

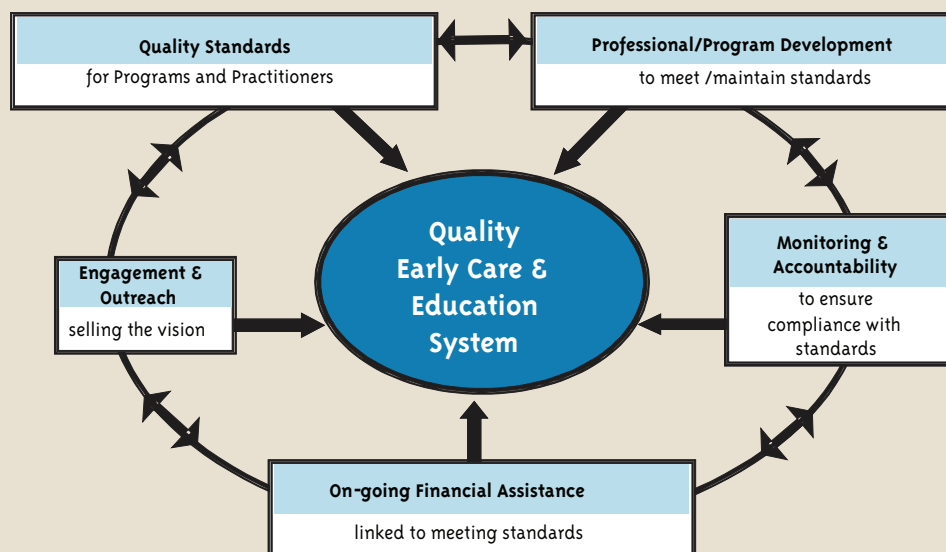
WHAT IS AN EARLY CARE

Louise Stoney

Webster defines the word *system* as “a set or arrangement of things so related or connected as to form a unity or organic whole.”⁹ At present, early care and education includes a number of different sub-systems: Head Start, subsidized childcare, 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, childcare provided by family, friends and neighbors. There are also types of supports that do not currently exist, such as paid family leave.

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. The key to developing this system is alignment. The graphic, above right, identifies five components of the system, which include:

- **Quality Standards - Research indicates standards that are most likely to result in good outcomes for children.**¹⁰ Standards for programs (e.g. ratios, class size, curricula) and for practitioners (e.g.



training and education) can be expressed in ways that are easily understood and linked to technical assistance, funding, monitoring and public information. The Quality Rating and Improvement Systems (QRIS) that many states have developed are an example of how standards can be “tiered” so that all parts of the Early Care Education (ECE) system are included (see box to the right & see “Hypothetical QRIS” handout). When the various sub-systems within early care and education are rooted in *common* standards, then the system has a shared vision and can begin to achieve shared results.

- *The North Carolina Department of Public Instruction uses the state’s 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.*
- *Colorado and Pennsylvania have worked with their education departments to develop systemic links between preschool programs and the quality rating system.*
- *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.*

⁸ Much of the information for this section is drawn from: Mitchell, A, & Stoney, L. (2008). Financing Early Care and Education Systems: A Standards-Based Approach. In A. Tarlov, A. & M.P. Debbink (Eds.), *Investing in early childhood development: Evidence to support a movement for change*. New York, NY: Palgrave MacMillan.

⁹ Webster’s New World Dictionary (second edition) (1970).

¹⁰ Center on the Developing Child at Harvard University (2007). *A Science-Based Framework for Early Childhood Policy: Using Evidence to Improve Outcomes in Learning, Behavior, and Health for Vulnerable Children*. http://www.developingchild.net/pubs/persp/pdf/Policy_Framework.pdf

AND EDUCATION SYSTEM?⁸

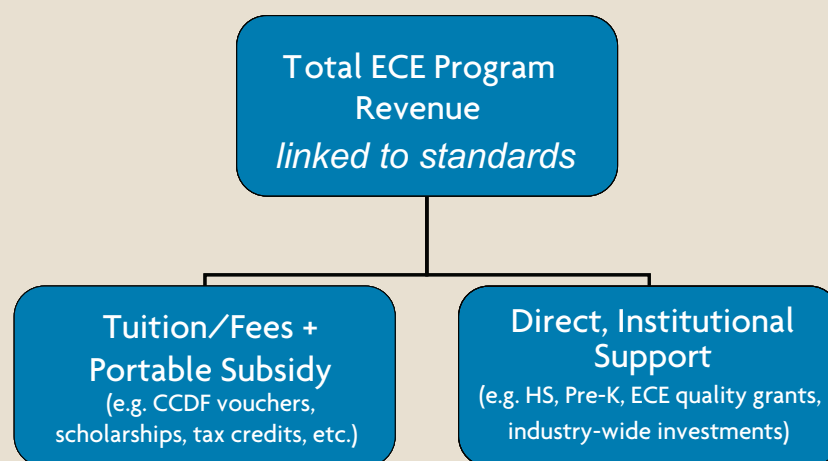
- **Professional and Program Development - Quality standards are meaningless if programs and practitioners are not able to comply.** To this end, an ECE system includes initiatives to help programs meet quality standards (such as on-site evaluation and technical assistance) as well as support for practitioners (training and education systems, mentoring opportunities, career counseling, and so forth). Many of the current ECE sub-systems have supports for programs and practitioners, such as the Head Start Training and Technical Assistance system, technical assistance and training provided by childcare resource and referral agencies, higher or continuing education offered at colleges and universities, public preschool teacher resource centers, and many others. These systems typically operate independently and 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 consistent and used most effectively.
- **Monitoring and Accountability - Agencies that fund or administer early care and education services typically establish mechanisms to monitor compliance with standards.** But each has a different method. In a systems approach the sub-systems work together to align their policies and procedures to ensure compliance with common standards.
- **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 childcare industry (such as grants or tax benefits for programs or wage supplements for staff) and PORTABLE subsidies to help families pay for child care

(such as tiered public or private payment rates—or individual tax benefits). An effective financing system will include both portable and direct subsidies, link all funds to quality measures, and establish policies to ensure that funds from multiple sources may be tapped to serve a single child or classroom of children (See QRIS Handout).

- **Engagement and Outreach - System reform cannot work unless practitioners and consumers 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

Financing ECE Programs

Total Revenue = Portable + Direct Assistance



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 childcare 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.

WHY SHOULD WE HAVE AN EARLY CHILDHOOD SYSTEM? HOW MIGHT IT LOOK?

Louise Stoney

Minnesota needs an early childhood system because family economics have changed.

19th century industrialization supported a model where men engaged in paid work and

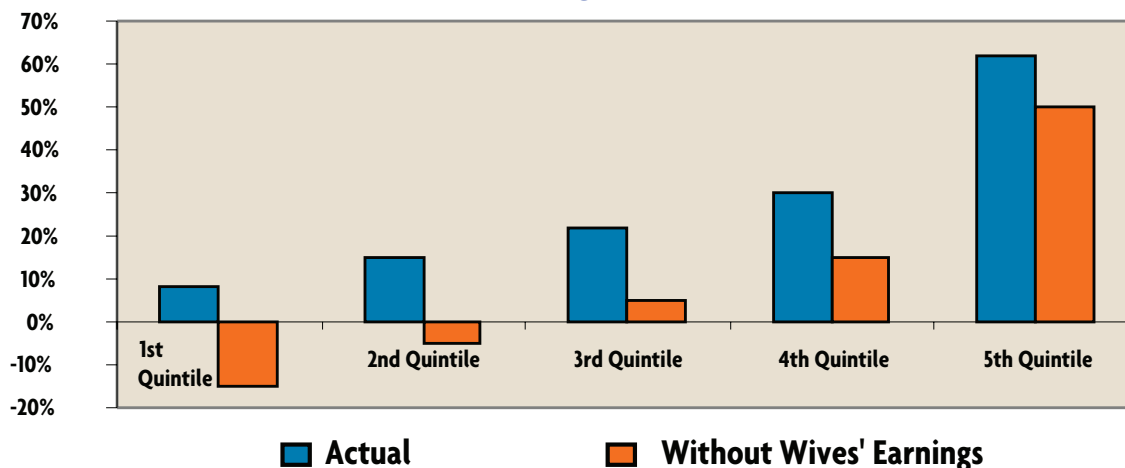
women took responsibility for unpaid work – especially caring for young children. At that time, a man with little or

no education could earn a family-supporting wage. Care and education of young children was widely considered a private, family concern.¹¹ But the world has changed dramatically. Between 1970 and 2000 the percentage of mothers in the workforce almost doubled—from 38 to 67 percent. These women make a significant contribution to

family earnings. As the table (below) indicates growth in family income over the past twenty years, it is primarily due to two wage earners. **Without wives' earnings, families in the bottom 2 quintiles would be in poverty and thousands of middle and upper-middle class families (the 3rd and 4th quintiles) would struggle to pay their bills.** The need for two wage earners also makes families very financially vulnerable, especially if one has to leave the workforce – to care for children, an ill family member or themselves. In the past, women were essentially an economic 'escape hatch' for the family. If something happened to the primary breadwinner, they could step in, join the workforce, and help stabilize the family income. This is no longer true. Indeed, many families are blindsided by the serious financial ramifications of childbirth or family illness.¹²

A 2005 Wilder Foundation study of child care use in Minnesota reported that approximately 74% of families use non-parental care at some point during the week.¹³

Contribution of Wives' Earnings to Family Income
(Percent change 1979-2000)



¹¹ Folbre, Nancy (2008). Valuing children: Rethinking the economics of the family. Boston: Harvard University Press.

¹² Information in this paragraph comes from: Bernstein, J. & Kornbluh, K. (2005). Running faster to stay in place: The growth of family work hours and incomes. New America Foundation http://www.newamerica.net/files/archive/Doc_File_2437_1.pdf

¹³ Chase, R., Arnold, J., Schauben, L., & Shardlow, B. (2005). Child care use in Minnesota: 2004 Statewide household child care survey. St. Paul, MN: Amherst H. Wilder Foundation. p.44-45. <http://edocs.dhs.state.mn.us/lfsrver/Legacy/DHS-4623-ENG>

¹⁴ Information from this paragraph comes from the following sources: 1) DeLong, J.B., Goldin, C. & Katz, L.F. (2002). Sustaining US Economic Growth http://www.j-bradford-delong.net/Econ_Articles/GKD_final3.pdf 2) Heckman, J. (2006). The technology and neuroscience of skill formation. Invest in Kids Working Group. Committee on Economic Development. Partnership for America's Economic Success. http://www.partnershipforsuccess.org/docs/ivk/iikmeeting_slides200607heckman.pdf and 3) Heckman, J. (2007). Proposed life cycle formation and the economic benefits of early childhood interventions. Presentation to the National Association for the Education of Young Children (click on link to access ppt slides). http://www.partnershipforsuccess.org/index.php?id=7&tag_list=persons&tag_item=17

¹⁵ Folbre, Nancy. (2008). Valuing children: Rethinking the economics of the family. Boston: Harvard University Press.

¹⁶ Schulman, K. (2003). Key facts: Essential information about child care, early education, and school-age care. Washington, DC: Children's Defense Fund.

Minnesota needs an early care and education system because early learning is a key economic investment.

Alan Greenspan, former Chairman of the Federal Reserve Board of Governors, spoke often about education and economic growth. He stressed that upgrading workforce quality is crucial for maintaining economic competitiveness. Similarly, University of California's Brad DeLong and the University of Chicago's James Heckman underscore that educational attainment of US employees has been declining for several decades and now threatens to slow future growth. Each of these economic leaders stresses that increasing workforce quality requires better education and that the best way to boost educational attainment is to start early—in the first few years of life, when brains are at their peak capacity.¹⁴

Unlike the country's K-12 and higher education systems, ECE services are largely paid for and arranged for by parents themselves. **Few employed parents—even middle class professionals—can afford as much caretaking and**

learning as their children need. Market prices, even at mediocre quality levels, exceed that of public college tuition in all but one state.¹⁶ Many working parents limit expenses by juggling schedules, piecing together arrangements of friends and family, and racing home from work. In short, the system of private responsibility for ECE is financially difficult for

families at any income level.¹⁷ Despite the growing need for a quality US workforce, thousands of children simply do not receive the early learning opportunities they need to succeed in school and life.

How could we have an ECE system that would not be just “more big government”? How could we develop a system at a time when budgets are tight?

One of the first and most important steps toward building an effective system is acknowledging that most early care and education services are delivered by the private sector, in for-profit, nonprofit and faith-based center-based programs as well as thousands of home-based businesses. By and large, the only public agencies providing early care and education are public schools that offer primarily part-day classes for preschoolers; these classrooms represent a small fraction – probably less than 6% – of total ECE services.¹⁹ In short, ECE is essentially a market-driven service: providers offer services for a price; consumers choose among those services and pay the price.²⁰

Unlike many market-based services, ECE is unique because it serves both public and private needs.²¹ As a private good, it enables parents to work. As a public good, it prepares children for school, enhances the productivity of our educational system, and helps strengthen our future workforce. But the public good aspect of ECE services is vulnerable to market

What could you buy with your Social Security check, or your IRAs for that matter, if everyone else in your generation had simply forgotten to have children or failed to invest in them? – Philip Longman¹⁸

If American working parents were to withdraw their services from the marketplace to care for and educate their young children, what would that cost the nation? – Nancy Folbre¹⁵

¹⁷ Harrington, M. (1999). *Care and equality: Inventing a new family politics*. New York: Routledge.

¹⁸ Longman, P. (2004). *The empty cradle: Freedom and fertility in an aging world*, New York: Basic Books.

¹⁹ The National Institute for Early Education Research reports that in 2006 state pre-kindergarten programs served 942,766 children and a third of these children were served outside the public schools. Assuming the ECE industry serves 10 million children the 628,510 enrolled in school-based pre-K represent slightly more than 6% of the total. <http://nieer.org/yearbook/pdf/yearbook.pdf>

²⁰ Stoney, L. & Mitchell, A. (2007). Using tax credits to promote high quality early care and education services. Written for the Partnership for America's Economic Success. Alliance of Early Childhood Finance. <http://www.earlychildhoodfinance.org/Publications/Tax%20Credit%20Paper%20Final%20formatted%20version%20-%202011%202007.pdf>

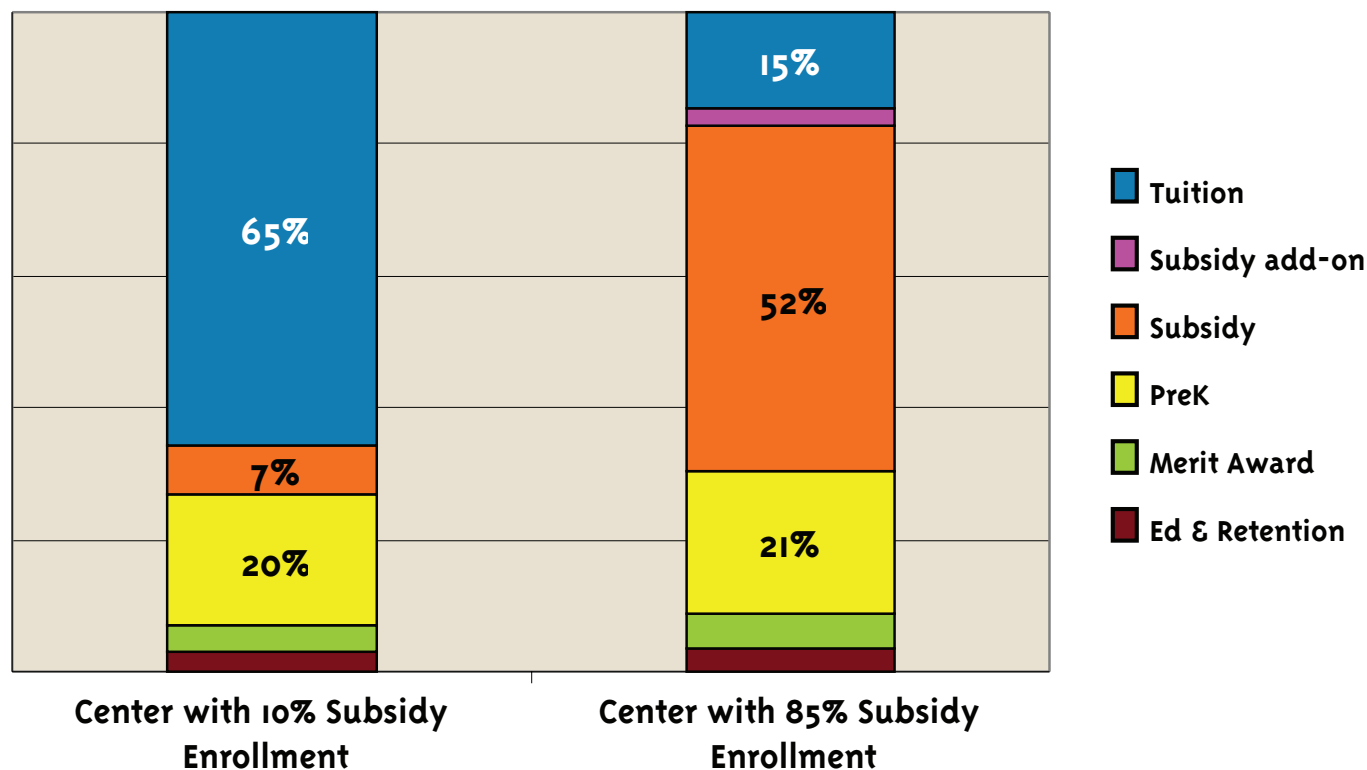
²¹ Warner, M.E., Adriance, S., Barai, N., Halla, J., Markeson, B., Morrissey, T., & Soref, W. (2004). *Economic development strategies to promote quality child care*. Ithaca, NY: Cornell University Department of City and Regional Planning. <http://government.cce.cornell.edu/doc/pdf/EconDevStrat.pdf>

forces, which are focused on short-term factors such as price and convenience, rather than the long-term benefits of quality early education.²² While market forces can work at cross purposes with what is needed to support the long-term health of our economy—high-quality ECE services—government can craft market interventions aimed at addressing these issues. In this way, building and financing an ECE system becomes a unique public/private partnership. Public dollars can be used strategically to help structure markets, promote accountability and provide incentives to ensure that the industry develops, and consumers are able to purchase, high-quality services that support early learning.

There are many ways to finance ECE (see Child Care Financing Matrix handout).²³

Effective programs use funds from many sources. An important first step for states is to establish policies that make it easier for an ECE program to tap and “LAYER” funds from multiple public and private sources (including parent fees) for a particular child or classroom (see box below).²⁴ LAYERING, which maximizes the use of all available funds, is most likely to occur when the various entities that finance ECE use common accountability standards, policies, procedures, budgets, monitoring, etc. Many states are moving in this direction, using Quality Rating and Improvement Systems (QRIS) as a framework for accountability and finance.

Layering Portable & Direct Subsidies



²² Stoney, L., Mitchell, A. & Warner, M. (2006). Smarter reform: Moving beyond single program solutions to an early care and education system. Community Development 37(2), 101-115. <http://government.cce.cornell.edu/doc/pdf/101-115%20stoney%20mitchell%20warner.pdf>

²³ Financing Matrix: <http://www.earlychildhoodfinance.org/ArticlesPublications/ccfinancingmatrix-LouiseStoney.pdf>

²⁴ Layering Portable and Direct Financing Table –created by Louise Stoney and Anne Mitchell, Alliance for Early Childhood Finance, for a ppt presentation entitled “Powerful policy for improving and unifying early care and education” delivered at a Forum to explore a QRIS in Connecticut, Feb. 7, 2008.



ECE is a Fragile Industry

The ECE “system” is essentially a hodge-podge of center- and home-based care and education programs that offer services of varying quality. Many have very weak fiscal and administrative capacity or worse, none at all (a single person might serve as director, bookkeeper and classroom teacher).

In the same way that government invested in farm cooperatives or research and development for new technologies, it can partner with the private sector to make strategic investments that enable small early care and education businesses achieve needed economies of scale and strengthen both quality and financial management. In some states ECE providers are forming new administrative structures that allow multiple providers to share staff and administrative costs or forge new alliances that help improve program quality and child outcomes. This approach is a win-win. Providers have a more stable financial and administrative base. Funders have stronger and more consistent accountability, and — most importantly — children and families receive better quality services.

How have other states done it? Are there incremental steps Minnesota can take based on what other states have done?

As previously discussed, a key step in improving ECE quality and finance is enacting policies that link funding and quality. Quite a few states have used the QRIS and find that this approach addresses two issues: 1) families have more

information and are supported in choosing quality and 2) providers, and early care and education markets as a whole, are encouraged to continually strive for improvement (See Handout: “Hypothetical QRIS”). Innovative examples include:

Louisiana School Readiness Tax Credits - Louisiana recently enacted a package of four, refundable credits (for parents, teachers, programs and investors) linked to attainment of quality standards as measured by the state’s Quality Rating and Improvement System and teacher training/education. Investor credits are designed to encourage business support for high-quality programs. For more information, visit: <http://www.laccrra.org/qrs/help/SchoolReadinessTaxCredits-Explanation.pdf>

Pennsylvania Merit Awards -Pennsylvania makes grants available to programs that participate in their quality rating and improvement system and make continuous improvement. These grants are designed to work in tandem with other supports, such as tiered subsidy reimbursement rates, prekindergarten or Head Start funding and parent fees. For more information, visit: <http://www.pakeys.org/stars/Default.aspx>

NC More at Four Funding - North Carolina links eligibility for prekindergarten funding to participation in the quality rating and improvement system. To be eligible for pre-K funding, programs must have attained at least 4 stars (in their 5 star system). Responsibility for monitoring compliance is shared among the funding agencies. For more information, visit: http://www.ecs.org/dbsearches/search_info/PreKProgramProfile.asp?state=NC

The financing strategies noted above began incrementally. In each case, the first step was to establish a statewide system of common standards (e.g. QRIS) and then think strategically about how to link funds to this system. **This approach makes it possible to plan for fiscal reform, and take first steps, even when new dollars are not available.** Once the framework is established, new funds can be added when they become available.