100	24,700
Paid assistants	600	3,300	2,400	3,000	4,000	13,200
Unpaid assistants	500	1,300	1,500	2,000	1,600	7,000
Total	2,600	10,300	8,600	12,600	10,700	44,900

Demographics of the California Early Learning and Care Workforce

The following tables are sourced from a data snapshot published by the Center for the Study of Child Care Employment, *Demographics of the California ECE Workforce*. Refer to the data snapshot for a description of the methodology used.⁸²

Demographics of Early Educators in California

Estimated by early educator type, 2020

	FCC educators	Center teaching Staff	Center directors
Age			
29 yrs or younger	3%	18%	3%
30 to 39 yrs	16%	25%	19%
40 to 49 yrs	29%	24%	25%
50 to 59 yrs	31%	22%	31%
60 yrs or older	22%	11%	22%

⁸² Powell, A., Montoya, E., & Kim, Y. (2022). *Demographics of the California ECE workforce*. Center for the Study of Child Care Employment. Retrieved July 26, 2022, from <https://cscce.berkeley.edu/publications/data-snapshot/demographics-of-the-california-ece-workforce/>

	FCC educators	Center teaching Staff	Center directors
Country of birth			
United States	58%	72%	82%
Another country	42%	28%	18%
Gender			
Women	98%	98%	97%
Men	1%	2%	3%
All other genders ⁸³	0%	0%	0%
Marital status			
Married/Partnered	74%	64%	76%
Unmarried/Single	26%	36%	24%
Race/Ethnicity			
Asian	12%	10%	9%
Black	12%	5%	6%
Latina ⁸⁴	37%	39%	20%
Multiethnic ⁸⁵	6%	8%	7%
White	29%	34%	55%
Other	4%	3%	3%

⁸³ Across the following demographics tables, fewer than 1% of respondents from each population reported being non-binary, transgender, or self-described their gender.

⁸⁴ Across the following demographics tables, the gender-specific term “Latina” is used to describe members of the early learning and care workforce who identify as Hispanic, Latino/a, or Latinx because the early learning and care workforce is overwhelmingly comprised of women.

⁸⁵ Across the following demographics tables, UC Berkeley Center for the Study of Child Care Employment estimates multiethnic educators by tabulating those who selected two or more ethnic and/or racial backgrounds. All other race/ethnicity estimates reflect educators who selected only one category.

Languages Spoken by Early Educators in California

Estimated by early educator type, 2020

	FCC educators	Center teaching Staff	Center directors
Multilingualism			
Monolingual English	48%	52%	69%
Multilingual	39%	46%	30%
Monolingual other	13%	2%	1%
Language fluency⁸⁶			
American Sign Language	1%	2%	1%
Chinese	5%	2%	2%
English	87%	98%	99%
Korean	0%	0%	1%
Spanish	37%	36%	19%
Tagalog	0%	1%	1%
Vietnamese	1%	1%	1%
All other languages	10%	8%	8%

⁸⁶ Across the following demographics tables, language fluency values do not sum to 100 percent because some educators speak multiple languages.

Demographics of Home-Based Educators in California, by Region

Estimated by role (FCC early educators) and region, 2020

	Northern	Bay Area	Central	Southern	Los Angeles	Statewide
Age						
29 yrs or younger	5%	3%	3%	3%	3%	3%
30 to 39 yrs	20%	13%	18%	14%	16%	16%
40 to 49 yrs	32%	28%	33%	22%	30%	29%
50 to 59 yrs	26%	32%	28%	34%	30%	31%
60 yrs or older	18%	25%	18%	26%	20%	22%
Country of birth						
United States	83%	48%	68%	50%	60%	58%
Another country	17%	52%	32%	50%	40%	42%
Gender						
Women	98%	99%	98%	98%	99%	98%
Men	1%	1%	2%	2%	1%	1%
All other genders	1%	0%	0%	0%	0%	0%
Marital Status						
Married/Partnered	76%	74%	77%	68%	75%	74%
Unmarried/Single	24%	26%	23%	32%	25%	26%
Race/Ethnicity						
Asian	2%	29%	4%	13%	5%	12%
Black	1%	10%	11%	19%	13%	12%

	Northern	Bay Area	Central	Southern	Los Angeles	Statewide
Latina	18%	27%	39%	43%	43%	37%
Multiethnic	10%	6%	9%	5%	6%	6%
White	66%	25%	34%	17%	28%	29%
Other	3%	4%	3%	4%	4%	4%

Demographics of Center-Based Educators in California, by Region

Estimated by role (Center-Based Early Educators) and region, 2020

	Northern	Bay Area	Central	Southern	Los Angeles	Statewide
Age						
29 yrs or younger	21%	17%	21%	16%	18%	18%
30 to 39 yrs	25%	26%	28%	25%	23%	25%
40 to 49 yrs	20%	22%	21%	28%	24%	24%
50 to 59 yrs	19%	24%	23%	19%	23%	22%
60 yrs or older	14%	10%	8%	11%	11%	11%
Country of birth						
United States	90%	64%	77%	74%	70%	72%
Another country	10%	36%	23%	26%	30%	28%
Gender						
Women	95%	96%	99%	98%	99%	98%
Men	3%	2%	1%	2%	1%	2%
All other genders	2%	1%	0%	0%	0%	0%

	Northern	Bay Area	Central	Southern	Los Angeles	Statewide
Marital status						
Married/Partnered	73%	65%	63%	61%	64%	64%
Unmarried/Single	27%	35%	37%	39%	36%	36%
Race/Ethnicity						
Asian	5%	19%	7%	10%	6%	10%
Black	0%	7%	4%	9%	3%	5%
Latina	15%	27%	43%	49%	42%	39%
Multiethnic	8%	9%	11%	6%	9%	8%
White	68%	36%	29%	23%	37%	34%
Other	4%	3%	5%	3%	3%	3%

Demographics of Center Directors in California, by Region

Estimated by role (Center Directors) and region, 2020

	Northern	Bay Area	Central	Southern	Los Angeles	Statewide
Age						
29 yrs or younger	4%	3%	3%	3%	3%	3%
30 to 39 yrs	20%	13%	18%	14%	16%	16%
40 to 49 yrs	29%	26%	24%	24%	25%	25%
50 to 59 yrs	28%	31%	31%	32%	30%	31%
60 yrs or older	20%	20%	22%	23%	24%	22%
Country of birth						
United States	94%	78%	88%	74%	84%	82%
Another country	6%	22%	12%	26%	16%	18%
Gender						
Women	97%	97%	98%	95%	97%	97%
Men	3%	3%	2%	5%	3%	3%
All other genders	0%	0%	0%	0%	0%	0%
Marital Status						
Married/Partnered	77%	75%	76%	78%	73%	76%
Unmarried/Single	23%	25%	24%	22%	27%	24%

	Northern	Bay Area	Central	Southern	Los Angeles	Statewide
Race/Ethnicity						
Asian	1%	19%	5%	11%	6%	9%
Black	0%	7%	3%	11%	5%	6%
Latina	10%	11%	23%	26%	23%	20%
Multiethnic	7%	7%	8%	5%	6%	7%
White	78%	52%	59%	42%	56%	55%
Other	4%	3%	2%	4%	4%	3

Languages Spoken by Home-Based Educators in California, by Region

Estimated by early educator type (FCC), 2020

	Northern	Bay Area	Central	Southern	Los Angeles	Statewide
Multilingualism						
Monolingual English	77%	39%	56%	40%	48%	48%
Multilingual	19%	46%	31%	46%	39%	39%
Monolingual other	4%	14%	13%	14%	12%	13%
Language Fluency						
American Sign Language	2%	1%	1%	1%	2%	1%
Chinese	1%	15%	0%	4%	1%	5%
English	96%	85%	88%	86%	87%	87%

	Northern	Bay Area	Central	Southern	Los Angeles	Statewide
Korean	0%	0%	0%	0%	0%	0%
Spanish	18%	29%	35%	45%	43%	37%
Tagalog	0%	1%	0%	0%	0%	0%
Vietnamese	1%	2%	1%	2%	1%	1%
All other languages	2%	17%	7%	11%	7%	10%

Languages Spoken by Center-Based Educators in California, by Region

Estimated by early educator type (Center-Based Early Educators), 2020

	Northern	Bay Area	Central	Southern	Los Angeles	Statewide
Multilingualism						
Monolingual English	80%	51%	54%	46%	50%	52%
Multilingual	19%	46%	42%	53%	48%	46%
Monolingual other	1%	3%	3%	1%	2%	2%
Language fluency						
American Sign Language	1%	2%	2%	2%	1%	2%
Chinese	0%	6%	1%	2%	1%	2%
English	99%	97%	97%	99%	98%	98%
Korean	0%	0%	0%	1%	0%	0%
Spanish	15%	28%	37%	45%	40%	36%

	Northern	Bay Area	Central	Southern	Los Angeles	Statewide
Tagalog	0%	1%	0%	0%	0%	1%
Vietnamese	0%	3%	2%	0%	1%	1%
All other languages	4%	13%	4%	6%	8%	8%

Languages Spoken by Center Directors, by Region

Estimated by early educator type (Center Directors), 2020

	Northern	Bay Area	Central	Southern	Los Angeles	Statewide
Multilingualism						
Monolingual English	86%	67%	74%	56%	72%	69%
Multilingual	14%	32%	25%	43%	28%	30%
Monolingual other	0%	1%	0%	1%	0%	1%
Language fluency						
American Sign Language	1%	1%	2%	1%	1%	1%
Chinese	0%	7%	0%	2%	1%	2%
English	100%	99%	100%	99%	100%	99%
Korean	0%	1%	0%	2%	1%	1%
Spanish	11%	12%	19%	29%	20%	19%
Tagalog	0%	2%	1%	1%	1%	1%
Vietnamese	0%	1%	0%	1%	0%	1%
All other languages	1%	12%	5%	10%	7%	8%

Appendix C. Targeted Universalism: Definition and Background

Definition of Targeted Universalism

Targeted Universalism is a strategy to advance equity. Per the Othering & Belonging Institute at UC Berkeley, “Targeted universalism means setting universal goals pursued by targeted processes to achieve those goals. Within a Targeted Universalism framework, universal goals are established for all groups concerned. The strategies developed to achieve those goals are targeted, based upon how different groups are situated within structures, culture, and across geographies to obtain the universal goal.”⁸⁷

Applying Targeted Universalism

Targeted universalism can be used as a strategy to implement recommendations across policy areas. The institute outlines five steps for Targeted Universalism:

1. Establish a universal goal based upon a broadly shared recognition of a societal problem and collective aspirations.
2. Assess general population performance relative to the universal goal.
3. Identify groups and places that are performing differently with respect to the goal. Groups should be disaggregated.
4. Assess and understand the structures that support or impede each group or community from achieving the universal goal.
5. Develop and implement targeted strategies for each group to reach the universal goal.⁸⁸

⁸⁷ Powell, J. A., Menendian, S., & Ake, W. (2019). *Targeted Universalism: Policy & practice*. Haas Institute for a Fair and Inclusive Society.

⁸⁸ Powell, J. A., Menendian, S., & Ake, W. (2019). *Targeted Universalism: Policy & practice*. Haas Institute for a Fair and Inclusive Society.

Applying targeted universalism requires a granular assessment of how different subgroups are doing relative to the established goal. The assessment process must include a variety of methods (including quantitative demographic analysis as well as qualitative sources) and should be inclusive of different sources and perspectives. Diverse representation is essential to ensure the assessment is deeply and authentically informed by a broad base.

Importantly, this assessment may uncover issues about structures and how opportunities are distributed to different groups. A Targeted Universalism approach requires a collection of implementation strategies to advance all groups to the universal goal. Implementation strategies are differentiated to address both the structures that impede different groups and populations and to affirmatively develop structures that promote the desired outcome for different populations. The strategies are targeted, but the goal is universal.⁸⁹

Enhancing Equity Through Targeted Universalism

Equity is both a process and an outcome. For children and families, equity as an outcome is when personal characteristics outside children and families' control (e.g., race, ethnicity, gender, sexual orientation, ability status, religion, age, class) no longer statistically predict how they fare (e.g., access to programs, developmental outcomes, etc.). As a process, equity is applied when children and families most impacted by structural inequity are meaningfully involved in the creation and implementation of the institutional policies and practices that impact them. This includes having an intentional approach to partnering with the people most impacted by inequity to document disparities, identify underlying structural causes of disparities, and propose informed solutions. Targeted Universalism focuses on structures that enforce the marginality of different people and attends to the fact that there are patterns of identities that experience specific disadvantages.⁹⁰

Targeted Universalism as a Key Concept for Early Learning and Care Reform in California

This concept became a foundational implementation recommendation for the 2019 California Assembly Blue Ribbon Commission Report on Early Childhood Education:

⁸⁹ Powell, J. A., Menendian, S., & Ake, W. (2019). *Targeted Universalism: Policy & practice*. Haas Institute for a Fair and Inclusive Society.

⁹⁰ Powell, J. A., Menendian, S., & Ake, W. (2019). *Targeted Universalism: Policy & practice*. Haas Institute for a Fair and Inclusive Society.

Equity and equality are not the same. Rather than striving for a nebulous equality for all families, we recognize that different groups are situated differently relative to the institutions and resources of society. California’s ECE system should recognize this and focus on increasing equity and eliminating systemic barriers for those most excluded from opportunity. Our recommendations are designed to recognize and eliminate disparities based on numerous factors including race and ethnicity, poverty, language, immigration status and disability.

We aim to increase equity and eradicate systemic barriers by prioritizing investments for children, families and communities most at risk using “Targeted Universalism.” Targeted Universalism is an approach that sets a universal goal and implements targeted strategies so that varying needs of different groups can be met—with an explicit focus on disadvantaged groups—while working towards the universal goal.⁹¹

Notable recommendations from the Blue Ribbon Commission that elevated a Targeted Universalism approach include the following:

- **Access for Children and Families (2F).** Increase equity and eradicate systemic barriers by prioritizing investments for children and families most at risk. Use a Targeted Universalism process to develop a 10-year plan to meet universal goals, first targeting the most excluded and then evaluating and adjusting policies and investments.
- **Workforce (3A).** Equity and Diversity: Examine racial disparities in compensation and career advancement and develop targeted solutions. Establish supports and systems to optimize all providers’ ability to meet the diverse needs of children and families, including working with multilingual and dual language learners, supporting culturally responsive practice, and providing trauma-informed care and instruction.

⁹¹ California Assembly Blue Ribbon Commission on Early Childhood Education . (2019). *Final report*. <https://speaker.asmdc.org/sites/speaker.asmdc.org/files/pdf/BRC-Final-Report.pdf>

- **Financing (9A).** Long-term goal: Create an adequate and sustainable financing structure for all subcommittee recommendations, including equitable access to early care and education settings that meet their needs and definition of high quality and are affordable for all families while targeting those most separated from opportunity; a well-compensated, professionally supported diverse workforce; and necessary facilities, systems, and infrastructure.

First 5 California and the First 5 Association also recommended the use of the Targeted Universalism approach in a March 2020 [advocacy letter to the Early Childhood Action Research Team and the Early Childhood Policy Council](#), stating, “First 5 recommends that this concept of targeted universalism be applied to all critical components of ECE, including access, quality workforce development, and improved wages and reimbursement rates.” Furthermore, in a February 2021 [advocacy letter to the administration and legislative leaders](#), the Whole Child Equity Partnership recommended a Targeted Universalism approach “to achieve the universal goal of addressing the needs of the whole child to ensure all California children thrive.”

Appendix D. Outcomes for California’s Young Children and Their Early Educators

Supporting positive child outcomes is at the heart of disrupting historical inequities for children of color, multilingual or dual language learners, and children with special needs.

As codified by Welfare and Institutions (WIC) Code 10280.2, the Rate and Quality Workgroup is charged to “assess the methodology for establishing reimbursement rates and the existing quality standards for child care and development and preschool programs.” Additionally, “this assessment shall be informed by evidence-based elements that best support child development and positive child outcomes.”

A child outcome is a statement of desired result for a child. Child outcomes must reflect what families want for their children, what California wants every child to experience in early learning and care, and what research shows will benefit a young child in early learning and care.⁹² The Workgroup is taking a whole-child approach to defining outcomes, which asserts that children’s education and life outcomes are dependent upon their experiences at home and in their communities, their access to rich learning opportunities, and their early learning environments and relationships with early educators. (See Appendix A for the Workgroup’s working definition of child outcomes).

Important research helps describe the brain science of child development⁹³ and the types of experiences that support healthy child development, including social–emotional development⁹⁴ and language development across multiple languages.⁹⁵ This research should be built upon;

⁹² See the June 10, 2022, Workgroup meeting notes.

⁹³ Head Start & Early Childhood Learning and Knowledge Center. (2021). *Supporting early brain development: Building the brain.* Administration for Children & Families, U.S. Department of Health & Human Services. <https://eclkc.ohs.acf.hhs.gov/publication/supporting-early-brain-development-building-brain>

⁹⁴ Ho, J., & Funk, S. (2018). Promoting young children’s social and emotional health. *Young Children*, 73(1). <https://www.naeyc.org/resources/pubs/yc/mar2018/promoting-social-and-emotional-health>

⁹⁵ National Academies. (2017). *Children’s language development.* The National Academies Press. <https://nap.nationalacademies.org/resource/24677/toolkit/childrens-language-development.html>

however, until recently, research has been conducted from a White-dominant lens and has not been community led.⁹⁶ To operationalize the Workgroup’s definition of equity as an outcome and a process, California’s early childhood care and education field will need time to come together to define a framework with a set of outcomes that apply across its diverse programs, services, and communities.

Families and early educators representing communities furthest from opportunity will need to be included as key voices in this process. Based on the discussion of key interest groups thus far, this work could begin with identifying outcomes related to changes in the current conditions of children, families, and early educators.⁹⁷ Once statewide data show progress in reaching these “near-term” outcomes, the next step would be to specify desired longer term outcomes. At each step in the process, family and educator input and research would inform the selection of outcomes that focus on the current well-being and development of children and early educators.⁹⁸ The perspectives of early educators and families representing California’s diverse communities must be centered in the identification, definition, and piloting of the first set of outcomes.

The following major considerations should guide the drafting of outcomes for children:

- Defining what we would want every child to experience in an early learning and care environment
- Defining what experiences research shows will benefit a young child in an early learning and care environment
- Centering family involvement, which is critical to child outcomes
- Defining **outcomes for early educators**. It is important to underscore our society’s responsibility to recognize, respect, and treat early educators equitably. Addressing early educators’ well-being and professional development would also benefit the young children they care for.⁹⁹ The approach to outcomes for early educators parallels that for children.

⁹⁶ Ardrey, T., & Hall, A. (2021, January 23). *Advancing equity in early childhood education*. Southern Conference on Children, virtual.

⁹⁷ The term “early educators” refers to all individuals who directly provide care and education and service to young children and their families, including Home-Based early educators, Center-Based early educators, preschool teachers, and Early Head Start and Head Start teachers.

⁹⁸ In this summary, outcomes will be identified for young children and early educators. A fully developed framework for outcomes would, of course, include the children’s families.

⁹⁹ Grining, C. L., Raver, C. C., Champion, K., Sardin, L., Metzger, M., & Jones, S. M. (2010). Understanding and improving classroom emotional climate and behavior management in the “real world”: The role of Head Start teachers’ psychosocial stressors. *Early Education and Development*, 21(1), 65–94. <https://doi.org/10.1080/10409280902783509>

The following considerations guided the drafting of outcomes for early educators:

- what we would want every early educator to experience in their work
- what research shows will benefit early educators who care for young children

Arriving at an agreed upon set of near-term outcomes for young children and their early educators will be challenging but attainable. California must keep the focus narrowed to experiences that everyone agrees are desirable in early learning and care programs. We can successfully move toward the goal of promoting the well-being and development of young children and the early educators who care for and educate them.

Appendix E. Whole-Child, Whole-Family Approaches

The whole child, whole family is a comprehensive approach to meeting the needs of children and their families. This comprehensive system of care coordinates policy, processes, and practice to provide equitable access to high-quality holistic services that support the child’s development and the family’s need. The development of the whole child is deeply rooted in early care and learning field. A fundamental concept of the 2019 California Assembly Blue Ribbon Commission Report on Early Childhood Education is the following: “As children’s wellbeing is inextricably connected to the wellbeing of their family, we must take a two-generation whole child and whole family approach.”¹⁰⁰

The whole child whole family approach considers the following:

Developmentally appropriate environments and experiences depend on the system of support provided to early educators. Supports for early educators must be holistic in nature and account for not only professional development opportunities but also their well-being. Early educators create and build environments, relationships and experiences that foster children’s emotional, physical, and cognitive development from birth to entry to kindergarten. Developmentally appropriate environments and experiences are measured through child outcomes, or the desired results, for children and must reflect what families want for their children and the child’s experience in an environment. Early care and learning environments and early educators build positive teacher–child and peer-to-peer relationships, all of which help children grow emotionally, physically, and cognitively.

Family engagement at home and in early care and learning settings is another powerful predictor of child and family outcomes. Family engagement entails “partnering with families to build mutually respectful, goal-oriented relationships that support strong parent-child relationships, family well-being and ongoing learning and development for both parents and children.”¹⁰¹ Engagement is not limited to relationships; it must also include engaging diverse

¹⁰⁰ California Assembly Blue Ribbon Commission on Early Childhood Education. (2019). *Final report*. <https://speaker.asmdc.org/sites/speaker.asmdc.org/files/pdf/BRC-Final-Report.pdf>

¹⁰¹ Start Early: Champions for Early Learning. (2019). *The importance of family engagement*. <https://www.startearly.org/post/importance-of-family-engagement/>

family input in policy and funding initiatives at the state and local levels to ensure equitable access to high-quality holistic services.

Access to health/behavioral health care and social services addresses equitable, inclusive, high-quality continuum of care as well as outreach to families to determine the types of services and interventions needed to support the whole child and whole family. This includes creating aligned policy and funding decisions to continue to address the unmet needs of children and families and further align holistic services across various state and federal initiatives.

The whole child, whole family centers around equity by addressing the needs (social–emotional, economic, shelter, food security, and educational) of the family, thereby improving the conditions of the children within that family, with emphasis placed on addressing their most immediate needs first. The core tenets of this systemwide approach are as follows:

- **equitable** – Services will be delivered in a way that addresses the systemic barriers of marginalized populations.
- **accountable** – Reliable data will be collected on populations being served over a period to allow for the analysis of improvement among families.
- **holistic** – Services will address the needs of the whole family and child.
- **culturally competent with humility** – Systems will incorporate culturally respectful practices.
- **inclusive and accessible** – Services will address the needs of a diverse group of constituents and create teams that reflect the constituency being served.
- **integrated and aligned** – Programs will work in a coordinated effort that identifies and addresses needs quickly.

Appendix F. Rate Reform History

California’s history of reimbursement rate reform includes the following key events:

	Summary	Outcome
1980	Child Care and Development Services Act (Chapter 798). The Act established a Standard Reimbursement Rate and directed the State Superintendent of Public Instruction to implement a plan that establishes reasonable standards and assigns reimbursement rates for state-subsidized child care programs.	The Standard Reimbursement Rate was intended to serve as a target toward which actual reimbursement rates would converge.
2003–2004	<u>SB-1897 (Senator John Burton)</u>. The Bill, cosponsored by AFSCME and the Child Care Providers Union (and supported by SEIU) addressed four areas: (a) a biennial assessment of child care supply and demand, (b) a plan for coordination of child care training activities, (c) organization of child care providers for collective bargaining representation, and (d) movement toward a unified reimbursement rate system.	The bill was the initial vehicle for reforming the separate reimbursement rate systems using a uniform regional base reflecting the level of regulation differentiated by age of children and adjusted for family criteria such as nontraditional hours and exceptional needs. The single rate was to reflect the level of regulation required. It also allowed collective representation and bargaining. It was vetoed by Governor Schwarzenegger in 2004.
2014	<u>AB 2125 (Asm. Ridley-Thomas)</u>: Proposed development and implementation of a single reimbursement system that reflects the actual current cost of child care based on the most recent Regional Market Rate survey and increase payments to early educators	This bill put forth the concept of removing the bifurcated state reimbursement systems and implementing a single system for all early educators. The bill failed to move forward in the Senate Appropriations Committee.

	Summary	Outcome
Nov. 2018	Developing a Single-Rate System Reimbursement Structure for California (Rate Reform White Paper). A diverse group of interested parties representing a cross-sector of child care and early education programs outlined crucial steps in moving toward a single system in three phases: (a) regionalizing the Standard Reimbursement Rate, (b) revising the Regional Market Rate-setting methodology to be cost-based, and (c) incentivizing and compensating for quality.	This White Paper is informing Workgroup and JLMC efforts. It was the model for SB-246, SB-174, and AB-125 (described below in this table).
Apr. 2019	Blue Ribbon Commission (BRC) Report. This report concurred with the multistep recommendations of the Reimbursement Rates Working Group (Rate Reform White Paper) to establish a framework in which all subsidized programs shall be reimbursed on the same regionalized pay scale that tiers up for quality. It also recommended the reimbursement rates for Titles 5 and 22 programs include competitive compensation for the early learning and care workforce (increasing with quality improvements) and a competitive benefits package, that reimbursement rates consider the state minimum wage, and that reimbursement rate reform take a Targeted Universalism approach. This included recommendations around analyzing costs and using data to reach those furthest from opportunity. Finally, the BRC made strong recommendations around addressing equity issues in the current system, including determining the costs of providing early learning and care, providing incentives to serve targeted families and children, and setting adequate rates for FFN early educators.	The plan is informing Workgroup and JLMC efforts and has informed other legislation.
2019–2020	SB-174 (Senator Leyva) & AB-125 (Asm. McCarty). These are companion bills to create a singular reimbursement system and incentivize quality standards through higher reimbursement.	Although they garnered broad support, the bills failed to move forward in the Senate and Assembly Appropriations Committees.
Dec. 2020	Master Plan for Early Learning and Care. This plan recommended adopting a tiered reimbursement rate with appropriate adjustments by (a) creating a framework for a unified tiered reimbursement rate structure that harmonizes rates for early educators/programs receiving a subsidy; (b) determining adjustments to the rate structure based on workforce, characteristics of children served, and location; and (c) phasing in the reimbursement rate structure as conditions allow for increases in funding.	The plan is informing Workgroup and JLMC efforts and has informed other legislation.

	Summary	Outcome
2021	<p>SB-246 (Senator Leyva). This bill seeks to establish a framework in which all subsidized programs shall be reimbursed on the same regionalized pay scale, which includes tiers for different levels of quality.</p>	<p>The bill introduced integrating equity and accessibility into the reimbursement model with a Workgroup convening on a singular model for reimbursement. The bill failed to get sufficient votes to pass out of the Assembly Appropriations Committee; however, it made important contributions through extensive stakeholder discussion that is informing the current Workgroup process (See AB-131 below).</p>
2021	<p>Budget Action for 2021–22 Budget (AB-131). This bill included a commitment to reforming the reimbursement rate system and made investments to initiate a single rate system and a process for permanent rate reforms. AB-131 established a Rate and Quality Workgroup and a Joint Labor Management Committee with the state and Child Care Providers United. A supportive Administration and CCPU negotiations also led to increased subsidy payment rates to child care providers:</p> <p>All subsidy payment rates to child care providers will increase to 75% of the 2018 Regional Market Rate survey.</p> <p>All subsidy payments for FFN providers will increase to 70% of the 2018 Regional Market Rate survey.</p>	<p>Workgroup and JLMC work are in progress until November 2022. The Workgroup’s work will be finalized on August 15, 2022. The JLMC will be finalized on November 15, 2022. Early educators are receiving higher rates.</p>

Appendix G. Background: Family and Community Voices

The Rate and Quality Workgroup recommends that California’s youngest children and their families are prioritized by ensuring children and their families have access to quality early education opportunities with nurturing and caring adults across a variety of settings that meet families’ diverse needs. Achieving this requires us to create a Single Reimbursement Rate structure that addresses quality standards for equity and accessibility while supporting positive learning and developmental outcomes for children.

Success in this endeavor requires us to center family and community voices. California has a rich history of family and early educator advocacy led by women and communities of color furthest from opportunity. The Rate and Quality Workgroup is committed to centering these voices.

Family Input to Process

The Blue Ribbon Commission report laid out a clear intention: “As their children’s first teachers and strongest advocates, parents should have a strong voice in guiding California’s early learning and care system.”¹⁰² The Rate and Quality Workgroup reaffirms this same commitment to family-centered policy and the need to ensure family input in the development process.

On June 17, 2022, the Rate and Quality Workgroup heard presentations from Advancement Project California, Parent Voices, Abriendo Puertas, the California Child Care Resource and Referral Network, and family representatives. The goals of the presentations were to

- uplift family voices across California, particularly those of families of color and voices from the state’s communities furthest from opportunity, to inform the California Rate and Quality Workgroup; and

¹⁰² California Assembly Blue Ribbon Commission on Early Childhood Education. (2019). *Final report* from <https://speaker.asmdc.org/sites/speaker.asmdc.org/files/pdf/BRC-Final-Report.pdf>

- provide preliminary focus group findings and considerations that center on family needs and equity to serve California’s children, who are largely children of color and multilingual and dual language learners.

The Rate and Quality Workgroup is focused on advancing these recommendations. During the June 17, 2022, meeting, the Workgroup heard and agreed on the importance of the following:

- Authentic family engagement, partnership, and communication
- Sense of safety and belonging in loving and nurturing environments
 - sense of safety and belonging
 - loving and nurturing environment
 - cultural and linguistic competence and responsiveness
- Responsive interactions and instruction
 - individualized care/instruction
 - prioritization of social–emotional development
 - Play-based, developmentally appropriate learning consistency and continuity
- Responsive procedures and protocols
 - assessment of children from targeted populations with the provision of corresponding, timely supports
- Aspects of program structure to increase access to quality
 - flexible/extended hours
 - continuity of care
 - transportation
 - food and supports for other basic needs

The Workgroup heard and agreed on the importance of the following:

- **Emotional Responsiveness Matters:** Focus on emotional intelligence and emotional care; young people are full of emotions, so attention to emotion is key to mental health.
- **Trust Matters:** A lot of families have been abandoned by this system. The opposite of trust is fear, which is reinforced when they interact with the system (e.g., through questions about documentation and status, child welfare, etc.). It is essential that families feel listened to and heard when they engage with their child’s educators.
- **Compassion Matters:** Many families experience the system’s “scarcity mindset” and are meant to feel like they are not deserving of services.

- **Communication Matters:** Many families lack access to early educators and social workers that speak their language or share their cultural background, and many families report that they are not effectively informed about the services they are entitled to.
- **Continuity Matters:** Families want uninterrupted care for children, including access to educators that their children can develop relationships with and access to Home-Based educators like family members, friends, and neighbors who may be able to come to their house in the middle of the night if families work untraditional hours.
- **Early Learning and Care Workforce Compensation Matters:** To achieve an improved system that works better for families and children, the early learning and care workforce must be better compensated and resourced.¹⁰³

¹⁰³ June 17, 2022, Workgroup presentation

Appendix H. Overview of the Alternative Methodology

The Child Care Development Fund (CCDF) is the primary source of public funding to support access to child care for low-income working Americans. The CCDF is a federal and state partnership program authorized under the Child Care and Development Block Grant Act (CCDBG) and administered by states, territories, and tribes with funding and support from the Administration for Children and Families' Office of Child Care. States use CCDF to provide financial assistance to low-income families to access child care so they can work or attend a job training or educational program.

The state must designate a Lead Agency, and as of July 1, 2021, the California Department of Social Services (CDSS) is designated as the Lead Agency. The Child Care and Development Division (CCDD) of CDSS is charged with building, strengthening, and maintaining an equitable, comprehensive, quality, and affordable child care and development system for the children and families in our state. CCDD collaborates with the CDE, who administers the California State Preschool Program (CSPP).

Each state or territory sets the payment rates that child care programs receive when serving a child who is eligible for subsidies under this fund. Code of Federal Regulations, 45 CFR 98.45(a), requires Lead Agencies to certify that their payment rates are sufficient to ensure equal access for eligible children that are comparable to child care services provided to children whose families are not eligible for CCDF. The Act also requires Lead Agencies to provide a summary of the facts used to determine that their payment rates are sufficient to ensure equal access.¹⁰⁴

States have broad authority to set reimbursement rates. They are required to assess the cost of delivering quality services and then use this data to inform rates for subsidized child care every 3 years. The 2014 reauthorization of CCDF redefined federal requirements, and now states have two options for how they set rates:

¹⁰⁴ Equal access is the assurance that states and territories must provide in their CCDF plans that CCDF subsidies are sufficient to ensure eligible children have the same access to child care services that are comparable to services provided to children whose families are not eligible to receive child care assistance. Child Care Technical Assistance Network. (n.d.). *Equal access resources*. <https://childcareta.acf.hhs.gov/equal-access-resources>

- a statistically valid and reliable **survey of the market rates** for child care services in the state that reflects variations in the cost by geographic area, type of program, and age of child; or
- an **alternative methodology**, such as a cost estimation model.

However, any alternative methodology used in lieu of a market rate survey must be approved in advance by the Administration for Children and Families as part of the CCDF plan. A state may also choose to use both an alternative methodology and a market rate survey. If a state chooses to do both, then federal approval would not be required.

What Is the Market Rate Approach?

Currently, the prevalent method of setting rates for publicly funded child care is through a market rate approach. California uses this approach. Prior to 2014 this was the only option for states.

Through this approach, a study of market prices for child care is done, and this information is used by states to set subsidy rates. The market rate reflects the prices that programs charge families, which in turn reflects what families can afford. The cost of child care for a family with young children can be an overwhelming burden, particularly for a family earning a low income. Programs have to set tuition at what families in their communities are able to afford, not necessarily reflecting what the service costs. It is this information that informs the market rate for child care in a given region. This can lead to significant differences in rates across a state, reflecting the variations in what families can afford in different regions of a state.

What Is an Alternative Methodology for Rate Setting?

An alternative methodology for rate setting may be a cost study or a cost estimation model.

A **cost study** involves collecting data from programs about their current costs of operating a program that meets licensing standards as well as other quality standards or is exempt from licensure, reflecting point-in-time data about program costs.

A **cost estimation model** involves building a tool that is informed by program data and that can run multiple scenarios to estimate the impact of several variables on cost, such as program characteristics (e.g., size and ages of children served), child populations served, defined program quality elements, and location in the state.

Whether it is a cost estimation model or cost study, the federal government requires that it should account for key factors that impact the cost of providing care—such as staff salaries and benefits, training and professional development, curricula and supplies, group size and ratios, enrollment levels, facility size, etc.

An alternative methodology approach should

- engage a diverse body of child care stakeholders in all elements of process (vetting assumptions and model building, data collection, review of findings and more);
- estimate the cost of providing care at varying levels of quality and the resources needed for a program to remain financially solvent (key cost factors such as salaries and benefits, training and professional development, curricula and supplies); and
- examine the impact on costs of the program and facility size, ages of children served, geographic region, enrollment, bad debt, and other factors.¹⁰⁵

Why Use an Alternative Methodology?

Use of the market rate survey approach replicates the inequities and inadequacies of the current system. Families are price sensitive and are constrained in what they can afford to pay in tuition; therefore, the market rate survey, rather than the true “market rate,” more accurately captures families’ ability to pay. With the use of the market rate approach to rate setting, programs face a disincentive to invest in quality because families cannot afford higher cost care and, therefore, programs do not see a return on quality investments.

The U.S. Administration for Children and Families’ Office of Child Care, administrators of CCDF, notes that “private pay rates are often not sufficient to support high quality. ... Payments may exceed private pay rates if they are designed to pay programs for additional costs associated with offering high-quality care or types of care that are not produced in sufficient amounts by the market (e.g., non-standard hour care, care for children with disabilities or special health care needs, etc.).”¹⁰⁶ The federal government recognizes that what programs are charging families is “often not sufficient” for educators and programs to be able to provide the quality of care children and families deserve.¹⁰⁷

Furthermore, the market rate approach raises considerable equity issues. Lower income communities are less likely to be able to afford the cost of quality early learning and care. When the rates these communities pay are surveyed and incorporated into the rate-setting methodology, the result is institutionalizing lower rates through the subsidy system. Finally, subsidy rates based on the market rate replicate the inequities of the market—with the biggest gaps documented nationally between market prices and cost of care being for infants/toddlers

¹⁰⁵ April 8, 2022, Prenatal to Five Fiscal Strategies presentation to the Workgroup

¹⁰⁶ Office of Child Care. (2016). *Child care and development fund final rule frequently asked questions*. The Administration for Children and Families. <https://www.acf.hhs.gov/occ/faq/child-care-and-development-fund-final-rule-frequently-asked-questions>

¹⁰⁷ Office of Child Care. (2016). *Child care and development fund final rule frequently asked questions*. The Administration for Children and Families. <https://www.acf.hhs.gov/occ/faq/child-care-and-development-fund-final-rule-frequently-asked-questions>

and programs serving children with special needs, as these are cost-intensive services that programs subsidize to maintain affordable pricing.¹⁰⁸

A cost study and cost estimation model are distinct from a budgeting tool, which would account for specific characteristics of a given program; a cost estimation model is intended to provide policymakers with an estimate of the cost of operating a child care program in their geographic region and is informed by program data and representative of various types of programs. Cost estimation models can also integrate revenue modeling to understand if the revenue streams available to programs can cover the actual cost of care and to identify any gaps between revenue and expense. These models are dynamic tools that can show both the current cost of operating and the cost of operating a program that meets additional quality standards.

The sections below include an analysis about how a cost-driven alternative methodology relates to Workgroup values.

Equity

With an alternative methodology, California can better understand the various community needs that impact the cost of providing care (e.g., care needed at nontraditional hours, needs of DLLs) and the true cost of services based on those needs. Using a cost estimation model can help understand the cost of providing child care in different types of programs that meet different program quality standards. That way, rates can be more equitably differentiated based on true cost.

Quality

An alternative methodology can more directly assess costs related to meeting different quality standards. Setting rates based on cost of care can ensure that programs receive sufficient funding to provide care that meets minimum standards/requirements and any higher standards related to a quality improvement system, not based on what families can afford. This supports programs to meet additional quality standards by funding cost increases associated with meeting those standards.

Child and Family Outcomes

Similar to the connection to quality, use of an alternative methodology can help more programs afford to offer accessible quality services that meet child and family needs (e.g., the cost of operating multilingual or dual language programs).

¹⁰⁸ Henly, J. R., & Adams, G. (2018). *Increasing access to quality child care for four priority populations*. The Urban Institute. <https://www.urban.org/research/publication/increasingaccess-quality-child-care-four-priority-populations>

Early Educator Outcomes

An alternative methodology allows the rate-setting process to more specifically address true costs associated with supporting workforce recruitment, professional development, compensation, and other workforce-centered policies. Rates can be set to include better compensation for the early learning and care workforce.

Accessibility

Using an alternative methodology ensures that on-the-ground costs associated with providing care are incorporated into the reimbursement rate-setting process. This supports accessibility, as programs are more able to sustain and expand their services because their real costs are covered, as opposed to closing or scaling back their services when they are paid at rates that do not cover their costs. Furthermore, this process can expand accessibility to more costly care arrangements (e.g., serving children with special needs) if programs are fully reimbursed for the costs associated with providing this care.

Other States Using Alternative Methodology

In the CCDF plans submitted to the Office of Child Care for the years 2016 through 2018, seven states and territories proposed a hybrid methodology that involves using traditional market rate survey data alongside findings derived through their alternative methodology.¹⁰⁹

Six of the seven alternative methodologies focused on incorporating the cost of providing care, rather than price alone, into setting payment rates. These states and territories proposed different methods to determine the cost of providing care. Nevada and Washington, DC, used the Provider Cost of Quality Calculator. Georgia, American Samoa, and Mississippi included questions about price, revenue sources, and cost to provide care in a survey of programs. Arkansas modeled costs using its market rate survey data and included other variables about program characteristics (e.g., program type/setting, age groups served, geographic location).¹¹⁰

New Mexico

New Mexico is fully operating under an alternative methodology for rate setting at the time of this report's development. New Mexico began rate setting under an alternative methodology in

¹⁰⁹ States and territories included American Samoa, Arkansas, District of Columbia, Georgia, Louisiana, Mississippi, and Nevada.

¹¹⁰ Davis, E., Karoly, L., Weber, B., Caronongan, P., Tout, K., Banghart, P., Shaw, S., & Partika, A. (2017). *Market rate surveys and alternative methods of data collection and analysis to inform subsidy payment rates*. OPRE Report #2017-115. Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services. https://www.acf.hhs.gov/sites/default/files/documents/opre/cceepra_methods_for_informing_subsidy_rates_508_compliant_v2b.pdf

2021 as part of their 22–24 CCDF plan, which included federal approval for the shift to an alternative methodology.¹¹¹

Findings from the study process to support implementation of alternative methodology include the following:

- Current rates are insufficient at any level of quality for services to children from birth to 5 years.
- The quality incentive structure does not keep up with the actual increase of costs at higher levels of quality.
- Programs need to serve mixed ages to cover some of the steepest losses.
- State policies on child-to-adult ratios and taxing structures impact the program bottom line, driving decisions that impact quality and cost levied on families.¹¹²

According to their state plan, New Mexico conducted a cost study and utilized a cost estimation model. The U.S. Department of Health & Human Services Administration for Children & Families preapproved alternative methodology process collected and gathered data from programs throughout and across New Mexico’s diverse geographic and cultural locations. The independent process team reviewed financial records, conducted interviews, and collected revenue and expense data (including salary and non-personnel-related expenses) from an intentional mix of programs, including multisite agencies, individual nonprofit programs, for-profit programs, family child care homes, group family child care homes, small and large programs, programs serving school-age children, programs in different parts of the state, and programs serving different variations of child age and family income levels.

These data (e.g., survey and interviews) were included in the cost estimation tools and revenue and expense models, informing assumptions related to salary and non-personnel expenses. The cost estimation tool will enable New Mexico to understand the cost of providing child care and compare this cost with the current rate of subsidy and other forms of available revenue.¹¹³

District of Columbia

The District of Columbia (DC) uses the District of Columbia Child Care Cost Estimation Model, an interactive model of the actual cost of delivering child care services that was developed in 2018. According to DC’s CCDF plan, the D.C. Cost Estimation Model uses Excel spreadsheets to create

¹¹¹ Additional information on New Mexico’s approach can be found at https://www.nmececd.org/wp-content/uploads/2021/08/P5FS_NMReport_v.3d_forWeb.pdf

¹¹² Capito, J., Rodriguez-Duggan, J., & Workman, S. (2021). *Understanding the cost of quality child care in New Mexico: A cost estimation model to inform subsidy rate setting*. Prenatal to Five Fiscal Strategies. https://www.nmececd.org/wp-content/uploads/2021/08/P5FS_NMReport_v.3d_forWeb.pdf

¹¹³ New Mexico Early Childhood Education & Care Department. (n.d.). *Child Care and Development Fund (CCDF) plan for New Mexico: FFY 2022–2024*. <https://www.nmececd.org/wp-content/uploads/2022/04/New-Mexico-CCDF-State-Plan-FFY-2022-2024.pdf>

flexible financial models that are aligned with the District’s unique reimbursement rate variations, quality ratings, and other funding factors and can be used to project costs to deliver care under a variety of scenarios within DC policy and funding conditions. The resulting modeling tool takes into account the different levels of quality of the District’s Quality Rating and Improvement System (QRIS) in the universe of child care programs in the District, including child development centers and homes serving children of varying ages and needs.¹¹⁴

¹¹⁴ Office of the State Superintendent of Education. (n.d.). *Draft FY 2022–2024 CCDF preprint for second public comment period*. <https://osse.dc.gov/sites/default/files/dc/sites/osse/publication/attachments/DC%20CCDF%20Draft%20Plan%20FY22-24.pdf>

Appendix I. Key Sources

This report and appendices draw on **presentations and Workgroup discussion** from January to August 2022.

This was a public process and materials can be accessed at the website established for public communication about this work: <https://www.cdss.ca.gov/inforesources/child-care-and-development/rate-reform-and-quality>

The development of this report also benefited from considerable research and advocacy efforts that helped lay the foundation for the Workgroup’s legislatively mandated charge. The Workgroup acknowledges the contributions of important thinkers and advocates, including all of those who presented to the Workgroup or otherwise contributed to the development of this work. The Workgroup also acknowledges all the members of the public that participated in this process and uplifts their voices made through public comment. Please see the acknowledgement section at the start of the Workgroup report.

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Appendix J. Full Description of Figure 1

Figure 1 is a visual representation of the following content. The following tables content also include footnotes that are not present in the figure.

Values	Guiding principles
Equity	<ul style="list-style-type: none"> • Address historical racism and inequity and promote cultural and language affirmation • Elevate diverse voices of early educators and families • Ensure that funding provided is sufficient to address the cost of meeting various quality standards, regulations, and livable compensation for the workforce • Use a Targeted Universalism¹¹⁵ approach to prioritize and target investments for those furthest from opportunity • Ensure that evaluation and measurement of rate reform implementation is equitable, with early educators and families playing a key role.
Quality	<ul style="list-style-type: none"> • Ensure quality is rooted in family and child outcomes—the experience of the child and the needs of the whole child and whole family • Implement a base rate that supports programs and providers to meet all current program quality standards and acknowledges the warm and loving interactions and cultural and linguistic responsiveness already present in the system (Quality Phase I) • Reevaluate California quality systems,¹¹⁶ recognizing the strength of all early educators and historical racial bias and the legacy of slavery

¹¹⁵ See Appendix C for a definition of and background information on Targeted Universalism.

¹¹⁶ California’s quality systems include infrastructure and investments in early learning and care programs and educators to support quality improvement efforts and educator professional development. This includes the Quality Counts California system and other federal, state, and local investments.

Values	Guiding principles
Children and families	<ul style="list-style-type: none"> • Ensure children have access to nurturing; inclusive; educational; and culturally, linguistically, and developmentally appropriate care • Support school readiness and long-term positive learning and development outcomes • Enact robust family engagement in all decisions and support for families, as they have the greatest impact on their children
Early Educators	<ul style="list-style-type: none"> • Ensure equitable and sustainable funding that supports positive early educator outcomes and adequate¹¹⁷ compensation • Recruit early educators that reflect the racial, ethnic, and linguistic diversity needed to meet the needs of the whole child and whole family • Retain early educators that reflect the racial, ethnic, and linguistic diversity needed to meet the needs of the whole child and whole family • Respect and uplift the assets and strengths of early educators in all program types • Replace historical bias for the largely women of color workforce with respect for the workforce contributions of all Home- and Center-Based early educators and Family, Friend, and Neighbor providers
Accessibility	<ul style="list-style-type: none"> • Strengthen the mixed delivery system so that families have authentic choices and options that meet their needs • Ensure all families have access to diverse program settings that meet their needs and align with their values and definition of quality • Mitigate unintended consequences for those children and families not receiving subsidies

Recommendations

1. Charge of the Group

- Move towards alternative methodology that uses costs analysis
- Establish base funding for a Single Rate Structure
- Continuous evaluation of the model

2. System Recommendations for Success of the Rate Structure

- Sustainable funding (revenue source and growth)
- Phased-in approach

¹¹⁷ “Adequate” refers to what is defined as adequate in this report including a living wage, which some refer to as a professional wage.

- Maximize federal resources
- Equity, quality, child outcomes
- Workforce wellbeing
- Alignment with Tribal programs
- Alignment with Head Start and related programs

3. Workgroup Beyond August 2022

- Defining child care workforce competencies
- Continuous evaluation of implementation
- Current evaluation of quality implementation plan for Targeted Universalism