

Expansion in Federal Funding is Improving Access and Quality in Oklahoma's Child Care Subsidy Program

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INTRODUCTION

Finding and paying for high-quality child care can be a huge challenge for many families. To address this need, low-income parents who are working or in school can receive public support for the cost of child care through Oklahoma's child care subsidy program, which is administered by the Department of Human Services (DHS). State and federal investments in child care assistance bolster economic opportunity by helping Oklahoma parents find stable jobs while promising better educational and economic outcomes for children.

In FY 2019, Oklahoma received a historic boost in federal funding from the Child Care Development Block Grant (CCDBG) in the amount of \$32 million, or a 36-percent increase compared to previous funding levels. CCDBG is the largest source of federal funding for child care programs — and combined with other federal and state resources, this boost brought the state's total child care subsidy budget to \$203 million.¹ This was a much needed funding increase for a program that has been struggling with low provider rates and sagging enrollment in recent years.

After gathering feedback from stakeholders, DHS determined the new CCDBG funding would be used to improve access and quality in the following ways:

- increase provider reimbursement rates by as much as 50 percent;
- expand program eligibility, lower copayments, and eliminate copayments for families at or below the federal poverty line;
- invest in quality-enhancing initiatives, which include developing a statewide infant and toddler specialist network and offering scholarships for workers to attain certification.

While these changes have helped to improve the child care subsidy program, agency directors and child care providers identified a number of unmet needs, especially the need for further provider rate increases that could help address the undersupply of licensed child care facilities in the state. Fortunately, the House of Representatives recently approved a FY 2020 bill that would raise CCDBG funding for the child care subsidy program an additional \$2.4 billion, or 45 percent, over the 2019 level. This would offer a major boost for Oklahoma's child care subsidy program and help target these areas of need. While Oklahoma does

¹ CCDBG is the largest, but not the only, source of federal funding for child care. Federal funding for child care comes from several sources: CCDBG, the Child Care Entitlement to States (CCES), Temporary Assistance for Needy Families, and the Social Services Block Grant. CCES includes a state match requirement: the state contributed \$16.9 million total in the state match and maintenance of effort in FY 2019 according to a state data request.



not have a waiting list for the subsidy program, the shortage of licensed child care facilities sometimes makes access to care a problem for families. Additional funding could also be used to increase wages for child care workers and improve quality of care through higher education and certification scholarships.

PROVIDER RATE INCREASES

To determine how to best utilize the \$32 million FY 2019 funding increase within the federal guidelines, DHS held a number of stakeholder meetings and public hearings. The Department also consulted with child care provider associations, a DHS advisory committee, and a state advisory council. Through these meetings and surveys, the Department was able to get a clear sense of where providers needed them to spend the additional money and how families could most benefit.

As of March 2019, over half of Oklahoma's licensed child care providers (1,704 of 3,082) had a subsidy contract with the state and benefited from provider rate increases.² Prior to the infusion of new federal dollars, market rate surveys showed that provider reimbursement rates were only 30 to 50 percent of market rates.³ To improve this, DHS dedicated 71 percent, or \$22.7 million, of the \$32 million in new federal dollars to increase provider rates across the state.

One of the most significant changes DHS made to the provider rate schedule was eliminating the "standard area" and "enhanced area" categories for rural providers and metro-area providers. Previously, rural providers received a "standard area" reimbursement rate that was lower than the metro area rate, which was intended to adjust for the lower cost of living in these parts of the state. DHS created a new provider schedule that has one reimbursement rate for the entire state. In addition, licensed care facilities in Oklahoma are rated for quality using a one- to three-

CHILD CARE SUBSIDY PROGRAM SUMMARY

The child care subsidy program provides assistance to qualifying families by paying all or part of their child care costs while parents or caretakers are working, going to school, or receiving training. Children may attend licensed child care centers, or family child care homes. To be eligible, families must meet income requirements and the adults in the home must be engaged in qualifying activities such as work or school. The child care program is funded in large part by the federal government through the Child Care Development Block Grant (CCDBG) and Temporary Assistance for Needy Families (TANF). Oklahoma also appropriates matching funds.

Child care subsidy recipients do not receive any funds directly to pay for child care. Instead, DHS makes payments to child care providers based on the age, number of subsidized children served and the quality of the facility. Indeed, Oklahoma has led the nation in developing a quality rating system called *Reaching for the Stars*, which assesses facilities using a one-to-three-star system, and DHS reimburses higher-quality facilities at higher rates. In addition, some families pay a monthly copayment based on their family size and income level, but families at or below the federal poverty-line have no copayment.

² E-mail correspondence with DHS Child Care Subsidy Programs Manager on May 13, 2019.

³ Notes from phone interview with former DHS director on April 29, 2019.



TABLE 1
2018 Child Care Subsidy Rate Increase⁵

Percent rate increase for standard full-time child care centers				
	1 star	1 star +	2 star	3 star
0-12 months	0%	25%	49%	16%
13-24 months	0%	19%	37%	15%
25-48 months	2%	23%	43%	18%
4 and 5 year olds	0%	23%	17%	7%
Percent rate increase for enhanced full-time child care centers				
	1 star	1 star +	2 star	3 star
0-12 months	0%	7%	23%	16%
13-24 months	0%	7%	17%	15%
25-48 months	0%	7%	22%	18%
4 and 5 year olds	0%	7%	7%	7%

star grading system. Reimbursement rates are tiered according to the facility’s star rating, with the highest quality and nationally accredited three-star facilities receiving the highest rates.

DHS increased reimbursement rates for children aged zero to three at two- and three-star facilities to 65 percent of market rates. Ninety-six percent of all children who receive subsidy attend two- and three-star facilities.⁴ With the exception of one-star facilities, all providers received at least a 7 percent rate increase, with some receiving an increase as high as 53 percent. Because provider rate increases varied drastically based on the star rating, age of the child, standard versus enhanced rate, and full-time or part-time coverage, an average rate increase is not illustrative. Instead, Table 1 above is an example of the rate increases for age zero to five-year olds who

attended child care centers full-time in standard and enhanced areas.

In addition to increasing provider reimbursement rates, DHS is also using the additional federal dollars to develop a higher rate for non-traditional hours that they will roll out in fall 2019. This rate will reimburse providers for early morning, night and weekend care that is in increasingly high demand for families who work outside of traditional business hours.

⁴ Annual Report FY2018, Oklahoma Partnership for School Readiness, p.26, available at <https://www.okschoolreadiness.org/documents/annual-report2018.pdf>.

⁵ 2018 Child Care Subsidy Rate Increase- Attachment A, available at http://www.okdhs.org/services/cc/Documents/OKCCSRateIncrease2018_A.pdf



EXPANDING FAMILY ELIGIBILITY AND DECREASING COPAYMENTS

DHS dedicated 23 percent of the funding increase, or \$7.4 million, to expand program eligibility and reduce family copayments. In 2018, 43,642 children in Oklahoma received subsidized care, which allowed their parents to remain employed and provide a stable income for their family. DHS increased the subsidy eligibility threshold to 85 percent of the state median income (SMI) based on family size. Now a family of two earning up to \$39,432 or a family of six earning up to \$76,536 are eligible for the subsidy program. Previously, the eligibility threshold ranged from 56 percent to 65 percent of SMI based on family size. DHS also altered the copayment schedule to significantly lower costs for families with more than one child in care. Previously the number of children in subsidized care was a factor in determining the family co-payment, but now only family size is taken into account. Perhaps most significantly, families at or below the federal poverty line now have zero copayments.

Given the multiple factors used to determine family copayments, it is difficult to calculate an average savings for families. Alternatively, below is a chart (Table 2) that offers various family configurations and their savings based on the new copayment schedule. For example, for a family of three, the monthly savings would be \$135, which could buy 40 gallons of milk or a two-month supply of diapers.⁶

Additionally, DHS extended program eligibility to 12 months in order to meet new federal guidelines. This has a significant positive impact on both parents and children. In the past, families could lose subsidy eligibility if they had a lapse in employment or change in their school enrollment status. This instability made it difficult for families to find work or stay in school, and it disrupted the formation of attachments between children and their caregivers that is necessary for

⁶ Based on current Walmart prices of a gallon of milk and size 3 diapers as of June 2019 available at <https://www.walmart.com/>

TABLE 2

Child subsidy monthly copayment before and after CCDBG funding increase

Family Size	Adjusted Monthly Income	Children in Care	Old Copayment	New Copayment	Total Savings
2	\$1,500	1	\$105	\$90	\$15
3	\$1,500	2	\$135	\$0	\$135
4	\$2,000	2	\$192	\$0	\$192
4	\$2,800	2	\$263	\$189	\$74
5	\$3,400	3	\$348	\$242	\$106



quality child care.⁷ Twelve-month eligibility provides families and children the stability they need to reap the long term benefits of quality care.⁸ Additionally, 12-month eligibility has relieved some workload on child care workers who were often tasked with enforcing eligibility status for DHS.⁹ Now that child care providers do not need to spend time as “DHS police,” they can focus all their attention on providing high quality care.

Oklahoma has never had a waiting list for the child care subsidy program and all families who qualify are able to get assistance. The changes above benefited the approximately 43,642 children who received subsidy in FY18, with an average of 32,700 monthly children. Currently, 52.6 percent of children who receive subsidy are White, 27.6 percent are Black, 7.4 percent are American Indian, 11.6 percent are Hispanic, and 0.6 percent are Asian. Data is not yet available to determine if subsidy utilization has changed since the new copayment schedule went into effect on March 1, 2019.



QUALITY INITIATIVES

DHS dedicated the remaining \$1.6 million, or 4.8 percent, of the funding increase to improve the quality of child care. The majority of these expenditures were used to create a statewide infant and toddler specialist network. DHS partnered with the Oklahoma Child Care Resource and Referral Association (OCCRRA) to hire an infant and toddler specialist at each of their eight regional offices and a manager at their state office. To develop this network, DHS sought input and guidance from infant and toddler consultants available through the State Capacity Building Center, a CCDF program office.

Oklahoma’s specialists received training in infant/toddler development and impact of trauma, coaching practices, and relationship-based care from WestEd in California. The regional infant and toddler specialists work one-on-one with center or home providers to identify objectives and establish goals to improve skills and practices in specific areas. Providers receive approximately 30 hours of consultation time over a period that includes a pre-observation, implementation, and post-observation phases. The quality improvement plans are based on measurable outcomes so that progress can be tracked and improvements can be quantified.

OCCRRA specialists also received training in providing technical assistance. The State is planning to engage in an Implementation Academy to develop practice-based coaching for providers to support and improve

⁷ Lally, Ronald J., and Mangione, Peter, “Caring Relationships: The Heart of Early Brain Development,” *Young Children*, Vol. 72, No. 2 May 2017, available at <https://www.naeyc.org/resources/pubs/yc/may2017/caring-relationships-heart-early-brain-development>.

⁸ Melmed, Matthew, *High Quality Childcare: A Critical Ingredient for Nurturing Success*, ZERO to THREE, March, 8, 2016, available at <https://www.zerotothree.org/resources/1492-high-quality-childcare-a-critical-ingredient-for-nurturing-success>.

⁹ Notes from interview with director of child care center in Tulsa, OK on May 7, 2019.



care for infants and toddlers. Coaching and technical assistance helps child care providers improve interactions between children and the caretakers in their lives, therefore improving the quality of care.

Lastly, a portion of funding for quality improvements is being used to provide stipends and scholarships for child care workers to earn a college degree or obtain certification in child care. Through Oklahoma State Regents for Higher Education (OSRHE), scholarship coordinators recruit providers to go back to school, and provide scholarships that cover 80 percent of the cost of tuition, books and fees. Stipends are awarded to child care providers that complete certificates and degrees through the OSRHE. Stipends are also awarded at the completion of the infant and toddler CDA certification or 40 hours of Infant/Toddler training through the Early Childhood Professional Development Center. Providing opportunities for child care workers to advance their training can improve the quality of care they deliver to children.¹⁰

UNMET NEEDS

While the 2018 CCDBG increase is having a significant positive impact on the child care subsidy program in Oklahoma, there remain a number of unmet needs that could be addressed if Congress further increases the federal child care subsidy funding as proposed by the House in FY 2020. One of the most pressing areas of need are further provider rate increases. The 2018 funding increase allowed DHS to increase provider rates to 65 percent of the market rate for children aged zero to three at two- and three-star facilities, but additional funding would allow rate increases to the federally recommended 75 percent of the market rate. Officials at DHS explained that before the rate increases, many licensed care providers did not want to participate in the subsidy program because the reimbursement rates were so low. Further rate increases could help incentivize more providers to participate in the program and address the shortage of licensed care facilities throughout the state, which



is especially acute in rural areas.¹¹ The number of licensed child care providers has decreased by nearly 30 percent over the past decade,¹² and 55 percent of children in Oklahoma live in a child care desert.¹³ Additional CCDBG funding would allow the state to increase provider rates and could help incentivize the development of new child care facilities.

There is also a great need for providers who offer non-traditional hours. Developing a non-traditional hour rate was a good first step to encourage providers to offer extended hours, and additional funding could help support this growth. In addition, providers expressed frustration that the highest quality three-star facilities were not given a more substantial rate increase to compensate for the higher cost of care.¹⁴ State officials explained that giving higher rate increases to three-star facilities would help incentivize providers to improve the quality rating of their facility, but the program currently lacks sufficient funding to make these changes.¹⁵

¹⁰ Notes from interview with DHS official on May 13, 2019.

¹¹ Notes from interview with DHS officials on May 1, 2019.

¹² Annual Report FY2018, Oklahoma Partnership for School Readiness, p.20, available at <https://www.okschoolreadiness.org/documents/annual-report2018.pdf>.

¹³ Malik, Rasheed, et al., America's Child Care Deserts in 2018, Center for American Progress available at, <https://childcaredeserts.org/index.html?state=OK>.

¹⁴ Notes from interview with DHS official on April 2, 2019.

¹⁵ Notes from interview with former DHS official on April 29, 2019.



Increasing provider reimbursement rates could also help address low wages for child care workers. Most child care workers in Oklahoma earn wages that make it difficult to provide for their own families. The average annual salary for a child care worker in Oklahoma is \$20,440¹⁶, which is just below the 2019 federal poverty line of \$21,330 for a family of three.¹⁷ The director of a three-star nationally accredited child care center in Tulsa explained that while the higher reimbursement rates have helped offset some of their need to fundraise and apply for grants, it was not significant enough to increase worker wages beyond their annual 1.5 percent increase.¹⁸ The rate increases have simply been absorbed into the operating budget and were not substantial enough to dedicate to a particular use. However, an additional rate increase could allow providers to increase wages more substantially.

Other areas of need relate to improving the overall quality of child care across the state. Improving the quality of care is largely dependent upon having well-trained child care workers. Providing incentives, tuition assistance, and stipends to allow child care workers to access additional training is a crucial way to improve care in Oklahoma. While researchers in Oklahoma are conducting studies related to infant and toddler mental health, the state lacks sufficient supports for child care facilities in this area.¹⁹ Funding could help hire mental health workers and provide support services to families and providers. Finding workers with certification in special education and English as a Second Language is also difficult, and funding could be used to help pay for this certification as well. One provider also cited the need for experienced and well-trained leaders and directors of child care facilities.²⁰ Investing in child care training would help address the need for strong leaders to ensure the growth and development of quality child care facilities across the state.

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¹⁶ Bureau of Labor Statistics, May 2018 State Occupational Employment Wage Estimates Oklahoma, available at https://www.bls.gov/oes/current/oes_ok.htm.

¹⁷ 2019 Poverty Guidelines, available at <https://aspe.hhs.gov/2019-poverty-guidelines>.

¹⁸ Notes from interview with director of three-star child care center in Tulsa, OK on April 30, 2019.

¹⁹ Tulsa Children’s Project, available at <https://www.cadlabosu.org/tulsa-childrens-project.html>.

²⁰ Notes from interview with director of three-star child care center in Tulsa, OK on May 7, 2019.

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