



LB71 | Increasing access to tiered child care subsidy reimbursements for quality improvements

Policy Brief | January, 2025

□ Key Points

- ▶ Step Up to Quality (SUTQ), Nebraska's early childhood quality rating and improvement system, provides a research-based framework that promotes the kind of structured, enriching learning environments that lead to positive outcomes later in children's lives.
- ▶ Improvements in supports for early childhood programs will encourage more providers to improve in quality, which especially impacts those serving low-income families. The federal child care subsidy program can serve as a key mechanism for ensuring these families have access to quality programs.
- ▶ Improving the tiered child care subsidy reimbursement rates will better enable providers to make progress through SUTQ, leading to quality child care environments for more of our youngest Nebraskans.

Quality matters when it comes to children's earliest educational experiences. But achieving quality in early childhood programs requires a significant investment of dollars and resources on the part of child care providers.

LB71 can offset the financial burdens on providers and encourage continuous quality improvement by offering tiered child care subsidy reimbursements earlier in the quality improvement process.

■ Background: Investing in quality early childhood education

High-quality early childhood education has been proven to support early brain development and promote positive academic, social, physiological and economic outcomes that can extend far into adulthood. For children furthest from opportunity, high-quality birth-to-five programming has been shown to deliver as much as a 13% return on investment.

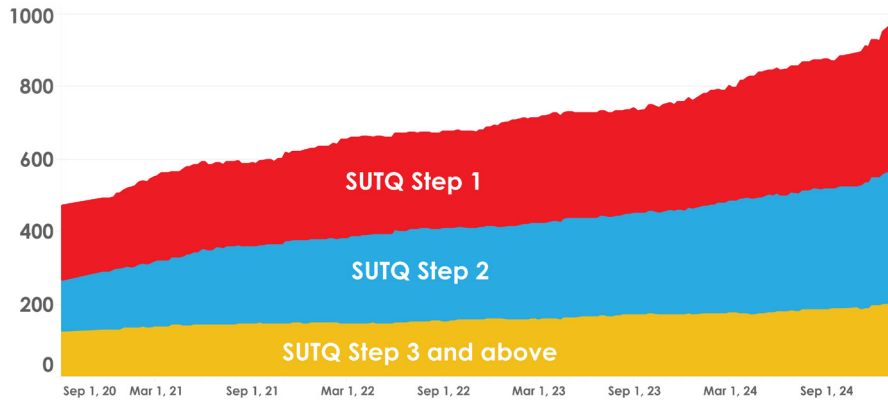
Based on this research, the Nebraska Legislature passed LB507 in 2013, creating Step Up to Quality (SUTQ), the state's quality rating and improvement system. SUTQ supports continuous quality improvement in early childhood programs through evidence-based training and curriculum design, environmental and teaching assessments, coaching supports and family engagement strategies. Programs enrolled in SUTQ move through a five-step scale that extends from *Committed to Quality* (Step 1) to *Far Exceeds Quality Standards* (Step 5). While programs receiving more than \$250,000 in child care subsidy reimbursements are required to enroll in SUTQ, most participating programs are enrolled voluntarily.

Since its inception, SUTQ has focused on incentivizing quality improvement in programs, particularly those serving low-income families. Programs rated Step 3 or higher receive tiered reimbursement rates when they provide care for children enrolled in the child care subsidy.

■ Accessibility of Step Up to Quality programs for working families

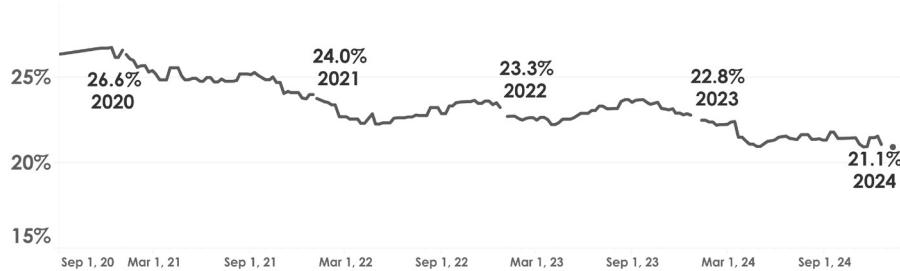
Participation in SUTQ has grown over time, demonstrating a commitment to quality from Nebraska's early education programs. Since September, 2020, participation has grown from 474 to 979 programs. State legislators have also made commitments to program quality improvement in recent years, driving up participation.

Figure 1: Step Up to Quality Participation by Program Rating³



While overall participation has grown, the ability of early childhood programs to achieve Step 3 (Meets Quality Standards) or higher—the point where tiered subsidy reimbursements begin—has not kept pace. In fact, the proportion of enrolled programs reaching Step 3 has never surpassed 30% and has decreased over time.

Figure 2: Decrease in programs rated Step 3 in Step Up to Quality³



□ About LB71: Increasing access to tiered child care subsidy reimbursements for quality improvement

Child care providers must invest significantly in their programs to achieve high standards of quality—from supporting and retaining qualified educators to improving facilities. Programs that achieve a Step 2 in SUTQ are already making those investments, demonstrating a commitment to quality. LB 71 recognizes that investment by starting tiered subsidy reimbursements for programs that achieve a Step 2 rating. This will allow providers serving children through the subsidy to use the enhanced reimbursement levels to achieve Step 3 and beyond.

■ Conclusion

LB71 builds on past successes in early childhood education by increasing the tiered subsidy reimbursement rate. This rewards programs that make the effort to achieve Step 2 in SUTQ, and builds a foundation for providers committed to continuous quality improvement in Step 3 and beyond. Incentivizing quality through LB71 will better enable providers to deliver the best possible outcomes for children statewide, especially those from families of low income.

References

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- ² García, J.L, Heckman, J. J., Leaf, D. E., and Prados, M. J. (2017). Quantifying the life-cycle benefits of a prototypical early childhood program. The Heckman Equation. <https://heckmanequation.org/wp-content/uploads/2017/01/w23479.pdf>
- ³ Krull, M. September 2020-January 2025. NECPRS Weekly Update (Emails). Analyzed by First Five Nebraska.