

Financing Early Childhood Care and Education Systems in the States: A Standards-Based Approach

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What Is An Early Care And Education System?

Webster defines the word system as "a set or arrangement of things so related or connected as to form a unity or organic whole."¹ At present, early care and education has a number of different sub-systems: Head Start, subsidized child care, public pre-kindergarten, and others. While each of these sub-systems has its own internal consistency, they do not work together to form an organic whole. Additionally, some services function outside these systems, for example, child care provided by family, friends and neighbors. And there are a host of services that do not exist but are needed, such as paid family leave.

In recent years a number of attempts have been made to weave these early childhood systems and services into a cohesive whole—with varying degrees of success. One of the obstacles is lack of agreement on how to define the system, as well as the lingering hope that there might be ‘one right answer.’ The truth is that system reform is complex and there are likely many right answers.

We believe a system of early childhood development and education that will serve all children birth to five and their families can be constructed from the current sub-parts, with some modest additions. Effectively financing such a system requires that current financing mechanisms and revenue sources be aligned (to maximize all available resources) and that a plan for generating and expending future revenues be developed. This paper is designed to help guide that process by offering a model for standards-based reform, as well as financing information and examples of state plans and practices that illustrate the model.

There are several reasons why early childhood finance reform should be rooted in standards. First, standards define actual costs. Factors such as staff qualifications, ratios and class size, health and social services, among others, have a direct impact on the cost of both service delivery and the infrastructure needed to support the system. Second, standards are an effective way to structure accountability. If programs are to be held accountable for achieving specific child outcomes, then the standards that are established for programs (e.g. ratios, class size, curriculum) and practitioners (e.g. training and education) should be designed to achieve those outcomes and should be linked to funding. Third, clearly defined – and easily understood – standards can help to build consumer engagement and support for higher quality services. Finally, if the various sub-systems within early care and education are rooted in common standards it is possible to develop a shared financing strategy. In short, if all available financial assistance is linked to meeting a common set of standards, then all parts of the early care and education system begin to move in the same direction.

¹ Webster's New World Dictionary (second edition) (1970).

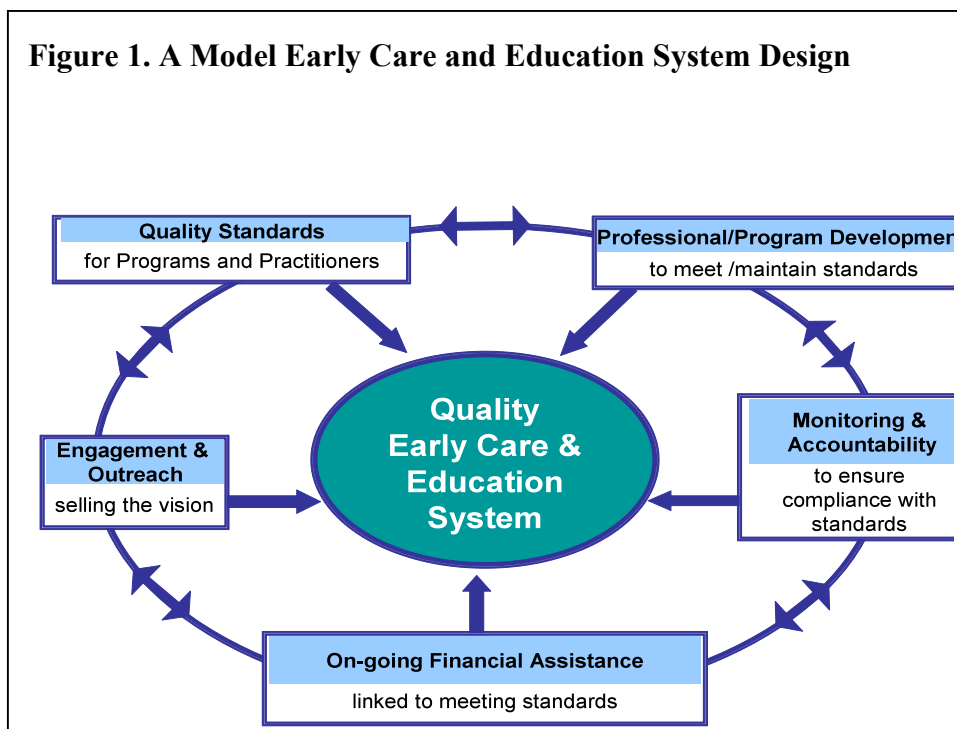
The Alliance for Early Childhood Finance developed the systems model, displayed in Figure 1. A Model Early Care and Education System Design, to help guide early childhood finance reform. Several states have used this approach to demonstrate how the existing subsystems can be aligned and to identify gaps in both services and funding. The model includes five basic components that are currently present, at least to some extent, in each of the existing subsystems. Each component is described briefly below.

Quality Standards

Every part of the early care and education system has a set of standards for programs and/or practitioners. In some cases, these standards are legal requirements, such as child care program licensing or public school teacher licenses. Sometimes they are funding standards, such as Head Start performance standards or tiered reimbursement for child care subsidies. Sometimes they are voluntary standards,

and may be driven by consumers or community norms, such as program accreditation, national board certification for teachers, or public school 'report cards'. These standards appear, at first, to be quite different. However, they are all rooted in a common goal: what the early childhood field calls "developmentally appropriate practice" aimed at helping children become learners who will succeed in school and life. When the standards used by various sub-systems are compared, similarities abound. And taken together, they can form a cohesive whole.

Moreover, standards can illuminate pathways toward best practice. If standards are not viewed as a single measure but rather as a continuum – with various levels aimed at practitioners in different domains – it is possible to develop a common set of quality standards. The quality rating systems that many states have developed are an example (Mitchell, 2005b; Stoney, 2004).² Several states have begun to use a tiered approach to standards to link various parts of the early care and education system. The North Carolina Department of Public Instruction uses the state's



² A quality rating system is a method to assess, improve, and communicate the level of quality in early care and education settings. In 2004, ten states had such systems in place and nearly two-thirds of states are planning them. Nearly all of the quality rating systems that are currently in use incorporate Head Start (8 of 10). Three also include public pre-kindergarten requirements and standards at higher "star" levels.

Five-Star Child Care Quality Rating System as a common standard, and then layers additional requirements (for their ‘More at Four’ preschool program) on this base.³ Colorado is currently negotiating with the state preschool program to develop systemic links to the Qualistar quality rating system.⁴ And the Los Angeles Universal Preschool Master Plan recommends a five-star quality rating system for the preschool program, aligned with existing standards including California Desired Results, national program accreditation, and Head Start Performance Standards.⁵

Professional and Program Development

Once quality standards have been established, steps must be taken to ensure that programs and practitioners receive the assistance they need to meet and maintain the standards. This includes initiatives to help *programs* meet quality standards (such as on-site evaluation and technical assistance). It also includes support for *practitioners* (training and education systems, mentoring opportunities, career counseling, and so forth). Many of the current sub-systems have already developed supports for programs and practitioners, such as the Head Start Training and Technical Assistance system, technical assistance and training provided by child care resource and referral (CCR&R) agencies, higher or continuing education offered at colleges and universities, public preschool teacher resource centers, and many others. At present, these systems tend to operate independently and their services are not always linked to practitioner or program standards. Common standards create a strong incentive to explicitly link these efforts so that all resources are used most effectively.

Applying the Alliance Model: Pennsylvania

The Pennsylvania BUILD* initiative used the Alliance model to guide its work on early childhood system reform. The group began by fleshing out each of the "boxes" identified in Figure 1. In the Quality Standards box they listed all of the program and practitioner standards that were used by any part of the early care and education system in any part of the state. The same process was followed for the remaining boxes. Each professional/program development system was identified. Each monitoring and accountability system was identified. All forms of financial assistance were listed, including information on whether or not that assistance was specifically linked to compliance with quality standards.

The next step was to work on implementation, that is, alignment within each box. To guide this effort, the State Departments of Education and Human Services created a jointly appointed staff position. Early Learning Standards were established to guide teaching practices in all early care and education settings. Several new grant programs were launched and a Task Force established to review rates. Recently, the state created a new approach to professional/ program development, called *Keys to Quality*, which is linked to the Pennsylvania quality rating system (Keystone Stars).

* For information on the BUILD initiative in Pennsylvania and other states. see www.buildinitiative.org.

Monitoring and Accountability

³ Personal communication with Peggy Ball, North Carolina Division of Child Development. May, 2004.

⁴ Personal communication with Gerrit Westervelt, Colorado Educare. May, 2004.

⁵ Hill-Scott, K. *The Sky's the Limit! Los Angeles Universal Preschool Master Plan*. First 5 LA. http://www.prop10.org/docs/Partnerships/UPK/Proj_UPK_MasterPlanFinalDraft.pdf, pp 41, 66, 67.

Agencies that fund or administer early care and education services typically establish mechanisms to monitor compliance with standards. But each has a different method. *Program* accountability involves staff and procedures to monitor compliance with regulatory requirements, funding standards and quality benchmarks (accreditation or quality rating systems) as well as communication with referral agencies and other consumer education efforts. *Practitioner* accountability is often the responsibility of training and education entities, and may include degree requirements in the higher education system, or training requirements (and a training registry) for practitioners. Once again, our model is designed to help states think through how the monitoring that is conducted by each of the current sub-systems can be aligned, used to ensure compliance with common standards and work together as a whole.

Financial Assistance

If all available financial assistance is linked to meeting a common set of standards, then all parts of the early care and education system begin to move in the same direction. There are many ways to provide financial assistance for early care and education services. These include: *direct* subsidies to the child care industry (such as grants or tax benefits for programs or wage supplements for staff, linked to quality standards) and *portable* subsidies to help families pay for child care (such as tiered public or private payment rates – or individual tax benefits – linked to levels of quality) (Stoney, 2002). Finance options will vary among states and communities. The

key is to think systemically, to explore how each form of financial assistance can be linked to the unified standards, and provide both flexibility and accountability at the same time. The long term goal of a cross-system plan for early childhood finance reform is to align the policies that govern early care and education funding streams so that they may be layered in support of a single child or group of children.

Engagement and Outreach

System reform cannot work unless practitioners and consumers embrace the change. In other words, they must understand what quality standards mean, why they are important, what they can do to comply, and how compliance will benefit them individually and collectively. Effective outreach is not just about disseminating information; it is about changing behavior. For example, when Maine doubled the state dependent care tax credit for families who use "quality" child care, the number of parents interested in finding out the quality status of their child's program increased dramatically. The number of child care teachers participating in professional development, and the number of programs seeking accreditation, increased as well. In this case, a finance-related policy change had direct effects on consumer and practitioner engagement.

Applying the Alliance Model: Maine

In March, 2004 early care and education leaders from all sectors joined forces to sponsor the Maine Children's Congress. A key goal of the Congress was to explore the feasibility of developing a statewide, cross-system early childhood quality rating system. Congress participants used the Alliance model as a framework for this discussion. They envisioned developing a common set of quality standards that would define steps in a state-wide quality rating system. These common standards would also create a framework for the system as a whole, with linkages to supports, monitoring, finance and outreach.

Alignment: The First Step in Financing

The model described above is a way to begin the process of aligning the policies and procedures that govern existing early care and education sub-systems. This approach not only helps to build a cohesive vision, it is also a way to maximize and track all existing funds and resources. As was noted earlier, if all available funds are linked to meeting common standards, then collaboration is not only possible, it becomes a goal with clear benefits. When funds are linked to common standards, in a clear and accountable way, it also makes it easier to draw new funds into the system. Figure 2. Funding Aligned with Standards in State Early Childhood System shows that it is possible to link the funding streams that are administered by a wide range of public and private agencies to a common set of standards. Remember that the standards will be tiered, so different funding streams could require different levels of compliance (e.g. the social services child care subsidy program might require a one-star minimum and raise reimbursement as the star level increases; the education department prekindergarten program might establish a four-star minimum, and so forth.) Figure 2 maps the issue of financing from an administrative perspective, that is the various public and private entities that typically administer funds that can be used to support early care and education. However, these entities rely on multiple revenue sources. The issue of revenue generation and fund coordination is discussed in more detail below.