



**Indiana Early Learning
Advisory Committee**

**Indiana's Early
Childhood Program
Funding Analysis**

November 2016

A Letter From The Co-Chairs...

Dear Stakeholder,

Indiana's Early Learning Advisory Committee (ELAC), appointed by Governor Pence, is supported by seven workgroups comprised of statewide early learning providers, educators, health experts, philanthropists, academics and business leaders, that help ELAC achieve its goals on behalf of young children and their families. In 2015, ELAC's Funding Streams workgroup was tasked with establishing a baseline understanding of current funding sources that support early childhood in Indiana and developed the first report in September 2015.

The first report was well received, and the Funding Streams workgroup decided to make it an annual report. Similar to the first report, this memo summarizes the funding that supports early learning (ages 0-5) with a particular emphasis on the preschool years. The funding memo includes useful information for those who make policy and funding decisions on behalf of the children and families in Indiana. Highlights of the memo are as follows:

- An estimated \$1.3 billion supports early learning in Indiana, a slight decline from the 2015 report.
- Early learning is funded through a combination of public (federal, state and local) and private (philanthropic and families) dollars.
- 25 unique sources of funding that support early learning.
- The greatest percentage of funding comes from parents – approximately \$826 million – that pay out-of-pocket for early learning services (child care or preschool).
- Slightly more than half (52%) of the total early funding supports preschool aged services.
- Several early learning programs are supported by "blending" or "layering" funding.

As these different funding sources are now being identified, ELAC is working to ensure that they are being efficiently and effectively used to support the highest enrollment of children in high-quality early learning, prioritizing the children that need it the most. While the dollars are significant, the funding is insufficient to meet the current needs of Indiana families. ELAC estimates that there are 27,095 unserved low-income pre-kindergarteners not enrolled in a high-quality subsidized pre-k program. The current On My Way Pre-K voucher only covers two-thirds of the true cost of high-quality pre-k.

We hope that this report is useful to you in your work and decision-making. Please feel free to reach out to members of the workgroup, or to the Committee, with further questions.

Sincerely,



Ted Maple
Early Learning Indiana
Funding Streams Co-Chair



Marissa Manlove
Indiana Philanthropy Alliance
Funding Streams Co-Chair

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Executive Summary

In 2014, the Indiana Early Learning Advisory Committee (ELAC) Funding Streams workgroup began to identify the different funding sources in Indiana that support early learning. For purposes of this report, ELAC adopted the following definition of early childhood: ELAC defines early childhood as the period from birth to age five, although ELAC also recognizes the importance of quality prenatal care in early childhood outcomes. The information included in this report represents young children ages 0-5 with a particular emphasis on the preschool years (ages 3-4). Please note that the data sources in this report vary in terms of the specific timeframe covered.

Programs and services in the early learning years help children enter school ready to learn and stay on the pathway to future success. These opportunities include evidence-based home visiting services, early intervention services, and early care and education programs.

The first section of this report is an Executive Summary of the key findings. In the Executive Summary, the information on pages 6-9 summarize the different public funding sources and publicly funded programs; pages 10-11 provide information on the private funding sources and programs. The remainder is broken out by the following categories: federal, state, local, philanthropic and private funding. In each section, the narrative summarizes the legislation that makes the funding available, the eligibility criteria and how it has been used in Indiana. Additional notes are included to also provide information regarding that funding source.

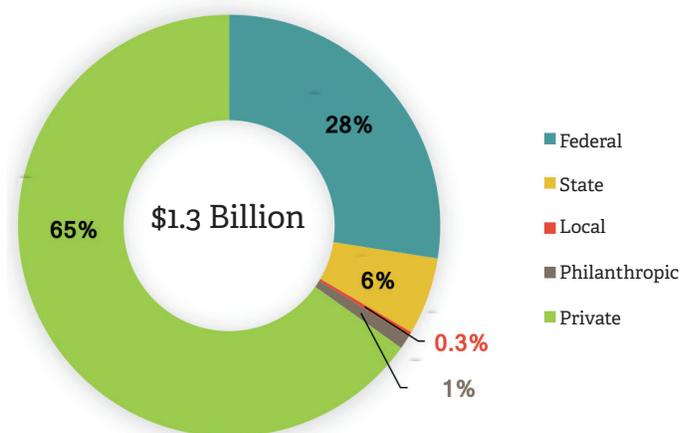
Early Childhood in Indiana

Indiana has 504,906 young children ages 0-5.¹ Approximately one-fourth of Indiana's children ages 0-5 are living in poverty and half are living in low-income families¹ compared to the national average of 48 percent.² In addition to many young children experiencing financial struggles and hardships, many more of our young children also experience several other adverse childhood experiences (abuse, neglect, violence, and even chronic poverty).

The majority of Indiana's families with young children are working families. In Indiana, two of every three children from birth to five years old require some type of care because all of their parents are in the labor force.^{3,ii} This is a total of 332,937 children who, each day, are learning and growing away from a parent's view.

The ELAC Funding Streams workgroup identified 25 different sources of funding that support early childhood in Indiana. Based on the information collected, ELAC estimates that \$1,267,889,834 supports early childhood in Indiana. The greatest amount of funding (65%) comes from parents that pay for early care and education followed by federal (28%), state (6%), philanthropic (1%), and local (0.3%) funding.

FIGURE 1: INDIANA'S EARLY LEARNING FUNDING SOURCES



The ELAC Funding Streams workgroup identified 25 sources of funding that support early childhood in Indiana.

i. Families and children are defined as low-income if the family income is less than twice the federal poverty threshold—\$48,500 for a family of four with two children in 2015.

ii. For children living in a married-couple family, this means that both parents are in the labor force. For children living in a single-parent family or subfamily, this means the resident parent is in the labor force. The civilian labor force includes persons who are employed and those who are unemployed.

Funding by Age

When examining the funding by age group, **approximately half (51%) supports preschool age services (ages 3-4)**. In looking more closely at each early childhood funding source, 59 percent of federal funding supports preschoolers; 73 percent of state funding; 100 percent of local funding; 71 percent of philanthropic funding; and 45 percent of private pay.

FIGURE 2: FUNDING THAT SUPPORTS PRESCHOOL AGED SERVICES



FIGURE 3: PERCENT OF FUNDING THAT SUPPORTS PRESCHOOL AGED SERVICES



Public Funding Summary

Of the 25 identified sources of funding, 22 represent public - federal, state or local. The public funding represents \$428 million or 34 percent of the total early learning funding. These public sources of funding support 14 early learning programs in Indiana by often combining or "layering" the funding. There are three general types of early learning programs or services: early care and education, early intervention, and home visiting.

SUMMARY OF PUBLICLY FUNDED EARLY LEARNING PROGRAMS

Early Learning Program	Funding Source			Total Funding
	Federal	State	Local	
Child Care and Development Fund (CCDF) Vouchers	\$139,410,810	\$23,075,320	-	\$162,486,129 ⁱⁱⁱ
Early Head Start	\$12,035,522	-	-	\$12,035,522
Head Start	\$93,690,403	-	-	\$93,690,403
Early Head Start and Child Care Partnerships	\$9,113,166	-	-	\$9,113,166
Special Education Preschool (SPED)	\$8,322,708	\$34,809,500	-	\$43,132,208 ^{iv}
First Steps	\$30,791,589	\$6,149,513	-	\$36,941,102 ^v
Nurse Family Partnership	\$3,804,432	-	-	\$3,804,432
Healthy Families Indiana	\$30,454,545	\$1,722,226	-	\$32,176,771 ^{vi}
Title I Pre-kindergarten	\$20,471,520	-	-	\$20,471,520
Education of Preschool Migratory Children (Title I, Part C)	\$86,570	-	-	\$86,570
Preschool English Language Learners (Title III)	\$50,115	-	-	\$50,115
Early Education Matching Grant (EEMG)	-	\$1,079,530	-	\$1,079,530
On My Way Pre-K (OMW)	-	\$8,368,992	\$4,200,000	\$12,568,992 ^{vii}
Head Start State Collaboration Office	\$337,000	\$45,750	-	\$380,750 ^{viii}
Public Funding Subtotal	\$348,437,129	\$75,248,830	\$4,200,000	\$ 427,885,959

iii. This includes funding from CCDBG, TANF and the state.

iv. This includes funding from IDEA, Part B and the state.

v. This includes funding from IDEA Part C, SSBG, TANF and the state.

vi. This includes funding from MIECHV, SSBG and TANF.

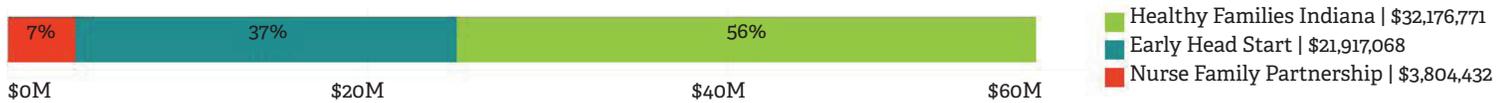
vii. This includes funding from the state and the City of Indianapolis.

viii. This includes funding from SSBG, Head Start and the state.

Home Visiting

Indiana has three publicly funded home visiting programs: Early Head Start, Healthy Families Indiana, and Nurse Family Partnership. These home visiting programs provide evidence-based services for low-income and at risk families statewide. Indiana received and allocated \$57.1 million (or 4.5% of total funding) through a combination of federal and state funding sources to support evidence-based home visiting with the majority of funding supporting Healthy Families Indiana.

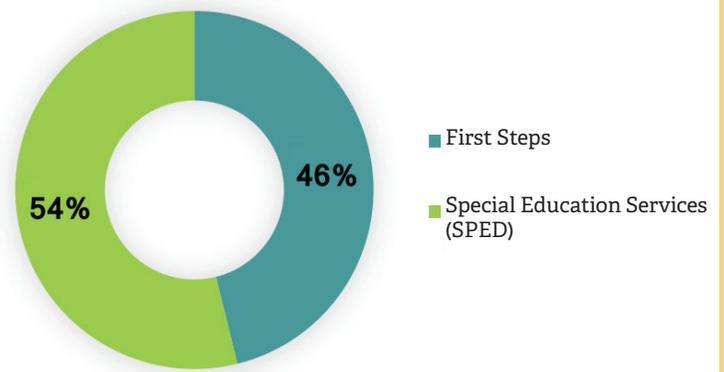
FIGURE 4: TOTAL FUNDING FOR EVIDENCE BASED HOME VISITING^{ix}



Early Intervention Services

Indiana has two primary programs to support the needs of young children with an identified developmental delay or disability to help them stay on track developmentally. For children ages 0-3, they are served by First Steps. For children ages 3-5, they are served by the public schools through Special Education services (SPED). These two programs received \$80 million (or 6% of total funding) from multiple federal and state sources. The majority (54%) of funding supports early intervention for children ages 3-5.

FIGURE 5: EARLY LEARNING INTERVENTION FUNDING



Early Care and Education

As previously stated, the majority of Hoosier families with young children work and need care for their children ages 0-5. Indiana has several programs and funding sources available to help subsidize the cost of early care and education for young children, especially for low-income and at risk families. The total amount of funding that supports early care and education is \$354,627,585. The following chart breaks down the different types of public early care and education funding sources. The largest source of early care and education funding is Child Care Development Fund (CCDF) followed by Head Start, which are largely federal sources.

FIGURE 6: EARLY CARE AND EDUCATION

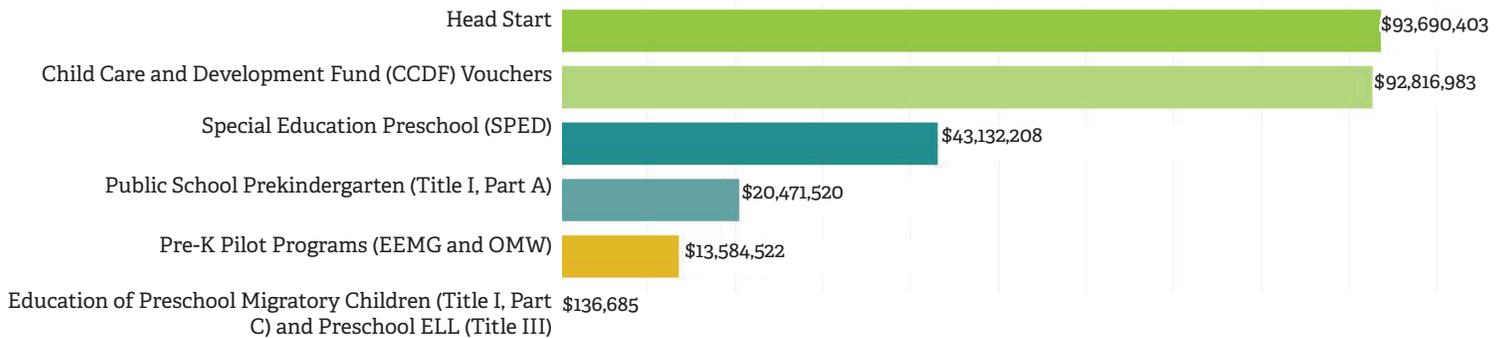


^{ix} Early Head Start funding includes Early Head Start and Child Care Partnerships. HFI includes portions from MIECHV, SSBG, and TANF. Nurse Family Partnership is funding from MIECHV portion.

Preschool Funding

When looking more closely at the public funding that supports preschool (children ages 3-4), a total of \$263,896,320 supports preschool. As seen in Figure 7, the majority of preschool funding is from Head Start and CCDF followed by SPED and Title 1.

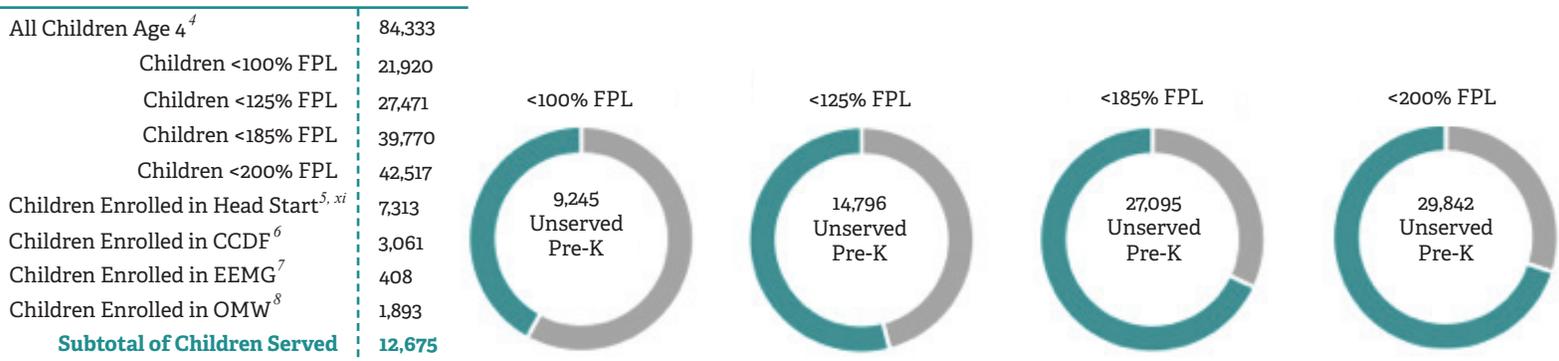
FIGURE 7: PUBLIC PRESCHOOL FUNDING SOURCES



In taking a closer look at the funding that just supports four-year old children in high-quality pre-k programs, there are still a significant number of potentially unserved children not enrolled in a high-quality subsidized pre-k program. As Figure 8 displays, Indiana has 84,333 four-year old children and approximately half are low-income. Based on the data in the following chart, there are 27,095 unserved low-income (185% FPL) four-year old children not in a high quality subsidized pre-k program.

There are 27,095 unserved low-income (185% FPL) four-year old children not in a high quality subsidized pre-k program.

FIGURE 8: UNSERVED PRE-KINDERGARTNERS^x

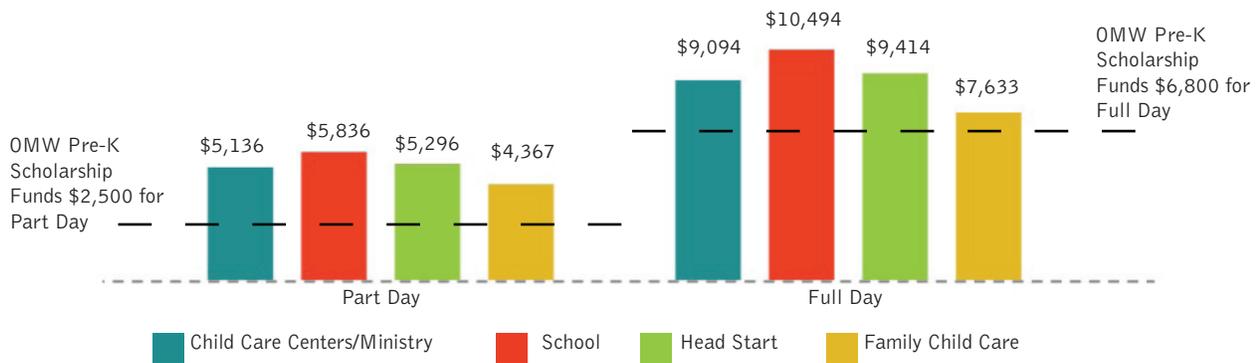


x. While Title 1 and Special Education, Part B, also provide subsidized pre-k their data is not included in this chart for the following reasons: the data is currently not reported by single age groups; not all schools meet the definition of "high-quality"; and special education is not meant to provide traditional preschool but rather address the student's developmental needs according to their disability.
 xi. While Head Start programs receive funds to serve 3-4 year olds, ELAC conducted a survey (with 100% participation) to all Indiana Head Start programs in September 2016 via the Indiana Head Start Association to determine the number of 4-year olds served in Head Start programs. Head Start agencies reported the number of 4-year old children enrolled for the 2016-2017 school year.

Cost of High-Quality Pre-K

The ELAC Funding Streams workgroup, in consultation with the Center on Enhancing Early Learning Outcomes (CEELO) and 3Si, piloted a new Cost of Preschool Quality (CPQ) tool to help states build models to estimate the costs associated with publicly funded preschool programs. Through this analysis, the estimated costs-per-child slot in high-quality Indiana preschools range from about \$4,400-\$5,800 (avg. \$5,158) for part-day programs^{xii} and \$7,600-\$10,500 (avg. \$9,158) for full-day programs.

FIGURE 9: ESTIMATED HIGH-QUALITY SEAT COSTS BY DOSAGE AND DELIVERY MODEL (STATE PROVIDER LEVEL COSTS)



The current Pre-K Voucher is only covering 2/3 of the true costs as depicted by this image.

The current scholarship rate for the pilot pre-k program is \$2,500 for part-day and \$6,800 for full-day. Based on the analysis completed in the CPQ tool, the pre-k scholarship is only covering half (48%) of the part-day and three-fourths (74%) of the full-day costs. Based on the enrollment numbers for the past two school years, the majority of working families are selecting full-day care here the scholarship does not cover the full costs. As a result, pre-k providers are having to cover the costs through other funding sources, such as philanthropy and layering other available public funding (i.e., Head Start, Title 1).

How to fill the rest?

- CCDF
- Head Start
- Title 1
- Family Pay
- Philanthropy



The pre-k scholarship is only covering 90% of the part-day and 74% of the full-day costs.

^{xii}. Footnote: A part-day program is 2.5 - 4 hours; A full-day program is 5 or more hours.

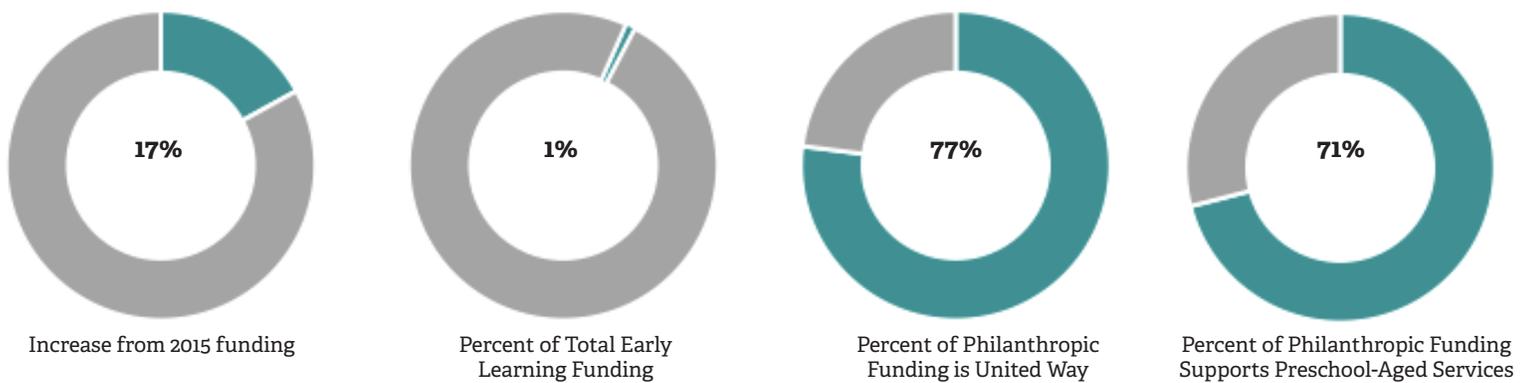
Private Funding Summary

In addition to the public funding supporting early learning programs, Indiana also has philanthropic dollars that are providing financial support. Most notably, however, is that the majority of funding that supports early learning programs is provided from families.

Philanthropic Funding

Indiana has a variety of philanthropic partners that support early learning for children ages 0-5, which includes United Way agencies, private, family, corporate and community foundations. In a survey provided by the ELAC Funding Streams workgroup, in partnership with Indiana Association of United Ways and Indiana Philanthropy Alliance, in August 2016, 16 United Way agencies reported providing \$10.6 million to support early learning and 32 foundations reported \$3.1 million. In total, Indiana's philanthropic partners reported that they will contribute \$13.7 million in funding to support early learning in 2016.

FIGURE 10: PHILANTHROPIC FUNDING FOR EARLY LEARNING



With the two state-funded pre-k pilot programs, EEMG and OMW, both require a financial match of support. For EEMG, the match is a one-to-one cash match (or 100%). OMW requires a ten percent match. The \$13.7 million in philanthropic funding represents some of the match required for these state-funded pre-k programs.

Philanthropic Funding Supports Capacity Building

One of the targeted uses of philanthropic funding is to support capacity building efforts to increase the number of high-quality seats for families. The United Way of Central Indiana has been a leader in the state working to increase the number of high-quality seats. In the past year, United Way of Central Indiana invested \$974,505 to support early care and education providers to become a high-quality provider and/or expand their capacity if they already were a high-quality provider. With this investment of slightly less than \$1 million approximately 1,100 new high-quality seats have been added in Marion County. This was a significant need to ensure enough high-quality providers were available and accessible for families participating in On My Way Pre-K and Indy PSP.

Through their philanthropic experience of investing in high-quality seats for the past several years, they estimate **the average cost of creating a new high-quality seat to be \$1,000 per seat investment.**

Private Funding

As previously noted, nearly two-thirds (64%) of the total early learning funding is from parents paying for early care and education. It is important to note that this amount is a conservative estimate and is actually much higher since it is only accounting for families that pay for care in a “known” program. Indiana has 5,333 registered and licensed early care and education programs that provide early care and education to 130,321 children ages 0-5 annually.⁹ That means that of the 332,937 young children that need early care and education,¹⁰ ELAC is only able to document where approximately one-third of them are receiving it.

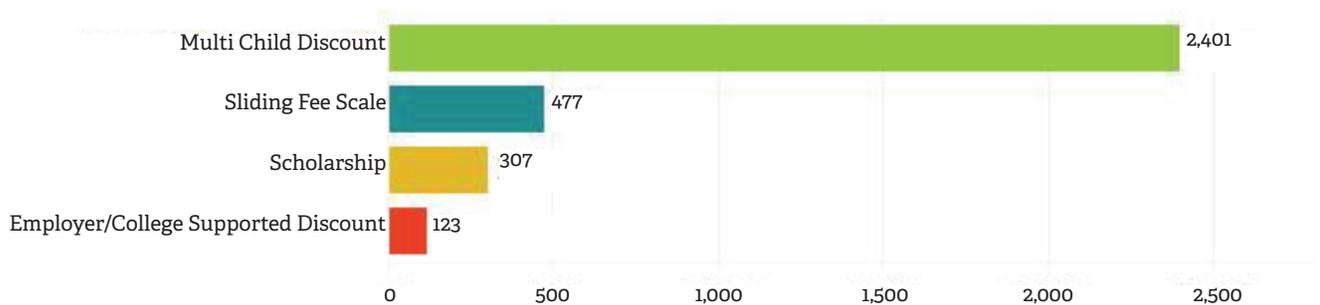
FIGURE 11: PARENT PRIVATE PAY



The majority of children (61%), however, are receiving care and education in an “informal setting” from a family member, friend, or neighbor - where the quality is unknown and the amount that they are paying for that care is also unknown.

Early care and education providers are aware of this potential financial hardship for families, and many programs offer some type of financial support for families, such as multi-child discount, sliding fee scale, scholarship and employer-sponsored discount. While the number of programs offering these financial supports is identified in Figure 12, the number of children receiving them and the amount provided is unknown.

FIGURE 12: PROVIDER FINANCIAL SUPPORTS TO FAMILIES



Area for Improvement

While this report provides a comprehensive overview of the existing funding that supports early learning in Indiana, there are opportunities to better understand the current availability and utilization of these funding sources. As these different funding sources are now being identified, ELAC is working to ensure that they are being efficiently and effectively used to support the highest enrollment of children in high-quality early learning, prioritizing the children that need it the most. Based on the information collected in this report, the ELAC Funding Streams workgroup recommends the following:

- Funding that supports early learning programs should be flexible and guiding policies should ensure the maximum ability to layer all eligible funding for early learning programs. For example, to support working families with full-day care, CCDF / Head Start / On My Way Pre-K funding could be layered to efficiently accomplish this goal.



Federal Funding

Funding Source	Preschool Children Served Ages 3-4	Children Served Ages 0-5 ^{xiii}	Funding for Preschool Children Ages 3-4	Total Amount of Funding for Young Children Ages 0-5
Child and Adult Care Food Program (CACFP) ^{xiv}	-	-	-	-
Child Care and Development Block Grant (CCDBG)	12,956	29,559	\$35,723,868	\$79,627,883
Early Head Start	-	1,319	-	\$ 12,035,522
Head Start	11,570	11,570	\$93,690,403	\$93,690,403
Head Start State Collaboration Office	0	0	^{xv} -	\$175,000
Early Head Start and Child Care Partnerships	-	530	-	\$9,113,166
Individuals with Disabilities Education Act (IDEA), Part B, Sec. 619	12,658	12,658	\$8,322,708	\$8,322,708
Individuals with Disabilities Education Act (IDEA), Part C	17,584	17,584	-	\$8,777,286
Maternal and Child Health Block Grant (MCHBG) ^{xvi}	-	-	-	-
Maternal Infant Early Childhood Home Visiting (MIECHV)	-	2,660 ^{xvii}	-	\$9,767,190
Social Services Block Grant (SSBG)	-	5,197	-	\$1,951,733
Temporary Assistance for Needy Families (TANF)	-	8,770	\$46,740,715	\$104,499,284
Title I, Part A - Prekindergarten	-	6,220	\$20,471,520	\$20,471,520
Title I, Part C - Education of Migratory Children	146	370	\$86,570	\$86,570
Title III - English Language Learners	-	-	\$50,115	\$50,115
Federal Funding Subtotal	54,914	96,437	\$205,085,899	\$348,568,379

Child and Adult Care Food Program

In 2015, Indiana received approximately \$55.7 million in federal funding from the Child and Adult Care Food Program (CACFP). Through CACFP, more than 98,000 Hoosier children receive nutritious meals and snacks each day. Similar to CCDBG, CACFP support is available for children up through the age of 12. In Indiana, ELAC is unable to determine how much funding was used to support young children (ages 0-5) because the state does not collect data by single age groups. Therefore, the funding amount and number of children served was not included in the subtotals. The program is managed by the Indiana Department of Education (IDOE).

CACFP provides nutritious meals and snacks to infants and children as a regular part of their early childhood education program. CACFP reimburses early childhood education programs at free, reduced-price, or paid rates for eligible meals and snacks served to enrolled children, targeting benefits to those children most in need.

^{xiii}. Not all funding sources were able to determine the number of children served ages 0-5.

^{xiv}. Indiana is unable to determine how much of these funds were spent solely on children under 5 years old. Therefore, this amount is not included in the subtotal of federal funding.

^{xv}. The Head Start State Collaboration Office does provide funding for ages 3-4, but specific amount was reported within the total for ages 0-5.

^{xvi}. Funding Information for this year was not available.

^{xvii}. The number of children served represents the target children served 10/1/14-9/30/15 and does not include pregnant women who had not given birth by 10/1/14.

Child Care and Development Block Grant

In 2015, Indiana appropriated approximately \$79.6 million in federal funding from the Child Care and Development Block Grant Act (CCDBG) for children ages 0-5 in FFY 2015. CCDBG is also referred to as Child Care and Development Fund (CCDF). CCDF is a principal source of federal funding for child care subsidies for low-income, working families and is the principal source of federal funding for initiatives to improve the quality of child care in states. CCDF served approximately 30,000 Hoosier children ages 0-5 in FFY 2015. The Family and Social Service Administration (FSSA) administers CCDF under the Office of Early Childhood and Out of School Learning (OECOSL).

Early Head Start

Indiana has 29 Early Head Start grantees that received \$12 million in Early Head Start funding for FY 2017. The reauthorization of the Head Start Act in 1994 established Early Head Start as a program to serve infants and toddlers under the age of three and pregnant women. The U.S. Department of Health and Human Services awards Early Head Start grants directly to eligible organizations to administer the program. Early Head Start programs provide early, individualized child development and parent education services to low-income families. The program provides early learning opportunities for infant and toddlers with or without disabilities and connects families with other service providers at the local level to ensure that a comprehensive array of health, nutrition and other services are available to the families. For FY 2017, Indiana Early Head Start programs will serve 1,319 children ages 0-3. No state agency administers the program since grant funds are awarded directly from the federal government to the individual grantee.



Early Head Start-Child Care Partnerships

In FY 2017, Indiana has four Early Head Start - Child Care Partnerships (EHS-CCP) grantees that received \$9.1 million in EHS-CCP. The four grantees include: Early Learning Indiana in Marion County received \$1,661,563 to serve 88 children; the Elkhart and St. Joseph County Head Start Consortium received \$2,133,363 to serve 128 children; Geminus Corporation in Lake County received \$3,612,143 to serve 200 children; and Telamon Corporation, dba Transition Resources Corporation, in Muncie received \$1,661,563 to serve 114 children. No state agency administers the program since grant funds are awarded directly from the federal government to the individual grantee.

In January of 2014, Congress appropriated \$500,000,000 to expand the number and quality of early learning slots for infants and toddlers through EHS-CCP grants or new Early Head Start grants. The EHS-CCP was a new competitive grant opportunity to support the partnering of Early Head Start programs with early childhood education providers. Under EHS-CCP, new or existing Early Head Start grantees partner with regulated center-based or family care providers who agree to meet the Head Start Program Performance Standards. The purpose of the grant is to allow local Early Head Start providers and their child care counterparts to leverage their funds to provide high quality, comprehensive early learning experiences for more infants and toddlers. Each partner uses funds directly as well as partner on activities such as training & technical assistance, management, and the delivery of comprehensive services. Many of the Early Head Start comprehensive services, such as parent engagement activities, governance, management of advisory committees, or professional development training, may be provided through a central hub, if a grantee identifies this approach as appropriate to fit the community's needs.

Head Start

Indiana has 35 Head Start grantees that received \$93.7 million in Head Start funding in FY 2017. Head Start is a federal program to promote the school readiness of low-income children by enhancing their cognitive, social, and emotional development through comprehensive early childhood education, health, nutrition, and parent involvement services. Ninety percent of children served in a Head Start program must be from families earning less than the poverty level. The U.S. Department of Health and Human Services awards Head Start grants directly to eligible organizations to administer the program. In FY 2017, Indiana Head Start programs served 11,570 children ages 3-5. No state agency administers the program since grant funds are awarded directly from the federal government to the individual grantee.

Indiana also receives \$175,000 annually to support the Indiana Head Start State Collaboration Office that is matched with SSBG and state funding.

Individuals with Disabilities Education Act, Part B, Section 619

In 2015-16, Indiana received \$8.3 million under Part B, Section 619 of the Federal Individuals with Disabilities Education Act (IDEA). Part B, Section 619 of IDEA, the Special Education Preschool Grants Program provides grants to states to make special education and related services available to children with disabilities, ages 3 through 5. The Preschool Grants program is available only to children with disabilities; it has no income requirement. Approximately 12,658 children were served in special education preschools across the state for 2015-16. Permitted expenditures include the salaries of special education teachers and costs associated with related services, including, but not limited to, speech-language pathology services, physical and occupational therapy, psychological services, parent counseling and training, and social work services in schools. IDOE administers the program and distributes grant funds to eligible school districts who then provide or coordinate the provision of services.

Individuals with Disabilities Education Act, Part C

In 2015, Indiana received \$8.8 million through Part C of IDEA to provide early intervention services for infants and toddlers with disabilities. The First Steps Early Intervention System (First Steps) is Indiana's Part C Program under IDEA. First Steps is a family-centered, locally-based, coordinated system that provides early intervention services to infants and young children who are experiencing developmental delays and/or have a diagnosed condition that has a high probability of resulting in developmental delay. Historically, Part C in Indiana has served approximately 22,000 children ages 0 to 3 each year. First Steps does seek and receive other funding such as TANF, SSBG, Medicaid, private insurance and family fees to support the provision of early intervention services. FSSA administers First Steps under the Division of Disability and Rehabilitative Services (DDRS).

Maternal and Child Health Block Grant

In 2014, Indiana received an estimated \$12.5 million for the Maternal and Child Health Block Grant (MCHBG) program to serve approximately 161,160 children and women through providing funds to local organizations to implement or enhance prenatal care programs and services for children and youth with special health care needs. ISDH administers the program.

No funds were reported for this past fiscal year since the only amount of MCHBG funding that is used directly for early learning initiatives is the amount used to fund the Nurse Family Partnership (NFP) program in Lake County that just began in FFY 2016. ISDH will report those figures in the next report.



Enacted in 1935 as a part of the Social Security Act, the Title V Maternal and Child Health Program is the Nation's oldest Federal-State partnership. Title V converted to a State Block Grant Program in 1981. There are two funding components of MCHBG. The first are formula grants to states, which are awarded to state health agencies on the basis of the amount awarded to states in 1981 for the individual programs consolidated into MCHBG

and the number of children in poverty in the state in relation to the total number of such children nationally. Funds allocated to states under the formula grants are available for two years. Second, there are also federal discretionary grants, which are awarded on a competitive basis to a variety of applicant organizations.

There are very few prohibitions on state use of MCHBG funds. However, the statute identifies several purposes for which the federal funds are to be used: (i) to assure access to quality maternal and child health care, especially for those with low incomes or limited availability of care; (ii) to reduce infant mortality; (iii) to provide rehabilitative services for blind and disabled children under the age of 16 who receive Supplemental Security Income; (iv) to provide access to pre- and postnatal care; (v) to provide and promote family-centered, community-based systems of coordinated care for children with special health needs; (vi) to increase the number of children receiving health assessments and diagnostic and treatment services; and (vii) to provide assistance in applying for Medicaid services.

Maternal, Infant, and Early Childhood Home Visiting Program

In 2015, Indiana was awarded an estimated \$9.7 million for the Maternal, Infant, and Early Childhood Home Visiting Program (the Home Visiting Program (MIECHV)). With this funding, \$3.8 million was used to support the implementation of the Nurse Family Partnership (NFP) home visiting program managed by Goodwill Industries of Central Indiana; \$5.9 million to support the Healthy Families Indiana (HFI) program managed by the Indiana Department of Child Services (DCS). ISDH administers the MIECHV program.

Authorized by the Affordable Care Act, the creation of MIECHV provides critical funding to expand the reach of voluntary, evidence-based home visiting services for expectant families and families with young children. Indiana has chosen two home visiting models - NFP and HFI - to meet the needs of at-risk families. MIECHV supports pregnant women and families and helps at-risk parents of children from birth to kindergarten tap the resources and hone the skills they need to raise children who are physically, socially and emotionally healthy and ready to learn. These evidence-based home visiting programs improve maternal and child health, prevent child abuse and neglect, encourage positive parenting, and promote child development and school readiness.

Social Services Block Grant

In 2015, Indiana allocated \$1.9 million in Social Services Block Grant (SSBG) funding to support early learning programs. With this funding, \$1.5 million was used to support First Steps, \$0.2 million to support HFI and \$0.1 million to support higher education scholarships for Head Start teachers via the T.E.A.C.H. Early Childhood® INDIANA Project.

DCS administers the SSBG grant on behalf of Indiana. Indiana uses SSBG funds to provide services for children and youth involved in or at risk for involvement in the child welfare system, domestic violence shelters, health care coordination, transitional services for youth returning to the community from state juvenile correctional facilities, case management services for developmentally disabled children and adults, T.E.A.C.H. Early Childhood® INDIANA Project scholarships for early child care providers, and children and youth at risk due to social emotional disturbance.

SSBG enables each state or territory to meet the needs of its residents through locally relevant social services. SSBG supports programs that allow communities to achieve or maintain economic self-sufficiency to prevent, reduce or eliminate dependency on social services. Each state has broad discretion to determine which services to provide and who is eligible to receive these services, although SSBG funds must be spent on programs and services for children or families with incomes below 200 percent of the poverty line. The same limitation on the use of funds for the provision of educational services generally provided by public schools that applies to TANF applies to SSBG funds.

Temporary Assistance for Needy Families

In 2015, Indiana allocated \$104.5 million in Temporary Assistance for Needy Families (TANF) funds to support early learning programs. This includes \$59.7 million to support CCDF, \$20.5 million to support First Steps, and \$24.2 million to support the Healthy Families Indiana program.

TANF is a program that provides cash assistance and supportive services to assist families with children under age 18, helping them achieve economic self-sufficiency. States receive a block grant of federal funds each year, and must meet an annual maintenance of effort (MOE) requirement (i.e., a requirement to spend a specified amount of state funds for benefits and services that meet the purposes of TANF for low-income families).

Similar to SSBG and MCHBG, states have broad discretion to decide what services and benefits to offer and to set different eligibility standards for various types of benefits. States fund their TANF programs with a combination of Federal and State funds. Generally, a state may spend TANF funds one of two ways. First, the state can transfer funds to other block grants. Indiana transfers the maximum (30%) of TANF funds to the state's CCDF program. Second, the state may use TANF or MOE funds in "any manner reasonably calculated" to accomplish the purposes of TANF such as supporting First Steps and HFI. TANF is administered by FSSA's Division of Family Resources.

Title I, Part A Grants to Local Educational Agencies

In 2015, Indiana received \$259 million in Title I funds, of which, \$20.4 million was used to provide preschool services. For the 2015-2016 school year, 42 LEAs reported serving approximately 6,220 preschool students (ages 3-5) using Title I funding.

Title I, Part A (Title I) of the Elementary and Secondary Education Act (ESEA), as amended, provides financial assistance to Local Educational Agencies (LEAs) and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet state academic standards. Federal funds are currently allocated to LEAs through four statutory formulas that are based primarily on census poverty estimates and the cost of education in each state. LEAs target the Title I funds they receive to public schools with the highest percentages of children from low-income families. Schools enrolling at least 40 percent of children from low-income families are eligible to use Title I funds for school-wide programs designed to upgrade their entire educational programs to improve achievement for all students, particularly the lowest-achieving students. Unless a participating school is operating a school-wide program, the school must focus Title I services on children who are failing, or most at risk of failing, to meet State academic standards.

A LEA or school may use Title I funds to operate a preschool program consistent with Title I requirements. The U.S. Department of Education (USDOE) does not require LEAs to report the allocation of Title I dollars by age. As a result, there is not a formal process in place for IDOE to collect this data from LEAs and makes it difficult to track how many federal Title I dollars are used to provide preschool services in Indiana.

Title I, Part C Education of Migratory Children

In 2015, Indiana received \$5.3 million in federal Title I, Part C funding for the Migrant Education Program (MEP). While there is no dedicated amount of funding for early childhood education, subgrantees have the ability to use the funding to support preschool. In Indiana, one LEA used funding to provide preschool services in 2015.

The MEP provides formula grants to State educational agencies (SEAs) to establish and improve education programs for migratory children. These grants assist States in improving educational opportunities for migratory children to help them succeed in the regular school program, meet the same State academic content and student academic achievement standards that all children are expected to meet, and graduate from high school. Section 1304(b)(1) of the statute requires SEAs to ensure that they will identify and address the special educational needs of preschool migrant children. Therefore, SEAs may use MEP funds to provide educational activities for preschool-age children that qualify under the program. Any SEA or LEA that operates a MEP preschool must evaluate the progress of migrant children who participate. In addition, preschool children who received services under a MEP in the prior two years are automatically eligible to participate in a Title I preschool program.

Title III Language Instruction for Limited English Proficient and Immigrant Students

In 2016, Indiana received \$8.4 million in Title III: Language Instruction for Limited English Proficient (LEP) and Immigrant Students. While there is no dedicated amount of funding for early childhood education, subgrantees have the ability to use the funding to support preschool. As a result, one LEA used \$50,114.98 in Title III funds to provide preschool services. However, we are unable to determine how many children were served with this funding.

The purpose of Title III: Language Instruction for Limited English Proficient (LEP) and Immigrant Students of the No Child Left Behind Act of 2001 is to help ensure that children who are limited English proficient, ages 3-21, attain English proficiency, develop high levels of academic attainment in English, and meet the same challenging State academic content and student academic achievement standards as all children are expected to meet. LEP students are eligible based on the presence of another language on the Home Language Survey (HLS) and the results of the English language proficiency assessment administered to every limited English proficient student in the state of Indiana. Although Title III funds may be used for preschool for eligible limited English proficient students, the majority of the funding is used for providing professional development for teachers of English learners and supplemental educational support for eligible LEP students.



State Funding

Funding Source	Preschool Children Served Ages 3-4	Children Served Ages 0-5	Funding for Preschool Children Ages 3-4	Total Amount of Funding for Young Children Ages 0-5
Early Education Matching Grant	403	403	\$1,079,530	\$1,079,530
On My Way Pre-K	1,585	1,585	\$8,368,992	\$8,368,992
State Match for CCDBG	-	-	\$10,352,400	\$23,075,320
Head Start State Collaboration Office	-	-	-	\$ 43,750
State Match for Special Education Preschool	-	-	\$34,809,500	\$34,809,500
Healthy Families Indiana (HFI)	-	^{xviii} 240	-	\$1,722,266
State Match for First Steps	-	-	-	\$6,149,513
State Funding Subtotal	1,988	2,228	\$ 54,610,421	\$5,248,830

Early Education Matching Grant Program

In the 2013 legislative session, the Indiana General Assembly created the Early Education Matching Grant (EEMG) program by allocating \$2.1 million for two years, beginning in 2014. In the 2015-2016 school year, 21 high-quality programs, located in 14 different Indiana counties provided pre-k to 403 children using \$1.08 million in state funding and \$1.08 million in private match funding.

EEMG is a competitive grant program, to support four-year-old children from families whose incomes are at or below 100 percent of the federal poverty level to attend eligible high quality pre-k programs. Eligible pre-k programs are rated Level 3 or Level 4 on Paths to QUALITY™ and have a lead teacher with a Bachelor's degree in early childhood education or an equivalent. Program grants are awarded directly to early care and education providers. FSSA's OECOSL administers the program.

Healthy Families Indiana

In 2015, Indiana utilized \$1.7 million of appropriated state funding to support Healthy Families Indiana (HFI) to serve at-risk young children ages 0-3 with this funding. As noted in the previous section, HFI receives the majority of its funding through several federal sources - TANF (\$24.2 million), MIECHV (\$5.9 million), and SSBG (\$0.2 million) - combined with the state funding for a total amount of HFI funding of \$32.1 million. DCS administers HFI. HFI services are provided by 35 contracted agencies and available in all 92 counties in Indiana.

HFI is an evidence-based, voluntary home visiting model designed to provide services to families that begin prenatally, or at birth, through age five (currently in Indiana services are offered through age 3 due to funding restrictions). HFI is designed to promote healthy families and healthy children through a variety of services, including child development, access to health care and parent education.

^{xviii}. The number of children served here only reflects the children served with state funding and does not reflect the total number of children served in HFI.

On My Way Pre-K

In the 2014 legislative session, the Indiana General Assembly created the Early Education Grant Pilot Program (also known as On My Way Pre-K). Ten million for the program was appropriated from FSSA reversions. Between 10 – 50 percent of the funding for On My Way Pre-K must come from private or other sources. The legislation also appropriated \$1 million to be spent on a longitudinal study of students who participating in On My Way Pre-K versus a control group.

In the 2015-2016 school year, five counties provided pre-k to 1,585 four-year olds using \$8.3 million in state funding. Additional children were served in one county (Marion County) through the Indy Preschool Scholarship Program (discussed in the next section).

On My Way Pre-K provides scholarships to eligible 4-year olds to attend eligible high quality pre-k programs in five pilot counties (Allen, Jackson, Lake, Marion, Vanderburgh). Eligible children are those who are from families whose income is at or below 127 percent of the federal poverty level. Eligible providers are: 1) public schools (including charter schools) and child care facilities who meet Level 3 or 4 Paths to QUALITY™ and 2) accredited nonpublic schools. FSSA's OECOSL administers the program.

State Match for Federal Programs

In addition to the early learning programs discussed above, Indiana also provides state funds to match and/or draw down the full amount of federal funding previously identified. This includes:

- CCDF: \$23 million for FFY 2015 (for children ages 0-5)
- Head Start State Collaboration Office: \$43,750 for FY 2017
- First Steps, IDEA, Part C: \$6.1 million for FFY 2015
- Special Education Preschool, IDEA, Part B: \$34.8 million for 2015-16.



Local Funding

Funding Source	Preschool Children Served Ages 3-4	Children Served Ages 0-5	Funding for Preschool Children Ages 3-4	Total Amount of Funding for Young Children Ages 0-5
City of Indianapolis Preschool Scholarship Program (Indy PSP)	725	725	\$4,200,000	\$4,200,000
Local Funding Subtotal	725	725	\$4,200,000	\$4,200,000

Indy Preschool Scholarship Program

In March 2015, the Indianapolis City-County Council approved \$4.2 million in funding to support the Indy Preschool Scholarship Program (Indy PSP) to provide free scholarships for children from low-income families to attend high quality preschools. United Way of Central Indiana jointly administers Indy PSP with the state's On My Way Pre-K program.

Children between the ages of 3 and 4 who are from families living at or below 185 percent of the Federal Poverty Level may be eligible for an Indy PSP scholarship. First priority for the scholarships are given to children from families living at or below 127 percent of the federal poverty level. Selected families may choose to send their child to any of the approved high-quality pre-k programs that meet the state's On My Way Pre-K guidelines.

In the 2015-2016 school year, 725 3- and 4-year-old children in the Indy PSP. Indy PSP has been proposed as a 5-year plan, and the Council will review it annually for the next three years.

Philanthropic Funding

Funding Source	Preschool Children Served Ages 3-4	Children Served Ages 0-5	Funding for Preschool Children Ages 3-4	Total Amount of Funding for Young Children Ages 0-5
United Way Agencies	-	-	\$7,776,264	\$10,613,532
Private Foundations	-	-	\$2,021,731	\$3,102,401
Philanthropic Funding Subtotal	-	-	\$9,797,995	\$13,715,933

United Way Agencies

In a survey provided by the Funding Streams workgroup, in partnership with Indiana Association of United Ways, in August 2016, sixteen United Way agencies reported providing \$10.6 million to support early learning in 2016. United Way agencies across Indiana invest in early education birth to age 5, but reported a higher focus of investments on preschool for children ages 3-5. In addition to financial support, United Way agencies also provide "in-kind" support of early education in their local communities through a variety of efforts, including roles in coordinating, convening, training, volunteer placement and recognition of quality.

Private, Family, Community and Corporate Foundations

In a survey provided by the Funding Streams workgroup, in partnership with the Indiana Philanthropy Alliance, in August 2016, thirty-two organizations representing private, family, community, and corporate foundations responded to the survey. They reported providing \$2.7 million in funding to support early learning in 2015. They estimated \$3.1 million in funding for the next fiscal year of 2016.

Private Funding

Funding Source	Preschool Children Served Ages 3-4	Children Served Ages 0-5	Funding for Preschool Children Ages 3-4	Total Amount of Funding for Young Children Ages 0-5
Parent Private Pay	49,957	112,214	\$367,804,458	\$826,166,692
Private Funding Subtotal	49,957	112,214	367,804,458	\$826,166,692

Parent Private Pay

Based on 2016 data provided by Early Learning Indiana, ELAC estimates that 112,214 young children are in care paid for by their families resulting in an approximate amount of \$826 million.^{ix, xix} It is important to note that the amount a family pays for care can vary based on the age of the child and type of provider selected (home, center, registered ministry, or school). For example, the highest cost for care is just under \$20,000 annually and the lowest cost of care is \$520.

As previously noted in the Executive Summary, this is a conservative estimate since the majority of children receiving care are enrolled in “informal care” programs not monitored by a state agency and therefore not sharing data, such as enrollment and cost of care rates.

As previously noted in the Executive Summary, several early care and education programs provide financial supports such as scholarships and/or sliding scales to lower the total cost of care. The number of families that receive financial supports offered by the program is unknown as is the amount that is subsidized. There are 123 employer-sponsored programs providing care for their employee’s young children. At this time, ELAC is unable to calculate the total amount that employers pay, if any, for employees to access that care.



xix. The amount of private pay funding was calculated by multiplying the number of children enrolled for each age group within each active provider by the weekly rate given by that provider for that age group, and then multiplying the resulting weekly values by 52 weeks.

Endnotes

1. U.S. Census Bureau, 2010 - 2014 American Community Survey 5 - Year Estimates, Table B17024.
2. U.S. Census Bureau, 2010 - 2014 American Community Survey 5 - Year Estimates.
3. U.S. Census Bureau, 2010 - 2014 American Community Survey, Table B23008.
4. Survey conducted in September 2016 via ELAC and the Indiana Head Start Association.
5. Indiana Family and Social Services Administration Office of Early Childhood and Out-of-School Learning, FFY 2015.
6. Indiana Family and Social Services Administration Office of Early Childhood and Out-of-School Learning, 2016-2017 school year.
7. Ibid.
8. Pre-K Philanthropic Spending Survey, 2016. Administered by the ELAC Funding Streams Workgroup.
9. Early Learning Indiana, 2016. Indiana Department of Education, 2016.
10. U.S. Census Bureau, 2010-2014 American Community Survey 5 - Year Estimates.
11. Early Learning Indiana, 2016.



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ELAC Funding Streams Workgroup

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