



Quality funding strategy changes

Programs previously rated at 3, 4, or 5 Stars under the Delaware Stars 5-star rating system receive tiered reimbursement for each enrolled child who uses Purchase of Care. Through tiered reimbursement, the Delaware Department of Education (DDOE) provides an additional daily reimbursement rate on top of the Purchase of Care (POC) rate, with the intention of helping to pay for higher quality care and education.

Delaware is transitioning the funding strategy for early care and education (ECE) programs from the Tiered Reimbursement funding strategy to the Quality Improvement Awards funding strategy. DDOE takes seriously our responsibility to use funds in a fair and equitable manner. We recognize that ECE programs have had to increase costs to keep up with inflation and in response to the workforce crisis. Currently, Tiered reimbursement is only available to around 50 percent of children receiving subsidy. We want to see these dollars reach more children, and we want them to be used for quality initiatives.

The tiered reimbursement funding strategy will end June 30, 2023, and will be replaced by the quality improvement awards funding strategy, if the Governor's Recommended Budget is passed and POC is funded at 100 percent of the 75th percentile of the 2021 market rate. Programs will receive their final tiered reimbursement payments in August 2023. In fiscal year 2024 (FY24), those with an approved quality improvement plan will be eligible for a quality improvement award.

During the transition, DDOE will support quality across all programs. We will explain the short quality improvement award application and award ceilings in full later this month through an additional memo, videos, and in DECC meetings and Provider Calls. Eligible expenses will include paying staff recruitment and retention bonuses, staff wages above minimum wage, training, curricula and assessment, and children's materials.

Delaware Stars program changes

DDOE is simultaneously revising the Delaware Stars Quality Rating and Improvement System (Stars) standards into quality indicators with supports for quality improvement. Prior to the pandemic, Delaware Stars "verified" programs' star levels every three years, assigning a single rating. Research shows this to be ineffective for families, who desire more qualitative information about ECE programs. The new Delaware Stars is composed of three quality indicators:

1. Creating conditions for quality;
2. Positive climate and high quality interactions; and
3. Family engagement and community services.

Each quality indicator contains a set of more concrete, observable key practices, which will be used to inform a new online program profile. This public-facing online program profile will show the strengths of an ECE program - instead of a single number - to families searching for care and education.

These changes give us the opportunity to provide monetary quality improvement awards to reach or maintain the quality indicators.

To summarize, DDOE is using a different funding strategy to maintain FY23 combined amounts of POC and tiered reimbursement funding.

Transition timeline

Despite the change in funding strategy, DDOE is committed to maintaining existing FY23 levels of Purchase of Care (POC) and tiered reimbursement combined funding in FY24. Programs that receive tiered reimbursement funding in FY23 who have an active and approved quality improvement plan will receive payments in FY24. The process to disburse tiered reimbursement payments based on this fiscal year's rates will be shared with ECE programs later this month via email and in meetings.

The timeline below shows how DDOE will transition program funding from FY23 to fiscal year 2025 (FY25):

FY23	FY24	FY25
Tiered reimbursement: tiered additional POC payments based on quality	One-year tiered reimbursement payments: Tiered additional POC payments to keep programs receiving the same POC and tiered reimbursement amount for a child that they received in FY23 Quality improvement awards for all licensed programs to support eligible expenses	Quality improvement awards for all licensed programs to support eligible expenses

Note on the Budget

FY24 is from July 1, 2023 to June 30, 2024. Next year's budget is not final until it is passed by the General Assembly and signed by the Governor. We are thrilled that the FY24 Governor's Recommended Budget increases POC to 100 percent of the 75th percentile of the 2021 market rate survey. The Governor's Recommended Budget includes:

- 1) The same funding for early childhood quality initiatives through DDOE, and
- 2) A significant increase to funding for POC through the DHSS.

As announced at the Delaware Early Childhood Council meeting on March 14, 2023, some programs currently receive more than the POC rate outlined in the Governor's recommended budget. DDOE has maintained level funding in tiered reimbursement as the Delaware Department of Health and Social Services (DHSS) has increased POC rates, pushing some programs above 100% of the 75th percentile of the 2021 market rate survey. *For these ECE programs only:* DDOE will provide the difference between the FY23 tiered reimbursement rate and the FY24 POC rates. These ECE programs will be asked to create a quality improvement plan with a DIEEC quality improvement specialist, indicating how they intend to meet the quality indicators to receive funding. This includes state-funded ECE programs.

Thank you

*Thank you for your understanding as we work through this transition to a better way to fund early learning in Delaware. Please send **questions via email to early.learning@doe.k12.de.us**. As always, we appreciate the excellent services you continue to provide the community.*