# Alternate Rate-setting Structure for the Employment Related Day Care (ERDC) Program

**State of Oregon**
**Early Learning Division**
Legislative Report/Progress Update
December 31, 2022

## Executive Summary

In the 2021 Legislative session, the Oregon Legislature passed HB 3073, which included various changes to the governance and infrastructure of early learning and care in the state to unify service delivery. This landmark legislation created a new agency, the Department of Early Learning and Care (DELC), and directed movement of the Employment Related Day Care (ERDC) program to the new agency by July 1, 2023. In addition to these changes, HB 3073 required the State to expand eligibility criteria for family participation in the ERDC program and move to an alternate rate-setting structure to inform the rates for providers who provide care to ERDC eligible families. It is important to note that even after the transition to an alternate rate-setting structure, rates for child care providers who participate in the ERDC program will still be subject to the union bargaining process and set through the Collective Bargaining Agreements (CBAs). As outlined in this report, the implementation of a new structure is planned for fall of 2025.

Child care providers are often operating at razor thin profit margins. Given the limitation on public funding, providers who participate in the child care subsidy program are often not compensated to cover the true operational costs of providing child care. In order to capture the true cost of providing quality child care, Oregon will move to an alternate rate-setting structure.

The alternate rate-setting structure requires a transition to methodology to inform a rate of reimbursement that reflects the true cost of providing child care. As the first update on transition to the alternate rate-setting structure, HB 3073 required the Oregon Early Learning Division (ELD) to submit an interim report on the progress and planning to the Legislature by December 31, 2022. This is the first report to the Legislature which includes an update on how the development of DELC, and associated infrastructure planning and development, will impact the implementation of an alternate rate structure for the ERDC program and recommendations from the Alternate Rate Methodology Advisory Committee ("Advisory Committee"). The infrastructure analysis and engagement with the Advisory Committee were conducted simultaneously to give the Legislature a comprehensive update on the essential components of a transition to an alternate rate-setting structure. DELC will continue to update the Legislature on the implementation of the alternate rate-setting structure.

As ELD continues to execute the transition to DELC, the agency conducted a current and future state infrastructure analysis to determine how the agency would meet ongoing and planned operational needs. An analysis of the infrastructure essential to transition to an alternate rate-setting structure was included. The following infrastructural developments were identified as critical to implementation: 1) Development and launch of a provider management platform; 2) Revision and implementation of Oregon's quality recognition and improvement system, Spark; 3) Conduct another Market Rate Survey to meet current federal requirements; and 4) Refine the cost models to be used in alternate rate-setting through an additional round of data collection on the costs of providing child care in Oregon. Due to these critical infrastructure developments, the earliest implementation of a new alternate rate-setting structure is fall 2025.

The Advisory Committee was established in February 2022 to provide input on the development of the principles and framework for the alternate rate-setting structure for this report. The Advisory Committee included staff from the ELD, Oregon Department of Human Services (ODHS), Early Childhood Education (ECE) professionals, union representatives from AFSCME and SEIU, parents, agency representatives, researchers, Child Care Resource and Referral (CCR&R) representatives, Quality Recognition and Improvement System (QRIS) experts, and ECE advocates. Although Tribal Nation representatives were not on the Advisory Committee, Tribal representatives were consulted through a workgroup with ELD staff and Tribal Child Care and Development Fund (CCDF) Administrators. The recommendations included in this report were developed in consultation with the Advisory Committee, which met between February 2022 and October 2022.

In order to provide a child care environment for children and families to thrive, child care providers need to receive reimbursement rates that cover the true operating costs of providing quality child care. Oregon must invest in an alternate rate-setting structure and develop the infrastructure to support a comprehensive cost and incentive model to determine these rates for all child care provider types.

## Federal Requirements for Rate-setting

The Employment Related Day Care (ERDC) program is a child care subsidy program funded primarily through the Child Care and Development Fund (CCDF), which is a funding stream governed by the Child Care and Development Block Grant (CCDBG). The primary purpose of the program is to fund child care subsidies for low-income families. As a way of ensuring families participating in the ERDC program have the full range of access to child care options that best fit the needs of their family, all states are required to provide equal access to comparable child care services available to families who are not eligible for child care assistance.[1] In this case, equal access means that subsidy payments are sufficient to ensure that children eligible for child care subsidies through ERDC have access to child care services that are comparable to services provided to children whose parents are not eligible for the program.[2] However, the federal government does not require a specific reimbursement rate for providers. Instead, the benchmark for "equal access" is the 75th percentile of the state's Market Rate Study.

[1] Child Care and Development Fund, 45 C.F.R. § 98.45(f)(2)(ii) (2016).
[2] Center, B. P. (2020). The Limitations of Using Market Rates for Setting Child Care Subsidy Rates. *Washington, DC: Bipartisan Policy Center*.

Child care provider reimbursement rates must also account for a provider's compliance with CCDF health, safety, quality, and staffing requirements, as well as the cost of providing higher quality child care per the state's Quality Recognition and Improvement System (QRIS). States may use the Market Rate Survey or an Alternate Rate-setting structure to determine rates for providers participating in their child care subsidy program and the approach outlined must be approved by the federal Office of Child Care and be conducted within 2 years of a state's CCDF State plan submission.[3]

### These two approaches are outlined below:

**Market Rate Survey[4] (MRS):** The MRS must include the full priced child care market, complete and current data, geographic variation representation, rigorous data collection procedures, and data analysis that captures market differences. If the MRS does not include the estimated cost of compliance with CCDF health and safety standards and QRIS participation, the state must also conduct a narrow cost analysis that reflects these estimates.

**Cost-modeling[5]:** Cost-modeling answers the question of how much does it cost to deliver the services that the state is purchasing. Typical factors: Staff salaries and benefits, Training and professional development, Curricula and supplies, Group size of children and staff-child ratios, Enrollment levels, Program size, Facility costs (rent or mortgage and utilities).

To comply with the federal requirements, Oregon has conducted a MRS since 1990 by Oregon State University to inform rate-setting for child care providers participating in the ERDC program. In addition, Oregon conducts a narrow cost analysis to provide more context on the costs of providing child care than the price data reflects. Rates for child care providers who participate in the ERDC are subject to the union bargaining process and are set through the CBAs with the respective child care provider bargaining units.

Rates were adjusted twice in 2022, the first increase was on January 1, 2022 to the 70th percentile of the 2020 MRS and the second increase was on June 1, 2022 to the 90th percentile of the 2020 MRS. The increase to the 70th percentile was a result of the collective bargaining process with the provider unions who represent licensed family child care and license-exempt family providers serving families receiving child care assistance, while the second rate increase was a result of House Bill 4005 passed by the Legislature. Data collection for the MRS is scheduled for October 1, 2022- December 31, 2022. The next MRS report, which will include an updated analysis on the price of child care in Oregon by all provider types, will be released in March 2023. Since the last MRS was completed in 2020, this new data will

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[3] Child Care and Development Fund, 45 C.F.R. § 98.45(c)-(f) (2016).

[4] Grobe, D., Weber, R., Davis, E., Kreader, L., & Pratt, C. (2008). *Study of market prices: Validating child care market rate surveys*. Oregon State University Family Policy Program, Oregon Child Care Research Partnership.

[5] National Center on Child Care Subsidy Innovation and Accountability, "Guidance on Estimating and Reporting the Costs of Child Care," U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care, January, 2018. Available at: https://childcareta.acf.hhs.gov/sites/default/files/public/guidance_estimating_cost_care_update.pdf.

reflect the impact that the COVID-19 pandemic and national inflation has had on the costs of care in Oregon. This report will be used as a source of information as the state enters bargaining with the child care provider unions in March 2023.

## Transition to Alternate Rate-Setting

In July 2023, the Employment Related Day Care (ERDC) program will transition to the new Department of Early Learning and Care (DELC). Pursuant to HB 3073, the agency is planning the transition of the ERDC program and a transition to an approved alternate rate-setting structure for ERDC that is determined by operating costs and the costs of meeting quality standards, rather than by the MRS and narrow cost analysis. HB 3073 requires that the alternate rate-setting structure provide a higher rate or reimbursement or incentive for the following:

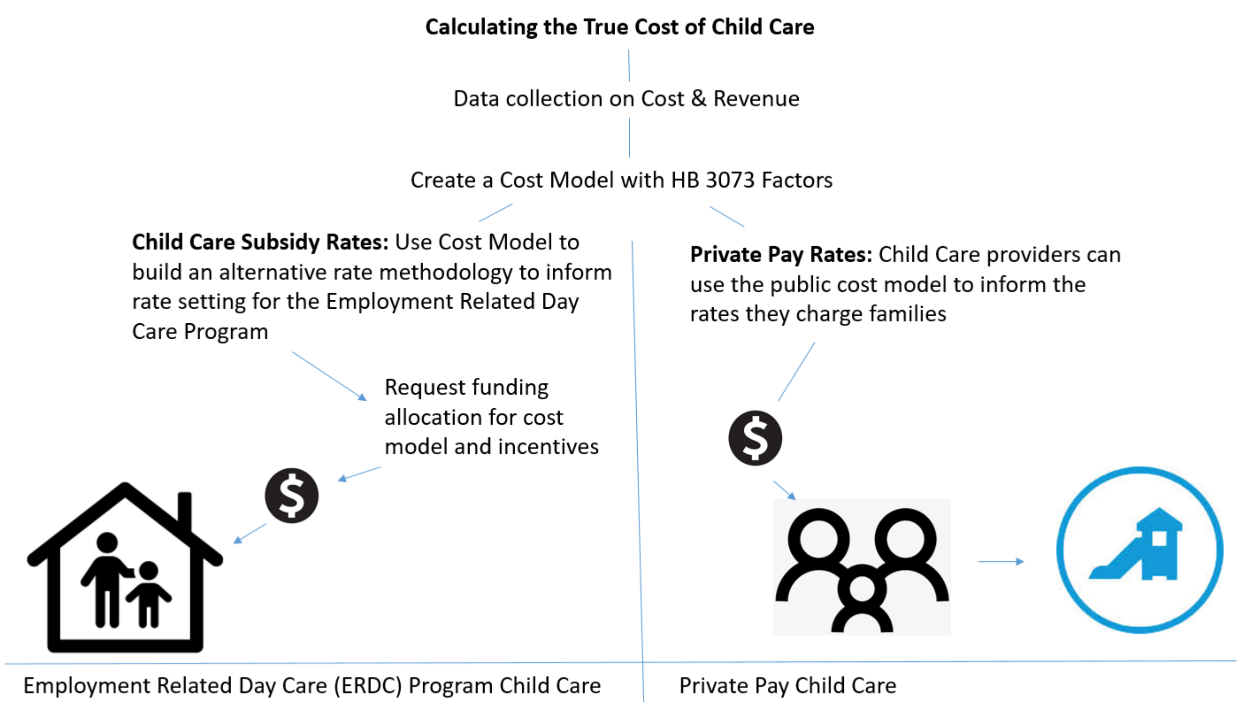
- Participating in quality improvement measures;
- Providing culturally or linguistically specific or appropriate care;
- Providing evening, overnight or weekend care;
- Providing care to children with a diagnosed disability;
- Providing infant or toddler care;
- Providing care to a population that has been identified as historically having an inadequate child care provider supply; or
- Providing any other specialized care that justifies a higher rate of reimbursement.

The alternate rate-setting structure will be developed from a base cost model that was originally created through Oregon's Child Care Cost of Quality Study. However, another round of data collection on the cost model data variables will need to be conducted before implementation.

As an exploratory phase of what a transition to an alternate rate-setting structure would cost, the ELD partnered with financial researchers to develop a Cost of Quality model in 2020. Between October 2020 and January of 2021, the Child Care Cost of Quality Study gathered data on the true cost of providing high-quality early care and education in Oregon. The study was led by Simon Workman and Jeanna Capito, national experts on early care and education financing. The Child Care Cost of Quality Study gathered information about actual expenses to better understand what it takes to provide high-quality care and education. A technical work group was formed to provide insight and support to the study, which included state and local experts, including center and home-based child care providers. The work group collaborated with the study team to ensure the voice of early care and education programs was at the center of this work. From October 2020 to December 2020, early childhood education providers from across the state and representing the diversity of the industry participated in surveys and informational interviews to inform the study. Participants were asked to share program details of prior year expenses and budgets so that the researchers could view the total expenses required to run the programs. Researchers also gathered data on average salaries and benefits, staffing schedules, and revenue sources.[6]

The Cost of Quality Study resulted in the creation of two cost models that incorporate the revenues and expenses that child care providers and businesses account for in their budget. The cost models include revenue and expense models and account for the differences in revenue and expenses by provider type. These two models account for the variety of early care and education settings in Oregon: one cost model was developed for center-based and another cost model was developed for family child care home-based and license-exempt settings.

Since all of the revenue and expense data in the models can be updated, ELD plans to update these models based on the requirements outlined in HB 3073, recommendations of the Advisory Committee, and updated data from another round of data collection to create an updated model for use in the new alternate rate-setting structure.




Additionally, this flexibility allows the agency to further amend the models as new data and funding becomes available to account for updated payment rates for ERDC, adjustment of workforce salaries and benefits, as well as non personnel expenses.

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[6] Additional information on the cost models and the technical user guide, including all revenue and expense data is available here: https://oregonearlylearning.com/form_sets/child-care-cost-of-quality-cost-models/.

Despite the initial work to inform the transition to an alternate rate-setting structure, HB 3073 places additional requirements on what needs to be included and accounting for these requirements is dependent on infrastructure investment, development, and implementation for the new agency, DELC.

## Framework & Principles for Alternate Rate-Setting

The Advisory Committee has identified specific framework and principle recommendations to guide the transition to a new rate structure. The Committee determined that the current rates for ERDC do not cover the true operational costs of child care or cover the costs in alignment with the principles outlined below. Advisory Committee members recommend that the state invests in the ERDC program to support higher rates as determined by the new alternate rate-setting structure. Continued investment in the development of the alternate rate-setting structure should be informed by the following principles:

- **Equity:** Ensure that children and families have access to the various types of care that they decide is the most inclusive, nurturing, and culturally and linguistically responsive child care environment for their family. Expense and Cost Drivers in the structure should be centered in equity and account for the holistic needs of children and families so that any type of child care provider can provide this care for any child and family and receive adequate compensation.
- **Representation of All Provider Types:** Ensure that the funding for the alternate-rate setting structure covers the true operational costs of all provider types, which includes licensed and license-exempt providers. The structure should account for the costs for meeting licensing and ERDC participation requirements, quality standards, and various professional development pathways. The structure should have aspects that encourage the recruitment and retention of providers, staff, and substitutes who reflect the racial, ethnic, linguistic, and geographic diversity of all Oregonians.
- **Flexibility:** Providers need a structure for rate-setting that has flexibility. For the next five years, many providers are focused on workforce recruitment and retention. The rate-setting structure should have data variables that account for personnel costs. The rate-setting cost models should allow for personnel costs to include incentives for staff retention determined by the child care provider. Additionally, child care providers want the flexibility to choose the pathway of engagement in Spark to determine what incentives they receive in addition to the base rate calculated in the cost models.
- **Viability And Sustainability:** Subsidy payment rates only compensate a child care provider for the number of children they are serving who are a participant in the child care subsidy program. While calculating ERDC reimbursement rates with an alternate rate-setting structure can more fully compensate a provider for the type of child care they are providing, the alternate rate-setting methodology should account for the universal operating costs of sustaining a child care provider’s business model that is not significantly impacted by the number of subsidy children they are serving at any given time. The impacts of providers who participate in the mixed delivery system need to be factored into the cost models.
- **Continuous Quality Improvement:** Ensure that the alternate rate-setting structure accounts for various incentives for provider and staff engagement with quality and professional development

supports. There should be no single pathway for professional and educational development and all pathways should recognize the value of lived experience.

- **Simplicity:** The alternative rate methodology should provide a clear and straightforward cost calculation that is inclusive of all costs, and accounts for the various characteristics of all child care program types. The revenue and expense structure in cost models should be easy for any child care provider to understand so that they can adequately plan to meet the needs of their business. Additionally, the mechanisms to receive incentives available through participation in Spark should be clearly explained, calculated, and applied to the providers' ERDC reimbursement rate.

## Additional Considerations

- **Regional Analysis of Costs:** In the last 10 years, Oregon has had a significant increase in population and the geographic spread of the population has expanded beyond the I-5 corridor. The Advisory Committee suggests regional analysis and clustering of expenses be reexamined. In the analysis of data from the Cost of Quality Study, researchers did not find significant differences in the compensation and personnel costs of the workforce by region. ELD/DELC is exploring a different regional analysis of child care costs with Oregon State University for the current, and future, results of the MRS.
- **Start-up & Supply Building Costs:** Child care providers need funding to begin to provide certain types of specialized care for children and families. These should be considered start-up and supply building costs–even for established child care providers. Designated funds outside of the alternate rate structure should be made available to all providers to develop their business and expand these specialized supply needs to children and families.

## Factors for Inclusion in Alternate Rate-Setting Structure

In addition to the required transition of child care provider rates for the Employment Related Day Care (ERDC) program to an approved alternate rate-setting structure, HB 3073 requires that the alternate rate-setting structure provide a higher rate or reimbursement or incentive for the following:

- Participating in quality improvement measures;
- Providing culturally or linguistically specific or appropriate care;
- Providing evening, overnight or weekend care;
- Providing care to children with a diagnosed disability;
- Providing infant or toddler care;
- Providing care to a population that has been identified as historically having an inadequate child care provider supply; or
- Providing any other specialized care that justifies a higher rate of reimbursement.

While some of these factors were included in the cost models created in the Cost of Quality Study, not all of these factors were embedded in the models and other factors are better addressed through incentives or a combination of the models and incentives. The federal CCDF requirements for ERDC create the need for data matching and verification[7] of provider participation or service to children in alignment with the factors outlined above to justify the higher rate of reimbursement. ELD is working to develop a new provider management system that would track and verify data and then generate the payment for child care providers with the appropriate base rate and incentive combination.

***Table 1***

| HB 3073 Required Factors For Inclusion in Alternative Rate Methodology | Alternative Rate Methodology Calculator<br><br>**see Cost of Quality Model for additional factors included (i.e. staff compensation, benefits)* | Incentives to include in Spark Redesign |
|---|---|---|
| Participating in quality improvement measures | X | X |
| Providing culturally or linguistically specific or appropriate care | X | X |
| Providing evening, overnight, or weekend care | | X |
| Providing infant or toddler care | X | |
| Providing care to children with a diagnosed disability | X | |
| Providing care to a population that has been identified as historically having an inadequate child care provider supply | | X |
| Providing any other specialized care that justifies a higher rate of reimbursement | | X |

# Infrastructure & Operational Needs for an Alternate Rate-Setting Structure

- **Provider Management Platform:** The current databases available to the agency do not integrate or track the required information to verify the necessary data variables to calculate an accurate rate of reimbursement with a base rate and incentive structure. ELD has the opportunity to build a provider management platform with the alternate rate-setting structure as a design component. To determine incentive payments, the provider management platform will need to incorporate the Spark revisions.

[7] 81 FR, p. 67514, 45 CFR § 98.53

The goal of this project is to replace legacy ODHS Direct Payment systems and the ELD Child Care Regulatory Information System (CCRIS), with a phased roll-out beginning June 2024. The new platform will facilitate the transition of child care provider payment functions into DELC as part of HB 3073 and improve efficiency and service to child care providers. Bringing these services into one integrated platform and establishing an online portal will create a one-stop access location for child care providers for licensing, payment for program participation, and professional learning. The platform is intended to address all aspects of provider management including license application, background check, compliance monitoring, enforcement and appeal, and ERDC subsidy payment processes.

- **Child Care Cost Data Collection:** Cost models for the alternate rate structure use data on the costs of providing child care in Oregon. The initial round of data collection for the Cost of Quality Study does not include data on all of the variables required in HB 3073 and the data that was included will be outdated by the time of implementation. Additionally, the MRS does not collect all of the necessary data to update the cost models. A new round of data collection will need to be conducted that aligns with the new alternate rate-setting structure and reflects updated information on the costs included in the cost model for implementation in fall of 2025.

- **Spark Revision:** The framework for the alternative rate-setting structure requires either a quality rating or licensing type to inform the cost calculation of the true operational expenses by provider type to provide quality care. Additionally, Spark will be the primary mechanism for determining whether a provider is participating in the factors outlined in HB 3073 that justify an incentive payment. However, Spark is set to undergo a major redesign. When Spark was created in 2012 it was developed as a Quality Rating and Improvement System. In 2021, as part of HB 2059, legislation was passed to replace “rating” with “recognition”. More specifically, the statutory change removed the requirement of tiered ratings and tiered financial incentives. This change opened the door for the Early Learning Division to redesign Spark, in collaboration with families and providers, to focus on supporting continuous quality improvement, recognizing the efforts and accomplishments of providers, and communicating pertinent information to families to assist them in finding a program that is the best fit for their child.

  This is a significant departure from the current model and the new design will determine how incentives payments can be verified through participation in the revised continuous quality improvement model.

  The Spark redesign is set to occur in four stages from January 2023 until June 2025: Stages 1 & 2 – Engagement & Redesign; Stage 3 - Implementation; and Stage 4 Assessment. Western Oregon University (WOU) will facilitate the entire process and will partner with another organization for Stages 1 and 2. To design an effective and equitable system, the process will be driven by the leadership of families and providers, with intentional engagement of historically underserved and underrepresented populations.

- **Licensing Regulations Update:** The cost models to determine the true operational costs for all child care provider types will need to be updated to reflect the costs of meeting the updated licensing regulations in 2023 and 2024. Due to the modifications to licensing practices that the Office of Child Care made to accommodate a response to COVID-19, combined with the oncoming transition to DELC, the introduction of the new licensing regulations were delayed. This also allowed time to consult with child care providers and advocates on the framework for the updated rule sets. The ELD is currently beginning engagement for Certified center rule changes to be adopted in the summer 2023. Certified family and registered family rule engagement will begin next year and the rules are set to be amended in 2024. The updates in the licensing rule sets for child care providers will impact how the underlying data in the cost models calculate the operational costs for providing child care in Oregon.

**Phased Implementation of Alternate Rate-Setting Structure:** Various aspects of the methodology will require data matching, which requires building on current data infrastructure and child care provider supports. Many database and infrastructure updates and investments are in the process of being developed for the alternative rate-setting structure implementation, which will occur in stages. DELC will continue to work with providers and other community partners throughout each of these stages. The agency recommends that the implementation occur in the following stages:

- **Stage 1:** In 2023, the state will enter bargaining with the child care unions, before a methodology for alternative rate-setting can be developed, approved, and implemented. Rate-setting, which is set to be included in the 2023 bargaining session, will need to continue to be based on the MRS. A new MRS report will be released in March of 2023, which will show what percentile of the market that current rates are set at. During this phase, ELD/DELC will build out the framework for the alternative rate-setting structure in alignment with revision of Spark. While the engagement and redesign of Spark is occurring, ELD/DELC will map out the required infrastructure components of the new provider management platform.
- **Stage 2:** DELC will submit a plan for the use of an alternative rate methodology to determine rates for ERDC to the federal Office of Child Care that incorporates the factors in HB 3073. The agency will respond and adjust the methodology as needed to obtain federal approval for an alternate rate-setting structure.
- **Stage 3:** DELC will implement the federally approved alternate rate-setting structure to set ERDC rates.
- **Stage 4:** DELC will collect new data to update and adjust the alternate rate-setting structure to reflect the iterative updates to Spark and refresh the operational expenses and revenues built into the cost models for each provider type. The provider management platform will be launched in fall of 2025 and updated with additional functionalities and data integration to simplify the reporting and payment process for all child care providers in accordance with the structure.

Based on the essential infrastructure that is needed for the transition, the earliest date for implementation of the alternate rate-setting structure is fall of 2025. This date will be revised as the infrastructure development occurs within DELC.

## Fiscal Considerations

Moving to compensating child care providers for the true costs of providing quality child care will require significantly more public investment in the ERDC program. HB 3073 also made historic expansions in family eligibility for the ERDC program. Future budget builds and investments need to account for the increased caseload for the program and increased reimbursement rates for providers. Public investment in both of these aspects of the program ensures that ERDC is a program that meets the needs of children, families, and providers in Oregon.

While rates were increased for providers participating in ERDC in January 2022 and June 2022, these rates do not address the funding gaps identified in the cost models for providers who participate in the ERDC program that were developed from the Cost of Quality Study in 2020-2021. Since the study, the market for child care has become even more strained and the family demand for accessible child care is as prevalent as ever. Additionally, the cost models were created before the rise of national inflation in 2022, which has caused a significant rise in operational and personnel costs for all child care provider types in Oregon.

## Timeline & Next Steps

ELD leadership is coordinating the timelines across the following projects during the transition to DELC to ensure that the alternate rate-setting structure has the infrastructural support to be successful within the new agency: 1) Provider Management Platform; 2) Spark Revision; and 3) Licensing Regulations Update; 3) Conduct another Market Rate Survey; and 4) Child Care Cost Data Collection.

Below is a tentative integrated timeline for the projects essential to the transition to an alternate-rate setting structure for ERDC:

**September – December 2022**

- **Spark Revision:** The contract for collaboratively redesigning Spark was executed on September 30th, 2022 with Western Oregon University (WOU). During the months of October and November, staff from WOU and the Early Learning Division interviewed potential organizations to lead the engagement stage of the redesign. After reviewing proposals, an organization was selected that both aligned with shared equity values and incorporated a community engagement approach known as participatory action research (PAR), that empowers families and early learning and care providers, and supports the concept of "Community Ownership" as defined within the Spectrum of Community Engagement to Ownership . ELD anticipates the contract will be signed in December and the Engagement Plan will be shared by January 31st, 2023.

- **Provider Management Platform:** ELD has engaged in professional services (project management, business analysis) vendor selection with the goal of having a dedicated project manager on board in December 2022. ELD anticipates having Stage Gate Endorsement from EIS by January 2023.
- **Market Rate Survey:** Data collection from all provider types in Oregon conducted on the price of child care from October 1-December 31, 2022.

### January – February 2023

- **Spark Revision:** Establish the PAR Teams for Engagement & Redesign. The same contracted organization will facilitate an application process for selecting two PAR teams of families and providers. One team will be facilitated in Spanish and one in English. ELD and WOU will work together to establish the criteria for these positions, and will circulate the job posting. Applications will be reviewed and brief conversations with top candidates will be conducted to inform the final selection. The organization will facilitate and coordinate payment and support for PAR team members to maximize their participation (e.g., hourly wage, child care payments, laptop).
- **Provider Management Platform:** ELD will prepare the Request for Proposals (RFP) speculations and requirements.
- **Market Rate Survey:** The data analysis on the MRS data will be conducted, which included a regional analysis of costs of child care.

### March – June 2023

- **Spark Revision:** Conduct Engagement & Develop Redesign Recommendations. PAR team members will meet once per week for four months, and once a month both teams will meet together. They will work through a collaborative change curriculum and then conduct research in their communities (e.g., interviews, focus groups, and/or surveys), review the findings, and create redesign recommendations. In June, the PAR team will present their recommendations to WOU and ELD, and a formal report will follow in July.
- **Provider Management Platform:** The RFP will be released and proposals accepted.
- **Market Rate Survey:** The 2022 MRS report will be released and inform bargaining on rates with the child care provider unions.
- **Licensing Regulations Update**: Certified center rule changes will be adopted in the summer 2023.

### July – September 2023

- **Spark Revision:** Develop Redesign Plan from Redesign Recommendations and plan for implementation. WOU will continue to engage with the PAR team members to develop a Redesign Plan based on their recommendations. The Redesign Plan will be reviewed by the ELD, and with approval, WOU will develop an Implementation Plan.
- **Provider Management Platform:** RFPs will be reviewed and a vendor will be selected.

### September – December 2023

- **Spark Revision:** Develop the Improvement Cycle Plan & Prepare to Launch Phase 1 of the Redesign. At this stage, ELD plans to transition the PAR team into an "Accountability Committee" to assist in creating a plan for assessing the effectiveness of the redesign. The majority of this time will be spent preparing to launch the first phase of the Implementation Plan.
- **Provider Management Platform:** The vendor selected for implementation for the implementation of the project will initiate planning and agency engagement for the build of the new platform.

### January 2024 – June 2025

- **Spark Revision:** Once the Implementation Plan is finalized, ELD will know how many phases will be needed in order to complete the full Redesign Plan. This could look like:
  - January 2024: Phase 1
  - June 2024: Phase 2
  - January 2025: Phase 3
  - June 2025: Phase 4
- **Provider Management Platform:** DELC will do soft launch of the new platform to identify any issues and refine the timeline for implementation with the vendor.
- **Licensing Regulations Update: Certified** family and registered family rules are set to be amended in 2024.
- **Child Care Cost Data Collection:** A new round of data collection on the true costs of providing child care will be conducted as outlined in the alternate rate-setting structure and the cost models will be refined.

## Conclusion

Oregon is making incredible progress in consolidating the governance of early learning programs within the DELC. Alongside this governance change, the agency is building out the essential infrastructure to support child care providers who are participating in publicly funded programs. HB 3073 outlines how the new agency will compensate providers who participate in the ERDC program with rates that reflect the true costs of providing child care in Oregon. Moving to the new alternate rate-setting structure as recommended will help to ensure that children and families have access to the various types of care through the ERDC program that they decide is the most inclusive, nurturing, and culturally and linguistically responsive child care environment for their family.

DELC will continue to work with child care providers, the Legislature, and community partners to establish the new alternate rate-setting structure, and associated infrastructure development, in line with recommendations contained in this report, in the fall of 2025.

# Appendix: Overview of Spark Redesign

## Purpose of Redesigning Spark

The Early Learning Division's vision for Spark is to be an equitable, inclusive, and accessible Quality Recognition and Improvement System (QRIS) that supports the continuous quality improvement of Oregon's diverse early learning and care providers.

When Spark was created in 2012 it was developed as a Quality Rating and Improvement System. In 2021, as part of House Bill 2059, legislation was passed to replace "rating" with "recognition". More specifically, the statutory change removed the requirement of tiered ratings and tiered financial incentives. This change opened the door for the Early Learning Division to redesign Spark, in collaboration with families and providers, to focus on supporting continuous quality improvement, recognizing the efforts and accomplishments of providers, and communicating pertinent information to families to assist them in finding a program that is the best fit for their child.

Shifting the focus away from assessing and rating programs will allow the time and space to develop a more inclusive definition of quality that is culturally responsive and supports the inclusion of all children in all early learning and care settings. In Oregon, children are cared for and educated by adults who are licensed-exempt (including family, friends, and neighbors) and licensed child care providers, and the Early Learning Division wants Spark to be a system that helps create opportunities for children to thrive wherever they spend their day.

## Redesign Principles

Diversity, equity, inclusion, and access, are reflected in our vision of a successful QRIS, and in our redesign principles. In order for Spark to successfully meet the needs of diverse families, and early learning and care providers (licensed and license-exempt), their voices must be centered in the redesign process. In alignment with our commitment to equity, we envision a collaborative redesign process driven by the leadership of the families and the early learning and care workforce that we serve as we unite around our common goal of thriving children. A system designed by the people for the people, and paired with adequate resources, has the highest potential for success as an effective and equitable system.

Additionally, to be an effective and equitable system, we believe the redesigned Spark needs to be responsive, supportive, connected, and as previously mentioned, focused on continuous quality improvement. We believe Spark should be –

Responsive to:

- Diverse cultures, beliefs, languages, abilities, needs, and goals

- New research and practices
- Family, program, and state goals

Supportive of:

- Positive outcomes for children, families, early learning and care workforce, and early learning and care programs
- Empowering Spark participants to select goals that are meaningful to them and connecting them to relevant resources to achieve their goals

Connected to:

- Raise Up Oregon
- Oregon's Early Learning System and current initiatives
- Equitable and effective standards and practices
- Available resources and supports

And, focused on continuous quality improvement (CQI). How we focus on CQI is yet to be determined, but we anticipate moving toward a system that supports participants through each step of a quality improvement cycle. An example of a quality improvement cycle includes the following steps (1) recognizing and reflecting, (2) setting goals, (3) developing a plan, (4) implementing the plan and collecting information to assess progress followed by another round of reflection and recognition. With adequate resources and support, with each quality improvement cycle completed there should be an increase in positive outcomes for children, families, early learning and care providers, and their programs.

## Redesign Process & Tentative Timeline

Utilizing funds from the Federal Preschool Development Grant, we will redesign Spark in the following four stages:

1. Engagement
2. Redesign
3. Implementation
4. Assessment

The Early Learning Division contracts with Western Oregon University (WOU) for the day-to-day operation of Spark. For the redesign, they will work in collaboration with other entities during the Engagement, Redesign, and Assessment stages.

### Stages 1 & 2 – Engagement & Redesign

WOU will collaborate with another entity that will facilitate a Participatory Action Research approach to the Engagement and Redesign stages. The Participatory Action Research (PAR) approach will center the following:

- Partner with and pay early learning and care providers and family members on the PAR team to listen to their communities and co-create findings and recommendations – centering those most impacted from the beginning of the design.
    - PAR teams define research methods and do the research. When the data has been collected, members of the team review the insights and partner with the entity in developing the findings.
    - PAR teams have power to work with WOU on deciding and implementing changes recommended – mutual accountability to action and change is critical to success.

There will be two PAR teams, one facilitated in Spanish and one in English, with up to 15 PAR members in each team. The PAR members will consist of families and early learning and care providers. Through an application process, up to 30 PAR team members will be selected. Each PAR member will attend weekly meetings for four months and will lead research (e.g., interviews, focus groups, and/or surveys) with their peer groups and other key partners (e.g., Child Care Resource and Referral staff, Early Learning Hub staff, and other community partners) and develop recommendations.

We anticipate some of the PAR team members will continue into stage 4 as an "Accountability Team" that would assist with assessing the redesigned Spark.

### Stage 3 - Implementation

During the Implementation stage, WOU will take the redesign recommendations developed by the PAR teams and develop an Implementation Plan. This plan will break the redesign into achievable phases with the goal of launching the first phase by January 2024 and subsequent phases completed by the end of June 2025.

### Stage 4 – Assessment

WOU will work with interested PAR team members to co-develop a process for assessing the effectiveness of the redesign. They will identify Spark system performance measures and co-create a Spark Improvement Cycle Plan. We envision the cycle will include the formation of an ongoing Accountability Team made up of families and early learning and care providers, but these details will be thoroughly explored during this stage of the redesign process.