

OREGON Child Care

Progress at Risk: An Update on Child Care in Rural Oregon Executive Summary

In 2020, The Ford Family Foundation commissioned the research that produced the report **Child Care in Rural Oregon: Bold Approaches to Address Systemic Inequity and Rebuild Child Care**. Led by Louise Stoney, a nationally recognized expert in early childhood care and education, the research investigated the economic impact of Oregon's child care policies on rural families and child care businesses. It included five strategies to improve Oregon's child care system.

This is a summary of the more detailed follow-up report **Progress at Risk: An Update on Child Care in Rural Oregon**, which provides an overview of progress made since 2020 on the five recommended strategies. It also examines the continued challenges faced by rural families and child care businesses and looks at opportunities for further systems and policy improvements.

More detail is available in the full report:
tfff.org/rural-child-care.



Key Strategies

1. Use a cost-based model to calculate subsidy rates
2. Lower family co-payments
3. Stabilize funding for child care programs
4. Support child care providers through shared services alliances
5. Adjust licensing regulations to support new and mixed models of care

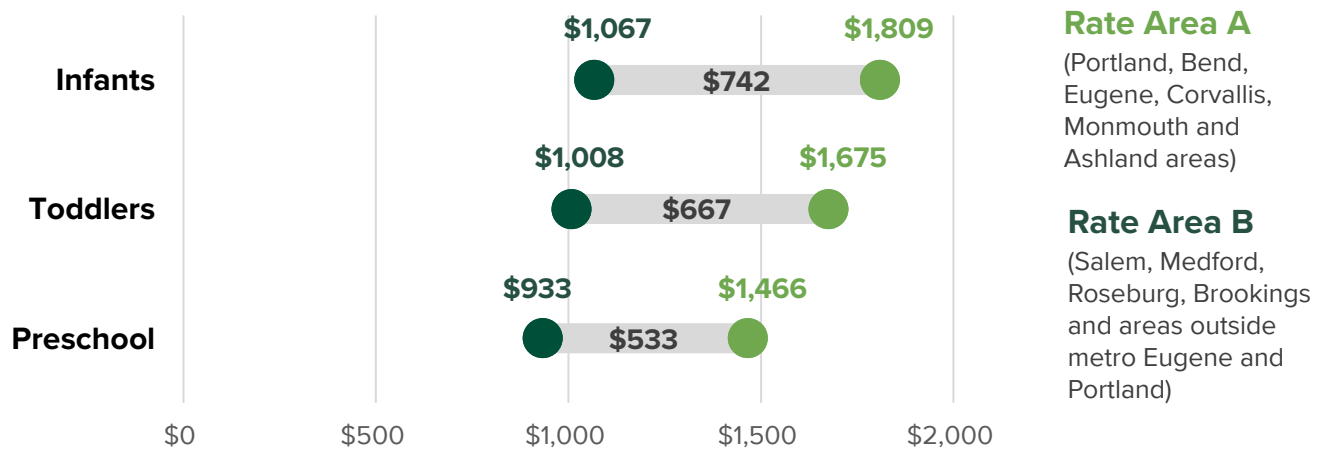
STRATEGY 1. Use a cost-based model to calculate subsidy rates

STATUS: Oregon is working toward setting child care subsidy rates based on the cost of providing care rather than market prices. Until this change is made, subsidy rates remain too low for rural families and child care providers. Meanwhile, the state could reduce disparities by eliminating geographic rate differences. Another change Oregon could make is to allow providers to charge the maximum reimbursement rate for children enrolled in the Employment Related Day Care program, even if that is higher than the rates charged for other children in their care. While this is currently not allowed in Oregon, it is encouraged at the federal level.

Employment Related Day Care (ERDC) provides low-income families with financial assistance for child care in the form of vouchers, allowing families to make choices aligned with their needs. ERDC historically set its rates based on prevailing child care prices or market rates. However, Oregon has begun a transition to basing rates on the cost of providing child care. Implementation is slow, in part due to infrastructure development and budget shortfalls for the state’s newest agency, the Department of Early Learning and Care (DELIC). DELIC estimates that, even if its infrastructure and budgeting needs are met, the earliest the transition could be completed is late 2026.

The change to cost-based rates can’t come soon enough for many rural families and providers.¹ The most substantial costs associated with providing child care—staffing and physical space—are high statewide. Still Oregon reimburses rural providers at a lower rate, creating a large gap between reimbursements and the cost to provide child care in rural communities.

Figure 1. Rate Area B receives significantly less in ERDC subsidies per child than Rate Area A despite similar costs for providing child care



****NOTE:** Chart includes maximum subsidy rates for one full-time child in certified family child care, January 2024

¹ State of Oregon Early Learning Division, (2022). Alternate Rate-setting Structure for the Employment Related Day Care (ERDC) Program, Legislative Report/Progress Update.

Many child care businesses operate with a profit margin of less than one percent,² and the regional disparity in reimbursement rates puts extra financial pressures on rural child care businesses. They must either charge families more or protect families from higher costs, which can often mean operating at a loss and becoming non-viable.³

As an interim measure to reduce disparities, ERDC could set all reimbursements at the highest rate. This would shrink the gap between reimbursements and the actual cost of providing child care. The change would be an extension of action taken in 2020 through collective bargaining, when Rate Area C facilities began to receive Rate Area B reimbursement rates, effectively merging the two Areas. The next opportunity to make a similar change comes with the next round of union-state collective bargaining in spring 2025. It is important to note that this change would likely require increased funding.



STRATEGY 2. Lower family copayments

STATUS: Oregon has drastically lowered ERDC copayments, easing the burden on participating families. This progress is at risk as the funding source for lower copayments ended in fall 2024. A longer-term funding solution is needed to maintain current copayment rates.

Oregon's ERDC program requires family copayments, determined by household income and size.⁴ Before the COVID-19 pandemic, family copayments were as high as \$1,719 per month.⁵ HB 3073 (2021) established a sliding scale for copays and stipulated that they may not exceed seven percent of gross household income.⁶ Oregon went from having one of the highest family copayment rates in the country to one of the lowest.⁷

As of August 2024, 12,226 Oregon families receive ERDC benefits and are connected to a provider. These families' maximum monthly copayment is \$130,⁸ and the average copayment is \$9.14.⁹ The current lower copayments are possible in part because of American Rescue Plan Act (ARPA) funds, which ended in fall 2024. Existing funding should preserve current copay rates until 2025, but without new federal investment, maintaining these copays will require increased state investment and/or a more permanent funding source.

2 U.S. Department of the Treasury. (2021). The Economics of Child Care Supply in the United States. <https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf>.

3 Pratt, M. et al. (2020). Barriers to Accessing Child Care Subsidies in Oregon: Report in Response to House Bill 2346. Oregon State University. https://health.oregonstate.edu/sites/health.oregonstate.edu/files/early-learners/pdf/research/barriers_to_accessing_child_care_subsidies_in_oregon_corrected_november2020.pdf

4 Oregon Department of Early Learning and Care. Employment Related Day Care Program. <https://www.oregon.gov/delc/programs/pages/erdc.aspx>

5 Oregon Department of Education, Early Learning Division. (2019). The State of Early Care & Education and Child Care Assistance in Oregon. https://health.oregonstate.edu/sites/health.oregonstate.edu/files/early-learners/pdf/research/the_state_of_early_care_education_and_child_care_assistance_in_oregon.pdf

6 Early Learning Division, Oregon Department of Human Services & Oregon Department of Education. (2022). House Bill 3073 Department of Early Learning and Care Report to the Interim Committees of the Legislative Assembly. <https://www.oregon.gov/delc/Documents/September-2022-DELIC-report-final.pdf>

7 Pate, N. (September 27 2023). Oregon officials warn of impending waitlist for state day care program. Advocates argue this was avoidable. Oregon Public Broadcasting.

8 Calculation based on ERDC co-pay tables: <https://www.oregon.gov/delc/programs/pages/copays-billing.aspx#CopayCharts>

9 Oregon Department of Early Learning and Care. ERDC Program Data. Accessed November 20, 2024.

<https://www.oregon.gov/delc/data/Pages/default.aspx>

STRATEGY 3. Stabilize funding for child care programs

STATUS: Recent ERDC policy changes and the implementation of programs like Baby Promise and Preschool Promise have stabilized funding for participating child care providers. Unfortunately, access is limited due to DELC budget and capacity limitations—8,100 Oregon families are on the waitlist for ERDC.

Child care businesses need consistent, predictable funding. This is especially important in places where profit margins are thinnest, such as rural areas.¹⁰ HB 3073 (2021) includes several efforts to improve and stabilize child care funding. The bill shifts ERDC payments from attendance-based to enrollment-based, allowing all providers to be paid at the beginning of each month. ERDC rates have also increased several times due to passage of HB 4005 (2022) and collective bargaining and funding through ARPA.¹¹

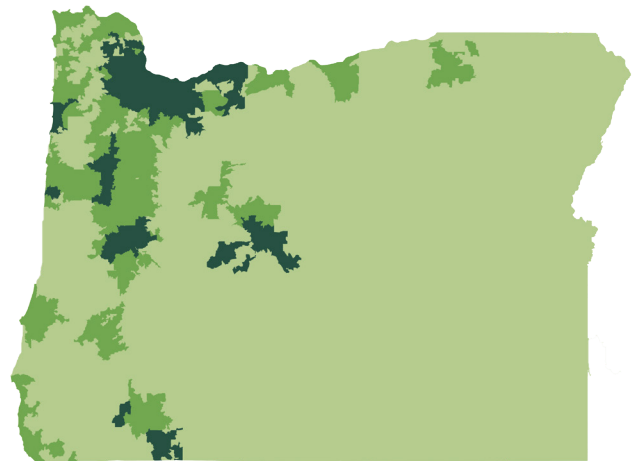
Other public investments in child care come in the form of contracted or funded slots, which provide payments to child care businesses that enroll (or agree to enroll) eligible children into publicly funded programs (e.g., Head Start, Baby Promise or Preschool Promise). This represents a more predictable source of income for child care businesses and payments closer to the true cost of care.¹² As of April 2024, Preschool Promise is at 96 percent enrollment, serving more than 5,000 children statewide.¹³ Baby Promise currently serves

one city and seven counties, with a total of 215 slots for babies and toddlers.¹⁴ Expanding the scope of and access to contracted slot programs would benefit both families and child care businesses, particularly in rural areas.

Facing a budget shortfall of over \$200 million, DELC paused ERDC enrollment and established a waitlist in November 2023. This impacts families' access to ERDC with cascading effects on programs that require families receive ERDC to participate. While the funding committed to DELC during the 2024 legislative session narrowed the budget shortfall, it is insufficient to bring most families off the waitlist. As a result, the waitlist has grown to 8,100 families as of November 2024.¹⁵

Figure 2. Oregon ERDC Rate Areas

Rate Area A Rate Area B Rate Area C



****NOTE:** ERDC uses zip code to determine Rate Areas

10 Stoney, L. (2020). Child Care in Rural Oregon: Bold Approaches to Address Systemic Inequity and Rebuild Child Care. The Ford Family Foundation. https://www.tfff.org/wp-content/uploads/RuralChildCareInOregon_full.pdf

11 DELC. (November 2023). Interim Ways & Means Education Committee ERDC Update. <https://olis.oregonlegislature.gov/liz/202311/Downloads/CommitteeMeetingDocument/277707>

12 Pratt, M. et al. (2020). Supply and Demand in Oregon: How Equitable is Child Care Access. Oregon State University. <https://health.oregonstate.edu/early-learners/research/supply-anddemand-oregon-young-children>

13 Oregon Department of Early Learning and Care Preschool Promise Dashboard. <https://www.oregon.gov/delc/data/Pages/default.aspx#PSP>

14 Personal communication with Maidie Rosengarden Ed.D, May 23, 2024

15 Oregon Department of Early Learning and Care. ERDC Program Data. Accessed November 20, 2024. <https://www.oregon.gov/delc/data/Pages/default.aspx>

STRATEGY 4. Support child care providers through shared services alliances

STATUS: Shared services alliances serve more than one-third of Oregon counties. To maintain progress and expand to serve the whole state, the statewide Alliance needs adequate, stable, long-term funding.

Shared services alliances strengthen child care businesses by pooling administrative resources and using technology and support from local business coaches. These alliances are particularly valuable for family-run child care and small child care centers. It is difficult for them to reach financial sustainability given their isolation and scale. Oregon’s first shared services alliance was established in Coos and Curry counties in 2020: the South Coast Alliance. In 2021, the statewide Oregon Child Care Alliance (OCCA) launched and now serves 13 Oregon counties. As of May 2024, OCCA has 106 participating members, with more than one third in rural communities.¹⁶ Though OCCA depends on continuing DELC and philanthropic funding, it has plans to expand statewide by adding a few regions each biennium. Stable, long-term funding is needed to ensure the stability and growth of OCCA to meet the needs of child care businesses in all of Oregon’s regions and communities.

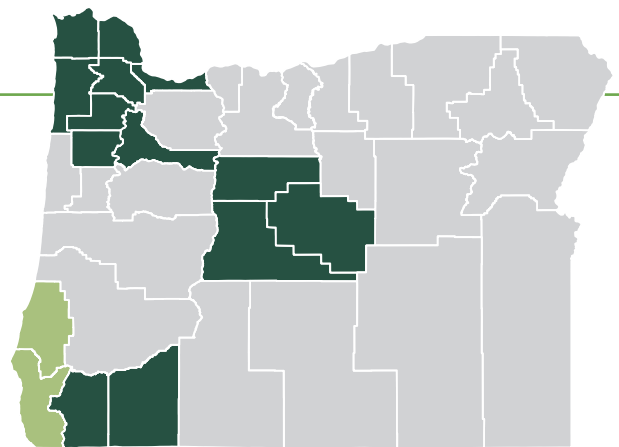
STRATEGY 5. Adjust licensing regulations to support new and mixed models of care

STATUS: The micro-center pilot established by SB 1040 in 2023 is an important first step in shifting Oregon’s regulatory framework toward support of new and mixed models of child care.

Existing child care licensing and quality rules are designed for two ends of the spectrum: small, home-based care or large child care centers. But new and mixed models of care, such as micro-centers, may better meet the needs of more families, especially in rural communities. Different rules will be needed to support new and mid-size options, rules that are less burdensome than existing licensing regulations. Early steps are underway to determine which regulations would be safe and supportive for these programs. SB 1040 (2023) directs DELC to establish a pilot for micro-centers to help the state understand the regulatory changes needed. Ideally this will result in less burdensome regulations for small-capacity child care providers while ensuring high-quality learning opportunities across the state. The pilot will run through June 2025, with a report expected in September 2025.

Figure 3. **21 of Oregon’s counties currently do not benefit from shared administrative services**

- Oregon Child Care Alliance current services**
Clatsop, Columbia, Crook, Deschutes, Jefferson, Josephine, Marion, Multnomah, Polk, Tillamook, Yamhill, & Washington Counties
- South Coast Alliance**
Coos & Curry Counties



¹⁶ Leonard, K. & Reyes, N. (2023). Cultivating a Garden within the Child Care Ecosystem: Findings from the Oregon Child Care Alliance evaluation. Oregon Child Care Alliance. Available at: <https://www.oregonchildcarealliance.org/community-impact/>

Moving forward

Oregon's child care system remains in crisis. Preserving recent progress—and building on it—is vital for Oregon's families. Success will require a longer-term commitment with increased investment.

Oregon has made significant progress since 2020, including advancements in supporting rural families and the child care businesses that serve them. There are a number of promising steps on the horizon that will further stabilize and strengthen the child care ecosystem, especially in rural communities. However, much of Oregon remains a child care desert,¹⁷ with 8,100 low-income families on the waitlist for assistance.¹⁸ Oregon will need long-term and sufficient public and private funding to maintain current progress and continue to improve its child care sector. For child care businesses to not just survive but thrive, efforts to align and streamline policies and processes must continue, with specific attention to removing systemic barriers. Only then can Oregon's children get the high-quality, nurturing care they deserve.



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This brief was authored by Kim Leonard (Leonard Research and Evaluation) and Madeline Brandt (Madeline Brandt Consulting).

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Images featured throughout this report were taken by students and teachers at Yoncalla Elementary School. Since 2012, the school has worked with the students, parents, community members, and other key partners in supporting the growth of an Early Works program—and has ultimately succeeded in improving education quality and outcomes across the district. Learn more at: tfff.org/yoncalla-early-works.

¹⁷ Pratt, M. and Sektnan, M. (2022). Oregon's Child Care Deserts 2022: Mapping supply by age group and percentage of publicly funded slots. Prepared for the Oregon Early Learning Division. Available at https://health.oregonstate.edu/sites/health.oregonstate.edu/files/early-learners/pdf/research/oregons_child_care_deserts_2022.pdf

¹⁸ Oregon Department of Early Learning and Care. ERDC Program Data. Accessed November 20, 2024. <https://www.oregon.gov/delc/data/Pages/default.aspx>