RESEARCH REPORT

Accessing and Strategically Using Federal Funds for Early Care and Education Systems and Programs

Perspectives from National and State Leaders

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Executive Summary

The Urban Institute engaged in a year-long project to document perspectives on how state leaders decide to access and strategically use federal funds to support early care and education (ECE) programs and systems. With support from the Foundation for Child Development (Foundation), Urban Institute researchers collected information from national and state leaders and reviewed documents on this topic.

Findings

States face multiple challenges in accessing and strategically using federal funds to support ECE systems and programs. National and state experts shared perspectives on the challenges and recommended solutions to address them.

- Experts shared perspectives on the challenges states are experiencing in accessing and strategically using federal funds for ECE programs and systems.
  - **Fragmentation and multiple actors** create complexity in oversight, in aligning decisionmaking within and across state organizations responsible for different funds and in navigating different policy priorities.
  - **Lack of capacity**, with a limited number of publicly funded staff responsible for overseeing federal funds, means some states do not have staff with the knowledge and experience to successfully fully draw down typical funds, as well as one-time, education, and atypical funds.
  - **Difficulty ensuring equitable access and allocation** of federal funds challenges many state leaders seeking to access one-time and atypical funds to support ECE systems and programs.
  - **Other challenges** include competing priorities for funding, some ideological reluctance to support child care, and institutional challenges.

- Experts recommended several promising approaches to address these challenges.
  - **To address fragmentation, we found no “one-size-fits-all” approach**; the solutions are tailored to the state context. The approaches need to account for the state constitution, state funding levels, political will, and the structure of the state’s agencies, legislature, and governor’s office.
To build state agency capacity, informants suggested several strategies and approaches so states can better access and use federal funds to support ECE programs and systems. These include organizing new offices to manage federal funds, braiding state and federal dollars to build the capacity of state agencies, creating and using tools to manage federal funds, accessing consultation or technical assistance to identify federal funding sources and access the funds, and increasing administrative caps on federal awards to sufficiently support the state staff need to manage funds.

To more equitably distribute federal funds, informants recommended a range of strategies including providing supports to help states that have not historically accessed the range of federal funds, offering models and approaches for state leaders to more equitably distribute funds, using cost-of-quality tools to determine actual costs of equitably compensating ECE, and supporting data systems to track equitable distribution of funds.

To address other challenges, informants recommended appointing a cabinet-level ECE leader who reports to the governor, providing states with proactive supports to build capacity to pivot in response to federal funding opportunities, and taking steps so the federal guidance to states is proactive and clear.
Accessing and Strategically Using Federal Funds for Early Care and Education Systems and Programs

Project Overview

To date, limited information exists about how state policymakers and budget leaders decide to use federal funds and other public dollars to strategically support early childhood education. States use various sources of public funding to support early care and education (ECE) programs and systems and, ultimately, benefit children and their families (NRC/IOM 2015; National Academies 2018). The amount of federal funding awarded varies across states, as does how they use these funds to support ECE systems and programs.

To address the gap in the knowledge base, a research team at the Urban Institute, with support from the Foundation for Child Development (Foundation), engaged in a year-long research project with the following major phases:

1. **gathering information** from national and state experts on how states access and strategically use federal funds for ECE programs and systems
2. **writing a background report on accessing funds for ECE programs and systems**, drawing on what we learned from national and state experts
3. **convening state and national experts to discuss using federal funds strategically for ECE systems and the workforce**—participants were asked to shift from a broad focus on accessing federal funds for ECE systems in general to an emphasis on using these funds to improve compensation for the ECE workforce
4. **producing and disseminating a summary convening report** that reflects the discussion from the convening and recommendations from participants

The purpose of this background report is to summarize what we learned from one-on-one interviews with national and state experts and reviews of documents. In the report, we

- provide background about the current context affecting state leaders’ ability to access and strategically use federal funds for ECE programs and systems;
summarize the challenges states face in accessing federal funds for ECE programs and systems; and

present promising approaches to addressing the challenges of accessing typical, one-time, and atypical federal funds for ECE programs and systems.

The heart of this report is findings from interviews with national and state experts and our reviews of related documents. We identify challenges in four key areas and summarize the experts’ recommendations. We then present conclusions and implications.

Project Objectives

Existing research suggests that some states are not accessing the full range of federal funds available to support ECE programs and systems. To gain insights regarding states’ experiences accessing funds, the National Conference of State Legislatures (NCSL) surveyed states about ECE budgets in 2014, 2017, and 2019. From this effort, the NCSL produced reports summarizing the funding sources states were accessing. As well, the Transforming the Workforce report by the National Research Council (NRC) and Institute of Medicine (IOM 2015)—now called the National Academy of Medicine) and the Transforming the Financing of the Early Care and Education report by the National Academies of Sciences, Engineering, and Medicine (National Academies 2018) describe the funding sources states can use to finance ECE. This research shows that the range of federal funding sources states access varies and that some states do not access the full funding available.

Foundations, states, and communities have a long-standing interest in supporting ECE programs and systems. Interest is also growing in funding sources that will better support the ECE workforce. The NRC’s/IOM’s (2015) and National Academies’ (2018) reports suggest that current funding is inadequate to provide quality ECE for families and livable compensation for members of the ECE workforce. Some funding sources, such as the Child Care and Development Fund (CCDF), are not fully accessed by all states, some states do not submit grant proposals for competitive ECE funds, and some concern has been expressed that education and atypical funds are not being accessed to support ECE systems and the workforce (Connors-Tadros 2022; Dichter, Weisenfeld, and Morrison 2021; Workman 2021; Workman, Capito, and Connors-Tadros 2021). Several ECE leaders and organizations have developed tools to support states in braiding funds from different sources and to identify the cost of quality ECE (CFP/ERL 2019; Workman and Jennsen 2018, 2020). Yet, more information is needed about the barriers states face in accessing and strategically using federal funds to support ECE.
To learn more about this topic, the Urban Institute conducted a multiphase project. The purpose of the project is to document specific challenges states face in accessing federal funds and develop recommendations on how to best address the challenges.

Project Phases

Urban addressed the existing gap in the research literature as follows.

We designed the first phase of the project to collect information from 12 national and 27 state experts and to identify documents and materials about accessing and strategically using federal funds to support ECE programs and systems. We asked these experts about their perceptions of challenges and their recommendations for supporting states in better accessing and using federal funds for ECE programs and systems. These experts also shared documents and materials summarizing the federal funding sources that can be used to support ECE programs and systems, the existing barriers to access, and the approaches states are employing to accessing federal funds.

We selected the following five states for further study:

- Georgia
- Illinois
- New Mexico
- Texas
- Washington

We interviewed individuals in each state with expertise in ECE program administration, finance, or both, including administrators of state agencies and programs, leaders in state budget offices, governor’s office representatives, legislators and legislative budget representatives, and advocates, as well as subrecipients of federal funds.

We also reviewed documents. These included materials on fiscal mapping, state budgets, state laws and policies, and descriptions of states’ visions and plans for ECE programs.

The second phase of the project was to develop a background report based on what we learned from the first phase. For this background report, we reviewed the notes from each interview to identify
key themes we heard from the national and state key informants. We also reviewed documents they shared with us. We summarize the key themes in this background report.

The third phase was to hold a two-day, four-hour virtual convening to bring together fiscal and policy staff from the five selected states, with a few national experts. State and national leaders are positioned to learn from one another about approaches to maximizing and strategically using federal funds for ECE systems and compensation. Participants reflected on and refined the themes presented in this background report on accessing and strategically using federal funds to support ECE programs and systems. Participants discussed challenges and promising ways states can strategically use federal funds to support ECE compensation. The convening report builds on themes raised in this background report but also focuses on new themes based on discussions from the convening.

State ECE Systems in Context

From our review of documents and our conversations with national and state informants, we identified several themes related to the context of the project. In this section, we present key themes related to the ECE landscape and its funding.

Types of Federal Funds Available

We identified several federal funding sources that could support ECE programs and systems. We categorized these funds into four broad types:

- **typical ECE funds**, such as funding from the CCDF. These federal dollars are allocated specifically to support ECE programs and systems and are allocated to states and tribes noncompetitively.
- **one-time competitive grant funds**, such as funding from the Preschool Development Birth through Five grant (the PDG B–5). These funds support ECE programs and systems but require a competitive grant application and are not renewed over time.
- **education funds** that can be used for ECE but are typically used for K–12 education, such as Title 1 and Title 2 of Every Student Succeeds Act. Funds authorized under the Higher Education Act can be used to provide professional development supports for the ECE workforce, but these are very broadly focused on colleges and universities. Education fund dollars are authorized by the federal government and flow to states and communities.
• **ataypical funds** such as Workforce Investment and Opportunity Act dollars or revenue from the Community Development Block Grant and Social Services Block Grant. These funds are authorized by federal agencies and flow to states and communities. Although such funds are not solely for ECE, they can be used to support ECE systems and the workforce.

We also heard from national and state leaders that many states are accessing state funds to support ECE systems and the workforce. For example, some states use general revenue funds, some use statewide trust fund dollars, and some use lottery funds to support ECE systems and the workforce. Additional context themes that emerged from our interviews and literature review are a lack of vision for the ECE system, aftereffects of the COVID-19 pandemic, and inadequate public funding.

**Lack of Vision**

The United States lacks a vision for a cohesive system of early care and education, according to the national and state informants we interviewed. This conclusion reiterates the findings of the National Academy of Medicine (NRC/IOM 2015; National Academies 2018). The federal government authorizes and funds multiple ECE programs, but these have different goals, are administered differently, focus on slightly different populations of young children, and support a different set of services. For example, the federal government appropriates funds to subsidize child care costs while parents with low incomes work or attend school, Head Start provides grants directly to organizations to offer comprehensive services to young children and their families, and preschool funds are mostly allocated by school districts to support young children’s early learning and development. Yet, eligibility criteria for these programs differ and the organizations delivering services vary so that families are required to navigate a complex system to find ECE that meets their needs. The lack of a federal vision for ECE results in a patchwork of programs such that, according to one informant, it “is difficult for the people on the ground to access these federal funding streams optimally.”

**The Pandemic and Its Aftermath**

Further exacerbating this complexity is the dramatic effect of the COVID-19 pandemic and pandemic-response funding on the ECE landscape. Across the country, many ECE programs closed in the early months of the pandemic (NAEYC 2020). The ECE workforce is currently smaller than before the pandemic; many early educators have left the workforce for better-paying jobs (Sandstrom and Schilder 2021), and facilities are facing challenges recruiting and retaining their replacements because wages for providers are low and work hours unstable (Austin 2021).
In response, many states have allocated federal stimulus funding to support ECE workers. Yet, multiple informants told us that stimulus funds are drowning out all other federal funding. State agencies designed to administer specific programs have been stretched beyond capacity to distribute funds within the timelines prescribed by the federal government in ways that are equitable and reflect input from the most vulnerable.

**Inadequate Public Funding**

Despite this range of federal funds, even with the increased stimulus dollars, the US spends substantially less on ECE than all other developed countries. The US government spends only 0.3 percent of its gross domestic product on early care and education, compared with the OECD member nation average of 0.7 percent (OECD 2021). One informant noted, “First and foremost there is not enough money, so if there was more developmental block grant funding—more, more, more would be better.” Several national and state leaders recommended changes so states and communities could braid existing funding. Nonetheless, most reported that current inadequate funding means that braiding funds is a “band aid approach.”

**Findings**

Our informants had much to say about their challenges, along with recommendations for addressing these challenges. We have organized findings into four broad themes: fragmentation and multiple actors, lack of capacity, difficulty ensuring equity, and other concerns.

**Fragmentation and Multiple Actors**

Throughout the interviews, informants told us that the fragmentation and complexity of ECE oversight creates challenges for states accessing federal funds for ECE systems. Across states, multiple actors oversee federal funds, and the associated decisionmaking authority is fragmented. Consequently, decisionmaking can require alignment among governor’s offices, state agencies (especially in states with multiple agencies overseeing ECE), legislators and legislative committees, and policy and budget or fiscal specialists within and across organizations. Informants said the following challenges exist specifically because of multiple actors, fragmentation of oversight, and varying degrees of centralization.
State leaders do not often have the same priorities for accessing and using federal ECE funds. Aligning visions across different actors can be challenging. For example, legislatures in some states have different priorities than the executive branch. We also heard from state informants that within the executive branch different priorities for how to access and strategically use federal funds can hamper an agency’s ability to fully access all available resources. For example, the leader of one state agency might have different priorities for accessing and using funds than another agency leader. In such cases, the state might decide not to access the funds.

Collaboration requirements can leave some states forgoing federal funding opportunities. Several informants told us that states can face challenges in accessing one-time grant opportunities, education, and atypical funds that require collaboration among state agencies. In states with fragmented administration of services, the collaboration requirement can create a barrier, as staff need to build relationships across agencies and roles, often in short time frames.

Collaboration can be challenging whether there is a single early childhood agency or multiple state agencies. Some states have a single early childhood agency with a leader who reports to the governor. A few informants said that this structure makes it easier for states to access one-time grant funds. Others told us they do not access some federal education or atypical funds administered by other state agencies because doing so would require collaboration with different state agencies. Challenges collaborating across state agencies include bureaucratic issues, such as branch chiefs who are not authorized to speak with peers in other state agencies, given the administrative structures and state capacity issues.

Collaboration is especially challenging in recent years. Several informants noted that disruptions in the wake of the COVID-19 pandemic and the associated influx of federal funds have created coordination challenges for state agency staff who faced limited capacity even before the pandemic. For example, one state agency staff person stated, “Over the past [few] years in particular, things feel more fragmented in some ways than they have in the past and you see that from the perspective of providers themselves and some of the stress of the last couple of years. The flip side is we worked with our partner agencies in ways we hadn’t during that time. I think there are some times where it makes sense for the department to have funding and there are other times when it makes sense for other agencies to have funding.”

Program or policy and fiscal staff have differential knowledge and priorities. Across several states, we heard that it is important for program or policy leaders to work with fiscal experts to
ensure states meet requirements for managing the range of possible federal funds. In some instances, policy and program administrators do not have strong working relationships with those responsible for fiscal oversight of funds; these administrators do not work closely with fiscal managers. Moreover, depending on the state agency structure, policy and fiscal staff can work in different agencies with different lines of authority. Addressing questions about what is and is not acceptable in accessing and using federal funds can therefore be challenging. These differences can occur within or across state agencies.

- Program and finance leaders across state government sometimes interpret federal and state policies and regulations differently, leading to difficulty accessing and strategically using funds. Informants in some states told us that different interpretations of federal fiscal requirements can hamper the state’s ability to fully access the range of available funding sources. For example, budget offices or staff may have a stricter view of procurement processes than programmatic staff. Following the more stringent processes may exceed the time frame required to expend federal funds. In such cases, the agency either will not apply for or will return the funds because the state is not able to obligate dollars within the federal government’s required time.

- State staff responsible for overseeing typical ECE funds appear to have stronger working relationships with policy and fiscal experts than those responsible for one-time, education, and atypical funds. Informants told us that state agencies overseeing typical funds, such as the Child Care and Development Block Grant, have dedicated policy and fiscal experts familiar with fund requirements. In contrast, in many states, agencies seeking to access one-time, education, and atypical funds are required to establish new relationships and develop new systems to ensure compliance with federal and state requirements. Moreover, state agencies differ in the roles, responsibilities, and authority needed to access one-time, education, and atypical funds.

RECOMMENDATIONS TO ADDRESS FRAGMENTATION

We found numerous examples of how states are seeking to address fragmentation. We also heard multiple recommendations about what states could do to address this challenge. We found no “one-size-fits-all” approach; the solutions are tailored to the state context. The promising approaches need to account for the state constitution, state funding levels, political will, and the structure of the state’s agencies, legislature, and the governor’s office.
Create a single state early childhood agency. Some states have created new departments of early childhood to promote synergy among ECE programs and coordination in accessing and strategically using federal funds. For example, Georgia created DECAL, the Department of Early Care and Learning, and New Mexico created the Early Childhood Education and Care Department. According to informants, these states have had strong leaders who promote a culture of collaboration and allocate resources toward it. Moreover, the structure of a single state agency allows the states to braid funds at the state level to support staff who wish to develop plans to access and strategically use federal funds. An informant from one state agency told us, “We are so much more able to do innovative programming now that we are the CCDF administrator than when we were not because we’re making the decisions about how those dollars are used, we can shift them to match state priorities, we can shift based on things like the pandemic, and we can do a lot of coordination across all our programs.” An informant from a different state provided a similar comment: “The one agency has been able to bring cohesiveness—our programs live in three different agencies. Bringing them all into one, we have that cohesiveness across the tribes, they’re building those partnerships, and having this agency where we have biweekly meetings is an opportunity for them to hear both from a state and local level—to hear what’s happening around them and what opportunities are available around them. I think this is a benefit of the agency.”

Coordinate through established councils or bodies representing the range of actors. For example, informants told us that they use their state’s early learning council to coordinate and learn about ways to braid funds through participation in their BUILD State team. Early learning councils also support participation in initiatives such as the Center for the Study of Child Care Employment to determine strategies for accessing funds to support the ECE workforce. Several state decisionmakers responsible for accessing federal funds reported working through these coordinating councils and ad hoc groups to develop cohesive visions for federal funding.

Use one-time federal funds to support collaboration toward a vision for ECE that includes accessing and strategically using federal funds. State leaders reported that regular engagement is important for gaining support from diverse ECE provider communities (across types of providers as well as demographic groups). Several states reported using Race to the Top–Early Learning Challenge funds or PDG B–5 grants to develop bodies that collaborated on strategic plans and a unifying vision. In turn, the plans and the vision have informed how the state has spent federal stimulus funds. One informant stated,

When I think about Race to the Top, I remember we had a legislatively mandated workgroup in addition to the early learning advisory council to do key pieces of system building. Part of the full professional development system in recommendations was developed right at the same timing
with a requirement that we have a professional development consortium, and that’s what birthed a lot of the pathways and partnerships with colleges. Some of the strengths that we have now were also a result of that time. That mirrors what we see now—we get a lot of task force and advisory groups that have been evolved into more sustainable parts in a broader system.

**Build relationships among leaders who work across state agencies.** Intrastate relationships can enhance each state’s ability to access federal funds for ECE systems. Informants in several states reported that leaders who have worked across organizations enjoy better collaboration. For example, state leaders with experience in a state office of management and budget who now oversee ECE policy will have stronger relationships with those who oversee budgets. These leaders also bring their understanding of fiscal issues to the program office. One informant shared that “The folks who are managing the financial structure, the braiding and the blending, and down in the weeds at the community-level providing technical support for how to best blend and braid those funds at the community grant level, are just ridiculous rock stars who have been there for at least three to four years.” This informant underscored the importance of building strong relationships with experienced staff who understand the processes and history of budget offices. Several informants told us that strong intrastate relationships, along with a strong understanding of fiscal, policy, political, and administrative challenges and solutions, have helped their states align efforts to access federal funds.

**Build ways for policy leaders and finance experts to work together.** Multiple informants told us that policy leaders need to work closely with finance experts so that approaches to accessing and using federal funds are efficient. The ways leaders work together range from regular scheduled meetings to offices that coordinate policy and fiscal issues. Several informants told us that leaders in their state agencies prioritize strong working relationships among policy and fiscal staff, and as a result the state agency is more strategic in accessing and using federal funds for ECE.

**Lack of Capacity**

Many state agencies have limited budgets for staffing, and this capacity challenge is exacerbated by federal caps on administrative costs, new demands on staff to handle pandemic-relief funding, turnover, and lack of experience and knowledge of grant funding among some staff. This makes it challenging to apply for federal funding, meet fiscal requirements, and strategically allocate funds for ECE.

- **States have a limited number of staff.** Staffing is often constrained by state budgets and reluctance to spend funds on state agencies. Staffing cuts made during the Great Recession of 2008 have had lingering effects, and most informants said that the capacity of most state agencies responsible for ECE program and fiscal oversight has been stretched. There are not
enough staff to accomplish the work. There also is a shortage of staff with knowledge and experience. As one informant explained, "With Early Head Start, we've had [several] positions open [for several months]...finding a knowledgeable workforce that will come to the state for what we're paying has been a challenge." Across interviews, multiple participants shared that not having enough full-time staff was a limitation on capacity.

- **Limited federal dollars support state agency staff overseeing federally funded programs.** Numerous informants told us that federal funding caps on administrative costs have combined with states' reluctance to increase administrative costs since the Great Recession. This has exacerbated inequity in capacity among states. States devoting their own dollars to ECE have the capacity to identify and maximize federal funds, whereas those with limited state funding can be challenged to fully draw down typical funds, as well as one-time, education, and atypical funds.

- **A large influx of federal stimulus funding has stretched the capacity of those who already had "limited bandwidth" to oversee and allocate federal funds.** Several informants said that even with the American Rescue Plan Act (ARPA), funding is inadequate to support ECE. Yet, many state agencies are stretched too thin to fully access and strategically use the large influx of federal stimulus funds. Several informants reported that funding levels are substantially larger than any funds early childhood agency personnel have overseen. One informant explained that the amount and the one-time nature of the funding meant that the agency had more funds to disperse yet could not use the money to hire additional agency staff: "[The ARPA funding] triples our budget. Because all off these funds are one time, we can't hire people, and everything has to be one-time programs. We can't hire staff to support these programs, so the commissioner's direct reports are having to plan these projects and our team is getting pulled off of their day job to run them." The stimulus funding also requires collaboration among policy and fiscal experts to ensure systems for allocation comply with federal requirements.

- **Informants told us that their annual stimulus allocations ranged from about $400 million to more than $2.2 billion—amounts two to five times larger than their previous federal allocation.** One person called ARPA "an amount of money that is massive." She added that state agency staff who are not used to handling a large influx of funds need time to learn about the process of managing these funds.

- **Turnover and churn have hindered state agency leadership and staffing.** We heard from informants that many agencies have substantial turnover and churn, creating challenges in hiring staff with the knowledge and experience to comply with typical funding requirements.
Agency capacity is therefore insufficient to access one-time, education, or atypical funds. For example, one informant, even though she was not responsible for a large federally funded grant, had to write a noncompeting renewal proposal because the administrator responsible forgot to do it. She noted that the state could use additional federal funds, but with the turnover and inadequate staffing, the agency is challenged in accessing even typical federal funds.

- Many staff lack awareness or knowledge of the processes required to apply for and strategically use some federal funds. Some informants were not aware of the range of funds that could be used for ECE, some did not know how to develop a proposal for one-time funds, and some did not have experience working across policy and fiscal offices to access funds. As one informant said, “People don’t know what they don’t know.” Moreover, some lack awareness of how federal funds can be braided or blended to more efficiently support ECE. Several informants told us that federal grant timelines can be challenging for individuals who have not worked with procurement offices. One informant’s state returned federal grant funds because the state could not obligate the funds within the federally mandated time frame and follow the schedule required by the state procurement office.

- Low salaries and bureaucratic requirements can hinder recruitment of policy and fiscal staff with expertise in accessing and strategically using funds for ECE. For example, in some states, before the pandemic, state agency staff were not allowed to telecommute. Others were not reimbursed for travel required to engage members of the community. A state policy expert told us, “I can tell you what we continue to hear is the capacity [issue]. We have such huge turnover right now and even in the tribal communities that the capacity to obligate, to liquidate, for even a small finance department to do all of this has been a huge problem. They’re looking for outside consultants to work on the specific financing piece, or even writing a grant to get funding.”

RECOMMENDATIONS TO BUILD CAPACITY
Informants suggested several strategies and approaches to build state agency capacity so states can better access and use federal funds to support ECE.

Organize new offices to manage federal funds. According to a recently published report by the National Association of State Budget Officers, several states have created new offices of budget and management to oversee and manage federal funds. The report recommends that states hire budget officers with the knowledge and skills to manage the variety of federal and state funds, as well as the political acumen to work with program administrators and policy leaders (NASBO 2020). According to
informants, establishing a separate state agency that oversees federal funds can create efficiencies and be an effective way for states to access the full range of available funding sources.

**Braid state and federal dollars to build the capacity of state agencies.** Informants from several states noted that their states allocate public funding to ECE, and these funds support fiscal and policy expertise within state agencies. Several individuals told us they combine federal and state funds to hire a single full-time person responsible for a combination of managing programs, overseeing funds, and implementing services. By hiring staff funded through multiple streams, the state agency is able to efficiently use public resources. A state informant told us, “When we all have different funders and requirements, it can be hard to align or blend or braid funding in ways that contractors or folks that are delivering funds can benefit. All of the requirements, it makes it hard to figure that stuff out. It feels easier to say in this grant, ‘I’m in this box and I do this.’ It’s hard to be creative. You feel limited by the structure of the funding.”

**Create and use tools to manage federal funds.** To maximize funds and meet regulatory requirements, some informants reported developing their own tools. These customized systems show the resources state agencies are accessing, the required obligation and liquidation time frames, and details about which policy and fiscal staff members need to be involved in specific actions by specific dates. One informant believes each state is creating its own system and it would be more efficient if a set of tools were available for each state to adapt.

**Learn from peers in other states.** Several informants reported that they benefit from opportunities for peer-to-peer learning with other state leaders working on fiscal and policy issues. For example, one administrator created a tool that shows the obligation and liquidation requirements for the federal programs he oversees. He suggested that other state leaders might have developed similar tools and that sharing tools and processes could be beneficial across states.

**Access consultation or technical assistance to identify federal funding sources and access the funds.** Some national informants told us they are working with states to help leaders identify possible funding sources, and some state informants reported learning from consultants about possible sources of federal funds for supporting ECE. Nonetheless, several state employees noted that given their current workload, they would recommend hiring additional personnel or consultants who “can get the work done” rather than provide technical assistance or guidance. One state agency employee noted that advice from a consultant is not helpful when state agency staff are already overburdened.

**Establish and rely on public-private partnerships.** A few informants noted that their state relied on public-private partnerships to access and equitably use federal funds for the ECE workforce. One state has
established a nonprofit organization to access private funds that can be used in ways not often allowed by federal funding streams. The nonprofit is also able to bypass the state bureaucracy, accessing federal funds more quickly.

**Increase administrative caps on federal awards** to sufficiently support the state staff need to manage funds. Multiple informants said they believe increasing the cap on administrative funds is necessary for state ECE agencies to build the capacity to access and use federal funds more strategically. A few noted that they had needed federal stimulus funding to adequately oversee the distribution of funds, and some questioned whether this was a good use of their awards. These individuals noted that it is hard to make the case to build administrative capacity, but states will not be able to administer funds strategically and in compliance with federal requirements if they do not have the right policy and fiscal personnel.

**Difficulty Ensuring Equitable Access and Allocation**

Informants reported that inequities exist across and within states in accessing and allocating funds for ECE systems, programs, and compensation. Moreover, the way that current systems are designed can reinforce structural inequities. Key challenges reported by informants are as follows.

- **States with limited capacity find it hard to access one-time, education, and atypical funds.** Thus, as one informant said, "the rich get richer and states that really need the dollars are not able to access the funds." We spoke with state agency staff who successfully developed a proposal for a competitive grant, even though they had never before applied for one-time federal funding. They were pleased that the state won the planning grant. Nonetheless, they lacked the knowledge and skills to develop a strong renewal application. Even though the state had demonstrated need for the funds, the grants were ultimately awarded to other states. Across states, many informants told us that ultimately, one-time, education, and atypical funds can only be used by state agency staff who are familiar with the awards process and have authority to submit applications on behalf of the state.

- **Organizations and staff affected by structural inequities may not know how to submit proposals that meet their state’s procurement requirements.** Informants reported that many child care providers are living in families with low incomes, are racial or ethnic minorities, or sometimes speak languages other than English—groups historically affected by structural inequities of opportunity. Given the complexity of the fiscal and policy process, federal grantmaking systems can exacerbate existing inequities. For example, the obligation and
liquidation periods required of one-time and atypical funds, combined with state procurement rules, mean that only experienced organizations can access funds. That is, most states follow strict procurement procedures that require public posting of funding opportunities (including opportunities to access federal funds) and a formal peer review of grant applications. Some informants said the existing requirements make it especially challenging for state staff to reach those historically deprived of resources. Several state informants told us that in the process of allocating first-round federal stimulus funds the most vulnerable missed out because they were not on the existing procurement lists. One informant noted that their state’s second round of stimulus funding was distributed more equitably, because they had more time to spend funds and the agency had more experience with procurement and outreach to underrepresented communities.

- **Individuals in policy and fiscal leadership positions often lack awareness of the barriers for groups that have historically been affected by structural racism.** Therefore, they design systems and processes that reinforce inequitable access to funds and opportunities. Several informants noted that state agency personnel are not representative of the ECE community or of most families accessing ECE services. One informant’s state agency has adapted a “racial equity and social justice” approach to engage providers who have not historically participated in grant opportunities. The informant shared,

As an agency we have a commitment to be an antiracist agency, to have a strong focus on racial equity and social justice, and we’ve gotten feedback on last few rounds of grants that we did, including stabilization grants, just around providers wanting to be more involved and we were trying to take the stance of designing with and using design principles in our work, and that also takes time. The government is giving out multiples of millions of dollars to the provider community, and can I apply, and what are the consequences—there’s a lot of fear in the field of child care who are monolingual in languages that are not English. To be able to support them in a grant application process and support them in the information of what’s available in government agencies, it’s taken a lot—simplifying languages and providing [technical assistance] through Zoom...helping people through long-standing beliefs and fears on what that means to accept resources from the governments. That’s been a big part of our supports in the community...We can’t get money out if people don’t apply.

- **Data systems do not track whether funds are being equitably distributed.** Several informants noted that most state data systems do not systematically track whether funds are being equitably distributed. Some noted specific challenges with legacy data systems that need upgrades. We also heard that the quick turnaround time associated with federal funding requirements leaves states scrambling to develop data and monitoring systems. Agencies do not have time to develop a long-term plan that will allow the state to assess whether funds are distributed equitably. Multiple informants noted that such tracking was especially challenging.
with one-time stimulus funding. An informant told us that the state does not collect data on early childhood educators’ wages by care setting or ages of children served. Further, she said that the state cannot focus funds on groups historically lacking funding because agencies do not have data broken out by facility type or demographic and geographic characteristics. The informant stated that it is important to consider “all the ways you can use that data that result in inequities, which is a social justice issue and that’s been my bandwagon. How we think about data is not for the sake of data but because it is a social justice framework.”

- **States often lack systems that ensure members of the ECE workforce eligible for federal flow-through dollars know about funding opportunities and requirements.** Informants told us that some one-time federal funds, including PDG B–5 and federal stimulus funds, can support the ECE workforce. However, members of the workforce are often not aware of how they can access funds such as grants, public benefits, and other resources that could enhance their compensation packages. Yet, state agencies cannot proactively engage potential recipients, and many lack capacity to create systems that will ensure equitable distribution of funds.

- **Some federally required “evidence-based approaches” can exacerbate inequities.** One informant reported that the state struggles to meet federal requirements for offering “evidence-based approaches” that are also culturally appropriate: This informant recommended that federal and state agencies consider incorporating elements of evidence-based approaches, rather than entire models, to address the needs of specific populations:

  If there’s a targeted community, [it] is much harder to use dollars to serve those communities [and follow the federal requirements to adopt entire evidence-based models that are normed on White populations]. We’re exploring [whether we] can we fund more evidence-based components or programs that have evidence-based components, so if they use some evidence-based programs but they have a wraparound with culturally appropriate services that may tweak it a little bit, can we fund those programs and/or are there more philanthropic dollars to be out there to get programs to get to more evidence based? But that takes a decade and research and organization to know where to get the research dollars and how to do the research. Community(ies) of color and smaller programs don’t have that knowledge base and the access.

- **Some state leaders believe focusing on one-time and atypical funds dilutes the importance of increasing overall ECE funds.** A few informants told us that focusing on accessing one-time and atypical funds is not a state priority. For example, one informant told us these sources provide “pennies on the dollar” when compared with typical ECE funds. Although only a few informants reported this issue, most told us inadequate funding is a major problem facing ECE systems and the workforce.
RECOMMENDATIONS TO ENSURE EQUITY

Informants made several recommendations to address inequities in accessing federal funds.

*Provide tools, technical assistance, consultation, and staff to help states that have not historically accessed the range of federal funds.* Several informants recommended that philanthropies and federal agencies help state agencies that historically have not accessed one-time, education, and atypical funds. More experienced agencies could help ECE staff address inequities that exist across and within states. Such supports could range from helping state agencies identify possible funding sources to writing winning proposals to developing data tools that ensure fiscal and programmatic requirements are met. That is, some informants told us they could benefit from a tool that shows the parameters of typical funds so agencies could more efficiently access and more strategically use the funds appropriate to their context. Other informants told us they were not aware of the one-time, education, and atypical funds available and said they would benefit from a directory of such resources or an individual who could help them identify and compete for these funds.

*Offer models and approaches for state leaders to more equitably distribute funds.* For example, states could benefit from model procurements designed to allocate resources to those historically most affected by structural barriers to opportunities. Although model solicitations should be tailored to each state’s context, several informants told us they would benefit from examples of how states are using contractors or vendors to distribute funds equitably. These models could be designed for leaders in state agencies, governors’ offices, and state legislatures.

*Use cost-of-quality tools to determine the actual costs of equitably compensating early childhood educators who working with children of all ages.* Several informants told us that they are either using cost-of-quality tools or seeking ways to calculate the cost of quality to ensure equitable allocation of federal dollars to ECE providers. They noted the importance of calculating different costs of quality ECE for infants and toddlers versus preschool children and across settings (family child care, center-based care, Head Start, and public preschool). Such tools could help states determine costs and more equitably compensate providers.

*Encourage philanthropies and states to reassess “evidence-based” approaches to ensure they are more nuanced.* Adapted approaches could include elements of “evidence-based” models but also prioritize cultural, linguistic, and racial and ethnic competence. One informant noted that existing federal and state guidance can exacerbate inequities because “evidence-based” approaches are not designed to meet the cultural and linguistic needs of all recipients of federally funded services.
**Make future federal funding opportunities available across all states (as with the CCDF).** A few informants recommended broader distribution of funds in place of the current competitive nature of many one-time, education, and atypical funding streams. One study participant noted that funding for ECE was *inadequate before the pandemic and remains a problem.* She said, “There’s still a lot of work that needs to be done with the child care workforce, the early learning workforce, and stabilizing that to provide quality care to our nation’s children...So, more needs to be done would be my recommendation.” She went on to say, “Mainly, again, we desperately need more money. Child care providers just can’t get enough—they don’t make a living wage, can’t take apprenticeships because can’t take a living wage. You end up having child care providers on public benefits. So, it’s harder and harder to find people who will work in the field.”

**Develop data systems to track whether funds are distributed equitably.** Several informants stated that current data systems are not designed to assess whether funds are equitably distributed and are meeting goals. One noted that the agency used one-time grant funds to accomplish “equitable distribution of funds for the workforce,” stating that equitable distribution “comes down to data systems, which PDG B–5 has helped us build.”

**Other Challenges**

In addition to the three most common challenges, we heard others, including competing priorities for funding, some ideological reluctance to support child care, and institutional challenges (i.e., federal timelines and other requirements).

- Larger programs, notably health care, child welfare, and K–12 education, are competing for federal funds and many states view child care as a lower priority. National informants told us that state budgets for child care are dwarfed by state health care costs. In turn, state leaders often prioritize health care funding over ECE funding. One informant stated that child care and other early childhood programs are neglected in state agencies that oversee larger programs. Similarly, an informant in a large state agency that oversees child welfare and ECE noted that the ECE budget is a fraction of the size of the child welfare budget and therefore receives less political attention. The ECE budget is also much smaller than the K–12 and higher education budgets. As ECE leaders seek to use education funds, they compete with bigger players who have more political capital.

- National informants told us that many state leaders do not want to access federal funds for ECE even if children in their state will benefit. Politically, ECE is viewed as a liberal issue. In
contrast, state leaders (including leaders from conservative states) informed us that lack of political will is not necessarily a challenge in accessing federal funds. It is a matter of aligning the principles and visions of different actors.

- **Federal timelines do not always align with state timelines.** This is particularly true in states that require legislative approval to spend federal funds, because federal funding may be out of sync with legislative calendars. In some instances, states do not access funds because they cannot obtain legislative approval in time. In other instances (such as with ARPA funds), states were able to make decisions on an emergency basis without legislative approval. However, this sometimes created ongoing challenges when funds were allocated inconsistently with legislative priorities.

- **Lack of proactive guidance from federal agencies creates challenges.** Several informants said that their state agency has forgone unobligated funds or had problems managing them. For example, the federal government sent states information about the reporting requirements for several funding streams after the funds had been spent. Retroactively compiling information is more challenging than proactively creating systems to collect data and monitor funds in accordance with requirements.

**RECOMMENDATIONS TO ADDRESS OTHER CHALLENGES**

- **Appoint an early childhood agency leader who reports to the governor.** States with such leadership report having more ability to prioritize ECE systems and funding. Some noted that ECE is smaller than other state budget line items but having a cabinet-level agency director raises the visibility of ECE with governors.

- **Provide states with proactive supports to build capacity to pivot in response to federal funding opportunities.** It is important to provide states with consultation and supports to navigate the requirements of funding sources. In addition, informants recommended that philanthropies and the federal government support consortia of state leaders to convene across legislative and executive agencies to collaborate on a cohesive vision for ECE.

- **Recommend that the federal government issue clearer, more proactive guidance.** Some informants recommended that the federal government offer clearer guidance related to one-time, education, and atypical funds. For example, state agencies with reporting expertise will be able to collect appropriate data and monitor funds effectively. Instead, with new federal funding opportunities, guidance is often provided to states a year or more after the funds have been awarded.
Conclusion

Federal and state informants consistently reported the need for increased federal funding to help state agencies stabilize and support the ECE workforce. Several informants also recommended the nation develop a vision of ECE that is aligned across programs and policies and supports young children and their families, regardless of age or care setting. Others did not believe that, given political divisions in the United States, a national vision that reflects state priorities while alleviating inequities is possible.

Several common themes emerged in interviews with federal and state informants. Many pointed to the multiple actors within the fragmented ECE system as a challenge to accessing and strategically using federal funds for ECE systems. Many informants also mentioned struggling with limited state capacity for administering funds. Interviewees also raised concerns about equity in accessing and allocating funds, both across and within states. The recommendations by national and state experts interviewed in this report point to possible solutions for policymakers seeking to ensure states maximize access to federal funds to support ECE systems and programs.
Note

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