



**Moving Toward a Comprehensive Early Childhood System in Hawaii:  
*An Analysis of the Fiscal Resources Supporting Young Children,  
Prenatal to Age Five and Their Families, in Fiscal 2011***

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**The Finance Project**

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## INTRODUCTION AND RESEARCH APPROACH

A strong early childhood system that is well funded, fully coordinated, and highly accountable is essential to a state's long-term economic health. Significant research during the past decade has identified short- and long-term benefits to children, families, and communities when young children arrive at school healthy and ready to learn.<sup>1</sup> Therefore, Hawaii's Early Learning Council commissioned this study of current fiscal resources to provide a detailed account of federal and state expenditures on programs supporting children, prenatal to age five, and their families in the state. The report also highlights the key role private dollars and parent fees play in the funding mix for early childhood services and supports. It summarizes how funds align with Hawaii's framework for an early childhood system; which agencies control key funding sources; and to what extent funding comes from federal, state, or private sources. In addition, the report analyzes how funding sources and financing strategies are and can be used to support Hawaii's goals for young children.

A greater understanding of the funding environment for early childhood programs and services will help state and private leaders make effective investment decisions. With very limited resources due, in part, to the recent economic recession, the state has worked hard to provide critical services to vulnerable children. Hawaii is pursuing several effective financing strategies, including significant coordination of key services and training, collaboration among programs, and investment of private dollars to build quality and infrastructure. Yet Hawaii has important goals for young children and, given the magnitude of need in the State for early childhood services, funding for the system of services that will effectively prepare young children to be successful in school and life is not adequate. Moreover, many young children in Hawaii are still not thriving; for example, the state is ranked 19th in overall child well-being according to a national study.<sup>2</sup> Therefore, leaders will want to use the study findings to help guide decisions on the system elements and financing strategies that are needed to develop and sustain a high-quality early childhood system, including the possibility of new state investments.

### **Hawaii's Framework for a Comprehensive Early Childhood System**

In 2008, the Hawaii legislature established the Early Learning Council (ELC) to develop and administer the early learning system, Keiki First Steps, for all children throughout Hawaii, from birth until the time they enter kindergarten. The ELC, supported by the efforts of early childhood leaders across the islands, established a framework for a comprehensive early childhood system.<sup>3</sup> The framework identifies the goals and strategies necessary to ensure "all children are valued, safe, healthy, and ready to succeed."

The framework seeks to provide young children with the breadth and quality of services that research indicates are essential for healthy development:

- **high-quality early learning programs** that are accessible and affordable and address diverse needs;
- **broad access to a range of health services**, including prenatal, vision, oral health, behavioral, and medical services;
- **culturally sensitive parent education and family support** that contribute to positive adult-child relationships and family strengths; and
- **highly effective practitioners** who have access to a comprehensive workforce development system and are fairly compensated.

These goals for children recognize that system-building is incremental and will take time. The Early Learning Council, while not funded at expected levels, has successfully engaged stakeholders in working steadily toward addressing some of the “systems requirements” of a comprehensive early childhood system, including building and supporting partnerships, engaging the public, and identifying and collecting relevant and timely data to inform and drive their work. This report provides detailed and comprehensive data with implications for the governance, financing, and implementation of the system. An important next step for the Early Learning Council is to develop a detailed system design and a strategic financing plan that clearly identifies early childhood system costs. This will help lay the groundwork for securing additional investments to provide stable and sustainable funding for all young children and their families in Hawaii.

### **Fiscal Context**

Hawaii’s efforts to build a comprehensive early childhood system are occurring in a context characterized by increased family economic insecurity and significant state budget shortfalls. In the current economic downturn, many more families with young children are struggling to meet their basic needs. Hawaii’s poverty rate is at its highest level since 1997, rising swiftly from 7.5 percent in 2007 to 12.5 percent in 2011. Statewide, the poverty rate among children increased five percentage points to 19 percent just in the past year and, at 24.5 percent, the island of Hawaii has the highest percentage of children living in poverty.<sup>4</sup> At the same time, the economic downturn has caused state agencies and private funders to cut back on services.

In fiscal 2011, Hawaii faced a revenue shortfall of more than \$71 million, leading to midyear budget reductions for all state agencies, a statewide hiring freeze, and other cost-saving strategies. The state expects continued budget shortfalls during the next two years and the governor has indicated that the state budget will need to be reduced by \$50 million in each of the next two years.<sup>5</sup> State department leaders were asked to identify programs for elimination or other cost-cutting measures and legislators are also developing contingency plans in the event of federal cutbacks.<sup>6</sup> Stakeholders need to demonstrate how they plan to use current resources more effectively. This information will help persuade legislators that new funding is needed to reach more young children and their families.

### **Methodology**

Researchers from The Finance Project (TFP) collected detailed information on public investments that support children, prenatal to age five, and their families—the target population. They identified and collected program and state and federal funding information from **47 state programs and 14 community-based programs** not administered by the state that provide services to young children in the target age group. TFP researchers conducted 50 interviews with state agency staff. They also interviewed leaders from community-based service providers, including child care providers and organizations providing early childhood services. In addition, researchers analyzed public budget documents and reviewed relevant local and national research.

TFP researchers analyzed fiscal 2011 final budget estimated expenditures for all programs, unless otherwise noted. Fiscal 2012 budget appropriations figures were also collected. Information collected for each program includes:

- program goals, description, and eligibility;
- funding, including final fiscal 2011 estimated expenditures and fiscal 2012 budget appropriation;
- sources of revenue and name of federal grant(s) received;

- allocation per island, if available;
- proportion of funding to target population; and
- caseload or number of children and their families served annually.

TFP researchers also conducted interviews with program staff regarding:

- maximization of funding;
- coordination of resources;
- adequacy of funding; and
- flexibility of funding.

In addition to examining programs supported by public funds, TFP researchers identified and quantified some of the private funding supporting the target population. Interviews with 11 foundations were conducted to examine key private investments that funders are making in early childhood services. An estimate of the amount of parent fees was calculated to determine the share of costs that parents are contributing to support early childhood services.

### ***Data Analysis and Collection Framework***

To help state leaders understand how current programs and funding sources are aligned with key goals for the target population, TFP worked with Hawaii’s Early Learning Council and an advisory committee of key stakeholders to develop a framework for analyzing programs and funding. The study team organized each of the 47 programs into one of five goal areas for early childhood.

- **Early Education and Care**—includes early learning programs and infrastructure to support children’s academic and social development before they enter school.
- **Health**—includes comprehensive health services, such as oral health, hearing, vision, nutrition, behavioral, and medical services.
- **Parent Education and Family Support**—includes programs that help families access resources and educate and engage family members caring for young children.
- **Workforce and Professional Development**—includes programs and infrastructure that support the recruitment, retention, and capacity of high-quality professionals.
- **Systems Requirements**—includes strategies to build the capacity of the statewide system to coordinate funding, policy, and services for young children and families, including public engagement and partnerships.

### ***Limitations of Research Methods***

This fiscal mapping study aims to provide a comprehensive analysis of the public funding supporting children, prenatal to age five, and their families in Hawaii. (A detailed list of publicly funded programs supporting the target population can be found in Appendix A.) Some important limitations to this analysis should be noted, however.

- *Certain funding sources are not included.* Fringe benefits for state employees who are funded by general funds are not included in the budgets of the agency where those employees reside, but rather are included in the Department of Budget and Finance, and therefore these costs are not reflected in this report. American Recovery and Reinvestment Act (ARRA) funding is not included in the total estimated funding amounts for the target population, because fiscal 2011 was the last year most ARRA funding was available.
- *Dollar amounts supporting the target population are estimated for some programs.* Many programs included in this study support a broader population, including adults and young children. In some cases, state agencies maintain data on the target population and the proportion of spending directed to the target population. In other cases, it was necessary

to estimate funding directed to the target population, based on population estimates and other data. All estimates are noted in Appendix B.

- *Some data relies on interviews with state staff.* Data on the adequacy, stability, and coordination of funding relies, in part, on interviews with selected program leaders.
- *Local, private, and parent funding may be underestimated.* The report provides a snapshot of local funding sources and private investments in young children rather than a comprehensive accounting of those dollars. Additionally, estimates of parent fees only include children in licensed child care settings. Parent fees for certain groups, such as children in unlicensed settings, were not calculated. Enrollment for the publicly subsidized population may be overstated; children were counted in each setting in which they were enrolled, so a child who switched care settings during the year was counted in each setting in which he or she was enrolled.

### **Organization of the Report**

This report is organized into three sections, contains a conclusion, and has four appendices. In addition, a list of acronyms used in the appendix tables is included.

- **Section I: Overview of Funding**—summarizes the amounts and sources of funding supporting young children, prenatal to age five, and their families in Hawaii.
- **Section II: Analysis of Funding Sources and Financing Strategies**—analyzes the adequacy and flexibility of available funding sources, the extent to which Hawaii is maximizing available resources, and issues related to coordinating funding from multiple sources.
- **Section III: Recommendations for Consideration**—outlines financing strategies other states are using to build a comprehensive early childhood system.
- **Next Steps**—suggests next steps for decision makers to meet state goals for young children and their families.
- **Appendix A:** Publicly Funded Programs Supporting Children, Prenatal to Age Five, and Their Families in Hawaii, by State Agency
- **Appendix B:** Funding Landscape for Children, Prenatal to Age Five, and Their Families in Hawaii
- **Appendix C:** Public Funding for Key Services Provided to Children, Prenatal to Age Five, and Their Families in Hawaii
- **Appendix D:** Summary of Parent Fee Methodology and Results

## SECTION I: OVERVIEW OF FUNDING

Funding for children, prenatal to age five, and their families in Hawaii comes from different sources, including federal, state, local, and private funding streams. This funding is used to support important goals Hawaii has identified for this population. The Early Learning Council and others can use the study’s in-depth look at current funding streams, administering agencies, and service provision to identify system requirements and financing strategies to build a comprehensive early childhood system.

### Total Fiscal 2011 Funding for Young Children and Their Families

Total fiscal 2011<sup>1</sup> funding for children, prenatal to age five, and their families was analyzed to answer these questions.

- How much **public** funding was available, from which sources did it originate, what goals does it support, through which agencies was it administered, and for what portion of public funding does the state have some discretion?
- What were some of the **private** funding available from foundations and where was this funding directed?
- How much did **parents** pay in fees for child care in licensed settings, and how does this amount support the larger system of care for young children?

The study found the following:

- **Total Public and Private Funding** for Early Childhood in the State of Hawai’i in fiscal 2011 was approximately \$639 million. The sources for those funds are:
  - Federal (\$298 million or 47%)
  - State (\$142 million or 22%)
  - Private Foundations (\$48 million or 8%)
  - Private Parent Pay (\$151 million or 23%)

### Findings on Public Funding

Looking only at public sources, **Table 1** summarizes key findings on the approximately \$440 million in federal and state funding; highlighting the role of federal entitlement funding in Hawaii. Federal entitlement programs require the state to serve all individuals that meet the eligibility requirements, and some federal programs also require state match or maintenance of effort funding to access the federal funds.

**Table 1. Public Funding in Fiscal 2011 for Children, Prenatal to Age Five, and Their Families in Hawaii**

<b>Number of Programs</b>	61
<b>Number of State Agencies</b>	4
<b>Total Fiscal 2011 Public Funding</b>	\$440 million
<b>Total Federal Funding</b>	\$298 million (68%) <ul style="list-style-type: none"> <li>▪ \$154 million - entitlement funding</li> </ul>
<b>Total State Funding</b>	\$142 million (32%) <ul style="list-style-type: none"> <li>▪ \$59 million - state match to draw down Medicaid entitlement funds</li> </ul>

<sup>1</sup> Note: The funding numbers reported for IDEA, Preschool Special Education are FY 2010 which is the most current data available.

Additionally, note the following findings which are discussed in greater detail below.

- **State funding (\$142 million) accounts for 32 percent of public investment in children prenatal to age five.** Almost three quarters (72%) of the total state funding (approximately \$102 million) is directed to two programs, including 42% as state match to draw down Medicaid federal entitlement dollars and 30 percent of funding to support special education services for preschool children.<sup>2</sup> The state has very little discretion over these state funds, and this means that the state has not invested in other services, such as quality early care and education for all children to get them ready for school, to date.
- **Federal funding (\$298 million) accounts for 68 percent of all public funding supporting children, from birth to age five.** More than half of all federal funding comes from two entitlement programs, Medicaid and the Supplemental Nutrition Assistance Program. This funding, while critical to supporting the health and nutrition needs of young children in the state, cannot be used to support the early care and education needs of children, which remain significant.

Average annual expenditures per child, considering only public funding (federal and state) was approximately \$4,941.<sup>3</sup> Not all children and families access all services because many funding sources are restricted to children or families that meet specific eligibility criteria (e.g. Medicaid) or for those that qualify for certain services (e.g. special education). However, this estimate of per-child expenditures for young children represents significantly less funding than is invested in other populations; for example, the annual expenditure per prisoner is approximately \$37,500 and the annual expenditure per public school pupil is approximately \$9,800.<sup>7</sup>

Public funding is targeted to services and supports in the following goal areas.

- Health and Nutrition (\$264.45 million)– 60%
- Early Care and Education (\$119.7 million) – 27%
  - Special Education and Child Care Subsidy (\$86.9 million) – 20%
  - Other Programs– 7%
- Parent and Family Support (\$53.2 million)– 12%
- System Requirements (\$0.4 million) - < 1%
- Workforce Development (\$2.0 million) - <1%

Most funds support health and special education programs for young children and their families. It is important to note that less than 1 percent of public funding supports Workforce Development in early childhood or Systems Requirements, which include efforts to improve the quality of early childhood programs and services.

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<sup>2</sup> Pre School Special Education FY 2010 funding (latest available data) is estimated based on the percentage of children who receive special education services who are ages three to five, as a percentage of all children who receive special education services in the state. The amount of funding that specifically was used to support this target population was not available.

<sup>3</sup> Average expenditure is based on total funding of \$439,711,802 and 88,987 children from birth to age five. The child population estimate is derived from Good Beginnings Alliance, fact sheet (Honolulu, HI: Good Beginnings Alliance, July 2011).

### Understanding Data Included in This Report

Key facts to consider when interpreting the reported public funding amounts are these.

**Hawaii has limited discretion over the \$440 million in total public funding.** The Early Learning Council has been tasked with planning and developing a comprehensive early childhood system. However, the state cannot always use the funding flexibly to support key goals for children and families.

- **State Funding.** Generally, the most flexible funding sources are supported with state dollars. However, one-third of state funding supports special education services for young children. State matching funds for Medicaid account for nearly half of all state funds for the target population. When these amounts are subtracted from the total amount of state funding, the state actually has discretion over a much smaller amount of funding—approximately \$41 million\*.
- **Federal Funding.** Half of all federal funding for early childhood in Hawaii supports two entitlement programs: Medicaid and the Supplemental Nutrition Assistance Program. Although these two programs are very important funding sources, both have significant restrictions on how financial resources can be used.

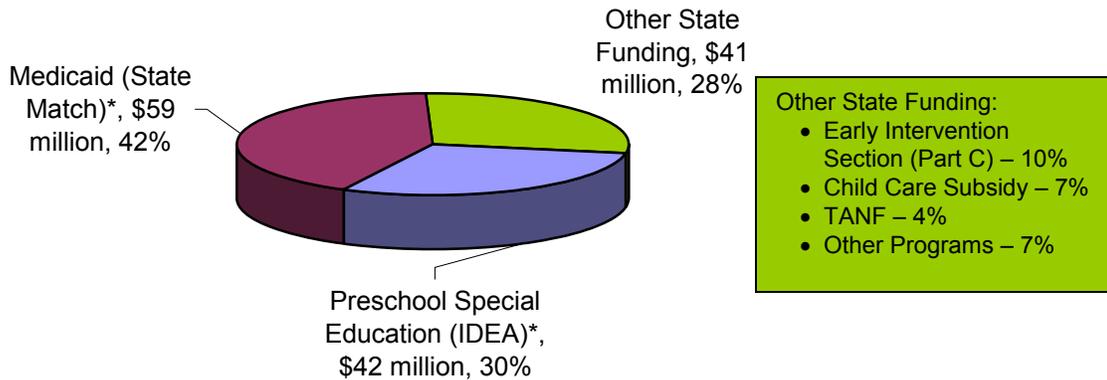
\* Note: Calculation is Total state funding (\$142M) – Special Ed (\$42M) – State Medicaid Match (\$59M) = \$41 million.

### State Funding

Hawaii spent a total of **\$142 million in state funds** on services for children, prenatal to age five, and their families in fiscal 2011. Of the 61 programs serving the target population, 28 programs received state funds; 11 programs, with funding totaling \$3.2 million (less than 1% of state funds), were funded solely with state funds.

**Figure 1** illustrates how state resources are used to fund programs and services for young children, prenatal to age five, and their families in Hawaii. A significant proportion of state funding, \$59 million, (42 percent) was spent to draw down federal Medicaid funds (see **Figure 1**). In fact, nearly three-fourths (72% or \$ 101 million) of state funding was directed to two programs: Medicaid (state matching funds) and Preschool Special Education (Individuals with Disabilities Education Act (IDEA)). Other state funds are directed towards IDEA—Part C for children birth to age two with disabilities, child care subsidy maintenance of effort and other federal funding that requires state match or maintenance of effort funding.

**Figure 1. State Investments in Fiscal 2011 for Children, Prenatal to Age 5, and Their Families in Hawaii**  
**Total Funding = \$142 million**



Note: \* The state has less discretion over these programs.

### **Federal Funding**

Federal funding plays a significant role in funding services for young children and their families in Hawaii, accounting for roughly two-thirds of all state-administered public funding for children prenatal to age five and their families. In fiscal 2011, Hawaii received approximately \$298 million in total federal funds. However, much of this funding, including most federal entitlement dollars and some federal block grant funds, is restricted in terms of what services can be provided and/or who can be served.

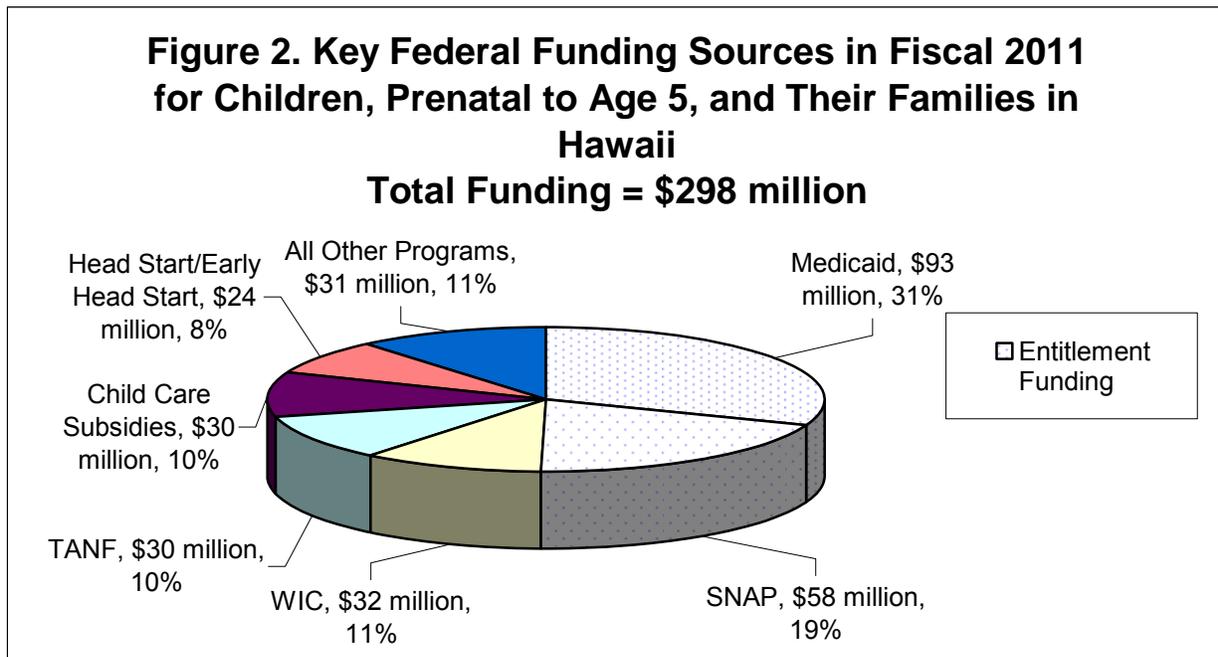
Note that 48 programs, 36 of which are administered by the state, receive federal funding. Programs not administered by the state are administered by community-based organizations that receive funding directly from the federal government.

Three types of federal funds support young children and their families in Hawaii.

- **Federal entitlement programs account for approximately \$154 million, or 52 percent**, of all federal funds in Hawaii. These federal funds guarantee that all individuals meeting the eligibility requirements can be enrolled in the program. These programs Major entitlement programs include Medicaid (\$92 million), the Supplemental Nutrition Assistance Program [SNAP] (\$58 million), and the Child and Adult Care Food Program [CACFP] (\$3.8 million). State funds are required to match federal Medicaid expenditures, but SNAP and CACFP are fully funded by the federal government.
- **Federal formula/block grants account for approximately \$109 million in formula/block grants, comprising 37 percent** of all federal funds. These federal funds provide states with a fixed allocation of funds based on an established formula tied to a measure of need, such as the number of children below a specific age in households with income below a certain percentage of the federal poverty level. Formula/block grants can vary in their flexibility, with some grants allowing states to determine their own priorities and allocate funds. Major formula/block grants serving young children in Hawaii are:
  - Preschool Special Education (Individuals with Disabilities Education Act [IDEA] Part B) (\$5.5 million);

- Child Care and Development Block Grant (\$37.8 million);
- Special Supplemental Nutrition Program for Women, Infants and Children [WIC] (\$32 million); and
- Temporary Assistance for Needy Families [TANF] (\$30 million).
- **Federal discretionary grants** account for approximately **\$32.3 million** in discretionary grants, comprising **11 percent of all federal funds**. These funds are awarded to organizations or state or local agencies through a competitive process. Major discretionary grants included Head Start/Early Head Start (\$24 million) and Native Hawaiian Educational Grants (\$6 million). Most discretionary grant funding flowed directly to community-based organizations and was not administered by a state agency.

**Two entitlement programs, Medicaid and SNAP, comprise approximately 50 percent of all federal funding received in fiscal 2011** (see **Figure 2**). These programs, while constituting important funding sources, afford states limited discretion in how the funds can be spent. For example, Medicaid funding generally is used to reimburse health service providers for services to eligible children and their families. SNAP funding can only be used to provide food stamps and other nutrition education services to eligible families.

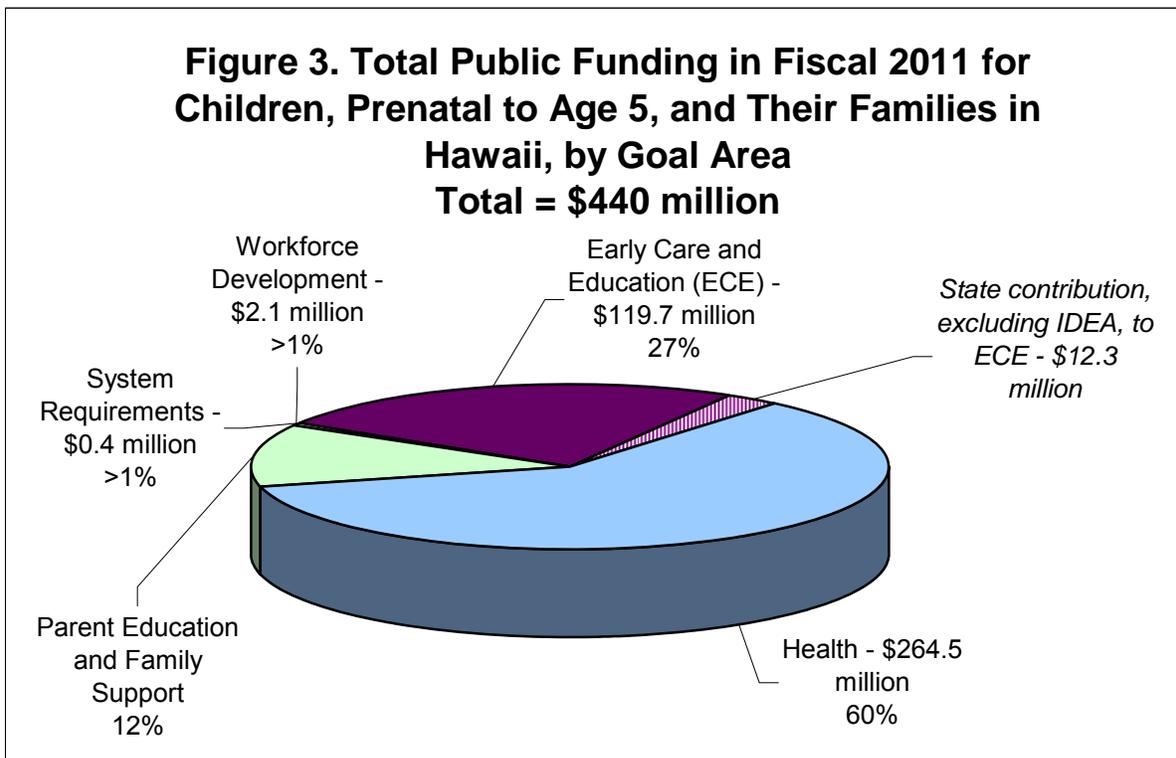


### **Public Funding by Goal Area**

TFP researchers analyzed public funding data according to the goal areas identified in the Early Learning Council’s framework for a comprehensive early childhood system (described on page 3): **Health, Early Care and Education, Parent and Family Support, Workforce Development,<sup>8</sup> and Systems Requirements**. [Appendix C lists all programs for the target population, by goal area.]

Significant differences exist in the level of support received across these goal areas (see **Figure 3**). Key findings include these.

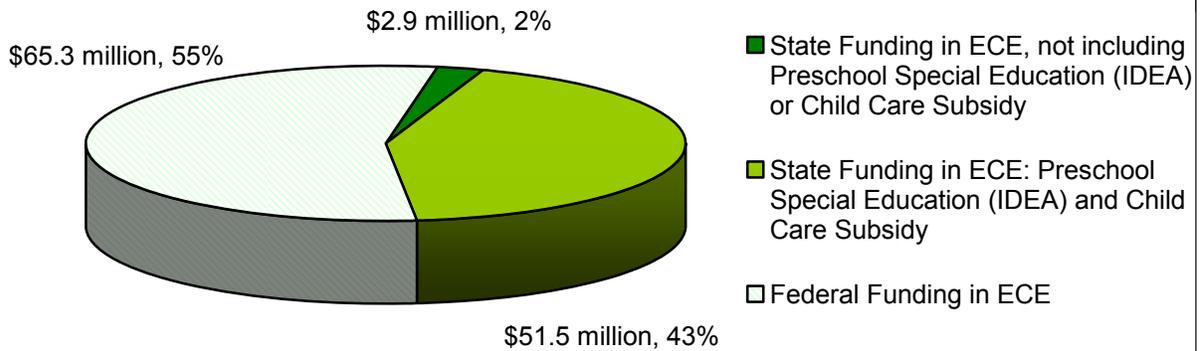
- **Early Care and Education:** Funding for Early Care and Education was \$54 million (27 percent) of total public investment. However, when funding for Special Education (\$42 million) is excluded, the total state investment in Early Care and Education is \$12 million. Funding amounts within Early Care and Education were driven largely by Preschool Special Education (IDEA) and child care support for low-income working families (Child Care and Development Block Grant).
- **Health:** Funding for Health programs comprises more than half of all funding, or 60%, with Medicaid, SNAP, WIC, and Early Intervention (IDEA Part C) driving spending in this goal area.
- **Workforce Development:** Less than 1 percent of funding, or approximately \$2 million, was dedicated to Workforce Development initiatives, such as the Honolulu Community College (training and instruction), Training and Scholarships for Child Care Providers, and Infant and Toddler Training for Child Care Providers.



### **A Closer Look at Early Care and Education Funding**

Looking just at the early care and education goal area, which includes programs and services to provide young children with early learning programs and other opportunities to prepare children for school, the study found that the state invests \$2.9 million or 2% of total funding within this goal area on program and services. Most state funding goes to draw down federal entitlement programs or other federal funds that are mandatory for eligible children. **Figure 4** shows that of the total \$119.7 million spent on early care and education, state funding for Preschool Special Education and Child Care subsidy accounts for \$51.5 million or 43% and federal funds account for \$65.3 million or 55% of the total in this goal area. This means that the state invests very little of its own general funds in early care and education supports and services to ensure children are ready to learn and succeed in school.

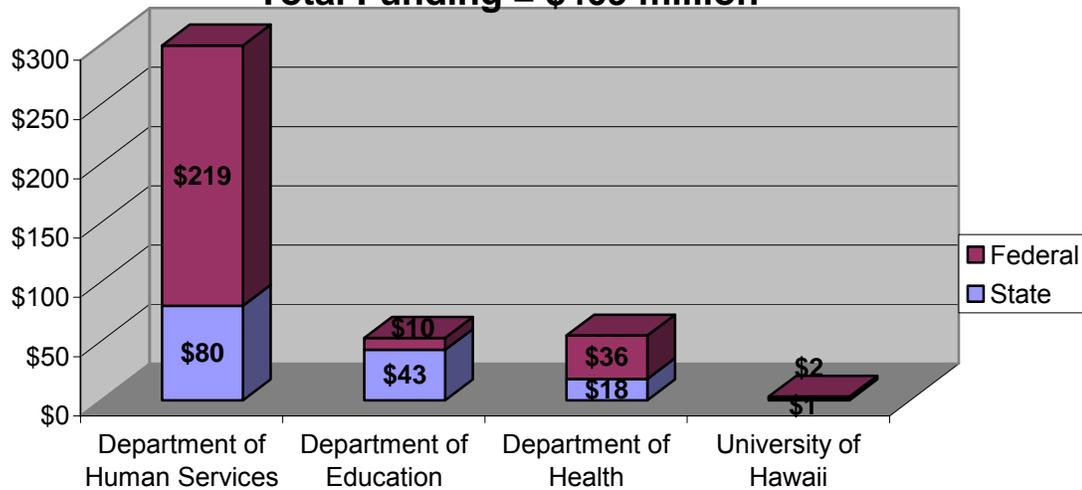
**Figure 4. Total Public Funding for Early Care and Education (ECE) in Fiscal 2011 for Children, Prenatal to Age 5, and Their Families in Hawaii**  
**Total Funding = \$119.7 million**



**Public Funding Administered by State Agency**

Public funding for young children and their families in Hawaii is administered through four state agencies: the **department of human services** (DHS), the **department of health** (DOH), the **department of education** (DOE), and the **University of Hawaii** system (UH). **Figure 5** shows the amount of state and federal funding that flows through each state agency.

**Figure 5. Total Public Funding in Fiscal 2011 for Children, Prenatal to Age 5, and Their Families in Hawaii, by State Agency\* (Dollars in Millions)**  
**Total Funding = \$409 million**



Note: \* Total public funding, including Medicaid, in this figure is \$409 million, because the amount reflects public funding administered by state agencies. Approximately \$31 million of the total \$440 million in public funding flows from the federal government directly to programs, such as Head Start. These programs are not administered by the state and, therefore, their funding amounts are not reflected in the figure.

**Local Government Funding**

Local county governments spent approximately \$910,000 on young children and their families in fiscal 2011. **Table 2** shows a breakdown of local government funding spent on the target population. Most local government spending supported **Head Start** and **Early Head Start** programs; \$677,000 of Maui’s \$845,000 in local funds served to extend the service day for Maui County Head Start and Early Head Start programs.

**Table 2. Local Government Spending in Fiscal 2011 on Children, Prenatal to Age 5, and Their Families in Hawaii**

County	Fiscal 2011 Expenditure
Hawaii	\$20,000
Honolulu	\$20,000
Kauai	\$25,000
Maui	\$845,000
<b>Total</b>	<b>\$910,000</b>

***Findings on Private Funding***

TFP researchers identified approximately **\$48 million in private funds from 10 foundations** supporting children, prenatal to age five, and their families in fiscal 2011. This figure captures approximately 95% of current private foundation investments across all five goal areas Hawaii has identified for young children and families: Early Care and Education, Health, Workforce Development, Parent and Family Support, and Systems Requirements. While other private

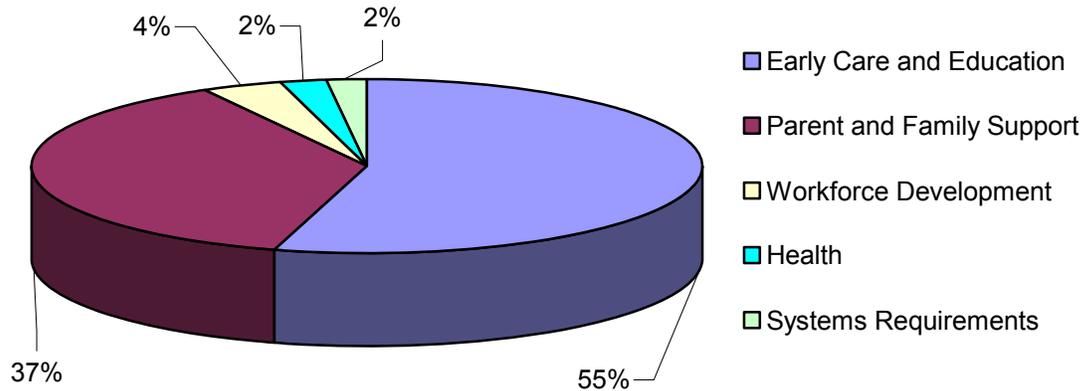
funders (e.g. corporate donors) exist, they tend to target other investments that are largely capital in nature.

Most private foundations invested in direct services to children and families, rather than towards efforts to build a comprehensive early childhood system. Private funding, which is typically short-term, does play an important role in seeding innovation in system requirements, for example, data systems, or piloting promising interventions for young children and families. Some private funders are currently partnering with public entities to fund innovations, for example the pilot quality improvement rating system. However, the state can not rely on private funding for long-term system building; public funds are necessary to create and sustain a system for all young children and families.

**Figure 6** shows how foundations allocated their investments in early childhood across goal areas. Key findings include these.

- By far, the two goal areas with the largest private investment are Early Care and Education (\$26.2 million) and Parent and Family Support (\$18 million).
- Most **Early Care and Education** funding (\$22 million) is provided by Kamehameha Schools to operate their prenatal to three and preschools throughout the state.
- Similarly, \$13.5 million of the total \$18 million in private investment to **Parent and Family Support** supports Kamehameha Schools' Pauahi Keiki Scholars program, which provides scholarships to students who attend other preschools.
- Private funders are providing significant resources to support **Workforce Development** activities. Two major investments are KCAA Preschools (Atherton Foundation), which includes a five-year grant to develop a facility to train and certify teachers in early childhood education, and Castle Colleagues (Samuel N. and Mary Castle Foundation), which supports management training for preschool directors at Chaminade University.
- Private foundation investments in **Health** account for just over \$1 million and include efforts funded by the Aloha United Way to support organizations conducting hearing, vision, and social and emotional development screening for three- and four-year-olds in Farrington Complex, Nanakuli, and Waianae Complexes.
- The largest investment in **Systems Requirements** is the one time investment in the Be My Voice Campaign (Kellogg Foundation), which provides support to the Good Beginnings Alliance to advocate for increased public investments in programs for young children.

**Figure 6. Total Private Funding in Fiscal 2011 for Children, Prenatal to Age 5, and Their Families in Hawaii, by Goal Area\***  
**Total Funding = \$48 million**



Private funders noted that much of their investment in recent years has been to fill service gaps resulting from cuts in the state budget, including providing scholarships to families to pay child care and preschool costs (see *Shifting Priorities for Funders* on page 16).

#### **Shifting Priorities for Funders**

A priority for many private funders in fiscal 2011 was providing operating support for basic services for children and families. For example, funders dedicated **more than \$13 million** to increasing access to early childhood education through scholarships to child care providers or tuition support to families to offset child care fees. Much of this support was given in response to shortages in public funding due to state budget shortfalls.

However, interviews with private funders revealed a desire to move away from this type of funding and toward more strategic investments in elements of early childhood systems, such as assessment and professional development. Several funders noted that in the coming year they expected to focus their investments on seeding initiatives to bring about systemic change or other priorities of the foundation. Of the funders interviewed, areas identified as high priority include:

- systems to assess school readiness in students entering kindergarten;
- coordination among public agencies toward a simplified process for parents and caregivers to access services for children;
- increased capacity in rural areas to serve children and families in need; and
- increased opportunities to work collaboratively with public agencies.

### **Findings on Parent Fees**

TFP conducted a preliminary study to estimate how much of the cost of child care in Hawaii is borne by parents. Researchers calculated the estimated dollar amounts that parents pay out of pocket for licensed care in center-based and home-based settings. Fee amounts were calculated for families who were receiving child care subsidies through the department of human services (Child Care Connection Hawaii, Preschool Open Doors, and First to Work) and families who were ineligible for publicly funded subsidies. The study did take into account tuition subsidies funded by private foundations, but it did not account for other sources of revenue that parents might use to help offset the cost of early care and education, such as refunds related to the Dependent Care Tax Credit. In addition, estimates of parent fees only include children in licensed child care settings. Consequently, these findings should be considered an important but incomplete first step toward understanding parents' contribution to the costs of early care and education.

In fiscal 2011, parent fees comprised **23 percent** (\$151.2 million) of all public and private funding (approximately \$639 million) dedicated to young children and their families statewide, after offsets for tuition subsidies (see **Table 3**).

**Table 3. Key Findings on Parent Fees for Licensed Child Care in Fiscal 2011 in Hawaii**

Total Enrollment, Birth to Age 5, in Licensed Settings	20,464
Total Parent Fees Collected in Fiscal 2011	\$164.9 million
Private Foundation Contribution to Parent Fees (through tuition subsidies)	\$ 13.7 million
<b>Total Amount of Parent Fees Collected (after tuition offsets)</b>	<b>\$151.2 million</b>
<b>Estimated Annual Per-Child Contribution of Parents for Licensed Child Care</b>	<b>\$8,059</b>

Although the amount parents contribute to child care certainly indicates their dedication to their children's care and development, parent fees also constitute a significant burden for families across the state. According to a 2011 report by the National Association of Child Care Resource and Referral Agencies, the annual cost of a center-based infant slot in Hawaii nearly equals one year of median annualized rent payments.<sup>9</sup> Subsidies have significantly offset the costs of child care for some low-income families, but recent changes in the state's copayment structure have put child care in licensed settings out of reach for many low-income families. Going forward, improving access to affordable high-quality care, particularly for low-income families, will be an important challenge in addressing Hawaii's goals for young children and their families. A full discussion of the findings on parent fees, including the methodology used to calculate the estimates of parent fees, can be found in **Appendix D**.

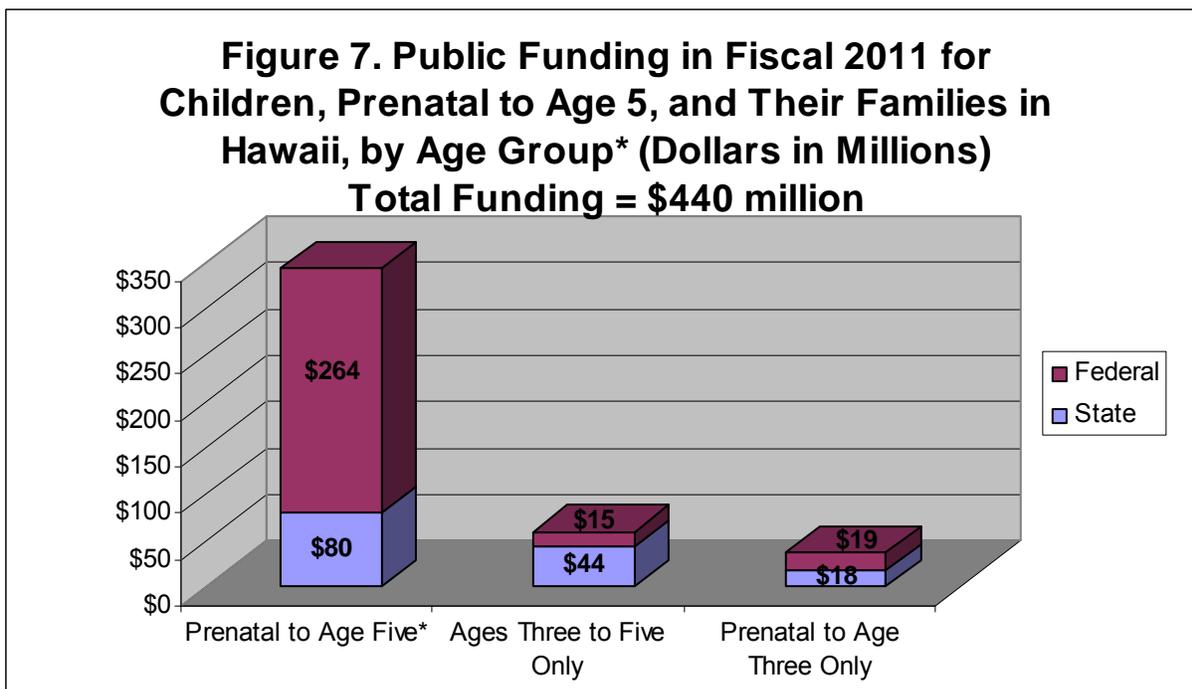
## How Funding Is Used to Support Programs and Services for Young Children and Their Families

TFP researchers also sought to determine *how* funds were used to support children, prenatal to age five, and their families in fiscal 2011. Specifically, they analyzed funding data to answer these research questions.

- How did funding support children in different **age groups** within the target population?
- How did funding support quality in early childhood programs by bolstering the early childhood **workforce**?
- How did funding support certain **at-risk populations** of children and families?

### Funding by Age Group

TFP researchers analyzed public funding data to determine how much funding was dedicated to programs for very young children (birth to age three), preschool-age children (ages three to five), or all children within the target population (prenatal to age five). Most public funding serves children from birth to age five (see **Figure 7**).



Note: \* Some programs may serve children above age five.

Major programs serving children from **birth to age five** include Medicaid, Child Care Connection Hawaii (funded by the Child Care and Development Block Grant), SNAP, TANF, and WIC. Most of the funding serving children ages **three to five** comes through Preschool Special Education, which is administered by the state education department. The major program serving very young children from **birth to age three** is Early Intervention (IDEA Part C), which is administered by the state health department.

These findings should be interpreted in context. Approximately 57 percent, or 50,926, of Hawaii's children from birth to age five are age three or younger. Further, 61 percent of children

from birth to age three in Hawaii have at least one risk factor known to increase the chance of poor developmental outcomes.<sup>10</sup> Although infants and toddlers are served through all programs geared to children from birth to age five, closer examination may be needed to determine whether funding and programming targeted to infants and toddlers are sufficient to meet their needs.

**Funding for Early Childhood Workforce Development**

TFP researchers analyzed the amount of public and private funding dedicated to improving the quality of the workforce supporting young children. **Table 4** shows that approximately \$6 million from public funding (\$ 4 million) and private sources (\$2 million) supported professional development activities in fiscal 2011. Of the public funding, 38%, or approximately \$1.6 million comes from federal discretionary grants, such as Hui Ao Mua, an Early Reading First grant administered by the University of Hawaii. Another 28% of the public funding dedicated to workforce development comes from the Child Care and Development Block Grant (CCDBG), and is administered through the Department of Human Services. CCDBG funded workforce development activities include training and scholarships for child care providers, and the Child Care Provider Registry. Finally, 28% of public funding for workforce development comes through the University of Hawaii system, and is used to train current and future early childhood educators in degree-granting programs.

**Table 4. Funding for Early Childhood Workforce Development in Fiscal 2011 in Hawaii**

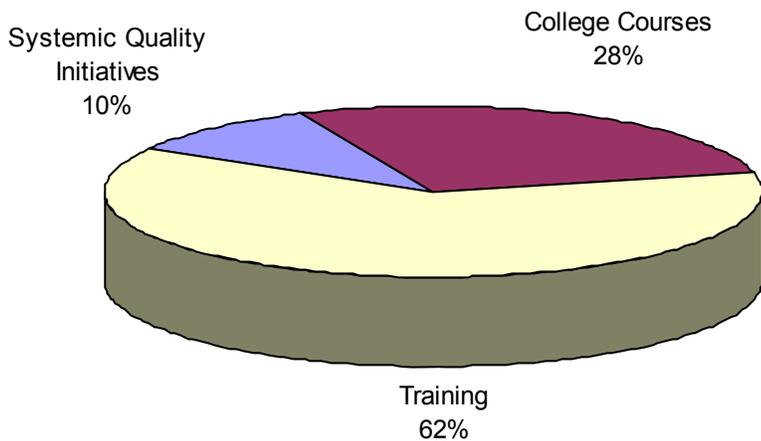
<b>Funding Source</b>	<b>Funding Amount</b>
Public Funding	\$4,181,837
Private Foundations	\$1,868,604
Chaminade University	\$358,916
<b>Total</b>	<b>\$6,409,357</b>

To ascertain how public funding supports the professional development needs of the early childhood workforce, professional development activities and their associated funding amounts were classified into three groups.

- **College courses** include programs and activities leading to a bachelor’s or master’s degree in early childhood education.
- **Systemic quality initiatives** refer to large-scale policy initiatives aimed at improving the quality of the early childhood workforce.
- **Training** includes one-time or regularly scheduled training opportunities that do not lead to a degree. Training activities include training for child care providers funded by the Child Care and Development Fund (CCDF) and administered through People Attentive to Children; training for Head Start teachers on early language and literacy funded by an Early Reading First grant; and training for child care providers on health and safety standards funded by CCDF through the Healthy Child Care Hawaii Program.

Most public funding is spent on training activities (see **Figure 8**). Although training activities provide important opportunities for early childhood professionals to gain new knowledge of methods for working with young children, they do not have as lasting an impact on teacher practices and, consequently, on child outcomes as credit-bearing programs.

**Figure 8. Public Funding for Early Childhood Workforce Development in Fiscal 2011 in Hawaii, by Type of Activity**  
**Total Funding = \$4.2 million**



Some private funders also are investing in early childhood workforce development. Most notable are the KCAA Preschools funded by the Atherton Foundation, Castle Colleagues funded by the Samuel N. and Mary Castle Foundation (see earlier discussion of these initiatives on page 16), and the Hawaii Careers for Young Children (HCYC) Consortium, funded by Kamehameha Schools. These investments are important, because increased teacher professional development leads to improved child outcomes, particularly when training results in a bachelor's degree.<sup>11</sup> Although Hawaii is taking steps to develop an integrated professional development system, attention should be focused on improving opportunities for early childhood professionals to attain higher levels of education.

***Funding for At-Risk Populations***

Several programs serving young children and their families in Hawaii target specific at-risk populations, while others address children with multiple risks. **Table 5** highlights examples of programs serving three populations with distinct needs:

- children with, or at risk of developing, disabilities or special needs;
- children who have experienced, or are at risk of experiencing, abuse or neglect; and
- rural, migrant, and/or Native Hawaiian children.

Other special populations who are targeted for services include homeless families with young children and at-risk pregnant and postpartum mothers. (For information on the number of children in Hawaii at risk and the number of children served, see Table 7, Programs Targeting Special Populations of Young Children in Hawaii on page27.)

**Table 5. Funding for At-Risk Child Populations in Fiscal 2011 in Hawaii**

At-Risk Population	Number of Programs, Agencies Administering Funds, and Funding	Key Programs
Children with, or at risk of developing, disabilities or special needs	<ul style="list-style-type: none"> <li>• <b>5 programs</b> across all <b>4 agencies</b> (DOH, DHS, DOE, UH)</li> <li>• <b>\$66.66 million</b></li> </ul>	<ul style="list-style-type: none"> <li>• Early Intervention and Preschool Special Education (IDEA) (DOE)</li> <li>• Preschool Open Doors (DHS)</li> </ul>
Children who have experienced, or are at risk of experiencing, abuse or neglect	<ul style="list-style-type: none"> <li>• <b>5 programs</b> across <b>DOH and DHS</b></li> <li>• <b>\$6.9 million</b></li> </ul>	<ul style="list-style-type: none"> <li>• Child Welfare Services (DHS)</li> <li>• Community-Based Child Abuse Prevention (CBCAP) (DHS)</li> <li>• Evidence-Based Home Visiting (DOH)</li> </ul>
Rural, migrant, and/or Native Hawaiian children	<ul style="list-style-type: none"> <li>• <b>8 programs</b> across <b>DOH, DOE, and local programs</b> receiving direct federal grants</li> <li>• <b>\$5.6 million</b></li> </ul>	<ul style="list-style-type: none"> <li>• Migrant Even Start (DOE)</li> <li>• Tutu and Me Traveling Preschool (DHS)</li> <li>• Keiki O Ka Aina (USDOE Native Hawaiian grant)</li> <li>• INPEACE (USDOE Native Hawaiian grant)</li> </ul>

**Summary of Overview of Funding**

Hawaii uses different federal, state, and private resources to support programs and services for children from birth to age five and their families. An overview of the funding available to serve this population, as well as an analysis of how these funds are used to support goals for children and families and key populations, provide Hawaii leaders with baseline information on the early childhood funding landscape. The Early Learning Council—with representatives of state government, private funders, and local program leaders—can use this information to understand where funding comes from for early childhood services and to determine what policies must be clarified or changed to support a comprehensive early childhood system. However, key questions, including what it costs to fund a comprehensive early childhood system and what additional investments are needed in Hawaii to achieve goals for young children, remain.

## SECTION II: ANALYSIS OF FUNDING SOURCES AND FINANCING STRATEGIES

In the current economic climate, examining the effectiveness of existing resources to serve the target population is important. Data collected by researchers from The Finance Project (TFP) helps illustrate areas where Hawaii is doing well in using current resources and identifies others where programs are being challenged to stretch limited dollars to meet significant needs of young children and their families. Many of Hawaii's most vulnerable young children face serious obstacles in getting a good start in life and in achieving academic success (see Quick Facts on Hawaii's Children on page 22). Even with new policies and practices to use current resources more efficiently, Hawaii will likely need to invest additional dollars to ensure all children succeed in school and life.

### Quick Facts on Hawaii's Children

Consider these facts about the 88,987 children from birth to age 5.

- A child is abused or neglected every 5 hours.
- A child dies before his or her first birthday every 3 days.
- Hawaii ranks 29th among states in the percent of babies born at low birthweight.
- Among families with both parents in the labor force, 66 percent of children are below age 6.
- Of public school fourth graders, 73 percent is unable to read at grade level.
- Of public school fourth graders, 60 percent is unable to do math at grade level.

Source: Children's Defense Fund, "Children in the States Factsheets" (Washington, DC: Children's Defense Fund, January 30, 2012).

Information on the requirements and regulations associated with specific funding sources can help determine the extent to which Hawaii is using funds effectively to support goals and services for children, prenatal to age five. National data and interviews with key stakeholders in Hawaii offer insights about whether and how the state is using funding to provide services to young children and families. The information can also identify gaps and challenges in current funding that present barriers to implementing a high-quality early childhood system for all Hawaii's children. The analysis was guided by four questions.

- Is funding **adequate** to support goals for children?
- Is Hawaii **maximizing** available resources?
- Is Hawaii effectively **coordinating** resources?
- How is Hawaii using **flexible** funding sources?

### Key Findings

Following are key findings related to adequacy of funding, maximizing resources, coordinating resources, and flexible funding.

#### Adequacy of Funding

- Funding appears inadequate in certain areas to achieve state goals for children. For example, compared with other states, Hawaii enrolls significantly lower numbers of three- and four-year-olds in early education programs funded by federal funds to the

state (e.g. Head Start, child care subsidies). Further, increases in parent copayments for child care subsidies have significantly burdened families seeking child care.

- Hawaii's strength is a high percentage of low-income children with medical insurance.

#### Maximizing Resources

- Hawaii has maximized enrollment in some key federal entitlement programs, including Medicaid and the Supplemental Nutrition Assistance Program (SNAP). The state also has been successful in accessing several recent competitive federal grants, including Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Program funds.
- Hawaii could draw down additional federal funds for some services if it could improve the penetration rate among eligible families for certain programs, including Title IV-E and the Child and Adult Care Food Program.

#### Coordinating Resources

- Hawaii has taken significant steps to improve the coordination of resources and services for young children, including the appointment of a cabinet-level early childhood coordinator and the introduction of legislation to establish an executive office on early learning.
- However, challenges to coordinating resources among several departments persist, including restrictions on funding, limited administrative capacity of community-based organizations, and increased competition for limited funding.

#### Flexible Funding

- Federal entitlement programs, which are generally restricted to specific uses, account for half of all funding supporting children, prenatal to age five, in Hawaii.
- Hawaii uses flexible funds, including Community-Based Child Abuse Prevention funding, the Title V Maternal and Child Health Block Grant, and Title IV-B Promoting Safe and Stable Families funding, to support early childhood efforts.
- In the future, Hawaii could tap other flexible federal funds, such as Title I and the Community Services Block Grant, to support early childhood services but this would require collaboration with the administrators of these funds.

## **Findings on the Adequacy of Funding**

With very limited resources during the recent economic recession, the state has worked hard to use existing funds to provide critical services to vulnerable children. Yet Hawaii has ambitious goals for young children and, given the magnitude of need, funding for the system of services that will effectively prepare young children to be successful in school and life is not adequate.

Funding adequacy considers several factors, including the number of eligible children reached by a program or service; the program's ability to reach eligible children across geographic, racial, and socioeconomic boundaries; and the program's ability to provide high-quality services. Determining what is adequate funding for young children is difficult. Even comparing early childhood expenditures across states can be challenging, because the services and programs being compared frequently differ.

TFP researchers analyzed fiscal and population data to provide some context for understanding the range and depth of services Hawaii is providing to children, prenatal to age five. In addition, researchers asked program managers to identify significant funding or service gaps for children in the state. More specifically, the research team asked two questions.

- How is funding allocated to support certain vulnerable populations of children?
- What are the key gaps in funding for children and families?

### ***Indicators of Need***

Hawaii ranks higher than the national average on some indicators of need, including the percent of children in poverty and the number of children without health insurance. The state has important strengths, particularly in the provision of public health insurance—called MedQUEST in Hawaii. For example, 90 percent of one-year-olds receive early and periodic screening, diagnostic, and treatment benefits.<sup>12</sup>

In other areas, persistent needs exist. Compared with other states, Hawaii enrolls significantly lower numbers of three- and four-year-olds in early education programs funded with federal funds that flow to the state (e.g. Preschool Special Education, IDEA Part B) or the community (e.g. Head Start). The state enrolls just 8.4 percent of three-year-olds in Head Start or special education programs and 14.5 percent of four-year-olds. In contrast, Illinois, for example, serves 28 percent of three-year-olds and 44 percent of four-year-olds. Obviously, Hawaii has a long way to go to ensuring that all three- and four-year-olds have access to high-quality early care and education settings.

Moreover, 31 percent of children from birth to age five live in families with income below 200 percent of the federal poverty level (see **Table 6**). Although this percentage is lower than the national average, it still means about one-third of young children may be at risk for coming to school unprepared or with a poor health status given the correlation of poverty with these factors.

**Table 6. Indicators of Need for Young Children in Hawaii\***

Indicator	Age(s) of Children	Hawaii	United States
<b>Number of children in poverty</b> (family income 100% or below of federal poverty level) <sup>a</sup>	Birth–5	13,336	6,082,940
<b>Percent of children in poverty</b> (family income 100% or below of federal poverty level) <sup>b</sup>	Birth–5	13%	24%
<b>Number of children without health insurance</b> <sup>c</sup>	Birth–18	4,821	2,534,558
<b>Percent of children without health insurance</b> <sup>d</sup>	Birth–18	4.7%	10%
<b>Percent of poor children without health insurance</b> <sup>e</sup>	Birth–18	4%	15%
<b>Percent of two-year-olds not fully immunized</b> <sup>f</sup>	2	33.1%	30.1
<b>Number of children living in families with income below 200% of federal poverty level</b> <sup>g</sup>	Birth–5	33,149	11,658,968
<b>Percent of children living in families with income below 200% of federal poverty level</b> <sup>h</sup>	Birth–5	31%	46%

Notes:

\*For more information, see <http://frac.org/reports-and-resources/nutrition-program-state-participation-calculators>.

a. National Center for Children in Poverty, “State Profile: Hawaii” (New York: National Center for Children in Poverty, Mailman School of Public Health, Columbia University), <http://www.nccp.org/profiles/state-profile.php?state=HI&id=8> (January 24, 2012)

b. Ibid.

c. Children’s Defense Fund, *Children in the States* (Washington, DC: Children’s Defense Fund, 2011).

d. Ibid.

e. Annie E. Casey Foundation, “Children Without Health Insurance by Poverty Level (Percent)” (Baltimore, MD: Kids Count, Annie E. Casey Foundation, 2009), <http://datacenter.kidscount.org/data/acrossstates/Rankings.aspx?ind=34>.

f. Children’s Defense Fund.

g. National Center for Children in Poverty

h. Ibid.

These indicators may be helpful to put the findings in context, but they cannot provide true measures of adequacy relative to funding or program effectiveness. The Early Learning Council (ELC) needs more robust data systems and further study for such determinations.

### ***Funding for Vulnerable Children***

Most public funding is targeted to at-risk populations and, given the economic climate; the safety net for many families is eroding. Many state and local leaders are focused on sustaining current service levels or minimizing the impact of program cuts on the most vulnerable young children and their families. While some programs in Hawaii are targeted to children from low-income families, other programs target funding to specific subpopulations of children. For example, the Individuals with Disabilities Education Act (IDEA) is targeted to children with special needs; other funding sources support children at risk of abuse and neglect.

**Table 7** shows how funding was allocated across special populations of children and families, including children with disabilities; children who have experienced, or are at risk of, abuse or

neglect; at-risk pregnant women and postpartum mothers; and children with limited access to prekindergarten [pre-K] programs. The table indicates the number of programs and total funding by special population and identifies estimates of need based on available data. In order to know if funding is adequate, good data on specific vulnerable populations and the types of services they are receiving are needed. Then the gap in services can be determined. This table is a first step in more clearly determining the adequacy of funding for vulnerable children.

**Table 7. Programs Targeting Special Populations of Young Children in Hawaii**

At-Risk Population	Number of Programs	Total Funding for Children Birth–5	Estimates of Need (Prenatal–5)
<b>Native Hawaiian/Rural/Migrant/ Homeless</b>	<ul style="list-style-type: none"> <li>• 10</li> </ul>	<b>\$5,346,709</b>	<ul style="list-style-type: none"> <li>• About 25% of children in Hawaii are Native Hawaiians.<sup>b</sup></li> <li>• About 2,929 children are homeless.<sup>c</sup></li> <li>• About 247 children are migrant children.<sup>d</sup></li> <li>• About 33% of children in rural areas live in low-income families.<sup>e</sup></li> </ul>
<b>Children Who Have Experienced, or Are At Risk of, Abuse or Neglect</b>	<ul style="list-style-type: none"> <li>• 5</li> </ul>	<b>\$6,975,213</b>	<ul style="list-style-type: none"> <li>• The child abuse and neglect rate is 9.55%; for Native Hawaiians, the rate is 22.3%.<sup>f</sup></li> <li>• Approximately 400 children are in foster care.<sup>g</sup></li> <li>• Approximately 1,032 children birth–5 are in shelters.<sup>h</sup></li> </ul>
<b>At-Risk Pregnant Women and Postpartum Mothers</b>	<ul style="list-style-type: none"> <li>• 3</li> </ul>	<b>\$ 32,998,646</b>	<ul style="list-style-type: none"> <li>• An estimated 10%–20% of PRAMS mothers suffer postpartum depression within 6 months of delivery.<sup>i</sup></li> <li>• Samoan and Hawaiian mothers reported the highest estimates of stressful life events.<sup>j</sup></li> <li>• Approximately 4 in 5 moms receive first-trimester prenatal care; only 58.5% of Native Hawaiian mothers receive early prenatal</li> </ul>

At-Risk Population	Number of Programs	Total Funding for Children Birth–5	Estimates of Need (Prenatal–5)
			care. <sup>k</sup> <ul style="list-style-type: none"> <li>• Approximately 7.5% of babies are born at low birthweight.<sup>l</sup></li> <li>• Approximately 10% of mothers smoke while pregnant.<sup>m</sup></li> </ul>
<b>Prekindergarten Access</b>	• 2	<b>\$26,190,733</b>	<ul style="list-style-type: none"> <li>• Approximately 9.2% of 3-year-olds are enrolled in pre-K, Head Start, or special education programs.<sup>n</sup></li> <li>• Approximately 14.3% of 4-year-olds are enrolled in pre-K, Head Start, or special education programs.<sup>o</sup></li> </ul>
<b>Children with Physical Disabilities or Special Health Care Needs</b>	• 4	<b>\$57,509,465</b>	<ul style="list-style-type: none"> <li>• Approximately 3.5% of children birth–2 are receiving services for disabilities or developmental delays.<sup>p</sup></li> <li>• Approximately 4.3% of children 3–5 are receiving services for disabilities or developmental delays.<sup>q</sup></li> <li>• Approximately 1 in 5 children and youth has a diagnosable mental health disorder.<sup>r</sup></li> </ul>

Notes:

a The number of children, parents, or families served was obtained from surveys and interviews with program staff conducted by TFP researchers.

b. Hawaii Department of Health, *Hawaii PRAMS: Trend Report, 2000–2008* (Honolulu, 2010), <http://hawaii.gov/health/doc/pramstrendreport2010.pdf>.

c. State of Hawaii, “Race to the Top: Early Learning Challenge” grant application, 2011.

d. Ibid.

e. National Center for Children in Poverty, “Hawaii: Demographics of Low-Income Children” (New York: National Center for Children in Poverty, Mailman School of Public Health, Columbia University), [http://www.nccp.org/profiles/HI\\_profile\\_6.html](http://www.nccp.org/profiles/HI_profile_6.html) (accessed January 24, 2012).

f. University of Hawaii at Manoa, Center on the Family, “Profile of Young Hawaiian Children” (Honolulu, HI: University of Hawaii at Manoa, Center on the Family.).

g. State of Hawaii.

h. University of Hawaii at Manoa.

i. Hawaii Department of Health.

j. “Stressful life events” was defined by the occurrence of at least four of the following self-reported situations during the 12 months before the baby was born: “close family member hospitalized”; “separation/divorce”; “moved to a new address”; “was homeless”; “husband/partner/mother lost job”; “argued with partner/husband more than usual”; “husband/partner said he did not want me to be pregnant”; “couldn’t pay bills”; “was in a physical fight”; “partner/husband went to jail”; “someone close had bad problem with drinking or drugs”; or “someone very close died.”

k. Hawaii Department of Health.

l. Ibid.

m. Ibid.

n. Children’s Defense Fund, *Children in Hawaii* (Washington, DC: Children’s Defense Fund, 2011).

o. Ibid.

p. State of Hawaii.

q. Ibid.

r. National Center for Children in Poverty, *Children’s Mental Health* (New York: National Center for Children in Poverty, Mailman School of Public Health, Columbia University,), <http://www.nccp.org/topics/mentalhealth.html>.

Despite efforts to provide all children in Hawaii with the services they require to be healthy and prepared to succeed in school, many challenges and unfulfilled needs for children and families in the state still exist. Data is not available to determine conclusively whether funding is adequate. The study captured total funding, but it could not accurately account for the unmet need for services within a particular population. Moreover, many young children are exposed to multiple risk factors. Approximately 50 percent of them experience one or two risks and 15 percent experiences more than three risks; both these groups would need multiple services.<sup>13</sup>

### ***Key Gaps in Funding for Children and Families***

Data collected for this study captures the most dramatic cuts in public funding for children and youth in Hawaii’s recent history. Not surprisingly, program leaders interviewed for this study noted that current funding levels are, in many cases, not sufficient to support quality programs or to serve all children who would benefit from services. In many cases, programs were eliminated or drastically reduced. State staff furloughs, the closing of community-based organizations, or reductions in staffing of many of the agencies that receive public funds have resulted in significant gaps in services for children and families. Community-based providers were hit very hard, with one organization reporting that it “lost” 300 children overnight because of changes in subsidy payments. Declining enrollment, in turn, reduced Child and Adult Care Food Program reimbursement, resulting in a double hit on revenues in some cases. Providers are trying to do more with less, often underestimating operating and administrative costs.

Several areas were noted most frequently as ones to address in closing gaps in services, especially for vulnerable children and families.

- **No state-funded preschool.** Hawaii is one of 10 states that do not have a universal preschool. Although the legislature established junior kindergarten in 2004, the program was never fully implemented and will be phased out after the 2012 cohort. Just 14.5 percent of four-year-olds are in programs funded with federal dollars, including preschool special education and Head Start; this compares with a national average of 40 percent of four-year-olds served in publicly funded preschools. Parents bear much of the cost of preschool, so the difficult economic times may have contributed to the decline in attendance rates for public preschools from a little over 60 percent in 2008 to about 50 percent in 2011.<sup>14</sup>
- **High copayments for subsidized child care.** In 2008, the state substantially increased the subsidized child care rates—the rate paid to providers serving low-income families—to 75 percent of the market rate, as required by federal Child Care and Development

Fund policy. This increase to support providers created a gap in funding, which was ameliorated in the short term with Temporary Assistance for Needy Families and American Recovery and Reinvestment Act funding through June 2010. However, the state also changed the copayment structure to ensure that no eligible family is on a waiting list and to minimize the impact of changes in income eligibility causing big spikes in families' copayments (known as a "cliff effect"). The new copayment structure increased significantly the amount of copayment required of parents receiving subsidies. This has created considerable burdens for many families, especially those with more than one child below age five. Many private funders stepped in to pick up some of the gap, but this is not a long-term solution.

- **Limited ability to implement a quality improvement rating system.** Hawaii has recently begun a pilot of a quality improvement rating system and is planning to scale up the initiative statewide as funding allows. The state was not successful in securing a Race to the Top–Early Learning Challenge (RTT-ELC) grant, which was intended to fund the scale-up, so it will be tough to find sufficient funds to ensure all children, particularly low-income children, have access to quality care settings.
- **Health care coverage for pregnant women is limited.** Access to prenatal care for low-income women is limited to those with incomes at 185 percent of the federal poverty level who are enrolled in Medicaid, though about 18 states provide access to pregnant women with incomes at or above 200 percent of the federal poverty level who are Medicaid-eligible. Hawaii is using data collected through the Pregnancy Risk Assessment Monitoring System (PRAMS) to monitor access to prenatal care for women receiving Medicare and Medicaid in order to address concerns about the high number of low-birthweight babies. Yet, to its credit, Hawaii is one of the highest-performing states in the nation with respect to insuring children. Just 5 percent of children in the state are uninsured, compared with the national average of 10 percent of children uninsured.<sup>15</sup>
- **Significant decline in access to home visiting.** The statewide Healthy Families home visiting program, previously funded at \$14 million, was cut significantly when state funding ended in 2009. The program declined from serving 4,130 families in 2009 to just 246 families in 2011. Hawaii and Missouri were the two states nationally to have the largest decline in home visiting services in 2011.<sup>16</sup> The state is slowly rebuilding capacity with federal MIECHV formula funds and the recent win of additional federal home visiting competitive funds. However, the total of the new federal funds is just over \$4 million, so meeting the needs of families will likely remain an issue for the future.

In addition, program leaders cited these issues as particularly challenging for the neighbor islands.

- **A shortage of physicians,** particularly acute for obstetricians and pediatricians in the neighbor islands, results in less access to (early) prenatal care and timely immunizations, developmental screenings, and health services for pregnant women and young children.
- **Transportation and access to services** on some neighbor islands results in large caseloads or long drives to serve geographically disperse populations. Head Start does not provide transportation, so some eligible families cannot access this preschool program. This is a problem particularly for three-year-olds in Early Head Start who are not able to transition to a program for four-year-olds; they are forced to stay home and miss out on the opportunity of further exposure to school readiness activities. Some families, especially homeless families, have difficulty accessing services due to a lack of transportation.

- **Elimination of preschool developmental screenings** to identify potential learning disabilities in young children means that fewer young children are accessing needed services to ameliorate developmental delays before they enter school.

### ***Implications of Adequacy of Funding Findings***

Like many states, Hawaii is experiencing significant challenges because of economic pressures that have affected the revenues available to support programs for children and families. Some gaps in services for young children and their families have existed for some time, while other gaps have become more pronounced due to recent state or federal budget cuts. As Hawaii prepares to make future budget decisions, leaders will want to closely examine areas where key service gaps for young children already exist. Some of these challenges include a lack of access to state-funded preschool among three- and four-year-olds; child care that is unaffordable to many low-income working families; and insufficient access to prenatal care for low-income women notwithstanding the state's high infant mortality rate. The Early Learning Council can determine what the costs and benefits are of investing in these and other early childhood services and where opportunities exist to increase funding.

Additional data will be needed to have firm targets or benchmarks for many of the subpopulations of vulnerable children. The data presented in this report can serve as a baseline for developing a clearer understanding of what is needed, what it will cost, how best to target current resources, and where and how much new revenue is needed. Efforts also are under way in Hawaii to develop more robust and integrated data systems that could help leaders track key indicators of service delivery, need, capacity, and eligibility for services along with outcomes.

## Findings on Maximizing Resources

Hawaii relies heavily on federal funding to provide services to children and families, because approximately 63 percent of total funding for children, prenatal to age five, comes from federal sources. In comparison, approximately 41 percent of federal funding is directed to children from birth to age five nationally. The state invests comparably fewer resources, so the federal government is a critical source of funding to help support early childhood services for children in Hawaii.

To determine the extent to which Hawaii is maximizing resources, researchers examined data and interviewed program managers to answer these questions.

- Is Hawaii taking advantage of **federal entitlement and other programs**?
- Is Hawaii providing sufficient **matching funds for federal grants**?
- Is Hawaii accessing **competitive federal and private grants**?

## Accessing Federal Entitlement and Other Programs

Hawaii could increase its penetration rate for some federal entitlement programs to ensure all eligible children and/or families are accessing services and the state is drawing down all available funds. Federal entitlement programs guarantee that all individuals who meet eligibility criteria can enroll in the program and receive services. For states, this means that any additional person who enrolls in the program will be eligible for the federal benefits provided. For some programs, such as Medicaid, there is a cost to the state in the form of a state match—on average, about 42 percent in Hawaii for children below age five.<sup>17</sup> Even though other funding sources, such as the Child and Adult Care Food Program, do not have a state match, certain requirements must be met to access federal funds.

Hawaii has been able to maximize enrollment in some key federal entitlement programs through collaborations among public and private entities, community outreach and education, and process improvements that make enrollment easier for children and families. For example, families complete one (paper) application to determine their eligibility for Temporary Assistance for Needy Families, general assistance, the Supplemental Nutrition Assistance Program, and medical assistance (Medicaid/Med-QUEST). Following are highlights of the state's success in accessing federal entitlement and other programs.

- **SNAP.** Hawaii enrolls approximately 78 percent of eligible families in SNAP and, along with Alaska, receives a higher rate of reimbursement than other states.<sup>18</sup> This percentage is above the national average of 66 percent of eligible families.<sup>19</sup> With short-term American Recovery and Reinvestment Act funds, several new strategies to increase outreach were implemented, including media campaigns, family assistance with applications, and transportation to agencies determining eligibility and assistance. No state matching requirement exists for SNAP, so there is no additional cost to the state for increasing enrollment.
- **Medicaid.** Hawaii is among the top states in terms of enrolling eligible children in Medicaid, with approximately 91.8 percent of eligible children enrolled.<sup>20</sup> However, the number of eligible Medicaid providers is relatively low, which limits the number of programs that can bill for Medicaid reimbursement. The state health department recently instituted a Medicaid “fee for service” in the Children with Special Health Care Needs program and is working to improve the hourly rate for providers and increase training for eligible providers in order to maximize Medicaid reimbursement. Hawaii Covering Kids is a project of the Hawaii Primary Care Association that focuses on identifying, enrolling, and retaining eligible children in health insurance programs by conducting outreach and simplifying enrollment processes.<sup>21</sup> Increasing enrollment would have a cost to the state,

because the state currently pays approximately 42 cents for every dollar spent on Medicaid.

- **Special Supplemental Nutrition Program for Women, Infants and Children.** Hawaii reaches approximately 90 percent of families eligible for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), serving approximately 46,112 children from birth to age five and 11,612 pregnant women with children in federal fiscal 2010. Despite reaching a significant proportion of eligible children and families, the state is continuing to develop new ways to increase outreach and enrollment (e.g., sending letters to pediatricians and staffing local outreach coordinators).

Several additional state agencies and/or offices are maximizing the use of other federal funds that flow to the state, including setting aside 8 percent to 10 percent—more than the required 4 percent—of Child Care and Development Fund dollars for improving quality early care and education and accessing competitive federal grants for education, workforce development, and home visiting.

Researchers also identified opportunities within other federal entitlement programs for Hawaii leaders to draw down additional federal funds if the state can improve the penetration rate for serving eligible families. Efforts to increase the penetration rate of eligible families in these programs carry costs for the state. Moreover, capacity issues related to serving more children exist. These other entitlement programs are the Child and Adult Care Food Program (CACFP) and Title IV-E.

- **Child and Adult Care Food Program.** CACFP provides meals to low-income children in child care settings and has no state matching requirement. Participation by child care centers in Hawaii has not increased since 1996, ranking the state 47th among states nationally. Family child care home participation in CACFP also has decreased significantly in recent years.<sup>22</sup> To the extent Hawaii can maximize enrollment in this program, the state would incur no additional cost. The state education department oversees all federal food programs, including SNAP and the Summer Food Service Program, so leaders have the opportunity to identify barriers and review outreach and enrollment strategies for the three programs to maximize these critical resources for young children, families, and program providers.
- **Title IV-E.** In Hawaii, approximately 62 percent of children, prenatal to age five, in foster care have been determined eligible for Title IV-E, which is slightly above the national penetration rate of 52 percent.<sup>23</sup> Consequently, the state can claim federal funding for certain services eligible for reimbursement under this program for this population, such as foster care maintenance. To the extent Hawaii can increase the percentage of eligible children who are enrolled in Title IV-E; it could save state and other federal dollars being used to support these services. Currently, Hawaii must use state general funds to support children who are not eligible for Title IV-E.

### ***Providing Matching Funds for Federal Grants***

Many federal funding sources require the state to provide a certain percentage of matching funds to draw down the full amount of funding. Some federal programs have maintenance-of-effort requirements that obligate the state to spend a specified amount of state funds in order to receive federal assistance. Researchers found that Hawaii is leveraging general funds to draw down federal dollars, including Medicaid and the Child Care and Development Block Grant. Hawaii also proposed to leverage approximately \$22 million in state, federal, and private funds in its recent Race to the Top—Early Learning Challenge grant application. Although the state

was not selected for this round of RTT-ELC funding, leaders may be able to leverage some of this funding as they work to build a comprehensive early childhood system.

However, the recent decline in the state budget has impacted many programs that rely on state funding to comply with federal matching requirements. For example, federal Community-Based Child Abuse Prevention grants require a minimum of 20 percent as match; when state general funds for Healthy Start were cut, the state lost some of the allocation because it could not make the match. In previous years, Hawaii had leveraged 30 percent of funding and, therefore, drew down additional federal funds. An overreliance on federal funds means that as state funds decrease, continued and stable support for programs is threatened.

### ***Accessing Competitive Federal and Private Grants***

Many federal grants are competitive and provide time-limited funding to states that apply and are approved to receive funding. Often, these competitive grants are awarded to states improving or expanding existing programs or states pursuing innovative reforms that will promote state and federal policy goals for children. Hawaii has been successful in accessing several recent competitive federal grants for services to the target population, including these.

- **SNAP Participation Grant.** Hawaii recently learned it will receive more than \$1 million from the U.S. Department of Agriculture to simplify application and eligibility systems and find efficiencies in the administration of this nutrition program. Hawaii will implement new document-imaging solutions at some sites to achieve greater efficiency. A new process management system will be implemented to increase efficiencies in outreach and enrollment of eligible families, particularly those in more rural areas such as Kona.
- **Maternal, Infant, and Early Childhood Home Visiting Program.** Hawaii was successful in accessing both the MIECHV formula grant to states and a competitive grant of more than \$3 million from the U.S. Department of Health and Human Services to support its home visiting program for new and expectant parents.
- **Race to the Top.** Hawaii won a highly competitive award of \$75 million from the U.S. Department of Education to implement school reform models in four zones of improvement, with \$6.75 million of this funding directed to child care subsidies.

Several other entities, including nonprofit providers, also have received competitive federal grants to meet the needs of specific subpopulations, such as Native Hawaiians, or to address content goals, such as literacy. Chaminade University received an Early Reading First Grant from the U.S. Department of Education to implement a school readiness program for at-risk preschoolers, for example. Hawaii has an important record of success in an increasingly competitive federal funding environment. To capitalize on the opportunities afforded by these funds to build infrastructure, increase capacity, and design and implement innovative and effective programs for children, Hawaii will want to begin sustainability planning early for these time-limited grants, including providing sufficient guidance and support on how to blend and braid diverse funding sources.

Hawaii benefits from the investments of national and community foundations that have an interest in young children's health and well-being. The W.K. Kellogg Foundation is a longtime supporter of Hawaii's children and youth. It is helping to co-invest, together with the Hawaii Community Foundation and state agencies, in the Hawaii P-20 Partnership for Education, including the P-3 Initiative, to promote alignment among policies and programs for children from birth to age eight. The Hawaii Community Foundation sponsored this fiscal mapping study and also is co-investing with other private and public funders in the piloting of a quality improvement rating system for licensed child care providers.

### ***Implications of Findings on Maximizing Resources***

Although the effort is not focused exclusively on early childhood, Hawaii's lieutenant governor is leading the Fair Share Initiative to secure additional funds so the state can continue to provide quality services.<sup>24</sup> To the extent the state can continue to build on efforts to increase program enrollment for eligible children, it can benefit by drawing down additional federal entitlement funds. Moving forward, Hawaii is in a good position to make significant improvements to its processes for accessing food and nutrition benefits through the SNAP Participation Grant. Other programs and, consequently, children and families, could also benefit to the extent these process improvements can integrate and align with other entitlement programs, such as Medicaid. Hawaii may be able to leverage additional funding available to states for information technology improvements in data systems, including those required by the Affordable Care Act.<sup>25</sup>

State budget cuts in recent years have had an impact on Hawaii's capacity to provide the state match necessary to draw down federal funds and/or meet the maintenance-of-effort requirements of some federal programs. To ensure Hawaii is accessing all available federal resources it is critical that state investments are maintained or increased. Similarly, private funders want to see a record of success and of shared investment and accountability on the part of state leaders so their short-term investments are well placed to spur innovation.

## **Findings on Coordinating Resources**

Hawaii benefits from a strong culture of collaboration within communities, and many early childhood providers are working together to coordinate fiscal and nonfiscal resources. At the state level, a cabinet-level position appointed by the governor has begun to bring together state agency leaders and other stakeholders to think collectively about how best to coordinate resources to build a comprehensive early childhood system. These state and local leaders need information on the promising practices that can be scaled up across programs and islands. They also need information on the barriers and challenges to increasing access to early childhood services access and to improving the quality of those services.

To determine the extent to which Hawaii is coordinating resources, researchers examined data and interviewed program leaders to answer these questions.

- Are program leaders **coordinating their services** to better serve children and families?
- Are program leaders **coordinating funding**, including blending and braiding different funding streams?
- What **barriers** exist that prevent or limit effective coordination of services or funding?

## ***Coordination of Services***

Hawaii's governor appointed a cabinet-level early childhood coordinator to lead the effort to develop an integrated infrastructure at the state level to provide guidance and build support for making coordinated investments in early childhood services. Moreover, the state Early Learning Council brings together representatives of the public and private early childhood system. Recently, to prepare for the state's submission of its RTT–ELC grant application, memorandums of understanding were negotiated to increase cross-agency and department coordination and data collection to ensure better results for children and families. These agreements lay the groundwork for a continuum of services and supports for children and families across programs.

State and local leaders in Hawaii also have implemented several key strategies that promote service coordination, including these.

## **Coordination of Quality Improvement Efforts**

Programs often coordinate their training or technical assistance efforts. This can help leverage existing resources and allocate them where they are most needed. It can also ease the burden on organizations receiving the training or technical assistance. Consider these examples.

- **Shared Training.** All Head Start programs in Hawaii are licensed, so they can participate in training and quality improvement efforts offered by Child Care Connection Hawaii. Similarly, Head Start program staff are required to participate in specific trainings and, depending on capacity, child care staff can also attend. Further, Hawaii Careers for Young Children serves as the nexus for coordinating several professional development efforts with representatives of public and private funders and other stakeholders.
- **Quality Improvement Rating System.** The recent Race to the Top–Early Learning Challenge grant application also outlined plans to leverage Head Start and child care subsidy dollars in order to implement a quality improvement rating system and strengthen the professional development system. The departments of health and education, as well as private funders such as the Samuel N. and Mary Castle Foundation, pledged to commit funding to the pilot and scale-up of the quality improvement rating system.
- **Capacity-Building.** As a result of receiving competitive MIECHV funds, Hawaii will implement a unique approach to providing training and building capacity across the state. To address the need for a diverse delivery system of local home visiting services,

the grant will provide tiered stipends for training and professional development to programs that meet federal specifications related to the program model.

### **Aligned Program Operations and Cross-System Workgroups**

Many programs within and across state agencies are working with similar populations. That is why efforts to align program operations and share information through cross-system workgroups can result in greater efficiencies and effectiveness in delivering services to the target population.

- **TANF/Child Care Coordination.** Most low-income families qualify for multiple benefits but are challenged when they have to provide documents to many different agencies/offices for eligibility determination purposes. Leaders of TANF and Child Care Connection Hawaii, which are housed in the same agency, have worked together so families of young children can simultaneously apply for and access cash assistance, child care subsidies, and food stamp benefits. This helps programs, too, because the TANF program transfers dollars to the child care program to help meet the state's goal to have no families on a wait list for child care.
- **Inclusive Preschool Programs.** Families with children with special needs who participate in Head Start programs are dually enrolled in preschool special education so they can also access preschool special education services. In addition, several public and private programs work together to support young children participating in the Migrant Even Start program.
- **Early Intervention.** Services for children with special health care needs are coordinated by program staff to target the level and type of early intervention service to the specific needs of these children. So, for example, some children may need less-intensive services and can be served by the Early Head Start program. Others may need Enhanced Healthy Start if they are at risk of abuse or neglect. Still others may need therapeutic services from nurses. The Hawaii Early Intervention Coordinating Council includes parents, representatives of state agencies, providers, and others. As required by federal law, the council is charged with advising the state health department on efforts to improve funding and services for young children (birth to age three) and ensuring a smooth transition to preschool special education services for children ages three to five.

### **Coordination of Data Systems**

A national focus exists on building robust and integrated data systems and on ensuring the data informs public and private investments and effectively tracks program results for children and families. The Data Quality Campaign is a national collaborative focused on supporting state policymakers' efforts to improve the use of data. Recently, a member of the Hawaii governor's staff was named to its board of directors. Sharing data across programs and across disciplines enables service providers to better understand the children and families they serve. It also helps them provide more effective services. Consider these examples.

- **Hawaii-Keiki Information Services System.** Hawaii's information and referral system for families of children from birth to age five helps identify children at risk for developmental delays and find services for children on Oahu and neighbor islands.
- **Career Access and Navigation of Early Childhood Systems.** This data system, or registry, is part of continuing efforts to increase the training and qualifications of the early childhood workforce. All licensed providers must provide documentation on their education qualifications to the registry to become licensed or maintain their license. Practitioners can also use this data system to voluntarily track their ongoing professional development.

- **Hawaii’s Longitudinal Data System for Educational Improvement.** A project of the P–20 Partnership, Hawaii is developing the state’s first statewide longitudinal data system. Bringing together public agency leaders, private funders, and other stakeholders, Hawaii is engaging in a challenging effort to develop a clear, coordinated, and useful longitudinal data system to track education success from early childhood through college and career pathways. A recent report by the Western Independent Commission for Higher Education identified recommendations and next steps for the development of an effective data system in Hawaii.<sup>26</sup>

In addition, the state recently hired its first chief technology officer and, with funding from the Hawaii Community Foundation, is engaged in efforts to bring more data—in usable formats—to the public. This fiscal mapping report and the resulting data tables also provide important fiscal and programmatic data to help policymakers make data-driven decisions.

More can be done to create seamless services for families with young children in Hawaii, especially given the disparities in services in neighbor islands. Coordinating services is an important strategy that may save money in the longer term, despite an initial investment for implementation and other supports. Service coordination, or integration, also makes accessing services easier for families, and services may be less costly for both families and program leaders once they are streamlined.

### ***Coordination of Funding***

Many funding streams that support early childhood are categorical and targeted to specific populations of children or fund only specific services for eligible populations. These funding sources may not address the full range of needs for many children, especially those who are most vulnerable. Coordinating different funding sources (also generally referred to as blending), including federal, state, private, and local funding, can provide programs with greater flexibility, enabling them to reach a broader range of children or provide a wider range of services. At the local level, programs could coordinate, or braid, funds for different services that a child or family needs to create a seamless approach to delivering comprehensive services. Coordination at the state level can take different forms, such as pooling flexible funds to create a blended source of funding or decategorizing funds to remove or realign regulations around separate funds so they can be blended to provide comprehensive services. These strategies increase access to vital services to those most in need. However, managing multiple funding sources can be complex. Coordinating funding may require policy guidance or regulatory change at the state level. It may also require local programs to restructure their finance and accounting procedures so expenditures can be tracked accurately.

Strategies to coordinate funding most frequently occur at the county, city, or community-based program level, where leaders can be most responsive to local needs and have built strong relationships. Although accessing multiple funding sources does not necessarily translate into coordination of funding, it can be an important first step. Researchers identified several examples of coordinated funding to expand the reach of services provided through the program or create greater flexibility within the program, including these.

- The **Pauahi Keiki Scholarships program** blends Child Care Connection Hawaii (subsidy dollars) with funding from Kamehameha Schools to provide need-based scholarships to children receiving or eligible for Child Care Connections subsidies to attend non-Kamehameha preschools.
- **Head Start** blends Head Start funds, which pay for a part-day, part-year program, with child care subsidy dollars to provide a full-day, full-year program for eligible families.

- **Preschool Open Doors** received Race to the Top funds that will be blended with child care subsidy dollars to increase access to preschool by “special populations” of four-year-olds and some three-year-olds in the four innovation zones the state education department has identified.
- **Early Childhood Comprehensive Systems** grant funding has been combined with child care quality dollars to increase training on enhancing social and emotional development and strengthening families. A partnership with Head Start that also blends grant funding supports providers who work with young children in homeless shelters.

Hawaii’s Race to the Top–Early Learning Challenge grant application identified ways that departments and programs intended to coordinate funding and services if they were awarded the grant. Although the state was not funded in this round, considerable time and energy was contributed by many key stakeholders to develop memorandums of understanding signed by the University of Hawaii and the state departments of health, education, human services, and labor and industrial relations. This demonstrates a new commitment and opportunity to build the system requirements needed to coordinate funding and services more effectively going forward.

### ***Barriers to Coordination of Services and Funding***

State program and budget staff reported challenges to coordination; in part due to the number of agencies and programs independently administering programs for young children and their families. Program leaders also noted areas where Hawaii could improve coordination efforts to facilitate better outcomes for children and families. In some cases, researchers relied on recent studies or evaluations that highlight areas where coordination could be improved.

### **Restrictions on Federal Funding**

- Program leaders noted that restrictions on the way funding is allocated, what services can be funded, and how funds can be coordinated often create barriers to using existing funding most effectively to serve children. **Child Care Connection Hawaii** continues to work to balance the requirements of Child Care and Development Fund (CCDF) funding, which aims to ensure low-income families are working, with efforts to increase the quality and coordination of early care and education programs. The state has made a policy decision to ensure no families are on a wait list for child care. Once the short-term boost in CCDF funding from the American Recovery and Reinvestment Act ended, administrators implemented a change in the copayment structure so that all families that were eligible could receive some help with child care costs. The increase in copayment rates caused some families and providers serving subsidy families significant hardships to adjust to new rates at a time when families and programs were least able to absorb new costs.
- **Preschool special education** programs operated by the education department are challenged when collaborating with Head Start programs, because requirements for enrollment dates are different.
- **WIC** has strict requirements to ensure this funding is not used to duplicate services other programs may be funding. Leaders had hoped to conduct joint trainings, but restrictions on the use of funding prevented this from occurring. Stakeholders also face challenges in providing WIC food packages to families with young children who are living in homeless shelters, because, according to program rules, the food can only go to WIC clients.

### **Limited Administrative Capacity of Community-Based Organizations**

Community-based providers may not participate in federal and state programs, even when funding is available, because of administrative burdens associated with applying for the program, registering clients, and managing funds.

- **Community-Based Child Abuse Prevention grantees** are expected to provide a match for their grant. Smaller organizations with slim organizational infrastructures and limited cash on hand are struggling to sustain programs in the current economy. Some programs that partnered with community-based grantees have closed or have lost staff due to funding cuts or revenue loss. This is unsettling for young children who thrive best with continuity of care and ongoing relationships. It creates chaos for families and for other providers that may be partnering with these organizations to offer more comprehensive services to families in the community.

### **Increased Competition for Limited Funding**

Program leaders noted that a major barrier to effective coordination of funding is not enough money is available to meet the demand or need for services. With limited funds available, programs are often competing instead of collaborating to best meet the needs of children and families. In many cases, a mindset of competition is simply about organization survival and is the only way to protect core staff.

- **Children with Special Health Care Needs** were previously able to receive a higher subsidy from Child Care Connection Hawaii to participate in community-based inclusive preschools. However, because of decreases in subsidy dollars, the amount of the subsidy decreased and funds were no longer available for early intervention services to provide training to preschools. Further, with the decline in funding, eligibility criteria had to be changed, eliminating funding for environmental risk factors. This resulted in fewer families being served in the Healthy Start program.

Despite an exceedingly challenging fiscal climate, many innovations related to coordinating funding for children's services are occurring at the local or community provider level. Much more action is needed to scale up and share best practices, however, so all of Hawaii's young children can benefit from quality early childhood programs. Program leaders offered suggestions to improve coordination of resources, including nonmonetary resources. Some of these suggestions already are being considered or addressed in state-level activities, while others are relatively easy-to-implement and low-cost strategies to increase coordination of resources. Following are some of the program leaders' suggestions.

- Fund or provide technical assistance to bring together local nonprofit providers or intermediaries to develop local strategic plans to identify needs, target resources, and track results for children and families. Include schools and use Hawaii School Readiness Assessment data to strengthen links among communities, schools, and families.
- Revise the state procurement process so it is easier for state leaders to coordinate grants and funding to local programs and easier for local programs to access state funding in a timely way. This could include simplifying reporting requirements, establishing common due dates for requests for proposals (RFPs), or allowing bundled RFPs from aligned programs. Local program leaders are especially challenged by delays in payments for services and may even need up-front initial payments to begin work if their cash reserves are low.
- Support data-driven decision making and provide data that links all the services a child and/or family accesses across all agencies and departments that typically serve young children and families, particularly those most vulnerable. This would help reduce duplication of effort and provide more holistic services to families.

- Create policy guidance, conduct technical assistance, and develop memorandums of understanding to blend and braid funds across programs. In addition, help program managers use cost allocation guidelines so funding is not tied to a single position but to a set of services.
- Develop one-stop centers and use a common application form to determine income eligibility for related programs serving similar populations.

### ***Implications of Findings on Coordinating Resources***

Hawaii has made a commitment to improve the coordination of resources and services for young children with the appointment of a cabinet-level early childhood coordinator. A bill currently under consideration would establish an executive office on early learning that is charged with providing oversight and leading efforts to implement a comprehensive early childhood system. During the past decade, Hawaii has taken significant steps to improve the coordination of resources so families have access to diverse services and service delivery is streamlined. Efforts include coordinating various state programs' training and technical assistance for early care and education providers and blending some resources to offer more comprehensive services to families with young children.

Yet program providers and other leaders identified numerous barriers to resource coordination, including restrictions on funding, the limited administrative capacity of community-based organizations, and increased competition for limited funding. Further, effective coordination of resources is most often locally driven, so local early childhood coordinating bodies are best positioned to implement needed community services. States such as Florida, Michigan, and North Carolina have well-coordinated local councils that are linked and aligned to the state early childhood framework. For example, Michigan's Great Start Early Childhood Initiative at the state level is linked to local Great Start Councils, which are funded with public and private dollars.<sup>27</sup> These and other state efforts to coordinate the work of local collaborative entities aligned with state goals for young children can be studied to identify an approach that will work for Hawaii.<sup>28</sup>

## **Findings on Flexible Funding**

Flexible funding is a critical component of the diverse funding base that is necessary to support a comprehensive early childhood system. Hawaii relies heavily on federal funds, especially narrow categorical funds that must be directed to targeted populations and entitlement funds that must serve only eligible children or families. With limited state funds, private funds are the major source of flexible funds supporting the early childhood system. Flexible funds can be used to fill service gaps and often are used as the glue to make dollars go further in responding to the urgent needs of children and families.

To determine the extent to which Hawaii is using funds flexibly, researchers examined data and interviewed program managers to answer these questions.

- What are the most flexible **federal funding sources** that can support early childhood services and how are those funds used in Hawaii?
- How are flexible **state and private** funds used to support early childhood?

### ***Flexible Federal Funding Sources***

Some federal funding sources can be used only for specific services and afford state and local programs little discretion. For example, the Supplemental Nutrition Assistance Program provides monthly food benefits to low-income families. Funding for this program cannot be used to provide any additional services these families may need. Other federal programs, such as Medicaid, allow states to determine some policy provisions, such as eligibility levels and allowable services, subject to federal approval of the state plan. Researchers from The Finance Project found that federal entitlement programs account for half of all funding supporting children, prenatal to age five, in Hawaii. For the most part, these funds are restricted to specific uses and are not potential sources of flexible funding.

In contrast, several federal funding programs afford state programs considerable flexibility in using funds, so long as the state initiative meets broad goals as defined by the federal program. For these federal funding sources, states have some discretion in determining the different services offered to children and families, the method of how those services are delivered, and/or the amount of funding allocated across various services. Hawaii is using some portion of most of these flexible federal funding sources to support early childhood programs and services. For example, Hawaii transfers some of its Temporary Assistance for Needy Families funding to support child care subsidies and kinship placements of children in foster care. The state also uses flexible funds, including the Community-Based Child Abuse Prevention grant, the Title V Maternal and Child Health Block Grant, and Title IV-B Promoting Safe and Stable Families funding to support early childhood systems work and programs in the community.

Other flexible federal funding sources the state may want to pursue include the Community Services Block Grant and Title I funding but this would require collaboration with the departments that administer these funds. Hawaii's Community Services Block Grant is administered at the state level by the department of labor and industrial relations, which was not part of this study. The state contracts with local community action agencies to deliver different services to address poverty. Funds could be used for early childhood, and the federal fiscal 2012 state plan identified priorities that are aligned to goals for young children and families.<sup>29</sup> Further, a memorandum of understanding was signed by the department for the recent RTT–ELC application to support the longitudinal data system, so opportunities to further coordinate this funding may be possible in the future.

The Finance Project could not determine, based on interviews with staff from the state department of education, whether and how local school districts in Hawaii are using Title I funding to support early care and education efforts for children prior to kindergarten. Hawaii has just one school district for the state and, because funding under Title I flows from the U.S. Department of Education through the state education agency to local school districts, it is a flexible funding source that enables eligible public schools to address the needs of students in all grades. Funds can support preschool programs, but competition for other uses of these funds is increasing given the focus on school improvement. In fact, Hawaii experienced the highest decline of any state (13.8 percent) in its total Title I allocation in 2008 due to changes in the federal funding formula.<sup>30</sup>

Most of these funding sources serve a wide age range that extends to older youth and, sometimes, to adults. The extent to which Hawaii can use these more flexible federal dollars to support early childhood programming and system development often is a policy matter that requires significant consideration by state leaders who must balance many priorities.

### ***Private Funds***

Private funding from corporate and private foundations typically is a source of flexible funds that can be used to meet local needs and priorities or seed innovative programs and services. These funds play a critical role in supporting Hawaii's early childhood system. For example, the Keiki Funders Network is an alliance of private funders focused on early childhood issues. In Hawaii, private funding helps fill gaps where federal or state funding is not available or cannot be used due to funding restrictions. Private funders have stepped up their investments in core services due to the state economic decline in recent years.

TFP researchers identified several programs where state leaders leveraged private funding to support goals for children and families, or where programs were cofunded with private dollars. Consider these examples.

- **Be My Voice.** Be My Voice is a public will campaign that was launched by the Great Beginnings Alliance in response to budget cuts impacting children. The campaign is funded, in part, by a grant from the W.K. Kellogg foundation and by other private funders. It aims to inform and influence the legislature on the health and school readiness of young children.
- **Early Childhood Coordinator in the Governor's Office.** This newly created position in the governor's office is jointly funded by community and national foundations as the state develops an executive office on early learning. The coordinator is a member of the governor-appointed Early Learning Council.
- **Castle Colleagues.** The Mary and Samuel Castle Foundation provides a grant to Chaminade University to provide workshops to preschool teachers or assistant directors, who can receive college credits for attendance.
- **Learning to Grow.** Funded by state, federal, and private dollars, Learning to Grow provides statewide education outreach to families and license-exempt child care providers (i.e., family, friend, and neighbor care providers) in addition to other services that are coordinated by University of Hawaii's Center on the Family.

Several private and corporate foundations, both local and national, are investing in local community-based organizations in many of the neighbor islands. For example, Kamehameha Schools funds and operates 31 preschools serving three- and four-year-olds on the islands of Kauai, Oahu, Maui, Molokai, and Hawaii. It also operates four sites that serve children from birth to age three on the islands of Kauai, Oahu, and Hawaii. Additional study is needed to

understand private and corporate investment at the local level as Hawaii moves forward in building a comprehensive early childhood system.

### ***Implications of the Findings on Flexible Funding***

In Hawaii, community and national foundations helped meet urgent needs of children and families when the state budget crisis hit. Going forward, flexible federal funds such as Title I and the Community Services Block Grant could be directed to early childhood services. Private funds will likely best be used to rebuild and strengthen the early childhood system infrastructure, including quality staffing and professional development and incentives for quality improvement.

Given the reliance on federal funds for early childhood services, the Early Learning Council can also work with state agency leaders and the governor's office to craft policies to create greater flexibility in some categorical funds. State leaders may also have the opportunity—and now have the data—to approach some of the federal agencies administering early childhood funds (e.g., the Administration for Children and Families' Office of Child Care or Office of Head Start) about how best to reduce persistent barriers the state faces; an openness to address these issues seems to exist at the federal level. If the state increases its investment in the early childhood system, the ELC can work to influence how rules and regulations are written so the funds can be flexible enough to meet the needs of young children and families but not compromise accountability requirements.<sup>31</sup>

### **Summary of Analysis of Funding Sources and Financing Strategies**

With current funding, Hawaii is doing well to maximize and leverage public and private resources to provide services to young children and their families. Yet, data limitations notwithstanding, current funding clearly is not sufficient to prevent significant and costly delays in school readiness, poor health outcomes, and family instability for Hawaii's youngest children. If policymakers want to achieve the goals they have set for children and families and ensure the economic vitality of the state in the future, more funding will be needed. The Early Learning Council, legislators, and others can use the study findings and the detailed data presented in the report to develop action steps that will result in a well-funded, fully coordinated, and highly accountable early childhood system for young children in Hawaii.<sup>32</sup>

### SECTION III: RECOMMENDATIONS FOR CONSIDERATION

Hawaii has implemented many efforts, some of which are highlighted in this report, to meet the diverse needs of young children so they are healthy, are ready for school, and are prepared to contribute to their community and the state economy. Researchers from The Finance Project (TFP) also found that funding for young children is significantly less than spending for other populations. For example, annual funding for early care and education is just \$1,580 per child, while it costs the state more than \$37,000 per year to house just one prisoner.

Given the considerable return on investment of quality early care and education programs, the state could be investing more effectively. A recent study on just the economic benefits of investments in early education has found that a high-quality program to cover all at-risk four-year-olds in Hawaii would yield a return of \$4.20 per dollar invested.<sup>33</sup>

Five financing strategies have proven effective for other states and localities seeking to maximize available resources, coordinate services and funding, and leverage additional resources to build a comprehensive early childhood system.

- Strategy 1: Focus on Sustainability**
- Strategy 2: Increase Enrollment in Federal Entitlement Programs**
- Strategy 3: Create Greater Flexibility of Funding**
- Strategy 4: Operate More Efficiently**
- Strategy 5: Use Private Funds Strategically**

These recommendations are meant to stimulate discussion and thinking as the Early Learning Council (ELC) determines its priorities and next steps. Success in implementing any of these strategies is based on many factors, however. Hawaii leaders can use the information and examples to determine the best approaches to financing a statewide system that reflects the state's priorities for young children.

#### **Strategy 1: Focus on Sustainability**

Hawaii has begun to build a strong infrastructure at the state level to sustain effective programs and services for all children and families. The state is investing in the data systems, governance bodies, and research that are needed to support a comprehensive early childhood system. As leaders more clearly define the costs of the system, they will need to advocate for new revenue and demonstrate accountability for public funds. Activities such as these contribute to sustainability over the long term. These efforts are particularly difficult in the current fiscal environment, but tough economic times can precipitate significant planning and consensus-building to pave the way for future opportunities.

#### ***Build Prekindergarten into the School Funding Formula***

States can support quality childhood services, as well as access to those services, by embedding the prekindergarten program into school funding formulas. School formula funds are based on student enrollment, making them a relatively stable funding mechanism during an economic downturn. Currently, 13 states and the **District of Columbia** finance their public prekindergarten program through their school funding formula. For example, in **Wisconsin**, the four-year-old kindergarten program (4K) is part of the school funding formula; school districts receive 50 cents for each 4K student for a program that runs 437 hours per year. Districts can add 87.5 hours of parent outreach to receive 60-cent funding. School districts can also contract with child care providers or Head Start grantees for the program.<sup>34</sup>

### ***Use Tax-Based Incentives***

Hawaii currently raises a small portion of funds for child abuse prevention through a checkoff on state income tax forms, and the ELC is considering an additional checkoff with funds earmarked for early education and care. Hawaii can consider other tax-based approaches to raising dedicated funds for early care and education. **Colorado, Oregon, and Pennsylvania** all have tax credits to help bring in revenue and incentivize quality early education and care.<sup>35</sup> An example of a more robust approach is **Louisiana's** school-readiness tax credits. This initiative provides additional tax credits to families, businesses, child care providers, and child care directors and staff to support quality improvements in early childhood programs.<sup>36</sup> In the three years the program has operated, the tax credits have generated more than \$1.6 million in credits to parents, more than \$4.5 million in credits to providers, and approximately \$450,000 in credits to businesses. Since 2008, the school readiness tax credits have generated more than \$11 million.

### ***Rely on Results-Based Budgeting***

Some states, such as **Connecticut, Iowa, and North Carolina**, use a results-based budgeting and accountability system to track state investments and outcomes, requiring entities receiving state dollars to report on key indicators.<sup>37</sup> With some up-front investments in training on the approach, states and contractors find they are able to produce reports that more clearly articulate their results. This is a great tool to advocate for funding for programs that work. It also is a great way to be more transparent with the public. Consider these examples.

- **Louisiana Early Childhood System Integration Budget.** A requirement of the 2008 legislation establishing Bright Start, the state's comprehensive early childhood system, was the development of an integrated early childhood system budget. The budget details resources for children from birth to age five and is organized by the four components of the system—access to health care, mental health/social-emotional development, family support/parenting education, and early care and education—instead of by department.<sup>38</sup>
- **Oregon Commission on Children and Family.** Building Results, the state's outcome measurement system, requires local councils receiving state funds to use performance-based contracts and report on key legislatively mandated benchmarks. The state's Early Learning Council has made expansion of performance-based contracting to all sectors a key goal of its work.<sup>39</sup>

Performance-based contracts can help state agencies contain costs or potentially cut costs so funds can be reallocated to other priority areas. These contracts typically include benchmarks and indicators tied to process outcomes for service delivery or child/family outcomes that help improve accountability and efficiency.<sup>40</sup> Performance-based contracting is relatively widespread in single agencies of state government, most commonly human services agencies, or single offices within state agencies, such as child welfare or child care.<sup>41</sup>

### **Strategy 2: Increase Enrollment in Federal Entitlement Programs**

State leaders can take full advantage of federal funding through concentrated outreach efforts and streamlined eligibility and enrollment processes to increase and retain enrollment in programs such as Medicaid, the Special Supplemental Nutrition Program for Women, Infants and Children (known as WIC), the Children's Health Insurance Program (CHIP), the National School Lunch Program, and the Supplemental Nutrition Assistance Program.

### ***Health Services***

A first step in identifying opportunities to maximize enrollment in health services is to review the online self-assessment toolkit, developed by the National Academy for State Health Policy with

funding from the Robert Wood Johnson Foundation. The toolkit can help states identify strengths and weaknesses in their current systems and develop plans to improve their enrollment and retention strategies for eligible children in Medicaid and CHIP.<sup>42</sup>

Once leaders in Hawaii have a good understanding of where they stand on policies and practices to maximize enrollment, they can explore several funding sources and strategies for increasing enrollment.

- **Children's Health Insurance Program Reauthorization Act.**<sup>43</sup> Financing CHIP through fiscal 2013, the Children's Health Insurance Program Reauthorization Act offers specific provisions to increase uninsured children's enrollment in CHIP. Specifically, states can receive financial incentives to increase outreach and maximize enrollment; future CHIP funding allocations will be based on a state's net change in enrollment from year to year. States can also opt for an Express Lane Eligibility process to increase eligible children's enrollment in Medicaid and CHIP. Hawaii may want to consider weighing the costs and benefits of implementing such a process.

Relatively small investments in new outreach and eligibility determination policies often result in steady increases in enrollment. Additional innovative strategies implemented by states and communities nationwide can be found in *Maximizing Kid's Enrollment in Medicaid and SCHIP: What Works in Reaching, Enrolling and Retaining Eligible Children*.<sup>44</sup> States also have several policy options to increase Medicaid services to parents of young children, including supporting two-generation and family-based services to help serve children who are eligible but whose parents are ineligible.<sup>45</sup>

### **Food and Nutrition Services**

The Child Nutrition Reauthorization Act provides additional resources to schools, summer programs, community center-based and family child care programs, and others to access funds to provide food and nutritious meals and snacks to children and pregnant women. Reauthorization expanded resources to all states, eliminated several regulations and potential barriers to accessing Child and Adult Care Food Program and WIC funds, and set the stage for increased outreach efforts to eligible families and entities.<sup>46</sup> Initiatives such as these are under way to support state and local efforts to ensure no child goes hungry.

- The Food Action Research Center has developed **Nutrition Program State Calculators** to help state and local stakeholders analyze participation data by community relative to the number of eligible families to determine a participation ratio.<sup>47</sup> The online tool also helps stakeholders calculate the dollars potentially lost by low participation.

### **Strategy 3: Create Greater Flexibility of Funding**

Strategies to increase the flexibility of funding include *braiding* to coordinate separate funding streams to support seamless services and *pooling* or *blending* funds from several agencies or programs to give local programs increased flexibility over the combined funding. Pooling can occur at the state agency level, where state program dollars can be blended with more flexible federal program dollars to offer comprehensive services or support systems reforms. The funding can be allocated to a local community collaborative or a nonprofit provider who acts as a fiscal agent for the pooled funds on behalf of a local management entity or partnership.<sup>48</sup> Funds are then available to more flexibly meet the needs of local communities, but the grantee is still accountable to the state coordinating agency. This could become a function of a new executive office on early learning in Hawaii.

### ***Blending and Braiding***

Blending and braiding typically occurs at the local level, where funding for programs can be integrated to meet specific local needs. States play a key role in setting up the policies to make blending and braiding easier for local programs and to ensure local entities are accountable for how funds are spent. Local program providers interviewed for this study cited the need to have more flexibility and fewer restrictions on funds to meet the specific needs of children and families in their community. Hawaii could offer policy guidance and technical support to local stakeholders on how to effectively blend and braid multiple funding sources, particularly when funds flow directly to localities. Consider this example.

- **Colorado's Blending of Revenues Across Departments.** A data system exists for state and local leaders in Colorado who want to develop comprehensive programs for children and families. The online data tool includes federal and state funding streams and eligibility criteria and identifies the goal area of service delivery. Users can search the database, export Excel files, and produce reports to support efforts to blend and braid federal, state, and local resources to sustain programs.<sup>49</sup>

Given the restrictions of various funding sources, Hawaii may need to establish and communicate state-level policy guidance regarding braided funds and ensure funding covers the costs of high-quality services regardless of program setting. State guidance can increase effectiveness and help the braiding process go more smoothly. For example, both the **New York** prekindergarten director and the **Ohio** Department of Education provided technical assistance on braiding funding and eligibility, which providers cited as helpful for service delivery.<sup>50</sup>

### ***Flexible Federal Funding Sources***

Hawaii is not using Title I funds for preschool programs, except in limited areas (i.e., zones of school innovation). Title I can be used to support services relevant to early childhood education, such as counseling; teacher salaries; professional development; remodeling; leasing or renting space; diagnostic screening; and comprehensive services, including access to medical services.<sup>51</sup> This funding source can also support efforts to align preschool and kindergarten curricula.<sup>52</sup> Several communities in other states have made early childhood a priority in their Title I allocations. Consider these examples.

- **Montgomery County, Maryland.** As part of its Early Success Performance Plan, Maryland's Montgomery County created prekindergarten classes in all Title I schools and high-need non-Title I schools. In many cases, Head Start programs were invited to relocate to the public schools to serve as the foundation for this expansion. This approach allowed the school system to braid Title I and Head Start funds to create 128 classes that served 2,523 students in school year 2006–2007.<sup>53</sup>
- **North Dakota.** The North Dakota Department of Public Instruction has developed guidance for schools, districts, and others to support the use of Title I funds for early childhood education, including preschool programs and full-day kindergarten. Various resources on the department's website help school districts comply with Title I requirements, including fiscal requirements, while meeting local needs for early childhood services.<sup>54</sup>
- **Appleton, Wisconsin.** The Appleton Area School District (AASD) uses almost half of its Title I funds to support a comprehensive birth to age five program.<sup>55</sup> In the district, Title I funds support the early education component of the Even Start Family Literacy program for children from birth to age four; the Parents as Teachers home visiting program for children from birth to age three and their caregivers; and the Title I preschool program for four-year-olds. AASD created a Birth to Five Coalition to examine policy and funding

for early learning services and identify opportunities to leverage public and private resources.

#### **Strategy 4: Operate More Efficiently**

Even without the recent fiscal pressures in Hawaii, efforts to build a coordinated system of early childhood services are driven, in part, by goals to reduce administrative costs, ensure equitable distribution of programs and services, and reinvest savings in quality programs and services.

##### ***Create Data Systems***

Hawaii leaders recognize the value of data and are working to develop a statewide longitudinal data system to help them serve children effectively. This study did not look extensively at the long-range goals of the data system. However, the Early Learning Council in Hawaii is encouraged to consider examples of how other states have used data to identify opportunities to operate more efficiently to build a comprehensive early childhood system. **Illinois** has developed the Early Childhood Asset Map to use data to ensure transparencies in funding decisions for the state's preschool program as well as private investments. The goal of the online resource is to support the efficient use of resources while building a comprehensive early childhood system.<sup>56</sup> **Pennsylvania's** Risk and Reach Assessment serves a similar function. It tracks investments in early learning at the county level and facilitates the targeting of investments to those most in need.<sup>57</sup>

##### ***Share Administrative Functions and Services***

Hawaiian families feel more comfortable going to locations that are in their neighborhood and interacting with staff who understand their culture and community. Most child care for low-income families in Hawaii is provided through family, friend, and neighbor care; other child care services are delivered by small organizations with limited operational funding. The state could strengthen the local early childhood system by helping small businesses reduce inefficiencies and generate additional savings to be reinvested in improving quality.<sup>58</sup>

Shared services is an approach defined by the collaboration of two or more community organizations to share and make more efficient use of services or resources, including staff, physical resources, and back-office functions.<sup>59</sup> Many early care and education providers operate small businesses that lack the staff capacity to manage back-office functions and the size that would let them take advantage of economies of scale. A growing number of private, public, and nonprofit service providers tackle this problem through collective management. This approach can range from the use of shared services agreements under which providers collectively purchase supplies and services to reduce costs to the creation of a management service organization that serves as a central office and manages the business operations of dozens of providers.<sup>60</sup> Examples of how early care and education providers can reduce costs and leverage resources through collaborative arrangements include these.

- **Children's Home/Chambliss Center (Nashville, Tennessee).** This nonprofit agency provides a broad range of administrative and financial management services to community-based early childhood programs, including licensing, risk management, and human resources functions. Organizations pay an annual fee for the services, which are offered at a fraction of the cost relative to their having their own full-time administrative staff. The administrative and financial management services have enabled the early childhood programs to leverage the cost savings to improve program quality.<sup>61</sup>
- Based on the success of the Children's Home/Chambliss Center model, the child care services agency of the **Tennessee** Department of Human Services is piloting different approaches to shared services in local communities. In this way, the child care services

agency may be able to leverage scarce child care resources to support the sustainability of local programs. **Colorado** has developed the Early Learning Ventures (ELV) model, which links private funding to the state licensing and quality rating system to promote the reinvestment of resources saved through shared services into program quality and expansion efforts. The Merage Foundation provided the seed dollars for the pilots in Colorado and is working to scale up the ELV model statewide. An online “Shared Services Toolkit” includes resources to guide the startup of local early care and education alliances.<sup>62</sup>

- **Infant Toddler Family Care Inc. (Northern Virginia)**. This organization provides services, including marketing, training, billing, and collection of child care fees; liability insurance; education programs; and technical assistance, to a network of 115 family day care providers serving 340 children. Services are paid for by a mix of parent fees, funding from Fairfax County, state child care subsidy payments, and small foundation grants.<sup>63</sup>

### **Strategy 5: Use Private Funds Strategically**

Hawaii has been successful in accessing private funds to support key goals for children and families in the state, and many of these efforts have continued for many years and have influenced state policy. In addition, leaders are using private funds strategically to leverage resources for piloting the quality improvement rating system. Private funds filled service gaps resulting from the recent budget crisis, and the private sector may now want to turn to more strategic investments to spur innovation and results for young children.

#### ***Social Impact Bonds***

Hawaii may want to explore a new financing strategy that encourages private investors to provide seed capital for proven strategies that address key goals for children in cost-effective ways or reduce the need for more costly interventions such as out-of-home placements. Alternately called “social impact bonds,”<sup>64</sup> “pay for success bonds,” or “compacts,” this strategy funnels public dollars to private financing entities or intermediaries that provide direct oversight to programs and also help ensure results are achieved. An advantage of this approach is the savings realized by effective programs are reinvested so funds can go further.

- Officials in Massachusetts are soliciting proposals for strategies that could be funded through social innovation finance.<sup>65</sup> Minnesota is issuing \$20 million in bonds for pay-for-performance programs.<sup>66</sup> Early drafts of the federal fiscal 2012 budget included \$100 million in pay for success bonds across seven program areas in agencies such as the U.S. Departments of Labor and Education.<sup>67</sup>
- The **Family Recovery Program Compact in Baltimore, Maryland**, is working to reduce the time that children below age five spend in foster care. The Baltimore Safe and Sound Campaign, a local nonprofit organization, raised private funding and negotiated with key decision makers. The governor signed an opportunity compact in which the state agreed to use savings from reduced expenditures on foster care to sustain the program. The compact aims to reduce the cost of out-of-home placements and invest these savings in providing supports to parents and children, potentially saving the state \$30,000 per child.<sup>68</sup>

#### ***Financial Management Training***

Foundation funding is time-limited and seeks to seed innovative approaches, but most private funding is not intended to sustain a program over time. State and local leaders are contracting with nonprofit organizations across Hawaii to implement programs for children and families. These organizations need help to plan, in advance, how to sustain programs once grant funding

has ended. Several foundation and government entities have invested in technical assistance and training to grantees to improve the fiscal capacity of program leaders so they are not caught short when funding ends or declines.

The Annie E. Casey Foundation provided technical assistance to Making Connections sites when their 10 years of funding was about to expire. The Finance Project is working with **Providence, San Antonio, Seattle, and Washington, D.C.**, to develop business and sustainability plans and strategic financing plans to help leaders generate new models to sustain programs, find new funding, and change policy and practice so ongoing sustainability planning is institutionalized.<sup>69</sup> The Wallace Foundation also invested in “fiscal fitness for nonprofits” in **Illinois** to build capacity in fiscal management and identify ways to make the state’s reimbursement process less burdensome.<sup>70</sup>

### **Summary of Recommendations**

The five financing strategies provide state leaders with good ideas and promising practices that have worked in other states and communities across the nation. It is up to the Early Learning Council to determine what is right for Hawaii and how best to move forward in building a comprehensive early childhood system. The Governor proposed executive office on early learning, if approved and funded by the legislature, will go a long way toward creating the infrastructure and the authority to implement the broad sweeping changes, including new funding, that will be necessary to realize stakeholders’ goals for young children and their families.

## NEXT STEPS

Hawaii is using current resources effectively in many areas. Yet more state funding is needed to scale up high-quality programs and increase access to comprehensive services on all neighbor islands so investments in young children can be sustained.

An important next step for Hawaii is to clearly define “**what it wants to finance**” and “**how much it costs**,” so the state can target resources effectively. The most fundamental questions for Hawaii are these.

- What does the state want to finance?
- What supports and services does the state want to provide for children from birth to age five and their families?
- How many children and families will be targeted?
- What kind, intensity, and duration of interventions are required?
- What level of management and administrative investment is necessary to reach, serve, and track the target population?

Once the system requirements are determined and the scope of early childhood services are defined, costs can be calculated. Then the gap between what is needed and what is available will be clearer.

This study provides leaders with a better understanding of the ways that current funds are being used across agencies and goal areas related to young children. It also identifies the financing strategies being used in other states and in localities to support diverse services for young children and their families. The findings indicate decision points and actions that policymakers can take to increase the efficiency and effectiveness of current funding and to generate new revenue to ensure the funding is sufficient to meet goals identified for young children. As the ELC moves forward in building a comprehensive early childhood system in Hawaii that is well funded, fully coordinated, and highly accountable they can use the study findings to consider how best to build a long term strategic plan that achieves goals for young children and their families.

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## **Acronyms Used in Appendix Tables**

ADAD—Alcohol and Drug Abuse Division  
BFPC—Breastfeeding Peer Counseling Program  
CBCAP—Community-Based Child Abuse Prevention grant  
CCAP—Child Care Assistance Program  
CCCH—Child Care Connection Hawaii  
CCDF—Child Care and Development Fund  
CDC—Centers for Disease Control and Prevention  
CFDA—Federal Domestic Assistance  
CHIP—Children’s Health Insurance Program  
FCIL—Family-Child Interaction Learning  
IDEA—Individuals with Disabilities Education Act  
NBMSPP—Newborn Metabolic Screening Program  
NCLB—No Child Left Behind  
NHSP—Newborn Hearing Screening Program  
NSLP—National School Lunch Program  
OCISS—Office of Curriculum, Instruction and Student Support  
PRAMS—Pregnancy Risk Assessment Monitoring System  
QRIS—Quality Rating and Improvement System  
SAMSHA—Substance Abuse and Mental Health Services Administration  
SNAP—Supplemental Nutrition Assistance Program  
TANF—Temporary Assistance for Needy Families  
TFP—The Finance Project  
USDOL—U.S. Department of Labor  
WIC—Special Supplemental Nutrition Program for Women, Infants and Children

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## **ABOUT THE FINANCE PROJECT**

***Helping leaders finance and sustain initiatives that lead to better futures for children, families, and communities.***

The Finance Project is an independent nonprofit research, training, consulting, and technical assistance firm for public- and private-sector leaders nationwide. It specializes in helping leaders plan and implement financing and sustainability strategies for initiatives that benefit children, families, and communities. Through a broad array of tools, products, and services, The Finance Project helps leaders make smart investment decisions, develop sound financing strategies, and build solid partnerships. To learn more, visit <http://www.financeproject.org>.

**APPENDICES A, C, and D**

**Note: Appendix B is a separate document**

**Appendix A: Publicly Funded Programs Supporting Children, Prenatal to Age 5, and Their Families  
in Hawaii, by State Agency**

**Total State and Federal Funding = \$409.3 million<sup>§</sup>**

<p><b>Department of Education</b> 8 programs Total Funding = \$52.5million</p>	<p><b>Department of Human Services</b> 19 programs Total Funding = \$299.2 million</p>	<p><b>University of Hawaii</b> 8 programs Total Funding = \$3 million</p>	<p><b>Department of Health</b> 12 programs Total Funding = \$54.6 million</p>
<ul style="list-style-type: none"> <li>• Child and Adult Care Food Program (Office of Hawaii Child Nutrition Programs)</li> <li>• Even Start Family Literacy Program (NCLB Title 1)</li> <li>• Families for R.E.A.L.</li> <li>• Linapuni Early Childhood Center</li> <li>• McKinney Vento Services for Homeless Children</li> <li>• Migrant Even Start</li> <li>• National School Lunch Program, School Breakfast Program, School Breakfast Program (Office of Hawaii Child Nutrition Programs)</li> <li>• Preschool Special Education (IDEA)</li> </ul>	<ul style="list-style-type: none"> <li>• Child Care Advocacy and Statewide Facilitation</li> <li>• Child Care Connections Hawaii – Subsidies (HMS 305)</li> <li>• Child Care Connections Hawaii – Quality Initiatives (HMS 302)</li> <li>• Child Care Provider Registry</li> <li>• Child Welfare Branch</li> <li>• First-to-Work Onsite Child Care</li> <li>• Healthy Child Care Hawaii</li> <li>• Health Care Payments (Medicaid)</li> <li>• Infant and Toddler Care for Teen Parents</li> <li>• Infant and Toddler Training for Child Care Providers</li> <li>• Learning to Grow Project</li> <li>• Malama Mobile Outreach Project – Tutu and Me Traveling Preschool and National Center for Family Literacy Training Programs</li> <li>• Nutrition Evaluation and Consultation</li> <li>• Preschool Open Doors</li> <li>• Quality Care Project</li> <li>• Resource and Referral Services</li> <li>• SNAP</li> <li>• TANF – Cash Assistance</li> <li>• Trainings and Scholarships for Child Care Providers</li> </ul>	<ul style="list-style-type: none"> <li>• Hawaii Preschool Positive Engagement Project and First Steps</li> <li>• Hawaii P-20 Partnerships for Education</li> <li>• Honolulu Community College Child Care Center</li> <li>• Honolulu Community College</li> <li>• Hui Ao Mua – The Cooperative for Early Learning</li> <li>• Supporting Parents in Responsive Interaction in Teaching (SPIRIT)</li> <li>• University of Hawaii-Maui College</li> <li>• University of Hawaii West Oahu Division of Education</li> </ul>	<ul style="list-style-type: none"> <li>• Alcohol and Drug Abuse Division</li> <li>• Community Based Child Abuse Prevention (CBCAP) (HCF)</li> <li>• Early Childhood Comprehensive Systems Grant</li> <li>• Early Intervention (EIS) IDEA Part C</li> <li>• Hawaii Pregnancy Risk Assessment Monitoring System (PRAMS)</li> <li>• Healthy Start</li> <li>• Newborn Hearing Screening Program</li> <li>• Newborn Metabolic Screening Program</li> <li>• Public Health Nursing Branch</li> <li>• Strengthening Communities and Families</li> <li>• Supporting Evidence Based Home Visiting Programs to Prevent Child Maltreatment</li> <li>• WIC</li> </ul>

<sup>§</sup> Appendix A shows programs administered by state agencies. It does not include Head Start and FCIL, which receive funds directly from the federal government and are not administered through a state agency. Therefore, the total funding amount (\$409.3 million) for publicly funded programs administered by state agencies is lower than the total public funding (\$440 million) for all programs.

**Appendix C: Public Funding for Key Services Provided for Children, Prenatal to age 5, and Their Families in Hawaii**

**Total = \$440 million**

	<b>Early Care and Education (\$119.7 million)</b>	<b>Health (\$264.4 million)</b>	<b>Parent Education and Family Support (\$53.2 million)</b>	<b>System Requirements (\$0.36 million)</b>	<b>Workforce Development (\$2 million)</b>
<b>Programs</b>	<u><b>Early Childhood Education</b></u> <ul style="list-style-type: none"> <li>• Families for R.E.A.L</li> <li>• McKinney Vento Services for Homeless Children</li> <li>• First-to-Work Onsite Childcare</li> <li>• Child Care Connections Hawaii – Subsidies</li> <li>• Preschool Special Education</li> <li>• Preschool Opens Doors</li> <li>• Supporting Parents in Responsive Interactions in Teaching (SPIRIT)</li> <li>• Linapuni Early Childhood Center</li> <li>• Infant and Toddler Care for Teen Parents</li> <li>• Child and Family Service Kauai Head Start</li> <li>• MEO Head Start</li> <li>• Parent and Child Together (PACT) Head Start/Early Head Start</li> <li>• Honolulu Community Action Program Head Start (HCAP)</li> <li>• Hawaii Preschool Positive Engagement Project and First Steps</li> </ul>	<u><b>Nutrition</b></u> <ul style="list-style-type: none"> <li>• National School Lunch Program, School Breakfast</li> <li>• Child and Adult Care Food Program</li> <li>• Nutrition Evaluation and Consultation</li> <li>• SNAP</li> <li>• WIC</li> </ul>	<u><b>Cash Assistance and Subsidies</b></u> <ul style="list-style-type: none"> <li>• TANF</li> <li>• Section 8 Housing Vouchers</li> </ul>	<u><b>Administration</b></u> <ul style="list-style-type: none"> <li>• Child Care Advocacy and Statewide Facilitation</li> </ul>	<u><b>Credit Bearing Degree Program</b></u> <ul style="list-style-type: none"> <li>• Honolulu Community College Children’s Center</li> <li>• Honolulu Community College</li> <li>• University of Hawaii Maui College</li> <li>• University of Hawaii West Oahu Division of Education</li> </ul>
<b>Total Funding</b>	\$114.0 million	\$94.1 million	\$37.3 million	\$0.21 million	\$1.2 million

	Early Care and Education (\$119.7 million)	Health (\$264.4 million)	Parent Education and Family Support (\$53.2 million)	System Requirements (\$0.36 million)	Workforce Development (\$2 million)
<b>Percent of Funding within Goal Area</b>	95%	36%	70%	58%	58%
<b>Programs</b>	<u>Licensing and Oversight</u> <ul style="list-style-type: none"> <li>Child Care Connection Hawaii – Quality Initiatives (HMS 302)</li> </ul>	<u>Physical Health</u> <ul style="list-style-type: none"> <li>Public Health Nursing Branch</li> <li>Health Care Payments (Medicaid)</li> <li>Alcohol and Drug Abuse Division</li> </ul>	<u>Family Strengthening and Prevention</u> <ul style="list-style-type: none"> <li>Evidence Based Home Visiting Programs to Prevent Child Maltreatment</li> <li>Healthy Start</li> <li>Strengthening Communities and Families (formerly called Parenting Support)</li> <li>Community Based Child Abuse Prevention (CBCAP)</li> <li>Child Welfare Branch</li> </ul>	<u>Interagency Coordination</u> <ul style="list-style-type: none"> <li>Early Childhood Comprehensive Systems Grant</li> <li>Hawaii P-20 Partnerships for Education</li> </ul>	<u>Provider Training</u> <ul style="list-style-type: none"> <li>Healthy Child Care Hawaii</li> <li>Training and Scholarships for Child Care Providers</li> <li>Infant and Toddler Training for Child Care Providers</li> <li>Child Care Provider Registry</li> </ul>
<b>Total Funding</b>	\$5.3 million	\$152 million	\$7 million	\$0.15 million	\$0.86 million
<b>Percent of Funding within Goal Area</b>	4%	57%	13%	42%	42%
<b>Programs</b>	<u>Quality Improvement</u> <ul style="list-style-type: none"> <li>Quality Care Project</li> </ul>	<u>Screening and Prevention</u> <ul style="list-style-type: none"> <li>Early Intervention (IDEA Part C)</li> <li>Newborn Hearing Screening Program</li> </ul>	<u>Parent/Family Education and Leadership</u> <ul style="list-style-type: none"> <li>Even Start (NCLB Title 1 Part B)</li> <li>Learning to Grow</li> </ul>		

	Early Care and Education (\$119.7 million)	Health (\$264.4 million)	Parent Education and Family Support (\$53.2 million)	System Requirements (\$0.36 million)	Workforce Development (\$2 million)
		<ul style="list-style-type: none"> <li>• Newborn Metabolic Screening Program</li> <li>• Hawaii Pregnancy Risk Assessment Monitoring System (PRAMS)</li> </ul>	<ul style="list-style-type: none"> <li>• Project Resource and Referral Services</li> <li>• Hui Ao Mua – the Cooperative for Early Learning</li> <li>• Tutu and Me Traveling Preschool</li> <li>• Migrant Even Start</li> <li>• Malama Mobile Outreach Project</li> <li>• Ka Pa'alana (Partners in Development Foundation)</li> <li>• Alu Like</li> <li>• Keiki O Ka Aina Family Learning Centers</li> <li>• Na Pono No Na Ohana</li> <li>• INPEACE – Keiki Steps</li> <li>• Young Parents Demonstration Project</li> <li>• Maui Family Support Services Early Head Start</li> <li>• Family Services Hawaii Early Head Start</li> </ul>		
<b>Total Funding:</b>	\$0.4 million	\$18.3 million	\$9 million		
<b>Percent of Funding</b>	<1%	7%	17%		

	Early Care and Education (\$119.7 million)	Health (\$264.4 million)	Parent Education and Family Support (\$53.2 million)	System Requirements (\$0.36 million)	Workforce Development (\$2 million)
within Goal Area:					
<b>Total Funding By Goal Area</b>	<b>\$119.7 million</b>	<b>\$264.5 million</b>	<b>\$53.2 million</b>	<b>\$0.36 million</b>	<b>\$2 million</b>



## Appendix D: Summary of Parent Fee Methodology and Results

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Balancing what it costs to provide high-quality child care and what families can afford to pay is the most fundamental challenge to improving access to high-quality programs, especially for low-income families. Families pay about 60 percent of the cost of all child care and afterschool programs in the U.S. Government subsidies cover the remaining 40 percent through vouchers and program funding.<sup>i</sup> Yet many families still say they pay more than they can afford.<sup>ii</sup>

As part of the fiscal mapping study examining the public and private funds supporting early care and education in Hawaii, The Finance Project (TFP) conducted an exploratory study to further understand how much of the cost of child care is borne by parents, through calculating the estimated dollar amounts that parents pay out of pocket for licensed center-based and home-based child care. The results of this study help provide a clearer picture of the public and private funds supporting early care and education in Hawaii and shed light on the challenges parents face in paying for high quality care.

**Approach and Methodology:** The study addresses the following research questions:

1. What is the *total amount that parents pay out of pocket* for licensed child care?
  - a. How much are *low income parents that receive a DHS child care subsidy* (Child Care Connections, Preschool Open Doors, First to Work) contributing out of pocket to the cost of care?
  - b. How much are *parents that do not receive a DHS child care subsidy* contributing out of pocket to the cost of care?

To answer question 1a, child level data for FY 11 was collected from the Department of Human Services (DHS). This data showed monthly parent fees paid to child care providers, after accounting for DHS subsidies. Data was made available for all children between the ages of 0 and 5 receiving a subsidy, and showed in what setting, and on what island children received care. Parent fee information was totaled by island and by care setting.

To answer question 1b, the following methodology was used:

1. Data was collected from PATCH<sup>5</sup> showing the FY 11 total enrollment of all children in licensed settings, statewide. PATCH also supplied data showing the average rate charged by providers in licensed settings, as reported by providers on a quarterly survey conducted by PATCH.
2. PATCH enrollment data included children from ages birth to 12. In order to focus solely on children between the ages of birth to 5, TFP assumed that 70% of children enrolled in Family Child Care Homes (FCC) and Group Child Care Homes (GCH) were between the ages of birth to 5. 70% was chosen because this is the percentage of children receiving child care subsidies who are birth to 5, according to DHS. TFP also assumed that all of the children enrolled in Infant/Toddler Centers (I/T) were between birth and 2, and all of the children enrolled in Group Child Care Centers (GCC) were between 3 and 5, as recommended by PATCH personnel.
3. From the PATCH data, the enrollment by setting and by island was multiplied by the average rate for children who would attend that setting on that island.

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<sup>5</sup> PATCH hosts the child care registry and conducts the market-rate survey.

- a. For example, if 100 children were enrolled in I/T centers in Maui, 100 was multiplied by the average rates for I/T centers on Maui for children birth-36 weeks, 36-52 weeks, and 1-2 years, representing all the ages of children who would attend I/T centers. This calculation results in the total amount parents paid for I/T center care on Maui. For I/T centers, rates for 0-36 weeks, 36-52 weeks, and 1-2 years were averaged.
  - b. For GCC, rates for 2-3 years, 3-4 years, and 4-5 years were averaged. For FCC and GCH, rates for all ages between 0 and 5 were averaged. The result represents the amount in parent fees collected for all children in licensed settings.
4. From this amount, the amount in parent fees collected by the subsidized population was subtracted, by island and by care setting. The result represents the total amount in parent fees contributed by parents that do not receive subsidies.
  5. Data was collected from foundations and other private funders on the amount these entities give directly to providers or families to offset tuition costs. This total amount was subtracted from the amount of parent fees calculated for the entire population.
  6. The final result represents the total amount of parent fees collected statewide after accounting for all funding offsets.

### **Limitations of Analysis**

There are limitations to the analysis due to the availability of data collected and the scope of the study.

- *Ages in each setting were estimated.* As described above, in order to estimate parent fees for the total population, enrollment of children by age and by setting was multiplied by the appropriate rate, which was specific to age and setting. Because enrollment data was not available by age, the ages of children in each setting were estimated, according to the methods described above.
- *Enrollment for the subsidized population may be overstated.* Children were counted in each setting in which they were enrolled, so a child that switched care settings during the year was counted in each setting in which he or she was enrolled.
- *Parent fees for certain groups were not calculated.* The study did not include children in unlicensed settings. For the subsidized population, this is a significant number of children. It is estimated that approximately 10,000 children between the ages of birth to 5 were enrolled in unlicensed care settings, generating approximately \$13.9 million in parent fees. These figures were not included because it was outside the scope of the study to estimate comparable figures for the non-subsidized population of children and families. Other subgroups of children and associated parent fees that were not included in this study were children attending Kamehameha Schools, military families, and children attending any care setting not licensed by the State of Hawaii.
- *Not all tuition offsets were included.* Though the study did take into account tuition subsidies funded by private foundations, it did not account for other sources of revenue that parents might use to help offset the cost of early care and education, such as refunds related to the Dependent Care Tax Credit.

## Results

**Table 1** illustrates the total amount that both low income parents receiving a subsidy (question 1a), and parents not receiving a subsidy (question 1b) contributed to the cost of care in FY 11 through parent fees:

**TABLE 1: TOTAL AMOUNT OF PARENT FEES**

	<b>Child Enrollment</b>	<b>Parent Fees</b>
Parents receiving a DHS subsidy	5,970	\$9,751,506
Parents not receiving a DHS subsidy	14,494	\$155,168,338
<b>Total</b>	<b>20,464</b>	<b>\$164,919,844</b>

Private foundations contributed a total of **\$13,711,000** to programs and families to help offset the cost of child care. Both subsidized and non-subsidized families were the beneficiaries of these funds. **Table 2** illustrate the amount of private contribution to tuition assistance was subtracted from the total amount of parent fees collected.

**TABLE 2: PARENT FEES MINUS PRIVATE CONTRIBUTIONS**

Total amount of parent fees collected (DHS-subsidized and non DHS-subsidized families)	\$164,919,844
Private foundation contributions towards tuition assistance	\$13,711,000
<b>Total amount of parent fees collected, after tuition offsets</b>	<b>\$151,208,844</b>

### Implications:

Parent contributions towards the cost of care constitute a significant amount of the total funds invested in young children in Hawaii. Parent fees exceed the total amount of public funding Hawaii invests in early childhood education by \$20 million, and constitute 23% of all funding statewide dedicated to children, birth to age 5. Parents accessing group child care centers in Oahu, contributed nearly \$106 million towards the cost of care for the 12,723 children enrolled.

Examination of the data shows the extent to which subsidies through DHS help reduce out of pocket expenses for low income families. For families accessing group child care centers in Oahu, the average annual parent fee for a family receiving a subsidy is \$1,830. By contrast, the average annual parent fee for a family not receiving a subsidy is \$10,055.

Parent contributions towards the cost of care are a burden for low income as well as middle class families throughout the state, particularly when one considers child care costs as compared to other household expenses. According to a 2011 report by the National Association of Child Care Resource and Referral Agencies, the annual cost of a center-based infant slot in Hawaii nearly equals one year of median annualized rent

payments<sup>iii</sup>. Subsidies have significantly offset the costs of child care for low income families, but recent changes in the state's co-payment structure have put child care in licensed settings out of reach for many low income families. Private foundations have directed investments towards filling this hole in the short term, but interviews with private donors indicate a desire to direct resources more towards system-building efforts.

Going forward, improving access to affordable high quality care, particularly for low income families, will be an important challenge in addressing Hawaii's goals for young children and their families.

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<sup>i</sup> Anne M. Mitchell, Louise Stoney, and Harriet Dichter, *Financing Child Care in the United States: An Expanded Catalog of Current Strategies*, (Kansas City, MO: The Ewing Marion Kauffman Foundation, 2001) <http://sites.kauffman.org/pdf/childcare2001.pdf>.

<sup>ii</sup> National Association of Child Care Resource and Referral Agencies, *Parents and the High Cost of Child Care: 2011 Update*, (Arlington, VA: NACCRRA, 2010), <http://www.naccrra.org/publications/naccrra-publications/parents-and-high-cost-of-child-care-2011.php>

<sup>iii</sup> *ibid*