



FIRST THINGS FIRST  
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## Quality First Improvement, Rating and Scholarships Consideration of Programmatic Approaches May 2014

Due to a 23 percent drop in tobacco tax revenue over the past five years, the First Things First statewide Board is currently considering some adjustments to future budgets to create long-term stability in the amount of funding available for programs for the next 9-15 years. The current recommendation from the Board's Finance Committee is to establish a new annual baseline program budget at \$126.6 million beginning with the FY16 funding plan cycle, a decrease of about \$30 million from the total regional budgets in FY15 (much of this difference is due to carry forward funds from previous fiscal years). The Board will consider additional feedback from regional councils and other stakeholders before making a final decision in June. In addition, the Board has asked the Policy and Program Committee to consider whether program costs can be reduced and any guidance that can be provided to regions to assist in their decision-making. Because a substantial portion of FTF's regional budget supports Quality First, including Quality First Scholarships, it is important to consider possible recommendations specific to the Quality First initiative.

This document provides information on Quality First and five varied approaches to consider in determining a recommendation to the FTF Board.

### Quality First Background

Quality First was launched by the First Things First (FTF) state board in 2009, as Arizona's Quality Improvement and Rating System (QIRS). Currently, almost all states have implemented or are in process of piloting or developing quality initiatives in an effort to overlay a systems approach to early learning. Although practitioners in Arizona had long recognized the importance of quality in the early childhood system and the impact on school readiness and other child outcomes, FTF provided the resources to implement the statewide Quality First initiative to support quality improvement and the consistent, rigorous measure of quality for families, providers and the public. The investment of FTF in this part of the early childhood system is critical to maintain the infrastructure and services that have improved quality in early care and education programs in Arizona.

~~In recognition that there is no one specific system approach to enhance quality, Because there is no one strategy that alone can improve the quality of early learning programs, Quality First brings together leverages multiple evidenced-based or research-informed strategies approaches to create a comprehensive, evidence-formed approach that is improving program quality in child care centers and home statewide. Those strategies include—coaching and consultation, assessment, financial incentives and professional development. Together, these strategies —to— create a continuous loop of quality improvement. Recognition of quality is a star rating based on a five-point scale, 1 star indicating a commitment to improving quality, and 5 stars indicating the highest quality level. Each component of~~

**Comment [LBA1]:** I think that this sentence needs to indicate that there were few state resources to promote/enhance quality (I think CCDF has a small quality set-aside, but don't remember the specifics) and no political will to expand state funding for those efforts.

**Comment [LBA2]:** Is there any need to say that this role for FTF in the early childhood system was either established or reinforced through the Task Force process, which included regional council members and early childhood stakeholders. I think it bears reminding folks that this is a major expectation of FTF, not just internally, but externally as well.

~~Quality First is an evidence-based or research-informed practice that collectively comprises the evidence-informed Quality First approach.~~ There are two models of participation in Quality First:

- Full Participation: available at any star level and includes the full package of program assessment, individualized coaching, financial incentives, T.E.A.C.H. scholarships for degree attainment, and access to specialized technical assistance for child care health, early childhood mental health and inclusion of children with special needs
- Rating Only: available for programs at the 3 to 5 star level and includes program assessment, low intensity coaching if desired, and access to the specialized technical assistance

Quality First Ratings provide a consistent, rigorous measure of quality for all programs, regardless of the setting chosen by parents, and regardless of how they are funded. All Quality First Ratings are based on three assessment measures: (1) ERS- Environmental Rating Scales (ECERS, ITERS, and FCCERS); (2) Classroom Assessment Scoring System – CLASS (Domains: Emotional Support, Instructional Support, and Classroom Organization); and (3) Quality First Point Scale that measures Staff Qualifications, Administrative Practices, and Curriculum and Child Assessment.

**Comment [LBA3]:** Does this need to say regulated setting, given the fact that FFN providers cannot access QF?

**Comment [LBA4]:** Even though you cover this later, I think this section could use a quick-hit to remind people it's working. For our Smart Start presentation, we had data that showed that in June 2012, we had 1/13 of participating providers in the quality levels, and by April 2014, we had roughly 1/3 of participating providers in the quality levels.

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### Increasing Access to Quality Early Learning

While it is clear that children with risk factors, particularly children living in poverty, benefit from high quality early childhood experiences, as program quality increases, costs do as well, making it difficult for low income families to access programs. In 2011, the First Things First (FTF) state board approved model updates to Quality First in preparation for bringing the initiative closer to scale and to increase access for children from low-income families. Included in those model updates was a required formula to fund a baseline number of scholarships for low income children. In 2013, the FTF state board agreed to Quality First updates that further aligned access and affordability with quality, incentivized high quality, combined similar FTF quality and financing strategies, and simplified strategy implementation. These latest model updates take effect on July 1, 2014. Even with FTF's higher financial commitment to scholarships, combined with all available federal funding (from Head Start, the Child Care Development Fund (child care subsidy) and funds for preschool special education), only an estimated 20% of low-income eligible children in Arizona have access to early care and education programs.

Currently, 905 providers are enrolled in Quality First, which is about one-third of regulated providers in Arizona. Sixty-nine percent are center-based in Full Participation; eight percent are center-based in Rating Only; and 23 percent are home-based. There are XX providers on a waitlist for Quality First. Over More than 54,500 children are enrolled in Quality First programs that are improving or maintaining high levels of quality, and XX low-income children benefit from Quality First Scholarships (some of those are for part-time programs).

**Comment [LBA5]:** Do you want to use the current number receiving a scholarship or the number that benefit from the program in a year. To me, the latter is a better indicator of impact, since multiple children may use a scholarship in one year. In FY13, the number of low-income children impacted by QF scholarships was 9,083 (an additional 5,038 low-income kids were served with pre-k scholarships for a total of 14, 121).

### Progress in Quality First Ratings

Data related to Quality First provider star levels has been analyzed since 2011. Results indicate that providers participating in Quality First are progressing in their quality rating and this improvement reflects the expected model outcomes. Specifically, there are an increasing number of providers moving into the 3-5 star categories each year.

The following table shows the percentage of providers at the 3 to 5 star level from FY11 to 14.

**Percentage of Quality First Providers at 3 to 5 Star Levels**

FY 2011	FY 2012	FY 2013	FY 2014 (May 2014)
7%	9% (58)	18% (141)	39% (349)

Additional analysis of gain scores in March 2014 included 692 enrolled providers with more than one assessment (average time between each assessment point is 12 to 18 months based on of Quality Improvement Plan implementation after each assessment). The preliminary analysis of data from these 692 providers, comparing their current estimated quality rating scores to their previous quality rating scores, using 2- tailed paired t-test, showed that the overall mean of provider estimated quality rating showed a significant increase from a mean of 1.94 to 2.45;  $t(691) = 17.26, p = .000$ . In other words, results show that from the previous to their current assessment point, QF providers on average are making significant movement in their quality ratings in the right direction.

**Comment [LBA6]:** We need to simplify this. Is there are way of saying – for example, the average improvement is half a star level between assessments?

Further analysis of 562 providers with a preliminary 2 Star Rating was conducted on their ERS and CLASS scores. Providers must score a 3.0 or higher on the ERS, and then score above the cut-off in each of the three domains of the CLASS to be eligible for using the QF Point Scale and receiving a 3 – 5 Star Rating. Of the 562 providers with a preliminary 2 Star Rating, 289 (51%) have an ERS score of 3.0 or higher that qualifies them for the CLASS assessment and a potential 3 Star or higher Star Rating. However, a significant number of QF providers (34%) are not reaching the 3 Star Rating level because of the challenges of meeting the desired score in the Instructional Support domain.

**Comment [LBA7]:** I understand what this means programmatically, but what point are we trying to make given the intent of this document?

The QF model is based on research showing the importance of the adult/child relationship (as measured by the CLASS assessment) and the value of instructional support strategies used by adults to strengthen this relationship. FTF and the QF coaching grantees continue to focus on building the knowledge and skills of QF coaches in the area of instructional support. The QF Academy will also include education in this area for all professionals that provide technical assistance and quality improvement supports for early childhood providers. FTF will continue to study the QF trend data to monitor progress in this area.

**Comment [LBA8]:** Will the reader know what this is?

### Quality First Scholarships

**Provider Eligibility.** Currently, all Quality First providers at all 5 star levels have access to scholarships on a tiered reimbursement scale. Scholarships are provided directly to providers, who recruit eligible families to use the scholarships for that providers’ program. The scholarships are an additional revenue source and incentive for programs to increase their quality star rating as well as provide access to families who might not be able to afford a quality early learning and development program. By July 1, 2015, FTF will further the process of aligning access to quality by providing scholarships to providers only at the 3, 4 and 5 star level of quality:

**Comment [LBA9]:** This should be the primary intent of the scholarship, not secondary.

- Beginning July 1, 2014 only programs at the 2, 3, 4 and 5 star levels will be eligible for scholarships.
- Beginning July 1, 2015 only programs at the 3, 4 and 5 star levels will be eligible for scholarships.

In areas of the state where there are not enough Quality First providers eligible to receive scholarships to meet the demand, waivers may be used to award scholarships to 2 or 1 star providers.

**Scholarships Rates.** Quality First Scholarship rates for FY15 that are designed to ensure that rates are aligned with the cost of quality and to simplify the current rate structure. The Arizona Cost of Quality in Early Childhood Education Study provided information about the actual costs of delivering early care and education and how these costs rise with increasing levels of quality, informing a model based on actual Arizona program costs and Quality First assessment results for the cost to deliver early care and education at each Quality First star level. Based on the study information, the following rate structure for scholarship reimbursement was established for FY15:

**Comment [LBA10]:** This is long and convoluted. Is the first half of the sentence enough to convey what we mean?

Provider Type	Age	2 Star (FY15 only)	3-5 Star
Centers	0-36 months	\$7,969	\$11,300
	37-72 months	\$6,000	\$7,300
Homes	0-36 months	\$5,625	\$7,600
	37-72 months	\$4,875	\$6,200

This rate structure reflects that:

- The reimbursement rate will be the same across the state. This acknowledges that the cost of quality is the same regardless of the geography of a program.
- There will be one rate for 3, 4 and 5 star level providers. The rate will be set at approximately 90% of the cost of quality for a four star level of quality, with the intent that other provider revenues are used in conjunction with the FTF scholarship amount to cover the cost of quality.
- Rates for 2 star providers in FY15 will continue to be based on the 2010 Department of Economic Security (DES) Market Rate Survey and be calculated at 75% of those values. Providers at the 2 star level in FY16 will not receive scholarships.
- Proposed rates are on par or exceed the 2012 Market Rate Survey for over 85% of DES districts and age bands.

**Scholarship Slots.** A baseline number of Quality First Scholarship slots are awarded across all providers based on size, program type and star rating. Providers with a higher rating will have more scholarships available to them. An FTF Regional Council must fund the baseline number of scholarships for every provider they fund in Quality First. The formula modeling that was developed in 2013 assumed a base amount consistent with FY14 regional funding levels for scholarships (approximately \$40 million). The goal was to maintain fiscal stability for regions while maintaining continuity of scholarships for families to the extent possible.

**Comment [LBA11]:** Shouldn't we state here that regions may elect to fund scholarships at more than the base amount, and at least a percentage of the participating regions who choose to do so?

A region can fund a provider in full Quality First participation with NO scholarships if the site has declined scholarships and shows they are using other funds and resources to serve low-income children.

**Comment [LBA12]:** How often does this happen?

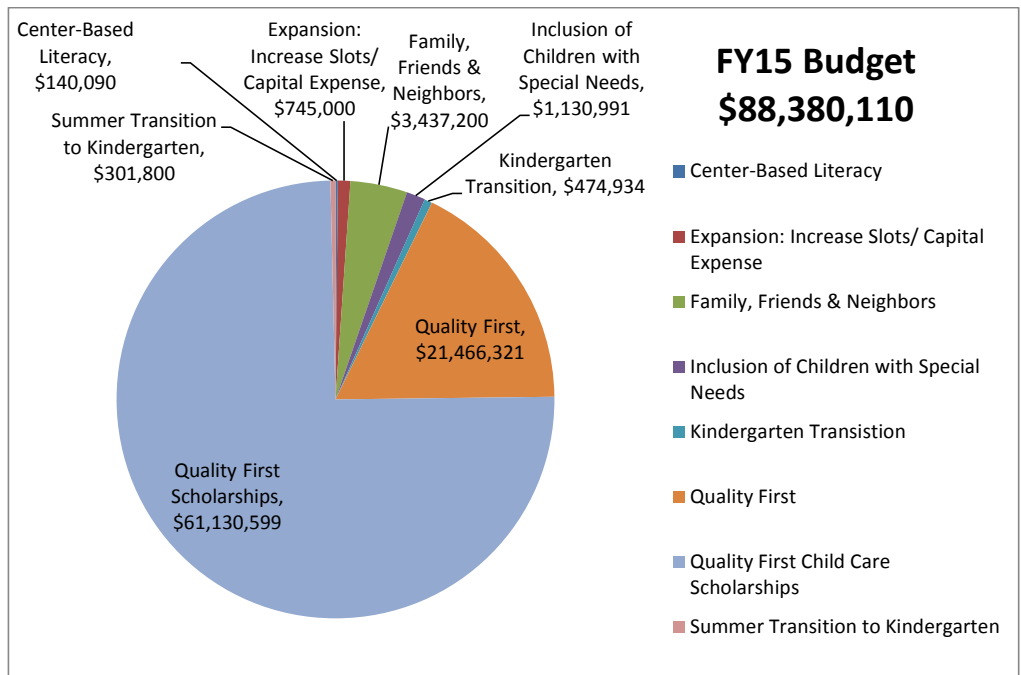
First Things First rates above will be paid no matter what the program charges for their services. The family co-pay guidelines will remain the same. If a program charges more tuition than the First Things First scholarship reimbursement rate and the parent is responsible for the difference, it is the intent that families, whenever possible, contribute toward that gap in the cost of child care. Although, this is not a requirement, First Things First recommends this contribution, and it should not exceed 10% of the gross household income.

**FTF Financial Investment in Quality First**

In FY15, FTF will invest more than \$88 million annually to improve the access to and quality of early learning programs in a wide variety of settings. While there are a number of different strategies funded at the regional level, the two primary strategies are Quality First and Quality First Scholarships, and the total investment (including statewide funds) is over \$82.5 million annually.

**Comment [LBA13]:** In these two strategies alone?

**FTF FY15 Budget for Quality, Access and Affordability of Early Care and Education Programs**



Quality First services (everything besides scholarships) comprise about \$21.5 million of the total (about ¼ of the costs associated with Quality First). Full Participation costs are based on the provider Quality First rating and size. Rating Only costs are the same for all providers. For example:

	Regional Cost	Full Cost (including statewide funds)
<b>Full Participation</b>		
Average size 2 Star Home	\$16,033	\$22,699
5 Star Small Center	\$7,834	\$14,460

<b>Rating Only</b>		
Center	X	\$8,532
Home	X	\$8,523

Quality First Scholarships comprise \$61million of the total (about ¾ of the costs associated with Quality First), compared to about \$20 million in 2012. Scholarship costs vary and are based on the provider’s Quality First rating, type of program, size and ages of children. Average cost of a full-day scholarship is \$7,645 per year.

**Summary**

FTF will begin a multi-year study in 2014 to validate the Quality First rating scale and collect research on the best combination and intensity of components to inform continuous improvement of the Quality First model. FTF is also working with national and local partners to determine how to effectively maintain high quality standards, while incorporating efficiencies and leveraging resources to bring Quality First provider participation to scale. One option that will be available in FY15 is a “buy-in” option that will allow providers to purchase the Quality First Rating Only package. This will include assessment and a limited amount of coaching in preparation for the assessment. The cost will be revenue neutral to FTF and its vendors and will cover the expenses related to services provided.

Regardless of recommendations that reduce the financial commitment that Regional Councils have to support Quality First, as more data and information on the quality and financing of early care and education programs becomes available, FTF must use those opportunities to continually improve and incentivize access, affordability and quality, and simplify and align FTF programs and work with partners to do the same. Concurrently, FTF must continue the drive to innovate and create a national program and system model. Families benefit, and Arizona gets closer to the ultimate vision of children happy, healthy and ready to succeed in school.

**Possible Approaches to Reduce Quality First Programmatic Costs in FY16**

The Policy and Program Committee can begin discussion on a recommendation to the FTF Board by considering the range of approaches for Quality First shown on page 7.

**Comment [LBA14]:** Instead of this paragraph, is there any statement we want to make here about his being the only FTF strategy that is anywhere close to coming to scale, and one that impact 3-4 of the school readiness indicators established by the Board?

1. No changes to current model

- Board provides budget guidance that does not allow for any reductions to current system-level investment in Quality First – including number of participating providers and scholarship funding levels.

2. Reduce total number of Quality First Scholarships

- Board reduces Quality First Scholarship cost-model by lowering the baseline number of scholarships by 33%. (See attached table)
- Board provides guidance that does not allow for reductions to current system-level commitment to number of providers participating in Quality First.

3. Reduce total number and reimbursement amount of Quality First Scholarships

- Board reduces Quality First Scholarship cost-model by lowering the baseline number of scholarships required by 33% and by lowering overall scholarship reimbursement rates by 5%. (See attached table)
- Board provides guidance that does not allow for reductions to current system-level commitment to number of providers participating in Quality First.

4. Separate Quality First improvement costs from scholarship costs.

- Board reconfigures overall Quality First cost-model by separating Quality Improvement costs from Scholarship costs.
- Board also reduces Quality First Scholarship cost-model by lowering overall scholarship rates by 5%. Board does not provide further budget guidance on number of regional scholarships funded.
- Board provides guidance that does not allow for reductions to current system-level commitment to number of providers participating in Quality First.

5. No guidance is provided

- Board provides no budget guidance on system-level investments in Quality First.
- Regional Councils choose level of investment or disinvestment.

Scholarship slot numbers originally proposed for FY15-18: Insert Josh's table showing scholarship numbers for 33% reduction and 5% reimbursement reduction

Current Rates for FY15				Current Base Model Tables					Current Base Model Projections			
		2 Stars	3-5 Stars		1 Star	2 Star	3 Star	4 Star	5 Star	NO CHANGE		
Centers	0-36 mo	\$ 7,970	\$ 11,300		FY15							TOTALS
	37-72 mo	\$ 6,000	\$ 7,300	Homes	0	1	2	3	4	Base Model Scholarships	Additional	
Homes	0-36 mo	\$ 5,625	\$ 7,600	Small Center	0	4	6	8	9	6,198	1,798	7,996
	37-72 mo	\$ 4,875	\$ 6,200	Med Center	0	6	9	11	12	Cost of Base Scholarships	Cost of Additional	
				Large Center	0	9	12	15	17	\$ 47,200,797	\$ 13,929,802	\$ 61,130,599
Current Rates FY16-18				FY16								
Centers	0-36 mo	\$ -	\$ 11,300	Homes	0	0	3	4	5	Base Model Scholarships	Additional	
	37-72 mo	\$ -	\$ 7,300	Small Center	0	0	7	9	11	6,703	1,798	8,501
Homes	0-36 mo	\$ -	\$ 7,600	Med Center	0	0	16	18	20	Cost of Base Scholarships	Cost of Additional	
	37-72 mo	\$ -	\$ 6,200	Large Center	0	0	21	23	25	\$ 58,207,264	\$ 13,929,802	\$ 72,137,065
				FY17								
				Homes	0	0	2	3	4	Base Model Scholarships	Additional	
				Small Center	0	0	4	6	8	6,824	1,798	8,622
				Med Center	0	0	13	15	17	Cost of Base Scholarships	Cost of Additional	
				Large Center	0	0	18	20	22	\$ 59,336,341	\$ 13,929,802	\$ 73,266,143
				FY18								
				Homes	0	0	1	2	3	Base Model Scholarships	Additional	
				Small Center	0	0	2	4	6	6,621	1,798	8,419
				Med Center	0	0	11	13	15	Cost of Base Scholarships	Cost of Additional	
				Large Center	0	0	15	18	20	\$ 57,708,893	\$ 13,929,802	\$ 71,638,694

Scholarship slot numbers reduced by one-third for FY15-18::

Current Rates for FY15				Base Model Tables - One-Third Reduction for FY16-18					Base Model Projections			
		2 Stars	3-5 Stars		1 Star	2 Star	3 Star	4 Star	5 Star	One-Third Slot Reductions		
Centers	0-36 mo	\$ 7,970	\$ 11,300		FY15							TOTALS
	37-72 mo	\$ 6,000	\$ 7,300	Homes	0	1	2	3	4	Base Model Scholarships	Additional	
Homes	0-36 mo	\$ 5,625	\$ 7,600	Small Center	0	4	6	8	9	6,198	1,798	7,996
	37-72 mo	\$ 4,875	\$ 6,200	Med Center	0	6	9	11	12	Cost of Base Scholarships	Cost of Additional	
				Large Center	0	9	12	15	17	\$ 47,200,797	\$ 13,929,802	\$ 61,130,599
Current Rates FY16-18				FY16								
Centers	0-36 mo	\$ -	\$ 11,300	Homes	0	0	2	3	4	Base Model Scholarships	Additional	
	37-72 mo	\$ -	\$ 7,300	Small Center	0	0	5	6	7	4,531	1,798	6,329
Homes	0-36 mo	\$ -	\$ 7,600	Med Center	0	0	11	12	13	Cost of Base Scholarships	Cost of Additional	
	37-72 mo	\$ -	\$ 6,200	Large Center	0	0	14	15	17	\$ 39,323,665	\$ 13,929,802	\$ 53,253,466
				FY17								
				Homes	0	0	1	2	3	Base Model Scholarships	Additional	
				Small Center	0	0	3	4	5	4,569	1,798	6,367
				Med Center	0	0	9	10	11	Cost of Base Scholarships	Cost of Additional	
				Large Center	0	0	12	13	15	\$ 39,758,105	\$ 13,929,802	\$ 53,687,907
				FY18								
				Homes	0	0	1	2	3	Base Model Scholarships	Additional	
				Small Center	0	0	2	3	4	4,556	1,798	6,354
				Med Center	0	0	7	9	10	Cost of Base Scholarships	Cost of Additional	
				Large Center	0	0	10	12	13	\$ 39,559,155	\$ 13,929,802	\$ 53,488,957



Scholarship slot numbers reduced by one-third and reimbursement rate reduced by 3% for FY15-18:

Base Model Tables - One-Third Reduction for FY16-18						Base Model Projections			
	1 Star	2 Star	3 Star	4 Star	5 Star	One-Third Slot Reduction AND 3% Rate Reduction			
FY15									<b>TOTALS</b>
Homes	0	1	2	3	4	Base Model Scholarships	Additional		
Small Center	0	4	6	8	9	<b>6,198</b>	1,798		7,996
Med Center	0	6	9	11	12	Cost of Base Scholarships	Cost of Additional		
Large Center	0	9	12	15	17	<b>\$ 47,200,797</b>	\$ 13,929,802	<b>\$ 61,130,599</b>	
FY16									
Homes	0	0	2	3	4	Base Model Scholarships	Additional		
Small Center	0	0	5	6	7	<b>4,531</b>	1,798		6,329
Med Center	0	0	11	12	13	Cost of Base Scholarships	Cost of Additional		
Large Center	0	0	14	15	17	<b>\$ 38,139,396</b>	\$ 13,511,908	<b>\$ 51,651,303</b>	
FY17									
Homes	0	0	1	2	3	Base Model Scholarships	Additional		
Small Center	0	0	3	4	5	<b>4,569</b>	1,798		6,367
Med Center	0	0	9	10	11	Cost of Base Scholarships	Cost of Additional		
Large Center	0	0	12	13	15	<b>\$ 38,560,747</b>	\$ 13,511,908	<b>\$ 52,072,655</b>	
FY18									
Homes	0	0	1	2	3	Base Model Scholarships	Additional		
Small Center	0	0	2	3	4	<b>4,556</b>	1,798		6,354
Med Center	0	0	7	9	10	Cost of Base Scholarships	Cost of Additional		
Large Center	0	0	10	12	13	<b>\$ 38,367,793</b>	\$ 13,511,908	<b>\$ 51,879,700</b>	