

# Alternate Rate-setting Structure for the Employment Related Day Care (ERDC) Program



**State of Oregon**  
**Early Learning Division**  
Legislative Report/Progress Update  
December 31, 2022

## Executive Summary

In the 2021 Legislative session, the Oregon Legislature passed HB 3073, which included various changes to the governance and infrastructure of early learning and care in the state to unify service delivery. This landmark legislation created a new agency, the Department of Early Learning and Care (DELIC), and directed movement of the Employment Related Day Care (ERDC) program to the new agency by July 1, 2023. In addition to these changes, HB 3073 required the State to expand eligibility criteria for family participation in the ERDC program and move to an alternate rate-setting structure to inform the rates for providers who provide care to ERDC eligible families. It is important to note that even after the transition to an alternate rate-setting structure, rates for child care providers who participate in the ERDC program will still be subject to the union bargaining process and set through the Collective Bargaining Agreements (CBAs). As outlined in this report, the implementation of a new structure is planned for fall of 2025.

Child care providers are often operating at razor thin profit margins. Given the limitation on public funding, providers who participate in the child care subsidy program are often not compensated to cover the true operational costs of providing child care. In order to capture the true cost of providing quality child care, Oregon will move to an alternate rate-setting structure.

The alternate rate-setting structure requires a transition to methodology to inform a rate of reimbursement that reflects the true cost of providing child care. As the first update on transition to the alternate rate-setting structure, HB 3073 required the Oregon Early Learning Division (ELD) to submit an interim report on the progress and planning to the Legislature by December 31, 2022. This is the first report to the Legislature which includes an update on how the development of DELIC, and associated infrastructure planning and development, will impact the implementation of an alternate rate structure for the ERDC program and recommendations from the Alternate Rate Methodology Advisory Committee ("Advisory Committee"). The infrastructure analysis and engagement with the Advisory Committee were conducted simultaneously to give the Legislature a comprehensive update on the essential components of a transition to an alternate rate-setting structure. DELIC will continue to update the Legislature on the implementation of the alternate rate-setting structure.

As ELD continues to execute the transition to DELIC, the agency conducted a current and future state infrastructure analysis to determine how the agency would meet ongoing and planned operational

needs. An analysis of the infrastructure essential to transition to an alternate rate-setting structure was included. The following infrastructural developments were identified as critical to implementation: 1) Development and launch of a provider management platform; 2) Revision and implementation of Oregon's quality recognition and improvement system, Spark; 3) Conduct another Market Rate Survey to meet current federal requirements; and 4) Refine the cost models to be used in alternate rate-setting through an additional round of data collection on the costs of providing child care in Oregon. Due to these critical infrastructure developments, the earliest implementation of a new alternate rate-setting structure is fall 2025.

The Advisory Committee was established in February 2022 to provide input on the development of the principles and framework for the alternate rate-setting structure for this report. The Advisory Committee included staff from the ELD, Oregon Department of Human Services (ODHS), Early Childhood Education (ECE) professionals, union representatives from AFSCME and SEIU, parents, agency representatives, researchers, Child Care Resource and Referral (CCR&R) representatives, Quality Recognition and Improvement System (QRIS) experts, and ECE advocates. Although Tribal Nation representatives were not on the Advisory Committee, Tribal representatives were consulted through a workgroup with ELD staff and Tribal Child Care and Development Fund (CCDF) Administrators. The recommendations included in this report were developed in consultation with the Advisory Committee, which met between February 2022 and October 2022.

In order to provide a child care environment for children and families to thrive, child care providers need to receive reimbursement rates that cover the true operating costs of providing quality child care. Oregon must invest in an alternate rate-setting structure and develop the infrastructure to support a comprehensive cost and incentive model to determine these rates for all child care provider types.