



# Achieving Equitable and Dependable Child Care Subsidy: Enrollment vs Attendance

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Child care providers need predictable, stable and adequate funding, whether in the midst of a healthcare crisis or not. Long before COVID-19 ravaged this essential service, significant funding deficiencies and inequities existed, resulting in many of these small businesses, primarily owned by women, many of color, operating on a shoe-string budget. For providers who accept child care subsidies from eligible families, New Jersey's payment practices before the pandemic created an unsustainable business model for these programs.

Early in the pandemic, one of the first policy changes made by the Department of Human Services (DHS) was to base child care subsidy payments on *enrollment* and not *attendance*, its long-standing payment policy. This policy change was made because DHS recognized that it needed to stabilize an already financially fragile industry. Paying based on enrollment would help minimize the number of programs in danger of permanently closing due to the financial impact of COVID-19 on these small businesses.

## Enrollment vs. Attendance: What's the Difference?

Subsidy payments based on *enrollment* is similar to the way state aid is determined for our public schools—including our state public preschool program. Payments to programs are calculated based on enrollment on a specific date. For example, the DHS policy change paid providers based on their program's enrollment on March 1, 2020, a date immediately before statewide stay-at-home orders were issued. When payments are based on attendance, providers can only receive full subsidy payment when they provide care for a minimum of 80 percent of their level of services during a two-week period. Essentially, children must be present 80 percent of the time for a provider to receive a full subsidy payment. This payment practice results in a very unstable funding stream, particularly in low-income communities, in which programs are often heavily reliant on the subsidy system.

*"Unpredictable funding is not a sound business plan. Providers need a reliable funding source to operate effectively and efficiently. It's not equitable! Many child care programs are owned and/or operated by women, particularly women of color. Such policies are not applied to the public PreK-12 education system."*

~ **Cindy Shields, Senior Child Care Director, Child Care Services, The YMCA of Metuchen, Edison, Woodbridge & South Amboy**

## What's the Solution?

**Making permanent subsidy payments based on enrollment to all child care providers accepting subsidy is the answer.**

Regardless of the percentage of subsidy-eligible families in a program, payments based on enrollment provide at least one steady stream of guaranteed funding that will ensure much-needed predictability and stability, having a long-term effect, thereby strengthening the overall system.

1. **Predictable and stable funding can increase the supply of programs by retaining those currently working with subsidy families and attracting new providers to enroll children with subsidies.** In New Jersey, this can help increase capacity in the hundreds of communities considered child care deserts, particularly for infants/toddlers whose care is the most costly.

*"The cost of care for infants and toddlers is extremely high and families throughout the state struggle to afford it. When faced with unreliable funding streams, many providers choose not to educate and care for these age groups."*

~ **Meghan Tavormina, President of NJAEYC**

**Advocates for Children of New Jersey**

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- Predictable income can strengthen a provider's applications for loans and grants to expand their business and improve their facilities.** In a child care system like New Jersey's, the majority of owners of these small businesses are women and many are women of color, making this an equity issue. Predictable funding will provide them with the opportunity to strengthen and expand their businesses through funding opportunities that were not previously available due to such erratic funding.
- Predictable payments can improve overall program quality.** Funding stability could provide programs with the ability to increase compensation and retain staff, allowing for a stable workforce, which is a key component for a quality program. It could pay for professional development or substitutes that would allow staff to attend programs to improve their teaching practices.

*This type of payment process is not only difficult, but also inequitable and it is not the same as families who do not qualify for the subsidy program whose payments are expected at the beginning of the month for the following month's care, regardless if the child is in attendance or not. This allows the child care program or provider to set up a budget and manage their program.*

*The pandemic has been painfully challenging but being able to know that we could rely on these payments, rather than inconsistent and fluctuating payments, was essential for me to keep my business open and provide care to children during this very critical time.*

**~ Shirnet Fray-Palmer, family child care provider, Paterson**

Families will also benefit from subsidy payment based on enrollment. This stable funding could incentivize more programs to open or expand, increasing access to programs for families with better-trained and consistent staff to care for



their children. It also helps those families with unpredictable and unscheduled work hours. When payments are based on attendance, providers are less inclined to accept children of working parents with irregular hours. Removing this financial disincentive helps such families ensure consistent care for their children. (Lieberman, Loewenberg, and Sklar. *Make, Child Care More Stable: Pay by Enrollment*. 1 Jun 2021. <https://www.newamerica.org/education-policy/briefs/make-child-care-more-stable-pay-by-enrollment/>)

*Schools are opening up in September—but where are the young children of our teachers going to go if there is not enough child care?*

**~Winifred Smith, Senior Director, Zadie's Early Childhood Centers, East Orange and Summit**

This last year has made crystal clear that child care's "essentialness" puts it in the same category as law enforcement and public education—a public good. These small businesses provide a service not only critical to the recovery and growth of our state economy, but permits parents to return to work while providing young children the educational and social/emotional foundation they need to thrive and grow. The economy cannot grow, as parents cannot go to work without an adequate supply of child care. For all these things to happen, a strong child care system is needed—and that requires adequate, dependable funding, just like other systems that exist for the public good.



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