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Financing Early Learning and Care in Whatcom County

*Understanding the Current Child Care
Financing Landscape and Charting a
Path Forward*

Special acknowledgment for the following individuals and organizations for their support and contributions to this report:

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Rep. Sharon Shewmake and Rep. Tana Senn, State Representatives

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Carol Frazey, Whatcom County Council

Debbie Ahl, Executive Director, Mt. Baker Foundation

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This report is intended to provide the following information:

- **An overview of where funding for Birth to age 5 (0-5) licensed child care comes from** and where it goes in Whatcom County based on the findings of a recently completed child care-focused fiscal map, or children’s budget analysis.
- Insight on the factors that can inform the **investments needed to close the gap** between current system capacity and known demand for licensed child care.
- **Suggested action steps** for local policymakers, child advocates, business leaders, and others to continue to make progress.

Special note on terminology

This report uses both “Early Learning and Care” and “child care” throughout the document, although they are not interchangeable terms. Early Learning indicates environments in which developmentally appropriate practices support learning and growth in children. These environments are focused on developing skills, a sense of self, and a foundation for learning throughout life.¹ While parents are children’s first and most important teachers, these meaningful early learning opportunities often take place in child care and/or preschool environments. The use of “child care” in this report reflects a duration of care that covers most work days. It does not always encompass what is meant by Early Learning. “Early Learning and Care” includes Early Learning in the context of care that covers most work days.

Defining “quality” child care

It should be noted that the vision for child care in Whatcom County, **“that all children have easy access to affordable, high-quality child care and early learning options that cover most work days,”** is based on standards of quality that incorporate developmentally appropriate early learning practices for the ages of children served, that are embedded in programs that cover most work days. In addition to supporting parents as the primary teachers of their children, quality child care, regardless of setting, is our best bet for achieving comprehensive childhood outcomes, including school readiness.

Report funding and data

This report was commissioned by Chuckanut Health Foundation, with financial support from the Mt. Baker Foundation, United Way of Whatcom County, and the Whatcom Community Foundation. Essential information was provided by the Opportunity Council, the Center for the Retention & Expansion of Child Care, NW (C-RECC), Child Care Aware NW Washington and the Washington State Department of Children, Youth and Families.

This report includes a comprehensive set of slides outlining the financial landscape of licensed child care for children Birth-5, with a companion narrative outlining the background, description of the fiscal map, and conclusions with recommended next steps. The data collection tool, with associated funding stream information, is housed at the Chuckanut Health Foundation and can be made available by request. For more information, contact HeatherFlaherty@ChuckanutHealthFoundation.org.

¹ <http://elcosceola.org/for-families/what-is-early-learning/>

Background and Community Context

Whatcom County is a child care desert

Whatcom County has long been designated as a child care desert, defined as a census tract with more than 50 children that contains either no childcare providers or so few options that there are more than three times as many children as licensed childcare slots². According to the WA State Child Care Collaborative Taskforce, 55% of families in Whatcom County lack child care.³ The childcare shortage has been exacerbated through the upending of demand and increased cost of care due to the pandemic.

COVID-19 impacts on primary caregivers and workforce participation

One of the many things made starkly clear by the COVID-19 crisis is that child care is an essential service that supports our families, our economy, and the well-being of our children. Over the course of the pandemic, primary caregivers (and mothers in particular⁴) were forced to leave the workforce in record numbers. This illustrates the difficult reality many women face and the burdensome impact on families as they are expected to balance being caretakers for children and aging parents with the need to contribute financially to the household budget.

Funding child care is an investment in our economy

Child care is essential to a thriving workforce and economy. According to an analysis conducted by the US Chamber in 2019, the annual cost to employers across the state of Washington was \$2.03 billion due to employee turnover⁵ related to lack of child care. The annual cost of missed work to employers in that same year was \$53.4million dollars. The lack of child care in Whatcom County is not only a problem for families - solving this problem is an economic imperative for business and employers.

Child care leads to healthier outcomes for children and communities

According to the Washington Inventory of Developing Skills, only about 50% of children in Whatcom County enter the K-12 school system ready to learn. For children of color or children from low-income families, that number is roughly 1 in 4⁶. With 85% of brain development occurring in the first 5 years⁷, it is critical to prioritize upstream interventions that will positively impact the well-being of children and families. Child care is a key strategy for ensuring parents and caregivers have access to the workforce, which leads to financial stability as well as providing a safe and enriching setting for children to grow and develop. Access to childcare and increased job/economic stability both contribute to healthier outcomes in our community.

² <https://www.commerce.wa.gov/wp-content/uploads/2020/08/Child-Care-Collaborative-Task-Force-Industry-Assessment-Report.pdf>

³ <https://wastatecommerce.medium.com/state-task-force-report-details-policies-to-stabilize-and-sustain-child-care-industry-and-increase-899908e86af>

⁴ <https://www.census.gov/library/stories/2021/03/moms-work-and-the-pandemic.html>

⁵ https://www.uschamberfoundation.org/sites/default/files/AWB_MountingCostsReport_September2019.pdf

⁶ <https://www.k12.wa.us/student-success/testing/state-testing-overview/washington-kindergarten-inventory-developing-skills-wakids>

⁷ <https://heckmanequation.org/resource/invest-in-early-childhood-development-reduce-deficits-strengthen-the-economy/>

Opportunities in this moment

As our nation and community work to emerge from this pandemic, we must not leave our children and families behind. We have a collective opportunity and responsibility to ensure adequate investment in early learning and care moving forward. To better understand the investments needed, this report examines the status of funding for licensed childcare in Whatcom County and is a starting place for understanding where and how our community can expand and improve.

It should be noted that state and national attention on the importance of investing in children and families promises to bring new resources through federal relief coming to Washington State and Whatcom County. The newly passed WA state Fair Starts for Kids Act, March 2021's American Rescue Plan, and the impacts of the American Families Plan may all contribute to these efforts. In the coming months, decisionmakers and thought leaders in all corners of the community are urged to consider how they might make the most of this moment by strategically investing new funding, aligning existing resources, and identifying needs and opportunities for what a sustainable local revenue source and system could do to maximize and leverage these state and local funds. To do this effectively, we must start with a strong sense of what licensed child care investments in Whatcom County look like right now.

Funding Child Care in Whatcom County: The Fiscal Map

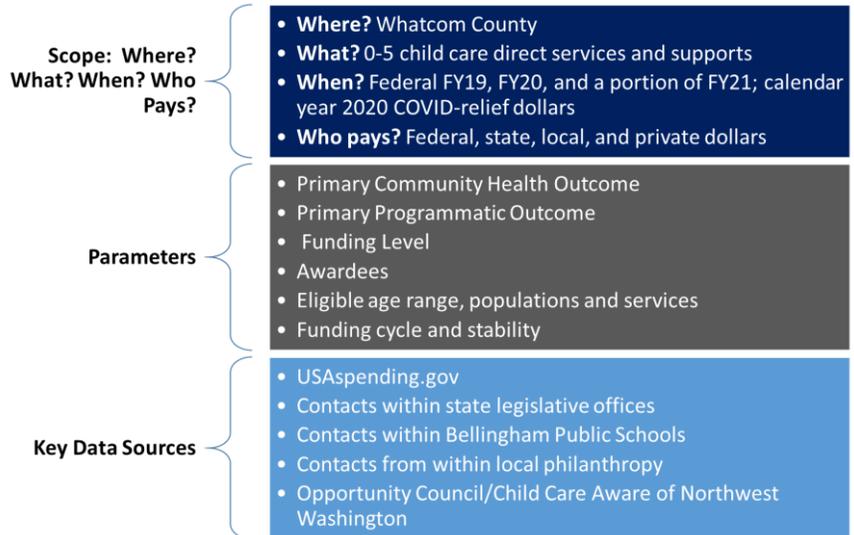
Understanding the current state of funding for early learning and care is a best practice on the path to creating a local, dedicated financing strategy for investments in a system of care for families and children from birth to 5. Chuckanut Health Foundation convened a coalition focused on understanding the current state of the complex funding streams supporting early learning and care in Whatcom County as part of an effort to catalyze movement toward transformational and outcomes-driven funding.

This “fiscal map,” or children’s budget analysis, created in partnership with the Children’s Funding Project, is one step to inform and articulate the need for spending on child care within county boundaries. Unlike some similar budget analyses that assess the broader set of early childhood supports and services, this fiscal map focuses narrowly on funding for licensed 0-5 child care slots, specific investments in childcare facilities, and certain special education supports for 0-5-year-olds.

In setting the parameters for what is included and excluded from this fiscal analysis, the planning team committed to an extremely specific set of programs (licensed child care for ages 0 to 5) with the understanding that this would provide a model and demonstrate a process that could be replicated and used to broaden the scope of future analyses. Further analysis could include services such as licensed-exempt care, school age care and/or other early learning programs.

Work on this project began just before the COVID-19 pandemic, which undoubtedly impacted the system being studied now and for an undeterminable period of the future. This report has included COVID-relief funding that is relevant to the county’s child care system. The fiscal map is intended to be used in conjunction with the Child Care Demand Study released in May 2021 and to inform the work of community groups and aligned efforts, including the Whatcom County Taskforce for Children and Family Well-Being and the Whatcom County Childcare Coalition.

To conduct this analysis, the following parameters for measurement were established:



Challenges and Limitations

Every fiscal map or similar budget analysis requires a certain amount of “art” and science to work through and contextualize budget data. This project was subject to several challenges related to data that led to decisions about assumptions in some cases, including:

- Challenges acquiring data on childcare subsidy payments for Working Connections Child Care by age group at the county level.
- Multi-year granting periods (like those seen with Head Start, ECEAP⁸ and Early Head Start) plus interim adjustments to base and special funds like those associated with COVID-19 required estimating the portion of the total grant allocated between FY19 and FY20.
- Difficulty acquiring data from DCYF⁹ on the portion of CARES Act¹⁰ CCDBG¹¹ dollars allocated to providers in Whatcom County led informed estimates (detailed in the main table of the fiscal map data collection tool).
- Lack of precise data to capture private/parent pay required creating an informed estimate.
- Lack of coordinated or consolidated data regarding the contribution of philanthropy partners, leading to a sample of funding partners including Mt. Baker Foundation, United Way, Chuckanut Health Foundation and Whatcom Community Foundation.
- The “unofficial” contribution of childcare providers and workforce, who often subsidize the high cost of providing care for young children through profit losses and low wages, was not estimated for the purposes of this report, but should be noted as a sizeable investment.

⁸ Early Childhood Education and Assistance Program

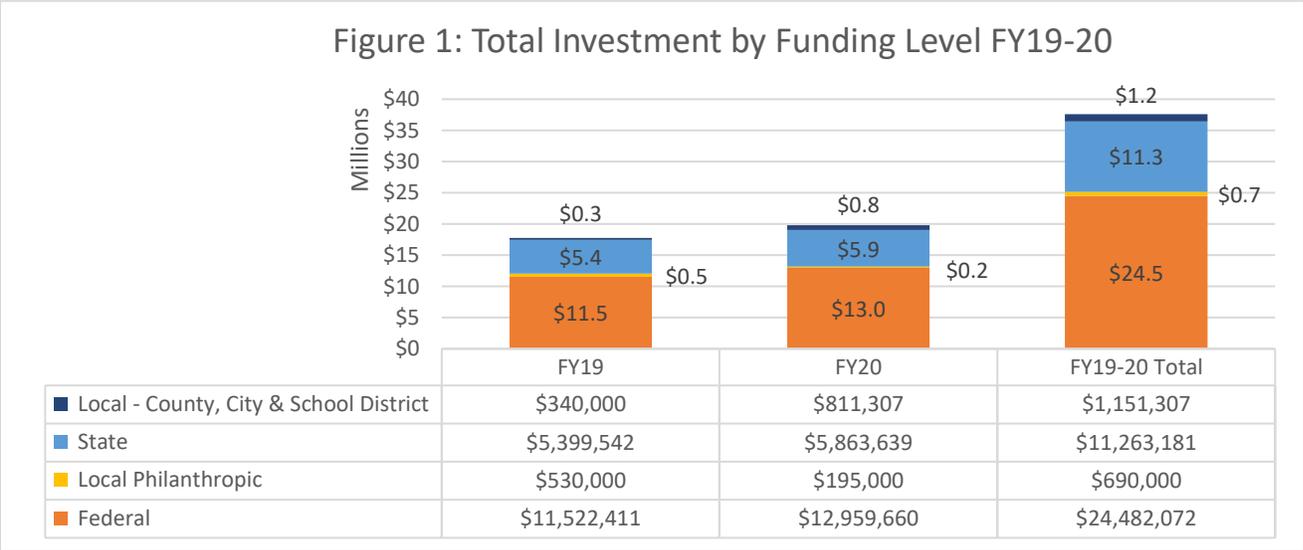
⁹ Department of Children, Youth, and Families

¹⁰ Coronavirus Aid, Relief, and Economic Security Act

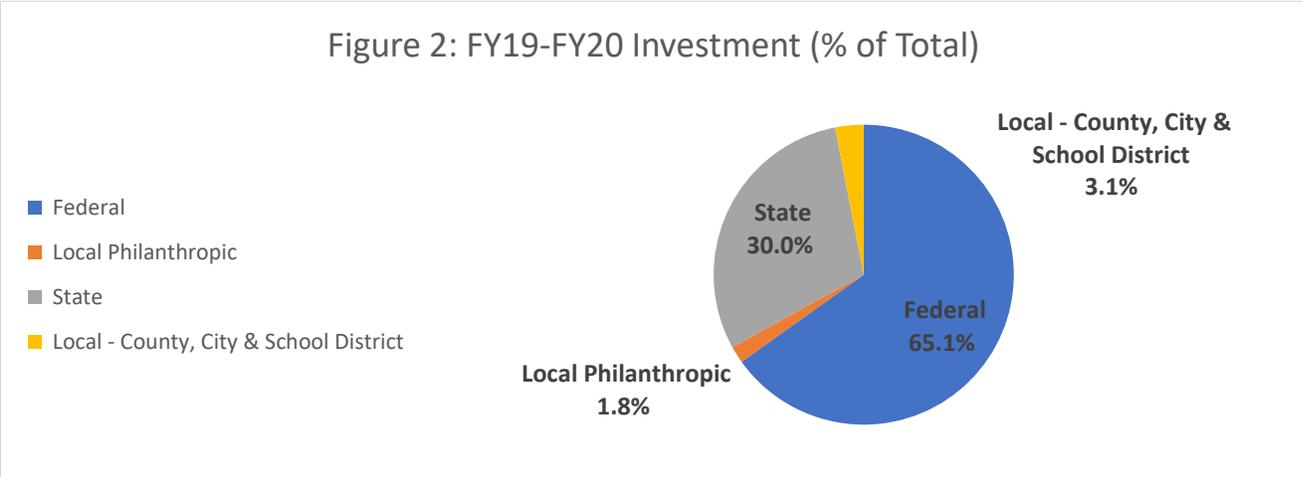
¹¹ Child Care & Development Block Grant

Key Findings of the Fiscal Map

Based on available data from federal fiscal years 2019 and 2020, **Whatcom County saw combined public and private investment in childcare services and supports of \$17.8 million in 2019 and \$19.5 million in 2020 from public, private, and philanthropic sources.** This figure does not include the parent/caregiver portion of costs which will be discussed below.



65% of funding during this period came from federal sources, 30% from state, 3% from local public sources and 2% from local philanthropic sources, respectively¹². It should be noted that while various funds are administered by Washington state, Whatcom County, or its municipalities, many of the streams originate at the federal level (accounting in part for the preponderance of federal funding reflected below).¹³



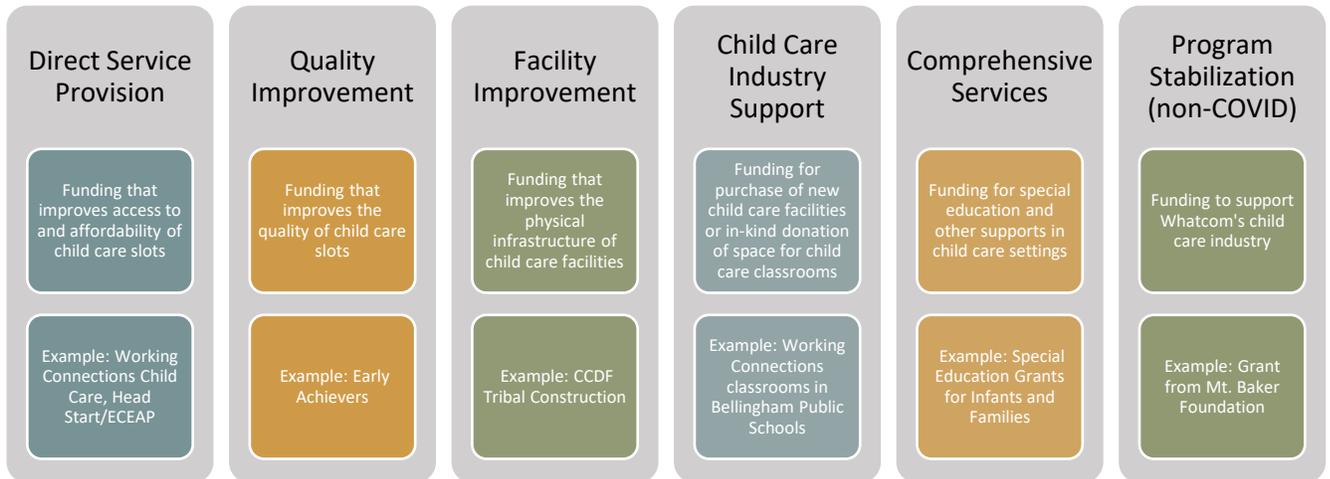
¹² Local philanthropy dollars either pledged or disbursed during the analyzed time period.

¹³ The Philanthropy allocation is an estimate that isn't entirely isolated to child care 0-5, therefore it is likely an even smaller portion.

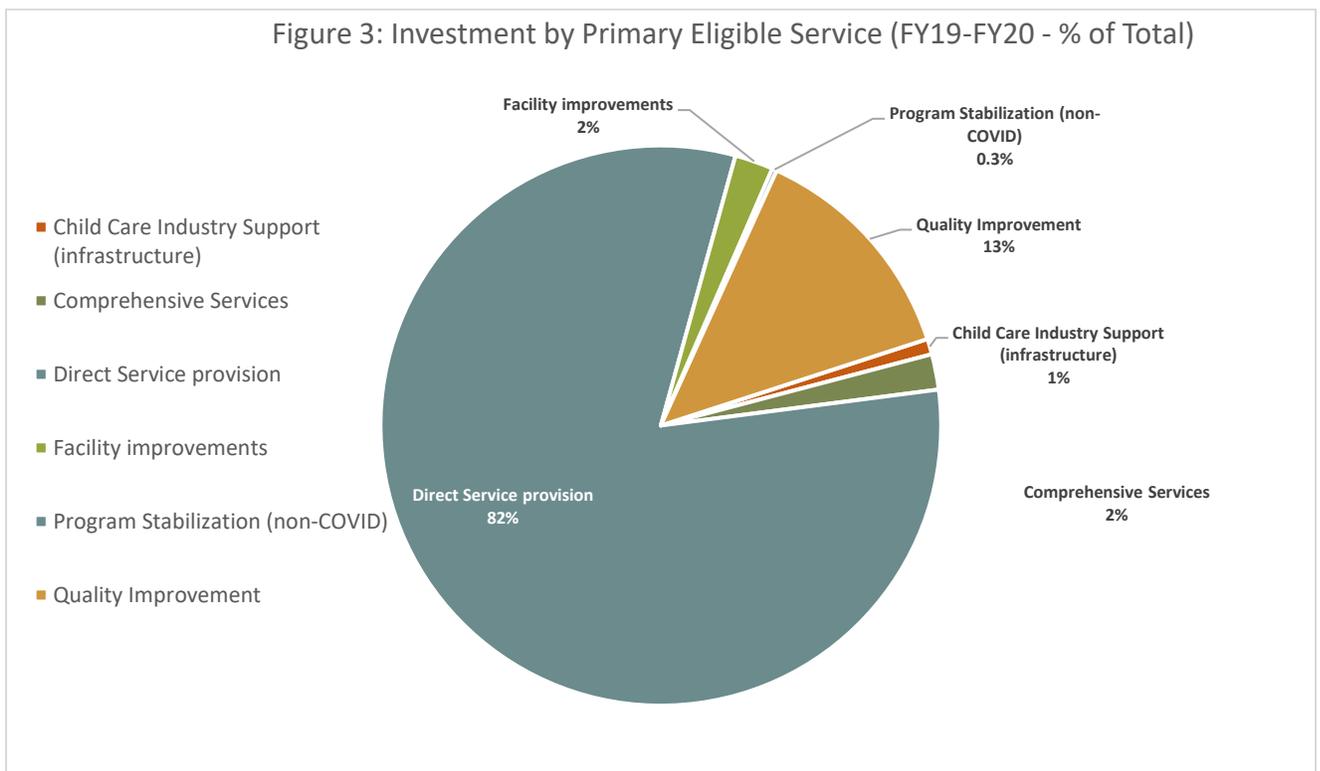
What did the money buy?

Eligible services

Though all the dollars tracked as part of this project went in some way to child care services and supports, it is important to have a broader understanding of the data to further subcategorize funding streams based on their purpose. It should be noted that there is significant crossover between subcategories for certain funding streams as some serve multiple purposes. **Funding was categorized using the following primary “eligible services” and definitions:**

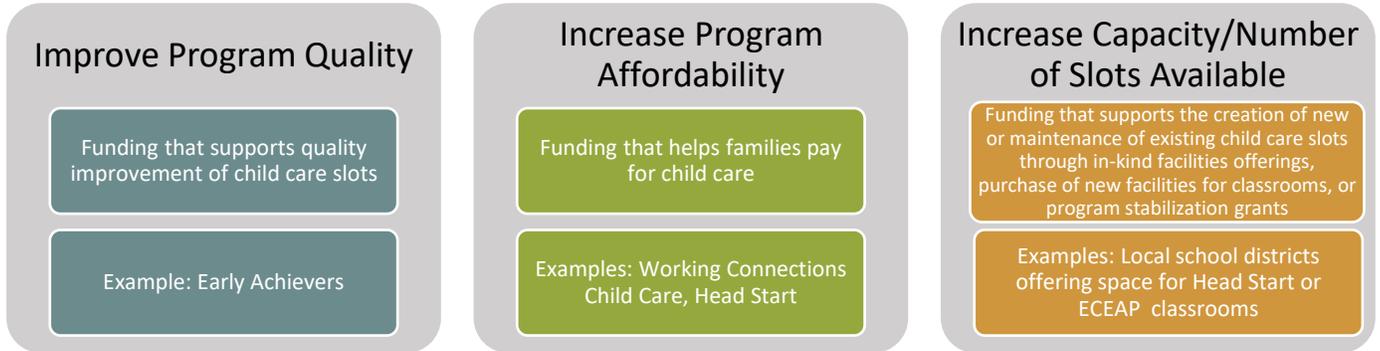


Most dollars (82%) primarily funded childcare slots through subsidies/direct service provision.



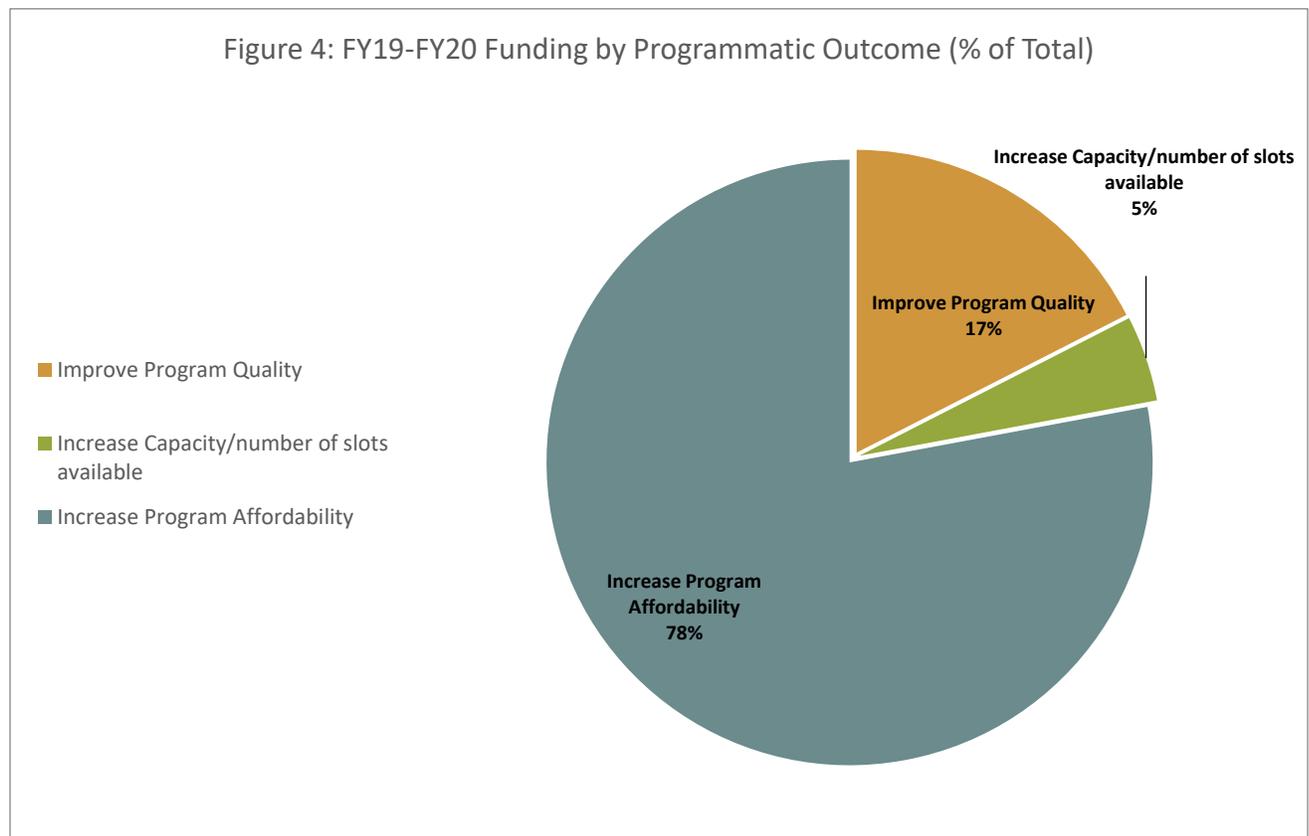
Programmatic outcome

Another dimension of the question, “what did the dollars buy?” is the intended **programmatic purpose** of the funding. Funding streams (described in Appendix B) were categorized into three primary intended programmatic outcomes, including:



As reflected below, most of the funding for 0-5 child care direct services and supports in FY19 and FY20 went to increasing program affordability through subsidy-based programs (including Working Connections, Head Start and ECEAP). That is not to say that those funding streams do not also contribute to increases in program quality but doing so is not their primary purpose (As opposed to Early Achievers funding, as an example, that is designated for quality improvement.)

Figure 4: FY19-FY20 Funding by Programmatic Outcome (% of Total)

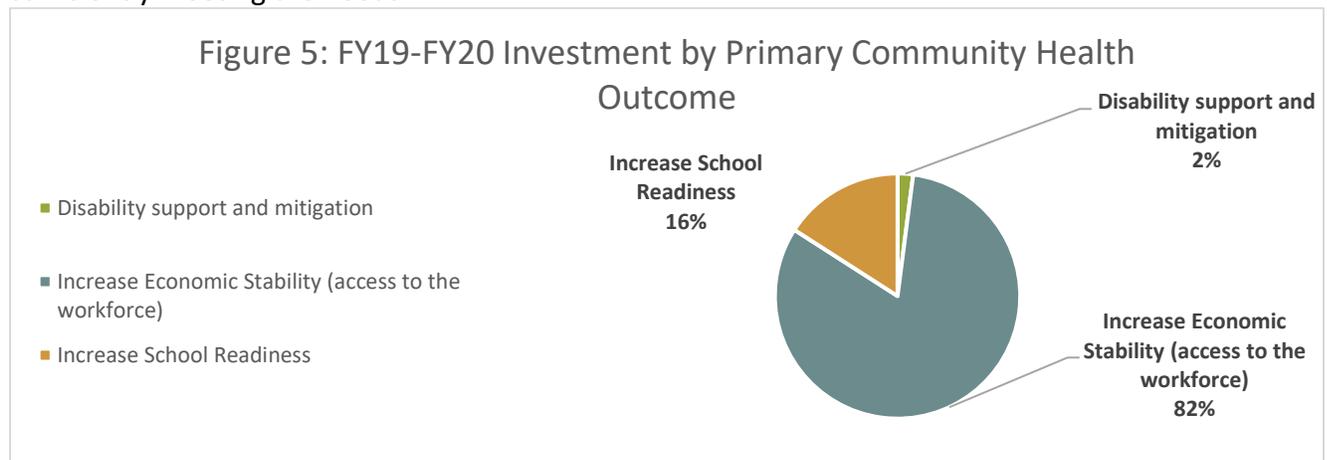


Community Health Outcomes

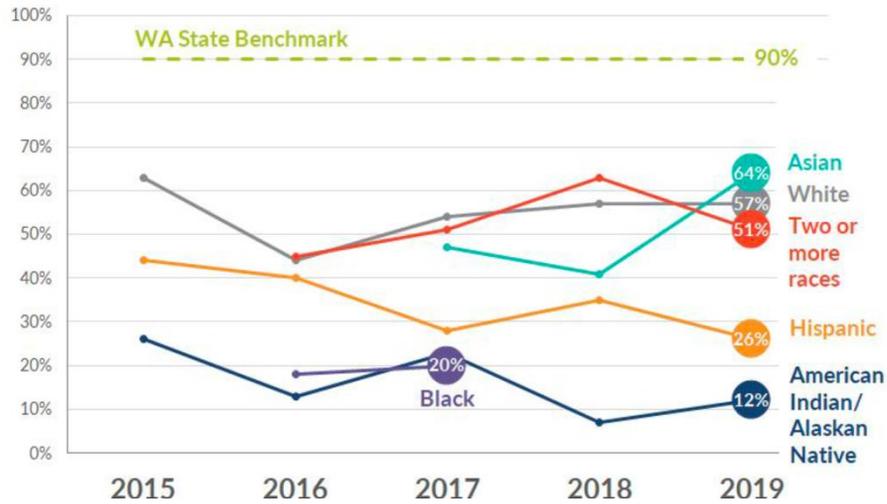
Mapping investments to their community health outcomes is at times aspirational, but essential to understanding the population level impacts of funding. As a community, and as taxpayers, knowing what difference is made by investments not only in outputs and programmatically, but in seeing population-level data move in the right direction, helps to further target investments and reduce inefficiencies in the system. Community health outcomes can and should be tied to a community's goals – for example, if Whatcom County and community partners are working to make sure families are stable, children are safe, and that people are healthy, educated, and connected, proxy population measures to look at and track may include things like people accessing pre-natal care, rates of child abuse, and kindergarten-readiness data.

For the purposes of this fiscal map, three primary community health outcomes were identified, and those were largely driven by the purposes of the funding streams. These include disability support and mitigation; increasing economic stability via enabling access to the workforce i.e. through accessible child care; and increasing school-readiness. The chart below shows that most funding streams were intended to increase economic stability, by increasing affordability of child care to families, enabling them to continue participating in the workforce and/or to not be as cost-burdened in their household budget by child care expenses.

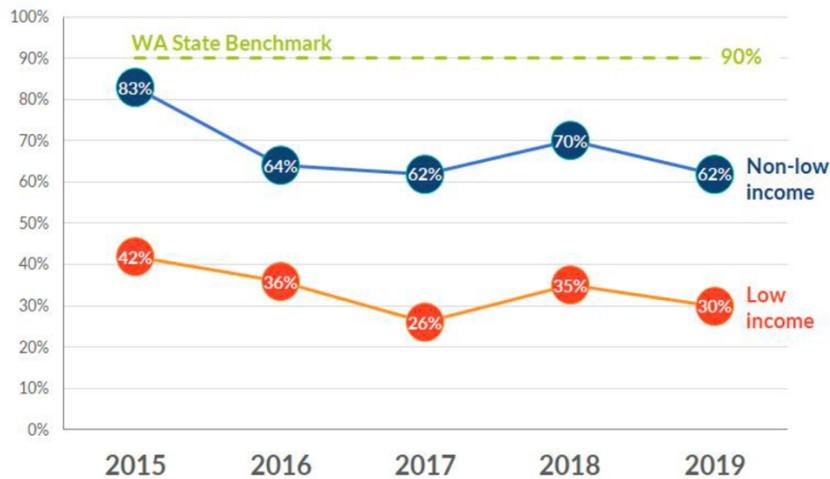
16% of the funds went more explicitly toward increasing school readiness – these were dollars designated for program quality and supporting professional development for child care providers and coaching for quality rating readiness. By proxy, only 50% of children are making it to school “kindergarten-ready” (Whatcom County data charts on next page) – and when this data is broken down by race, income, and school district that number falls to as low as 1 in 10 in some cases. This illustrates the opportunity to leverage investments in child care affordability to also improve school readiness for children. While most program dollars are intended to address both the economic stability of families and school readiness in children, school readiness outcome data and access to the workforce data both show that child care is not sufficiently meeting the needs.



Whatcom County Students: Kindergarten Readiness by Race and Ethnicity



Whatcom County Students: Kindergarten Readiness by Income

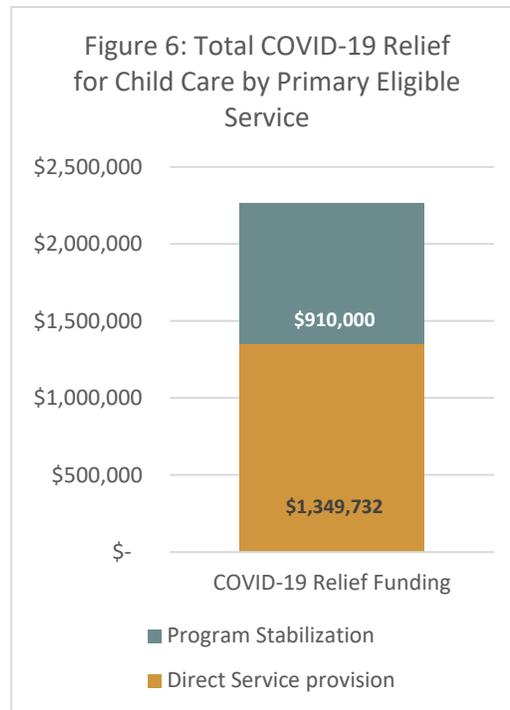


The charts above show that even with significant investments overall toward early learning and care, community health outcomes show that less than 50% of children are showing up ready to learn, and 25% of children of color are Kindergarten Ready.

Tracking interventions and outcomes as a community will help ensure investments are working. The community will be better served to have clearer understanding of 1) who is receiving what intervention, service, or program, and how its working; 2) what investments will have the largest impact on the health and well-being of children and families; and 3) what the overall impacts and outcomes are of the systems.

COVID-19 Recovery and Funding for Kids in Whatcom County

The COVID-19 pandemic posed unique and extraordinary challenges for Whatcom County’s families and the child care industry, including long periods of child care business closures and increased costs related to maintaining safe and healthy environments for professionals and the kids they serve. Because of this, keeping a record of COVID-recovery funding for child care was an important part of this project. **In 2020 approximately \$2.3 million in COVID-recovery dollars for child care landed in Whatcom.** These funds came from the sources outlined in the table below:

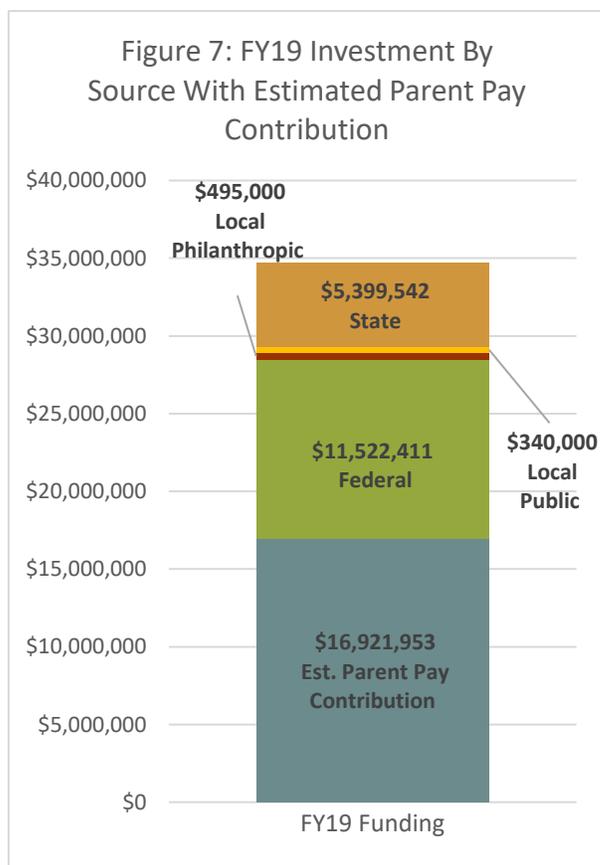


Funding Stream	COVID-Relief Funding	
CARES Act CCDBG - Grants to Providers direct from DCYF (Estimated)	\$	710,000
CARES Act - Whatcom County plus small cities	\$	479,265
Head Start & Early Head Start COVID relief (Estimated)	\$	237,278
CARES Act CCDBG- Lummi Indian Business Council	\$	203,550
Mt. Baker Foundation Child Care Support - COVID relief	\$	200,000
City of Bellingham - CARES Act Coronavirus Relief Fund \$ for COVID relief to child care	\$	191,051
AIAN Head Start & Early Head Start - Lummi Indian Business Council	\$	166,094
CARES Act CCDBG - Nooksack Indian Tribe	\$	72,494
Total	\$	2,259,732

Estimated Parent & Caregiver Investment

The portion that parents and caregivers are paying out of pocket, or what is considered “private pay”, is estimated to be an additional \$17 million in 2019. This increases the total investment in 2019 to approximately \$34.8 million dollars.¹⁴ The Center for the Retention & Expansion of Child Care (C-RECC) used childcare program budget data to estimate the portion of funds that programs receive through private pay, i.e., directly from parents or caregivers. This estimate excluded programs that do not accept subsidies at all, as well as programs that accept only subsidized families to estimate the proportionate private investment linked with public expenditures. *While further study could provide a more precise figure, it is estimated that the portion of private payments from parents and caregivers is roughly equal to the portion received from public subsidies.* Private pay from parents and caregivers typically includes the full cost of care for children that are not eligible for subsidies, children for which subsidized slots are not available, and co-pays for children receiving partial subsidies.

Because this is an estimate, Figure 3 is the only figure in which the parent/caregiver portion of private pay is included.



¹⁴ This estimate was developed by looking at the licensed child care providers that accept both private pay and Working Connections subsidies and determining what percentage private pay constituted of the Working Connections revenue. Private pay ranged from 3.8% to 8.1 times the provider’s Working Connections revenue. The median value was 82%.

Filling the Gap Between Current Investment and Need

As of September 2019, there were 49 licensed childcare centers, 35 licensed family home providers, 29 school-age providers, and 1 outdoor preschool licensed by the state to provide care in Whatcom County. These 114 programs translate into 3,733 currently licensed childcare slots in 2021. According to the Child Care Demand Study, this means that to meet the childcare demand that is anticipated in 2025, an additional 5,817 child care slots serving children Birth-5 are needed. If school-age care is included in this estimate, the need for care increases to new 12,068 slots.¹⁵

Determining a precise investment gap related to those additional slots requires specific county-level data which was not readily available for Whatcom County. To generate an approximate gap, the following available statewide data and general data from the following sources was utilized:

- [WWU Center for Economic & Business Research; Whatcom County Child Care Demand Study, May 2021](#)
- [State of Washington Department of Early Learning 2018 Child Care Market Rate Survey Final Report](#),
- [Child Care Supply, Demand, and Cost in Whatcom County](#) report from October 2019,
- The Annie E. Casey Foundation [Kids Count Data Center](#),
- United For ALICE [Research Center](#).

Cost of Care Based on the Demand

The Whatcom County Child Care Demand Study¹⁶ identified the number of slots needed to meet the demand for care for children birth to age 5. This demand estimate considered survey data from a representative sample, census data, and anticipated population growth to articulate the number of children whose parents or caregivers would have a demand for formal, licensed childcare including center-based or licensed family homes.

Child care subsidies through Working Connections Child Care are reimbursed at a rate that is determined by regional market studies (for more information see Appendix C). Working Connections sets the rate based on the dollar amount that would allow a parent/caregiver to access a percentage of slots in their region. For example, by July of 2021, Working Connections will reimburse programs at the 75th percentile, equaling the amount that would cover the cost of care in 75% of program slots in a region. This has historically been much lower than 75% of the market rate. Currently, infant slots are reimbursed at a rate that would provide access to approximately 10% of slots in our region.

Using the projected demand, Children's Funding Project early learning experts estimated the number of children who can't afford the full cost of care but would not have access to a

¹⁵ For detailed analysis, please see link below: Whatcom Child Care Demand Assessment

¹⁶ <https://www.unitedwaywhatcom.org/couch/uploads/file/preliminary-report-whatcom-child-care-demand-assessment.pdf>

subsidized slot in the current system. The first estimate uses the ALICE (asset-limited, income-constrained, and employed) threshold (\$66,480 annual income for a family of 4 in Whatcom County) for determining the children who should be eligible for a subsidized childcare slot, and the second estimate looks at families living at 200% of the Federal Poverty Level (annual income of \$53,000 for a family of 4) – using these two numbers provides a low-end and a high-end for the range of children who would be eligible for subsidized care, thus further informing the needed investments in expanding child care slots, not just from a facilities perspective but from current system investments. Of the 5,817 slots needed for ages 0-5, an estimated 931-2,095 would need to be subsidized.

UNMET DEMAND FOR SUBSIDIZED CHILD CARE SLOTS	
Anticipated Child Care Demand for children 0-5	9,550
Current Whatcom childcare capacity	3,733
Children without childcare slot	5,817
Children in families living below ALICE threshold = 36%*	2,095
Children in families below 200% FPL with all parents working = 16%*	931

*WA state percentages were used because Whatcom County specific percentages not available

Children’s Funding Project then determined a per child cost using a weighted average that considered the average percentage of children in licensed childcare centers and licensed childcare homes. The weighted average was further refined using the percentage of infants, toddlers, and preschoolers in each type of care. This weighted average was applied to both the current subsidy reimbursement rate as well as the 75th percentile of the market rate which, according to the *Fair Start for Kids Act*, will be the reimbursement rate as of July of 2021. This resulted in the following average **annual** weighted subsidy amount:

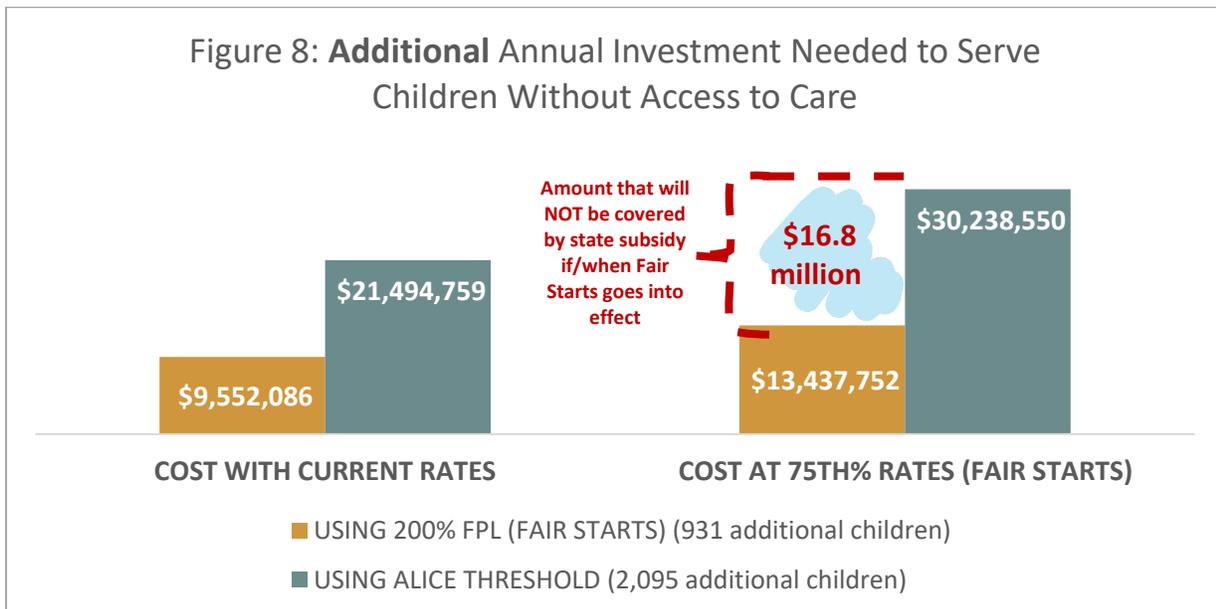
- **Average weighted subsidy using current rates:** \$10,260
- **Average weighted subsidy using 75th percentile of MRS:** \$14,434¹⁷

Using the average weighted subsidy rates along with the estimated number of children without access to subsidized care, the following table provides the **additional annual investment needed** to provide those children with subsidized care. **This points to an annual shortfall in subsidies between \$9.5M and \$21.5M to make child care affordable for all families in Whatcom County.**

ADDITIONAL ANNUAL INVESTMENT NEEDED TO SERVE CHILDREN WITHOUT ACCESS TO CARE		
	Using ALICE threshold	Using 200% FPL
Number of Children	2,095	931
Cost with Current Rates	\$21,494,759	\$9,552,086
Cost with 75th% Rates	\$30,238,550	\$13,437,752
<i>Cost with 85th% Rates (2023)</i>	<i>TBD</i>	<i>TBD</i>

¹⁷ The Fair Start for Kids Act will increase reimbursement rates to the 75th percentile of market access by 7/1/2021 and to the 85th percentile of market rate access by 7/1/2023. Data articulating the dollar amount equal to the 85% percentile of market rate access was not readily available.

Fair Start for Kids Act will use 200% FPL as a threshold to provide subsidies. ALICE families that won't be eligible for subsidies would account for an additional \$16.8M to make child care affordable for them.



Local investments, invisible subsidies, and cost burdens

While the team was able to identify cash investments through local governments, schools and philanthropy, there are three additional stakeholder groups that are subsidizing childcare.

According to The Mounting Cost of Child Care, a report published by the US Chamber of Commerce Foundation outlining the economic impacts of the lack of child care on Washington State's economy, "the challenge is that most parents (the customers) can't afford to pay for the true value of quality child care and providers don't get paid enough to supply the demand. High-quality child care provides a critical value that doesn't show up in the price that child care providers are able to charge." The true cost of care rests on parents and caregivers, providers, and the child care workforce¹⁸.

Put another way, "the cost burden of early care and education is borne primarily by parents and by the early childhood workforce in the form of their low wages."¹⁹ In Whatcom County, the average hourly rate for a child care worker is \$14.47/hour and the average annual salary is between \$19k-\$35k.²⁰

¹⁸ https://www.uschamberfoundation.org/sites/default/files/AWB_MountingCostsReport_September2019.pdf

¹⁹ [What does good child care reform look like? Economic Policy Institute](https://www.economicpolicyinstitute.org/what-does-good-child-care-reform-look-like/)

²⁰ <https://www.indeed.com/career/preschool-teacher/salaries/Bellingham--WA>

Parent burden:

“According to the U.S. Department of Health and Human Services (HHS), child care is considered affordable if it costs families no more than 7 percent of their income. Across nearly every category—whether it be marital status, race, age, education level, or income—families paying for child care spend, on average, a greater share of their income than the HHS benchmark of affordability.”¹³ While this may not always be the case for families making 400% above the Federal Poverty Level (FPL), families of more moderate household incomes (such as ALICE families) are paying considerably more than 7% of their household income. **In fact, an ALICE family of 4 in Whatcom County making more than 200% FPL is typically spending 39% of their household budget on childcare.**²¹ Compounded by high local housing costs, the cumulative burden is destabilizing for families. This report defines the cost of care that parents are paying over and above 7% of their household income as the “parent burden”.

Provider Subsidy:

To make care more affordable for families, child care programs currently subsidize the cost of care through scholarships, sliding scale fees, and profit-losses. These expenses are not able to be recouped to providers therefore this is referred to as the “provider subsidy”.

Additionally, there is a true cost of providing quality childcare. Directors and Assistant Directors; low teacher to child ratios; professional development & coaching; and curriculum and materials are all necessary components of providing a high-quality child care program that can demonstrate positive outcomes for children – and all come with necessary and associated expense. All these combined are considered the true cost of care. **Reimbursement rates, however, are not based off the true cost of care, but rather off the market rates in a region, leaving a significant income gap for programs accepting subsidies.**

Workforce burden:

According to research by the Washington State Child Care Task Force Workforce Compensation workgroup, Washington’s early childhood educators rank in the third percentile of occupational wages (below pet groomers)²². These jobs require participation in a credentialing system and wages do not reflect these requirements, nor do wages reflect the reality that early childhood educators’ skills, knowledge and well-being are directly related to the quality of children’s experiences in early learning programs. The income lost due to low wages paid below the market rate is categorized as the workforce burden.

²¹ <https://www.unitedwaywhatcom.org/couch/uploads/file/alice-in-whatcom-county.pdf>

²² <https://www.dcyf.wa.gov/sites/default/files/pdf/reports/CompensationTechWrkgrpRprt.pdf>

Conclusions

Approximately \$35 million annually goes to pay for the current licensed childcare landscape in Whatcom County. This includes an estimated \$17 million paid directly by families through out-of-pocket expense. And yet, the system is not sufficient for all families and children to access affordable, high-quality care. The following takeaways and conclusions are offered after considering how the financial structures contribute to and determine how well the system functions:

Limited local investments impact ability to influence or maximize investments for children and families across a continuum of care

Outside of parent/caregiver payments, state and federal dollars account for more than 96% of the investments in child care. This accounts for almost half of the full investments being made into child care. When it comes to providing early learning and care for low-income families, state and federal child care subsidies drive the availability and profitability of programs. With roughly 5% of the annual investments coming from local government, school districts and local philanthropy, the local funds (or infrastructure) does not exist to ensure that the child care landscape is driven by local context. Eligibility, reimbursement rates, and quality standards are set outside of the community and diminish the ability to respond to specific community needs.

The development of systems in silos is not serving our children and families

The difficulty of accessing precise financial data related to child care is a symptom of the overlapping yet disconnected systems that drive the lack of transparency, ineffective monitoring of expenses, and poor outcomes especially for children of color and those from low-income families. Child care funds are coming from no less than four state agencies (Departments of Children, Youth and Families; Commerce; Health and Human Services; and the Office of the Superintendent of Public Instruction) and each have a robust data collection system, yet financial, service delivery, and outcome data are not accessible in a way to monitor what programs are serving which families and to what end. Additionally, local systems to support transitions from child care into the K-12 system are not scaled to the district level, much less the county level. Students' academic and social-emotional data does not follow them to school, nor is it used to measure program impacts or improvements, except in a few specific programs such as Head Start.

Expansion of the current system to meet the need will not produce better outcomes

In 2019, approximately \$35 million was spent on child care that served approximately 3,733 kids - \$17.9 million of that from public and philanthropic investments. The recently released Child Care Demand Study indicates that an additional 5,817 childcare slots are needed for children ages 0 to 5 by 2025. That reflects a multiplier of 2.55 to account for that increase in slots. Given that blanket multiplier (not taking into account reimbursement and eligibility increases due to Fair Starts for Kids), that would increase the total annual investment needed to almost \$90M to pay for the child care system in today's dollars.

As a result:

- State/local subsidies would need to increase to approximately \$43,150,980
- Parent Pay would increase an an approximately equal amount: \$43,150,980
- Provider and workforce burdens would increase by a multiplier of 2.55.

However, given that the current system provides limited capacity; undocumented outcomes; significant parent, provider, and workforce burdens; and too few programs to meet the need, there is a significant opportunity now and ahead to rethink the current system and forge a new path forward.

Forging a new path

Child care expansion planning can articulate the number and types of programs that are needed to expand into 5,817 additional child care slots, along with the need for additional facilities and number of credentialed staff to run those programs and classrooms. To forge a new and more effective child care landscape that will meet the needs of parents, caregivers, and families, additional investments should be considered that will reduce the parent burden and can lead to high-quality child care being a sustainable business model for providers.

Income Source	FY19	Current system if multiplied by a factor of 2.55	Newly Forged Funding Landscape	
State and Federal subsidy	\$16,921,953.00	\$43,150,980	State and Federal subsidy	Estimates based on 85% market access rate and true cost of quality are TBD
Estimated Parent Pay + Parent burden	\$16,921,953.00	\$43,150,980	Parent Pay up to 7% of household income	Median income x 7% divided by # of children/household
			Parent Burden	N/A
Local cash allocations: Philanthropy, local government, and school districts)	\$835,000.00	\$2,136,147	Local Philanthropy (infrastructure, scholarships, specific strategies such as emergency child care vouchers)	TBD
Local allocation: Subsidized by providers	Unknown	Unknown x 2.55	Local allocation: Subsidized by providers	N/A
Local allocation Subsidized by workforce	Unknown	Unknown x 2.55	Local allocation Subsidized by workforce	N/A
			Facilities Investments	Estimates needed through facilities scan of appropriate buildings and land
			Additional Investments	TBD
Total	\$ 34,678,906	\$ 88,438,107		To be Determined

Looking Ahead

As the community works to expand child care across Whatcom County, this information can help build understanding of the investments needed to create an effective child care system and close the financial gap. It provides context that can help community leaders make decisions as to how resources of time and money can be invested to ensure the system is healthy and thriving. It does not calculate the cost of doing nothing, but inaction's price will be severe for families and the local economy, with likely disproportionate impacts on primary caregivers.

Recommendations for next steps:

Continue child care expansion planning

As noted above, child care expansion planning can articulate the number and types of programs that are needed to expand into 5,817 additional 0-5 child care slots, along with the need for additional facilities and number of credentialed staff to run those programs and classrooms. Continuing with **financial modeling**, a **facilities scan**, and a **workforce analysis** will help to determine the full gap of funding based on the new cost estimates related to Fair Starts for Kids and demographic models for Whatcom County. Each of these pieces can inform the size and scope of necessary investments to ensure the child care system is thriving. Given state investments, there may be a continuation of grant dollars available to the United Way of Whatcom County through the Department of Commerce to further support this expansion planning and coalition building.

Ensure investments are rooted in equity and accountability

While some programs such as Head Start and ECEAP²³ have robust data monitoring and tracking systems in place to connect early learning programs to Kindergarten Readiness, many others do not. In fact, with state DCYF²⁴ support, the Opportunity Council's Quality Child Care Division has piloted the use of the Teaching Strategies Gold assessment tool used across Washington to gauge kindergarten readiness in licensed child care providers. This can and should be taken to scale to help build accountability for tax-dollars and demonstrate that investments are resulting in quality outcomes for children.

Healthy Whatcom, a local collaboration of 80+ stakeholders, is currently undergoing a community health improvement planning process utilizing the Results-Based Accountability (RBA) framework. RBA is a data-driven process that identifies the most powerful indicators in need of improvement and ends in the development of a shared action plan. Healthy Whatcom is using this process to develop an equity-focused, fundable, actionable, and measurable plan with clear accountability focused on increasing Kindergarten Readiness as measured by [WAKIDS](#)²⁵ and will turn their sites towards child care strategies in late summer/early fall of 2021. These strategies should be considered when identifying the supports necessary to have a healthy and sustainable child care landscape.

²³ Early Childhood Education and Assistance Program

²⁴ Department of Children, Youth, and Family

²⁵ <https://www.k12.wa.us/student-success/testing/state-testing-overview/washington-kindergarten-inventory-developing-skills-wakids/wakids-whole-child-assessment>

Identify or establish a sustainable funding stream

A local fund would allow streamlined administration, coordination of resources and systems, and potentially leveraged dollars from outside of the community to better meet local needs and increase access to high-quality, affordable early learning and care across Whatcom County. To expand child care, there will likely need to be up-front investments in the expansion of facilities and infrastructure to ensure there are providers and classrooms open and ready to receive reimbursements through state and federal initiatives that are focused on direct services. Making these investments from a whole-system vantage point, rather than piecemealing projects and solutions, would help to ensure the community is meeting the need across Whatcom County.

Two groups, the Sustainable Financing work group, led by the Chuckanut Health Foundation and the Child and Family Well-Being Task Force of Whatcom County government are exploring the specific need for and the pathway towards a local, sustainable, and flexible public funding stream focused on the well-being of children and families, of which child care is a key priority.

Align systems

To improve the odds for children and families, there is a need for better alignment of strategies, metrics, data, and resources to ensure that programs can follow through from intention to outcome, including effective family engagement. This is a two-way street: getting children and families ready for their K-12 experience AND getting elementary schools ready for the diversity of children and families headed their way.

Commitment to Progress and Collaboration

The Chuckanut Health Foundation is working to ensure every child in Whatcom County gets a healthy start. Access to quality, affordable child care is a key component of achieving this vision. Gaining a baseline understanding of local dollars builds an understanding of where and how investments can be made to better support our children and families – which leads to healthier outcomes, reduced expenses on public support systems, and to a thriving economy.

Achieving this vision takes all leaders, sectors, coalitions, and taskforces working together, hand in hand with community members, organizers, families, children, providers, policy-makers, philanthropists, and employers. Chuckanut Health Foundation is committed to working with all of you and invites you to be a part of this tremendous community effort to expand child care for our families. To provide feedback, information, resource, or to ask questions, please get in touch with Heather Flaherty (heatherflaherty@chuckanuthealthfoundation.org).

Appendix A: Glossary of Acronyms and Terms

CCDBG- Child Care & Development Block Grant

CCDF - Child Care & Development Fund

CSBG – Community Services Block Grant

DCYF – Department of Children Youth and Families

HS/EHS - Head Start/Early Head Start

ECEAP - Early Childhood Education and Assistance Program

WCCC: Working Connections Child Care

C-RECC - The Opportunity Council and Bellingham Regional Chamber of Commerce’s Center for Child Care Retention and Expansion serving the 5-county region

ALICE families – [Asset-Limited, Income-Constrained, Employed families](#)

Subsidy Cliff – The point at which families lose child care subsidy benefits because of

small but administrative significant increases in their earned income.

FPL – Federal poverty level correlated with family size

TANF – Temporary Assistance for Needy Families

Reimbursement Rate – The rate at which child care providers are reimbursed by the state for children participating in the subsidy program.

Region 3 – For the purpose of calculating subsidy reimbursement rate, Whatcom County is in Region 3. [See the Working Connections region map for more.](#)

WaKIDS - Kindergarten Readiness metric/data - School readiness is measured by 6 academic and social-emotional domains.

Appendix B: Questions for Further Study

1. What **type and location** of child care programs would best meet the child care demand?
2. What are the implications of Fair Starts for Kids Act on subsidy rates and eligibility **for parents and providers**? Will the increase in rates and eligibility be sustainable?
3. What are the implications of the Fair Starts for Kids Act, specifically the increase in wages, on the workforce, child care programs, and parents/caregivers? Will those costs be passed onto families?
4. What is the cost to purchase, build or renovate ample **facilities** to expand child care from 3733 slots to 9550 slots?
5. What are the necessary increases in **infrastructure and industry supports** to ensure sustainability: development of child care providers, program quality interventions, and a workforce pipeline?

Appendix C: Overview of Main Programs and Funding for Licensed Child Care in Washington

In Washington State, licensed child care is delivered in several settings including center-based, family child care homes, and Head Start/ECEAP centers. Whatcom County contains 114 providers, which are a mix of non-profit and for-profit programs. As is true in just about every other state in the country, child care funding in Washington is a patchwork of public funding (federal, state, and in some cases local), private pay from families, provider scholarships or sliding-fee scales and private philanthropy. Public funding and private pay from families make up the most of Washington's patchwork.

The following programs are the primary sources of public funding for child care slots and quality improvement in WA:

Working Connections Child Care Subsidy (WCCC)

- **What is it?** Working Connections Child Care is the primary publicly funded child care program for ages 0-12 in WA. The program helps families pay for child care by covering a portion of the cost directly to participating providers. Depending on family size and income, a family co-payment is often required.
- **Who is eligible?** Children ages 0-12 in families that meet income and work requirements and who choose a child care provider that accepts WCCC subsidy.
- **How is it funded?** WCCC is funded by a combination of federal (Child Care Development Block Grant Funds, TANF) and state (general fund) dollars and is administered by WA's Department of Children, Youth, and Families (DCYF).
- **Other key things to know or consider:**
 - Eligible children must be enrolled in programs that accept subsidies and programs have the option of whether to accept these state subsidies.

- Child Care Aware of Washington reports that in 2019, 52% of providers in the state that serve birth-to-preschool accept WCCC subsidy.²⁶
- According to Washington State’s 2018 child care market rate survey, WCCC subsidy rates in Whatcom County (Region 3) are quite a bit lower than market rates. For infants in full-time center-based care, the average monthly subsidy in Region 3 could only pay for 10% of slots as priced by the private pay market.²⁷ CCDF subsidy guidelines (which govern certain elements of WCCC policy) recommend that subsidy rates be high enough to pay for 75% of slots in the private pay market. This relatively low reimbursement rate in WA causes some providers to choose not to accept subsidy. The Fair Start Act for Kids adopted in spring, 2021 will increase reimbursement rates so as to theoretically provide access to 75% of the market by 7/1/2021 and to the 85th percentile of market by 7/1/2023.
- Reimbursements impact age rates differently. For example, the reimbursement rate for infants is so far below the cost of infant care that families using subsidies can only access 10% of infant slots.

Early Childhood Education and Assistance Program (ECEAP)

- **What is it?** ECEAP is a state-funded early learning program for 3-and-4-year-olds from households of very low income in Washington State. ECEAP slots provide a similar experience to federally funded Head Start slots in many of the same settings. From DCYF: “Both ECEAP and Head Start including: Free, early learning and care or preschool to support child’s development and learning...; Family support and parent involvement; child health coordination and nutrition; services responsive and appropriate to each child’s and family’s heritage and experience.”
- **Who is eligible?** Generally, 3- and 4-year-olds from families at or below 110% FPL, families with TANF²⁸ cash grants, children with special needs, and children in foster care.
- **How is it funded?** State general fund.
- **Other key things to know or consider:** ECEAP expands the number of child care slots for eligible 3-and-4-year-olds with the quality and comprehensive services that Head Start is known for.

Head Start and Early Head Start

- **What is it?** Head Start provides high-quality early care and education and other family supports for eligible children ages 3-5. Early Head Start serves pregnant women and child birth-to-3.
- **Who is eligible?** Children from families at or below 130% FPL, children in families experiencing homelessness, children with special needs, those in foster care, or those in families receiving TANF cash grants.
- **How is it funded?** Federal dollars from the Department of Health & Human Services (DHHS). In Whatcom County, these dollars are allocated by the federal government directly to First Nations and tribal governments, as well as non-profits, such as the Opportunity Council and Inspire Self-

²⁶ 2019 Data Report: Trends, Child Care Supply, Cost of Care & Demand for Referrals. Issue date: March 1, 2020.

²⁷ Market Rate Survey, 26. 2018_Washington_State_Market_Rate_Survey, https://www.dcyf.wa.gov/sites/default/files/pdf/reports/2018_Washington_State_Market_Rate_Survey.pdf, 5

²⁸ Temporary Assistance for Needy Families

Development Centers (migrant populations). Providers must follow prescribed performance standards around education and comprehensive child/family services

- **Other things to know or consider:**
 - At the present time, Early Head Start in Whatcom County is a home-visit model for highly impacted families from pregnancy until the child turns three years of age. Healthy, positive child development and support of the parent(s) or household adults as the primary educators of the child(ren) are the primary objectives. In other communities and states, EHS can be center based, which more directly equates to a form of child care for enrolled families. Nurse-Family Partnership is another home-visit model for B-3 that operates in Whatcom.

Early Achievers

- **What is it?** Early Achievers is Washington state's quality rating and improvement system (QRIS). Participating child care providers must meet certain requirements to receive their rating and that rating is made publicly available to families in Washington as they make choices about child care.
- **Who is eligible?** Providers of most types of licensed child care in Washington state are eligible to participate in this free program.
- **How is it funded?** Early Achievers is funded by state general fund appropriation.
- **Other things to know or consider:** Providers participating in Early Achievers that are operating at Level 3 or higher are eligible to receive higher rates of subsidy reimbursement. Forty-seven local providers meet this threshold to receive these higher rates. In the decade or so leading up to 2020, Early Achievers was the State of Washington's largest area of emphasis and investment in child care and largely in lieu of provider recruitment and expansion efforts.