

Disrupting Discrimination in Funding for Early Care and Education

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TAKEAWAYS

High-quality early care and education (ECE) programs are associated with positive academic and social outcomes for participating children.

Black and Latinx children are much less likely than White children to participate in high-quality ECE programming, replicating and amplifying systemic racial disparities.

Funding policies may contribute to differential access to high-quality ECE programming.

On average, ECE providers serving Black and Latinx children receive significantly less per-child tiered reimbursement funding than providers serving White children.

Plausible policy alternatives to tiered reimbursement include increases in base subsidy rates, increases in funding for home-based and relative and neighbor caregivers, and the implementation of progressive funding formulas.



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Policies intended to support early care and education (ECE)

programs for children deserve critical analysis to identify, then eliminate, correctable disparities. If we begin with the premise that all children, regardless of race, deserve equitable access to quality ECE, then correcting for long-standing disparities is required. Our recent research employs a critical policy analysis framework in the context of a state-level case study (Pennsylvania, USA) to explore the tiered design of contemporary ECE subsidy funding.¹

In ECE subsidy programs, states reimburse ECE providers for the cost of caring for and educating young children. Under tiered reimbursement funding models—a policy currently employed by 35 states—states reimburse an *additional* dollar or percentage amount to providers that meet higher quality standards. This system is seen as an important financial incentive for providers to meet quality standards, and research does demonstrate connections between tiered rates and increased quality ratings.²

What we find, however, is that tiered subsidy funding based on providers' quality scores supports already-high-quality ECE programs while systematically under-supporting aspirational (i.e., lower rated) ECE programs. As lower-rated providers primarily serve non-White and low-income children, the tiered system as designed amplifies inequalities along racial and economic lines for children and their communities. With the expiration of the Child Care Stabilization Program, part of the American Rescue Plan Act passed in 2021, child care subsidies are a timely topic as aid distributed to more than 200,000 child care providers across the nation has ended.³

Inequality rooted in place

The Child Care and Development Fund (CCDF) block grant program began in 1996 and has continued supporting ECE programs since its reauthorization in 2014. The historical policy context of the CCDF dates to the early 20th century and, as such, largely perpetuates racialized social constructions of deservingness into the present-day policy moment.⁴

Racialized stereotypes of deservingness have been normalized in the United States over many generations, marginalizing Black children and families through the increased surveillance and scrutiny of subjective “suitable home” assessments made by welfare agents.⁵ During the decades of Great Migration by rural

Using CCDF funds to increase base rates for providers may be more effective than the current practice of funneling CCDF funds through tiered reimbursement models.

Doing so would increase the chance that all children attend a well-funded, high-quality ECE provider and help the CCDF program live up to its promise of “equal access.”

Southern Black families to industrial urban centers of the North—periods which include both World Wars and the Civil Rights era of the 1960s—government aid to minoritized populations met with strong resistance by primarily White, male, and heteronormative policymakers as well as the U.S. American mainstream—populations who perpetuated hostile stereotypes to further justify state-sponsored surveillance and systematic economic exclusion.⁶

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By the mid-1990s, economic and racialized hostilities contributed to the design of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), which repealed the 1935 Aid to Dependent Children program, removed federal early care and education entitlements, and consolidated federal-level ECE assistance programs for families with low incomes into the CCDF block grant.⁷ By establishing work requirements and other barriers to entry, PRWORA systematically reduced available aid to families living in poverty; in 1996, almost 70 percent of families facing chronic economic hardship in the United States received Aid to Dependent Children funds, but by 2019 the CCDF—which funds ECE subsidies—served only 15 percent of eligible families.⁸

Tiered subsidy funding: A critical analysis

Our descriptive analysis found that, on average, ECE providers serving Black and Latinx children received significantly less per-child tiered reimbursement funding than providers serving White children. Over time, as state policies increased tiered reimbursement rates, inequalities widened. For example, in 2015, the average daily funding difference between Black and White toddlers was \$0.98; by 2019 that difference grew to \$2.05 (see Table 1).

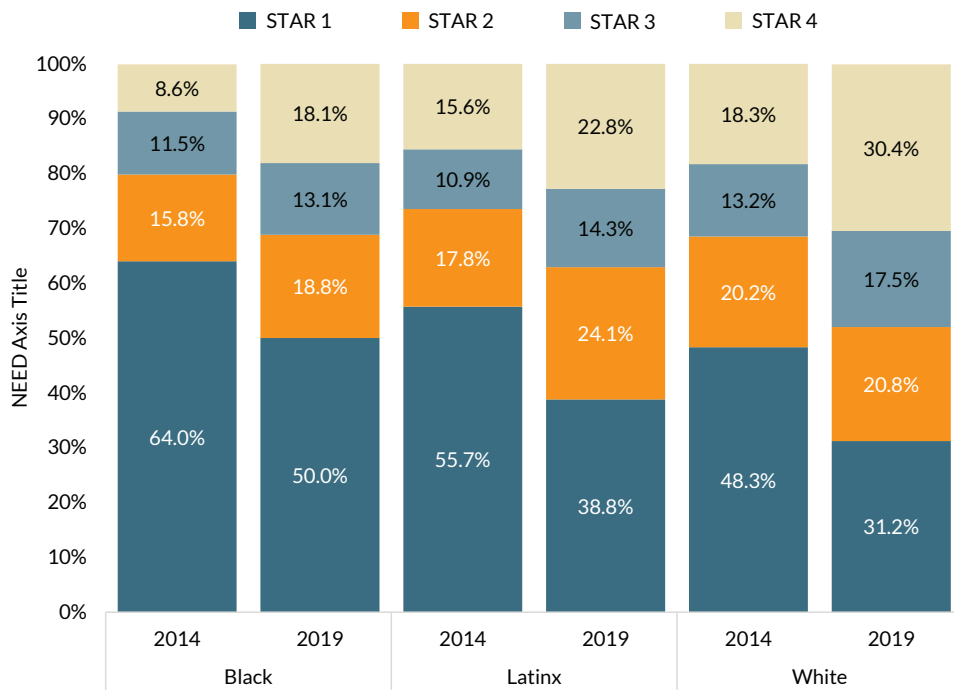
Table 1: Mean daily tiered funding amount by child race/ethnicity and age, 2014–2019.

Child Age	Racial/Ethnic Group	2014	2015	2017	2019	Change, 2014 to 2019
Infant	White	\$1.38	\$2.51	\$3.80	\$6.00	\$4.62
	Black	\$0.84	\$1.54	\$2.38	\$3.15	\$2.31
	Latinx	\$1.12	\$2.03	\$2.96	\$4.52	\$3.40
	White Latinx	\$1.28	\$1.97	\$3.67	\$4.82	\$3.54
	Black Latinx	\$0.88	\$1.70	\$2.64	\$4.07	\$3.19
Toddler	White	\$1.52	\$2.70	\$3.89	\$5.56	\$4.04
	Black	\$0.96	\$1.72	\$2.37	\$3.51	\$2.55
	Latinx	\$1.30	\$2.27	\$3.14	\$4.29	\$2.99
	White Latinx	\$1.37	\$2.43	\$3.33	\$4.67	\$3.30
	Black Latinx	\$1.34	\$2.15	\$3.10	\$4.31	\$2.97
Preschooler	White	\$1.57	\$2.49	\$3.73	\$4.12	\$2.55
	Black	\$1.02	\$1.64	\$2.36	\$2.80	\$1.78
	Latinx	\$1.37	\$2.15	\$3.00	\$3.30	\$1.93
	White Latinx	\$1.41	\$2.14	\$3.12	\$3.44	\$2.03
	Black Latinx	\$1.37	\$2.09	\$2.65	\$3.29	\$1.92

Source: Pennsylvania Office of Child Development and Early Learning (from Babbs Hollett & Frankenberg, 2021).

Note: Differences between racial groups, by age, are statistically significant at $p < .05$ for all years.

Figure 1. Distribution with ECE Subsidies by Provider Quality Rating and Race and Ethnicity, 2014 and 2019.



Source: Pennsylvania Office of Child Development and Early Learning; Babbs Hollett & Frankenberg, 2022.

Note: Differences between racial groups are significant at $p < .05$ for both years.

These funding gaps were driven by disparities in enrollment with ECE providers with high quality ratings. Across all years of our analysis, children from all racial groups increasingly enrolled with providers rated at STAR 4. White children, however, comprised the highest share of children enrolled with STAR 4 providers in all years examined. STAR 4 enrollment gaps between White children and their Black and Latinx counterparts grew between 2014 and 2019, as seen in Figure 1.

The cultural responsiveness and validity of quality rating and improvement systems (QRIS) have been called into question, however.⁹ For example, ECE programs with more boys than girls and those located in neighborhoods with higher shares of Black residents average lower quality scores.¹⁰ Funding reimbursement systems based on potentially biased QRIS measures raise serious concerns for downstream discrimination regarding the stratified distribution of funds. If factors unrelated to ECE quality (i.e., the ratio of boys to girls) negatively influence rating calculations, those biases then transfer into detrimental consequences for ratings-based tiered reimbursements.

Implications

While tiered reimbursement funding policies have been linked to quality improvements among early care and education providers, we find these policies to largely uphold—if not amplify—inequities related to racialized and low-income populations. If racial equity in ECE is a policy goal, then current tiered reimbursement models may be ineffective, as our study suggests they distribute more funding to providers serving White children. Teachers

are also affected by funding disparities. Upwards of 80 percent of ECE provider revenue goes toward teacher payroll.¹¹ Because Black and Latinx children are more likely to have Black and Latinx teachers,¹² racial gaps in tiered funding programs may also mean lower average wages for teachers of color.

Tiered reimbursement funding policies largely uphold—if not amplify—inequities related to racialized and low-income populations.

Several race-conscious policy alternatives to tiered reimbursement are available. For example, home-based providers (i.e., providers using their home as a site to care for others' children) tend to serve Black and Latinx children at higher rates than White children. Home-based providers, however, tend to receive lower quality scores than center-based child care providers, which means home-based providers also receive lower amounts of tiered funding. Likewise, Black and Latinx families are more likely to receive ECE from relatives and neighbors—populations ineligible for any form of tiered funding. Allowing more funds to support home-based and relative and neighbor care may help honor the choices many families make regarding early care and education as well as better support quality ECE for Black and Latinx children.

Raising base rates—the base amount of per-child funding all ECE providers receive for serving children with subsidies—would help ensure all providers have sufficient funding to offer quality care, not just those with high quality ratings. Progressive funding formulas, which are used in K-12 education, are another policy approach for making funding more equitable. Current tiered funding formulas are based on provider type, location, age of children served, and quality ratings; progressive formulas would also consider providers' unique caregiving and educational contexts (e.g., the share of children in poverty they serve) as well as how costs differ for offering high-quality ECE within those contexts. Lastly, QRIS should explicitly include equity indicators, especially if funding continues to be tied to them.¹³

In recent years, Pennsylvania has taken several promising steps toward more equitable ECE funding. The state raised base subsidy rates by a substantial percentage, and has formally committed to equalizing the representative enrollments of Black and White children enrolled with STAR 4 providers. However, with federal funding for ECE from the American Rescue Plan Act expiring, ECE providers may soon experience new funding constraints. The implementation of equitable funding approaches, such as those proposed by this study, will be an essential tool for preventing subsequent funding inequalities, and for ensuring all children have access to quality ECE.

Conclusion

Unequal effects of ostensibly well-intentioned policy have long been part of the U.S. American policy landscape, especially when it comes to racial disparities. Racial biases, prejudiced class ideologies, and discrete (and overt) systems of White privilege have been baked in to law, policy, and practice for so long that they are normalized and thus often unrecognized and unchallenged. Our critical policy analysis suggests that tiered reimbursement policies based on quality ratings systems uphold limitations for ECE providers serving Black and Latinx children, families, and communities. Overcoming these inequities will require equity-oriented and overtly anti-racist alternatives. Substitutes

might include substantial increases in base subsidy rates and in funding to home-based and relative and neighbor caregivers as well as the establishment of progressive funding formulas. Doing so would disrupt multi-generational cycles of adaptive discrimination and provide all children with equal access to high-quality early care and education. ■

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Sources & Methods

Type of analysis: Critical policy analysis framework.

Data source: de-identified information on ECE subsidy recipients in Pennsylvania.

Sample definition: Child-level data merged with ECE provider-level data.

Time frame: 2014 to 2019.

Limitations: Basing any analysis on QRIS scores as a proxy for provider quality is problematic as scoring mechanisms and infrastructures contain potentially significant biases. STAR ratings are not inherently authentic measures of provider quality (i.e., in our view, lower STAR ratings do not necessarily indicate an absence of quality ECE).

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