

## 2025-27 Budget Review

### Department of Early Learning and Care

	2021-23 Actual	2023-25 Legislatively Approved *	2025-27 Current Service Level	2025-27 Governor's Budget
General Fund	-	593,748,845	748,869,431	754,212,155
Other Funds	-	472,868,598	496,548,378	496,517,817
Federal Funds	-	390,133,739	249,626,020	272,460,926
<b>Total Funds</b>	-	<b>1,456,751,182</b>	<b>1,495,043,829</b>	<b>1,523,190,898</b>
Positions	-	367	357	384
FTE	-	356.41	352.50	376.37

\* Includes legislative and administrative actions through December 2024.

### PROGRAM DESCRIPTION

Created to unify, coordinate, and strengthen Oregon’s early learning and child care system, the Department of Early Learning and Care (DELIC) was established by HB 3073 (2021) and began operations on July 1, 2023. The governing and advisory entity for DELIC is the Early Learning Council and the staff is led by the Early Learning Systems Director who is appointed by the Governor. The agency provides administrative structure and support to programs such as Head Start, Preschool Promise, Healthy Families Oregon, and the Employment Related Day Care (ERDC) program.

Similar to the Department of Education, DELIC’s budget consists of an Operations structure, which accounts for staff, administrative expenses, and program oversight and operations; and a Grant-in-Aid structure, which accounts for programmatic expenditures. Operationally, the Director’s Office leads the following staff organizations:

- **Government Affairs Office** - oversees policy development, communications and outreach, legislation, administrative rules, and development of guidance documents.
- **Operations Office** - includes Budget, Procurement, Financial, and Grants Management services, Data Analytics and Research, Information Technology, and the ERDC Direct Pay unit.
- **Child Care Licensing Division** - establishes and oversees licensing requirements for child care facilities and ensures compliance with established licensing requirements.
- **DELIC Programs** - designs, implements, oversees, and evaluates state-funded early learning and home visiting programs; develops and maintains regional early learning system partnerships; develops professional learning opportunities in early care and education programs; and oversees the administration of the ERDC program.

The Grant-in-Aid budget structure accounts for program expenses, provider payments, and subsidy payments for the agency's programs. These programs total nearly \$1.4 billion at the current service level for 2025-27. Major programs include:

- **Oregon Prenatal to Kindergarten (OPK)** - Oregon's state-funded Head Start and Early Head Start program, which provides comprehensive services to families with children through age five who live at or below 100% of the federal poverty level.
- **Preschool Promise** - serves families with three- and four-year-olds who live at or below 200% of the federal poverty level. Free, high-quality preschool programs are offered in a variety of settings, including licensed home- and center-based care programs.
- **Early Childhood Equity Fund** - provides resources to community-based organizations and programs that offer culturally specific early learning, early childhood, and parent support programs.
- **Employment Related Day Care (ERDC)** - subsidizes consistent, quality child care to eligible low-income families while they are working or attending school.
- **Healthy Families Oregon** - a free, voluntary home visiting program providing support and education to families who are expecting or parenting newborns.
- **Relief Nurseries** - offers integrated early childhood therapeutic and family support services to prevent children and their families from needing additional child welfare services in the future.
- **Program Supports** - includes Early Learning professional development, parenting education, mental health and behavior supports, and other program support functions.
- **Early Learning and Tribal Hubs** - provides local community coordination between families with young children and services including early care and education providers, Head Start programs, Early Intervention/Early Childhood Special Education programs, K-12 education partners, and others.

## BUDGET ENVIRONMENT

American Rescue Plan Act (ARPA) funds supported a portion of DELC's budget over the past two biennia, artificially creating a budget of roughly equal shares across the fund types. With the expiration of ARPA funds, General Fund now accounts for 50% of the program funding at the current service level. The remaining revenue comes from Other Funds, primarily the Early Learning Account within the Fund for Student Success, and Federal Funds, primarily the Child Care Development Block Grant. Reduced Corporate Activity Tax revenue projections coupled with increasing demand for child care and early learning programs may necessitate more support from the General Fund to maintain existing service levels in the future.

In addition to establishing the new agency, HB 3073 (2021) expanded family eligibility for subsidized child care and increased subsidy reimbursement rates. Eligibility for subsidized child care was expanded to include families where parents and caregivers are full-time students, children in foster care, and undocumented children. Eligibility for services was expanded to a twelve-month period, hours were increased for parents with non-traditional work schedules, and eligibility was extended to include family well-being activities. Reimbursement rates were changed from a market-based rate to a "true cost of care" rate model, which has yet to be developed. HB 2683 (2023) directed the agency to adopt rules to

expand program access to higher income levels and include families in the Child Welfare system receiving reunification services.

These changes in eligibility led to rapid growth in the ERDC program in the late spring/early summer of 2023 and necessitated the implementation of a waitlist in order to limit the caseload to available funding in the 2023-25 biennium. Specific populations can bypass the waitlist, including families receiving services to prevent child removal or support family reunification. The bypass is due to programming limitations in the IT system used to determine eligibility.

External factors are increasing programmatic costs, including a bargained provider rate increase expected in January 2026 and federal rule changes governing the Child Care Development Fund (CCDF) block grant. Compliance under the new rules requires DELC to align provider pay and enrollment slots with the local market demands by July 2026. The impact of the associated cost increase has yet to be quantified.

While the most recent caseload reports suggest the caseload growth is starting to slow, the cost per case is increasing. DELC is likely to need additional funding in the 2023-25 biennium to support the caseload. Similarly, the 2025-27 current service level budget is unlikely to support the current caseload and the increased caseload costs without programmatic changes. Options such as freezing the program, increasing co-payments, or eliminating the bypass population would curb costs, if no additional funding is added.

## CURRENT SERVICE LEVEL

The current service level budget for DELC totals \$1.5 billion, with 357 positions (352.50 FTE), and includes a 36% Federal Funds decrease to reflect the phase out of federal pandemic relief funding that was available on a one-time basis in 2023-25. A corresponding General Fund increase of \$121.9 million backfills the funding gap to continue support for ERDC subsidies and child care supports. Additionally, the budget phases out other one-time funding added through legislation in 2023-25 to address child care licensing backlogs and development of the Birth to Five Literacy plan.

CSL contains \$1.4 billion for child care and early learning slots and/or families served across the nine major state-supported early learning programs in the new agency. The following table displays the funding for the various grant-in-aid programs.

Grant-In-Aid Programs <i>(dollars in millions)</i>	2023-25 Legislatively Approved Budget*			2025-27 Current Service Level		
	GF	OF/FSS	FF	GF	OF/FSS	FF
Oregon Prenatal to Kindergarten	166.8	198.5	-	182.4	205.4	-
Preschool Promise (PSP)	39.9	147.8	-	42.3	156.9	-
Early Child Hood Equity Fund	1.7	24.9	-	1.8	26.4	-
Early Learning Professional Development	-	26.1	-	-	27.7	-
Early Learning Parenting Education	-	4.3	-	-	4.5	-
Early Learning Program Supports	-	17.6	-	-	18.7	-
Mental Health & Behavior Support	7.9	-	-	8.4	-	-
Child Care Supports	7.1	2.3	56.2	5.3	2.5	69.3
ARPA Discretionary Funds	-	-	24.1	-	-	-
Baby Promise	-	-	9.1	-	-	-
PDG Federal Grant	-	-	12.7	-	-	-
ERDC Subsidy	223.3	-	119.1	353.6	-	126.4
ERDC ARPA Discretionary Funds	-	-	109.8	-	-	-
Healthy Families(HFO)	31.4	9.6	-	33.3	10.2	-
Relief Nurseries	16.6	10.5	-	17.6	11.2	-
Early Learning Hubs	16.3	6.6	-	17.4	7.0	-
Early Learning Tribal Hub	0.6	-	-	0.7	-	-
Early Learning KPI	9.5	-	-	10.0	-	-
Other Early Learning Grants	8.2	10.7	-	7.1	11.4	-
<b>TOTAL FUNDS:</b>		<b>1,319.1</b>		<b>TOTAL FUNDS:</b>		<b>1,357.4</b>

\* Includes legislative and administrative actions through December 2024.

## GOVERNOR’S BUDGET SUMMARY

The Governor’s budget for DELC is \$1.5 billion total funds and 384 positions (376.37 FTE). This is 1.9% more than CSL. The budget includes an \$800,000 increase in vacancy savings within Operations and utilizes \$20 million CCDF Federal Funds carryforward to offset General Fund expenditures in Grant-in-Aid. These General Fund savings are reinvested in the Governor’s budget as follows:

- \$4.4 million General Fund to provide additional non-state employee staffing support for the Suspension and Expulsion Prevention program.
- \$4.7 million General Fund to increase support for Tribal Early Learning Fund.
- \$17.2 million General Fund to partially fund two of the agency’s requested policy option packages:
  - Pkg 101 - Operational Support - \$4.7 million General Fund and 14 positions (11.81 FTE) to address workload issues across the finance, communications, data analytics, and human resources areas of the agency.
  - Pkg 580 - Birth to Five Literacy Expansion - \$12.5 million General Fund to support the Birth Through Five Literacy Plan by increasing funding to all 16 regional Early Learning Hubs and developing the Early Learning and Kindergarten Guidelines.

## OTHER SIGNIFICANT ISSUES

Upon becoming a new agency, DELC began working on uniting IT systems. DELC previously relied upon Oregon Department of Education's Electronic Grants Management System, which the Early Learning Division used for provider payments to pay grantees, when it was a division within that agency. DELC has now procured a new Awards Management System to manage provider grants.

Development of a new Provider Management Platform is also underway and will replace the aging Child Care Regulatory Information System (CCRIS), a licensing system formerly housed in the Employment Department, and the ERDC billing and provider payment system, currently part of the Oregon Department of Human Services (DHS) payment system. Until this project is completed, estimated to be in 2026, the DHS Direct Pay Unit must continue billing and payment services for the ERDC program.

Efforts to improve provider wages and benefits, increase the number of child care slots available to families, and ensure that professional development opportunities are available to child care professionals will be hindered if the agency is not able to complete the new IT systems to manage budget and accounting functions, grants and procurements, licensing, and payments to providers.

## KEY PERFORMANCE MEASURES

A copy of the DELC Annual Performance Progress Report can be found on the LFO website: [APPR - View Report](#)

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