



# Early Care and Education Finance Reform

## Practice, Reality and Action

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# Why “Finance Reform”?

- **We know a lot about approaches to increase revenue**
- **We don’t know enough about how to fit them together into a finance system**
- **The current finance delivery system has serious flaws**
- **Pouring more money into a flawed finance delivery system isn’t the answer**
- **‘Tinkering’ with the current system will only result in modest improvement**



# Key Questions

- **What are we financing?**
- **How do we finance it now?**
- **What's wrong with how we do it now?**
- **What are the principles to guide finance reform?**



# A Note About Cost

**Our purpose is to explore financing mechanisms and approaches, not estimate the cost of the services themselves and the infrastructure that supports them.**

**We can probably all agree there's a big gap between what we spend now and what's needed.**



# What Are We Financing?

**High-quality early care and education  
SERVICES that:**

- **offer children opportunities for early learning**
- **support families with a range of year-round, full and part-day services**
- **provide comprehensive services to children and families who need them**
- **retain and reward well-qualified staff**



# ECE Services Means...

- **Child care centers**
- **Family child care homes**
- **Head Start**
- **State-funded Pre-K programs**
- **Nursery schools**
- **School-age child care & recreation**
- **Summer camps**
- **“Informal” care (family, friends, and neighbors)**
- **Partial wage replacement (e.g. paid parental leave)**
- **Flex-time and other “family friendly” work policies**



# What Are We Financing?

**The SUPPORTS that  
make the services  
function**

**(aka INFRASTRUCTURE)**



What Are We Financing?

a

**SYSTEM**

of

early care and  
education!





# What We Have Now Is...

- **Many unconnected financing mechanisms**
- **Several subsystems, but no discernible unified system of early care and education**

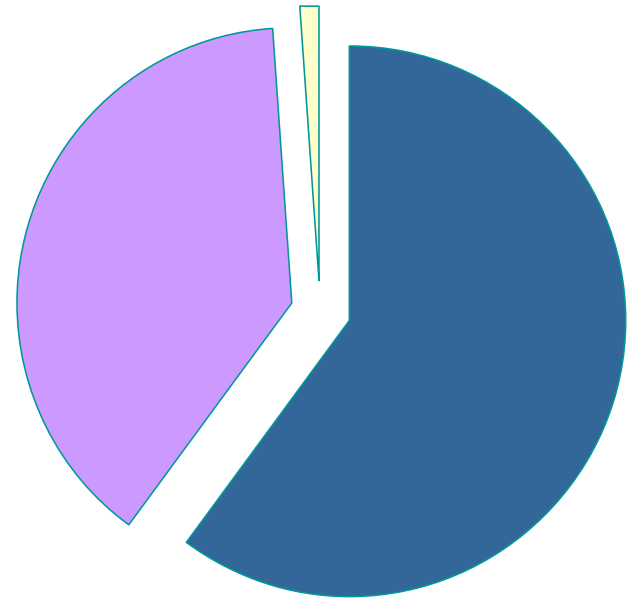


# How Do We Finance It Now?

Families pay for most of it (60%)

Government pays for some (39%)

The Private Sector pays about (1%)





# What's Wrong?

**The price parents can afford to pay is less than the cost of quality ECE**



# What's Wrong?

**Public investment is uneven, offering nearly full support in some cases and limited support in others**



# What's Wrong?

## **Basing public subsidy on the price of services in a market is fatally flawed**

- **Families (unsubsidized) are the majority of the payers, not government**
- **Raising prices to increase subsidy rates hurts middle class families who can't pay more**
- **Prices charged do not reflect real costs**
- **Child care prices are more closely related to income of families served than to cost of service**



# What's Wrong?

**It's not a system, it's a bunch of silos**



# What's Wrong?

**Current funds do not  
serve all families**



# What's Wrong?

**Current funding does not support the full range of child and family needs**



A decorative graphic in the top-left corner consisting of a grid of squares in various shades of purple and blue. Below the grid are two stylized human figures, one slightly larger than the other, representing a man and a woman.

# What's Wrong?

**Very little investment in  
infrastructure**



Now is it clear why  
we need  
**REFORM?!**



# Principles of Reform

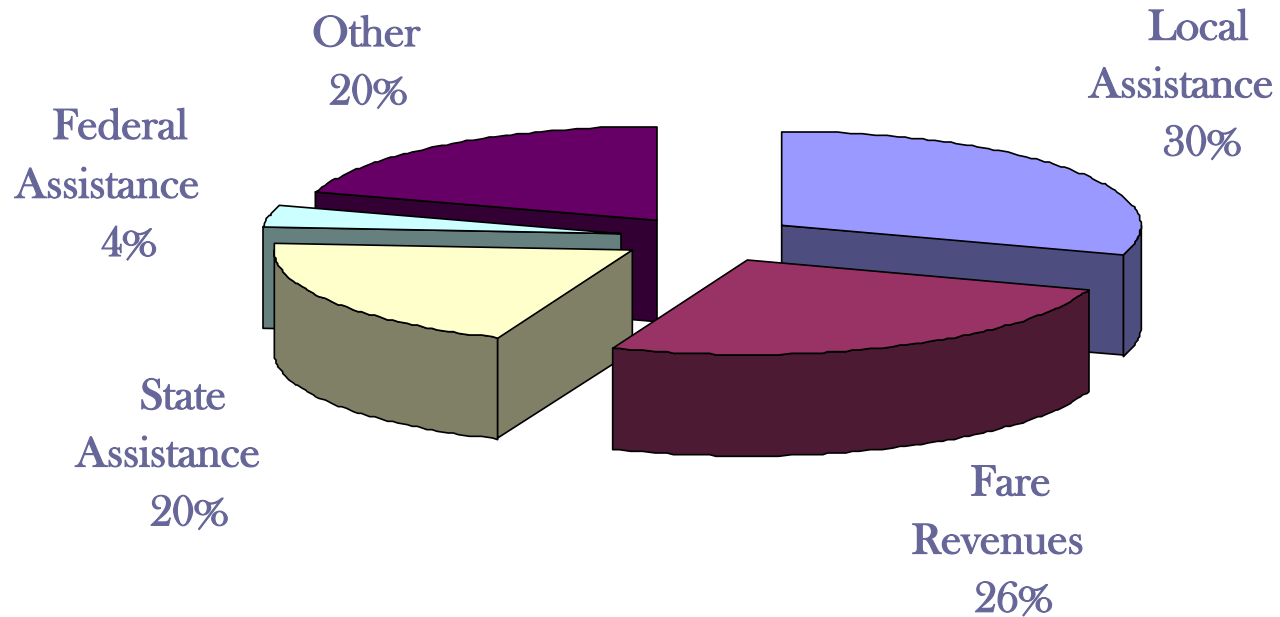
**#1 Focus on all families, not just poor families**

# Example: public transportation



(Areas with population of 200,000 to 999,999)

*Riders pay only a "token" amount*





# Principles of Reform

**#2 Everyone  
contributes**



## Example: T.E.A.C.H.®

**T.E.A.C.H.® is a partnership – everyone contributes**

- The employer pays part (paid time off and a raise),
- The individual professional pays for books (and agrees to remain on the job)
- The public pays the scholarship



# Principles of Reform

## **#3 Fund services and infrastructure**



# Example: Smart Start

- ***Smart Start* is a comprehensive initiative, designed to financially support both direct services (health, child care and family support) and the infrastructure to support them**
- **Funds for services to meet local needs**
- **Planning and oversight is shared between community partnerships and state partnership**
- **Funds T&TA for the process**

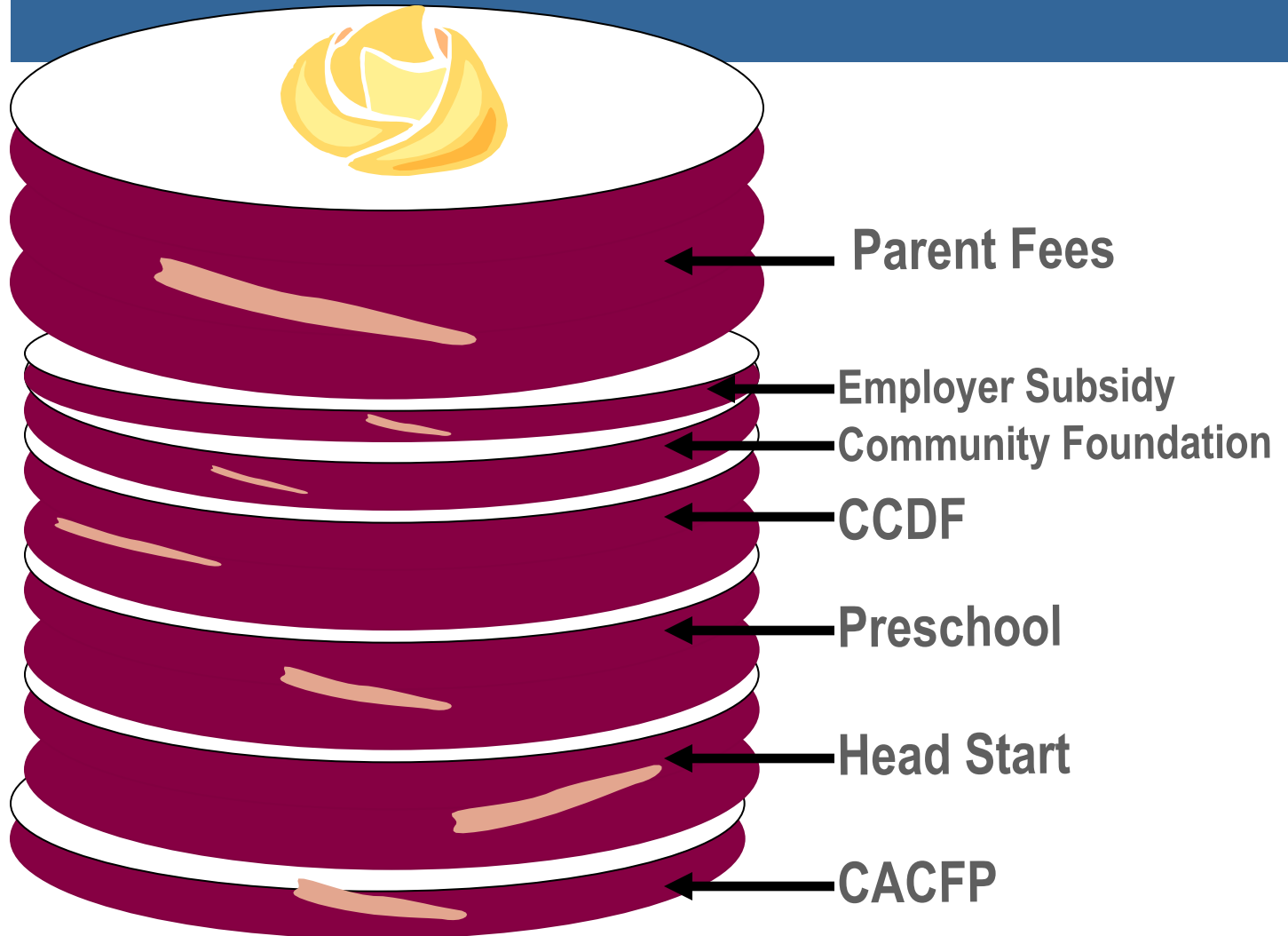




# Principles of Reform

**#4 Diversify sources  
and  
assume layered  
funding**

# The ECE Layer Cake



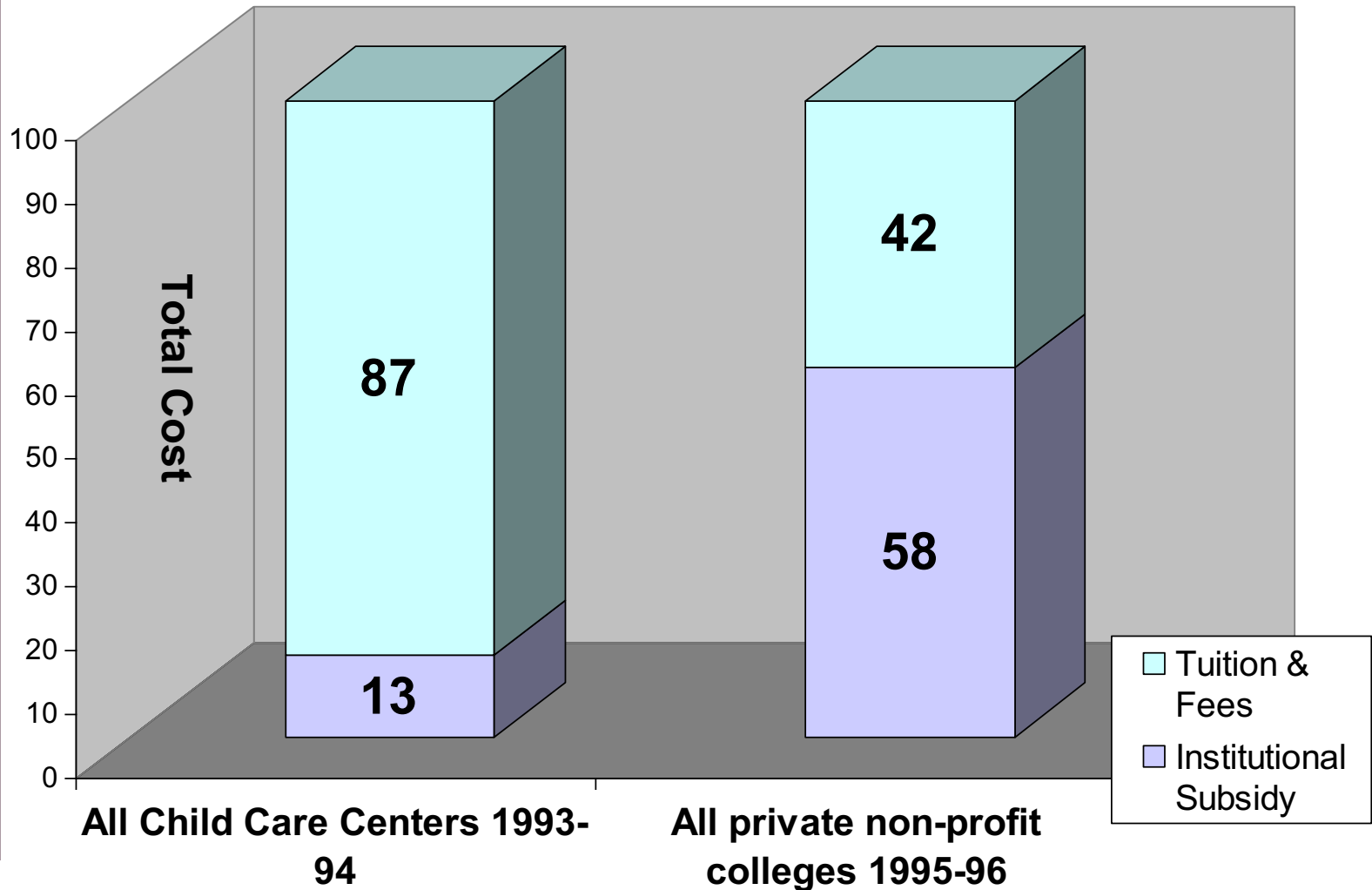


# Principles of Reform

## #5 Combine portable & direct financing

- ***Portable financing*** is tied to a specific child or family & follows them to the program/services they select
- ***Direct financing*** directly supports an institution or industry

# Cost/Price Analysis in Child Care and Higher Education





# Financing Approaches that Combine Direct & Portable Assistance

- **Quality Improvement Grants**
- **“Base Funding” Contracts**
- **Grants for Specific Costs (wages, benefits, facilities)**
- **Industry Supports (economies of scale)**
- **Tax Benefits for Families and Programs**



# Principles of Reform

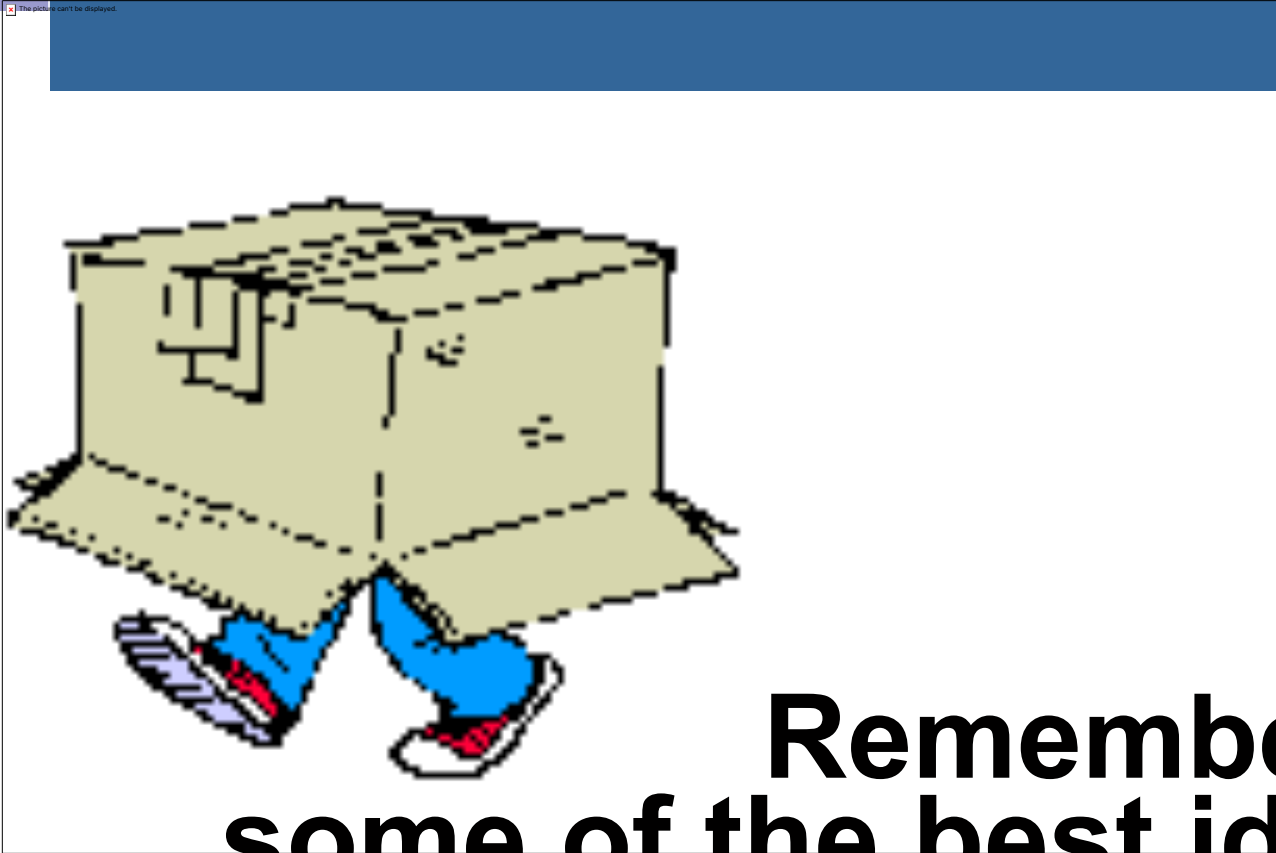
## **#6 Frame ECE as an investment**



# Principles of Reform

- #1 Focus on all families, not just poor families**
- #2 Everyone contributes**
- #3 Fund services and infrastructure**
- #4 Diversify sources and assume layered funding**
- #5 Combine portable & direct financing**
- #6 Frame ECE as an investment**

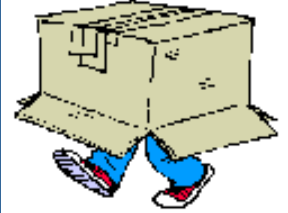
# # 7 Think outside the box.



**Remember...  
some of the best ideas  
haven't been tried yet.**



# Think Outside the Box... Together



- **This time is for thinking and talking together about our best ideas**
- **Learning with and from each other**
- **No idea is too wild, consider them all**
- **There is no such thing as a silly question**
- **Make this a safe place to share thoughts, radical ideas, questions and insights**