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HUMAN SERVICES POLICY CENTER

"Forging a Brighter Future for Children and Families"

Orchestrating Access to Affordable, High-Quality Early Care and Education for All Young Children Policy Brief*

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Over the past six years, the Human Services Policy Center (HSPC) has developed and applied a Policy Simulation Model that enables policy makers to explore a variety of options for making high-quality Early Care and Education (ECE) affordable to all children from birth through 5 years of age. Working with policy leaders in four diverse states, we customized financing solutions to reflect each state's unique preferences. Including the costs of all elements of a high-quality ECE system, we estimated the hourly costs of high-quality ECE, the budgetary costs of financial assistance to families, the affordability for families at different incomes, and the share of funds allocated to the most vulnerable children. Conducting a household demand survey in each state enabled us to reflect the impacts both of state policies and of diverse parental choices among all types of ECE – centers (including Head Start and pre-kindergarten); formal family care; and family, friend, and neighbor care.

Each state team explored and specified choices about staffing, infrastructure, and financing policies, basing these choices on expert recommendations and the experiences of other states. An iterative process of analysis and feedback allowed state teams to end up with financing plans that could make high-quality ECE affordable for all while targeting the majority of public funds to the most vulnerable children and families. The policy simulation approach enables teams to consider further policy refinements, as we are doing with two of the states.

The major determinants of high-quality ECE costs were :

- Staff qualifications (*higher-* vs. *lower-cost* alternatives relating to the percentage of staff with Bachelor of Arts vs. Associate of Arts degrees)
- Compensation levels (*higher-* vs. *lower-cost* alternatives linked to those of elementary school teachers vs. those of other human services professionals)
- Percentage of families to receive assistance
- Share of costs to be covered by parental co-payments

Achieving ECE with highly qualified and adequately compensated teachers and desirable child-to-adult ratios will require significant provider cost increases, plus increased assistance to families. The hourly direct service costs of high-quality ECE varied greatly across states (from $4 to $8 an hour for infants; $3

* Based on the full report of the same title, available at www.hspc.org

to $7 for toddlers; $3 to $5 for preschoolers), depending on staff qualifications and on whether compensation was pegged to the salaries of elementary school teachers (higher costs) or the salaries of social services professionals (lower costs). Quality promotion through professional development, regulation, and governance constitutes between 8 and 10 percent of total costs.

Boosting the quality of ECE would drive costs beyond what middle-income parents can afford without some form of financial assistance. As hourly costs go up, so does the share of the population needing assistance. If only a small percentage of families receives assistance, and non-subsidized families cannot afford high-quality ECE, providers will not be able to raise prices to cover their increased costs and pay for better-qualified teachers. Our analysis compared policy choices by considering their impacts on competing objectives – improving quality, maintaining affordability for families, helping the most vulnerable children, and controlling budgetary costs. We found several feasible approaches, at higher or lower costs – but no single right answer.

Although each state's policy specifications differed, all ultimately chose variants of a form of financial assistance that combined non-income-related subsidies (to providers) with an income-related voucher (with parental co-payments) to help parents afford the market price of improved quality. This Parent and Provider Assistance Package (PPAP) preserved parental choice, met the needs of low-, moderate-, and middle-income families, and targeted the majority of funds to the most vulnerable children – all while moderating public budget costs.

Funding Universal Access to High-Quality ECE

- A *Free-ECE-for-All* approach, with no parental payment, requires a major social commitment and is not fiscally feasible without new revenue sources.
- *PPAP* is fiscally feasible; the lower-cost alternatives can improve quality and can be phased in with more modest adjustments to *current* revenue sources.
- A state-by-state approach (rather than a uniform, national approach) enables each state to craft a program that conforms to its priorities and circumstances.

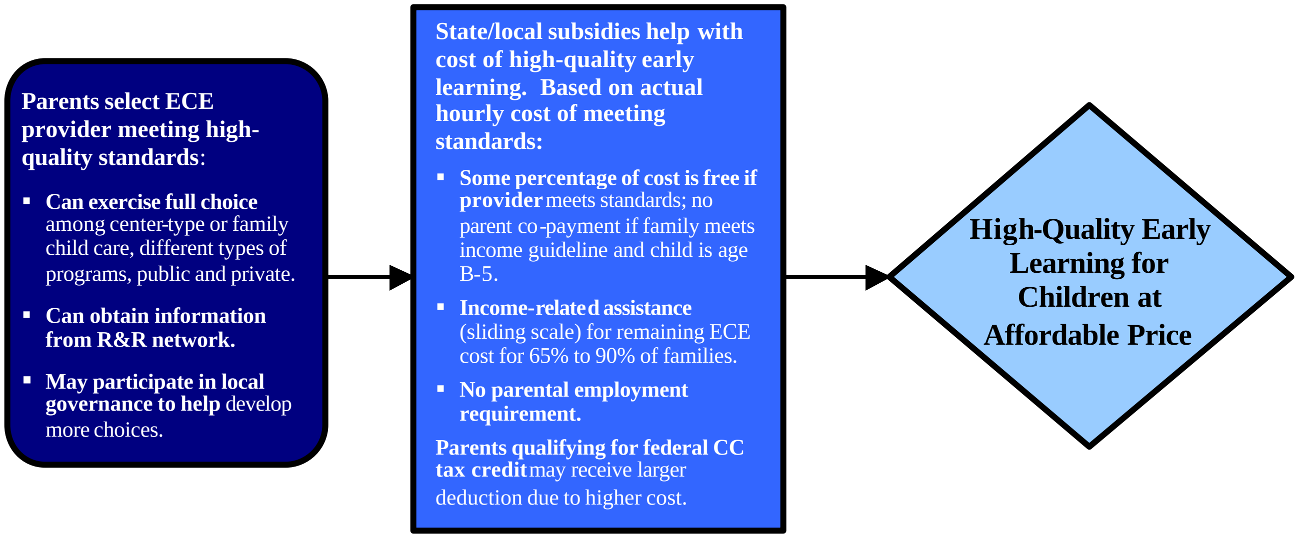
State teams designed voluntary, partially subsidized Early Care and Education systems that provide high quality at prices parents can afford. The impact on state and local budgets, phased in over at least five years, would be a small fraction of what is currently spent on elementary and secondary education.

- Current ECE subsidies equal 3 to 5 percent of expenditures for K-12 public education.
- Providing free ECE for all children would raise subsidies to between 35 and 55 percent of K-12 expenditures.
- With the PPAP approach, the additional costs of providing financial access for all children age birth through 5 years old would range from about 6 to 20 percent of current public education spending.

From the Parents' Perspective

With the PPAP approach, parents' choices in the ECE marketplace would expand significantly (see Figure 1). Assistance to qualifying families would defray ECE costs from any provider who meets the quality standards. Between 10 and 55 percent of the cost would be paid to the caregiver on behalf of eligible and participating children on a flat, per-child basis. The family would pay the remainder according to an income-related sliding scale. The result? Affordable, high-quality early learning for children, paid for in a way that closely resembles financing for US higher education.

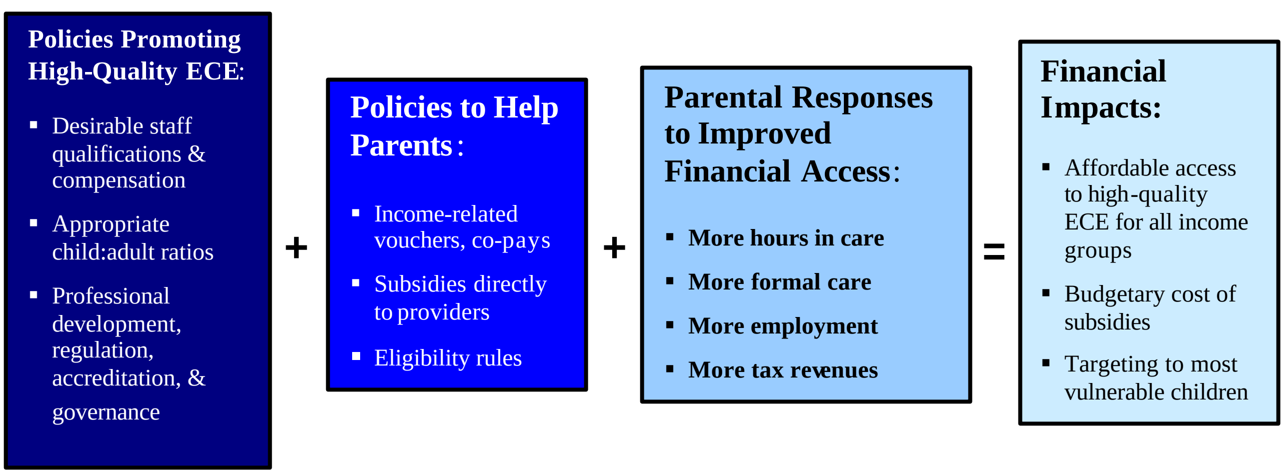
Figure 1: PPAP Financing of High-quality ECE: Parents' Perspective



Tracking Policies to Real-World Impacts

Teams from each state specified (1) policies to boost quality and (2) policies to help parents afford high-quality ECE. Using responses to household surveys of *actual parental ECE choices*, the Policy Simulation Model predicted changes in demand for ECE, plus changes in parental employment and tax revenues. By encompassing both policy changes and predictions of parental responses to those changes, the model can provide comprehensive estimates of the financial impacts of policy choices (see Figure 2).

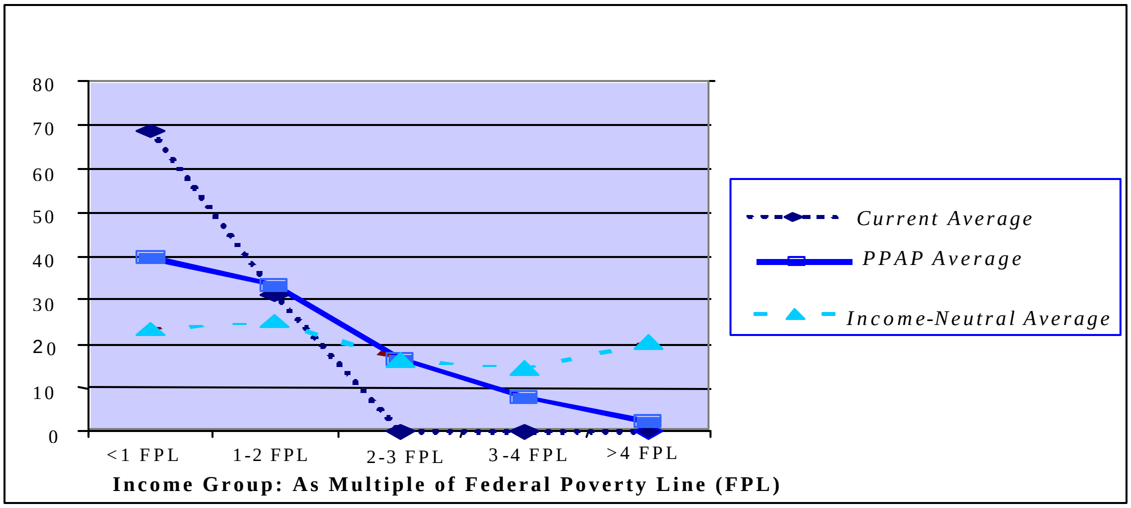
Figure 2: Flow from Policies to Impact



Targeting Funds to the Most Vulnerable Children

A comparison of three approaches to subsidy eligibility shows that extending income-related subsidies to upper-middle-income families can significantly benefit moderate- and middle-income families. Figure 3, below, compares the partially income-related PPAP approach (solid line) to an income-neutral approach such as “Free ECE for All” (broken line) and the current approach, where virtually all benefits go to the two lowest income groups (dotted line). The results were similar in all four states: the PPAP approach targets about 3/4 of total subsidy funding to the half of children who are in the two lowest income groups, allocates about 25 percent to the 1/3 of children in the middle- and upper-middle income groups, and gives only 2 percent to the 1/5 of children in the highest income group. The projected total benefit is much greater than the status quo, so while the *percent* of total benefits going to the lowest income groups is lower than under current programs, the *total amount* low-income families receive would increase substantially.

Figure 3: Percent of Total Benefits for Each Income Group (Average of 4 States)



This project demonstrates that states can design voluntary, partially subsidized early learning systems that provide high quality at prices parents can afford. And the impacts on state and local budgets would be a small fraction of what is currently spent on K-12 education. Working with our Policy Simulation Model, four state teams have designed policies that harmoniously balance objectives to make the benefits of early learning financially accessible to all young children.

For the complete version of this report, or for reports on a wide variety of topics concerning early childhood, and for detailed reports of our findings for Ohio, South Carolina, Illinois, and Mississippi, please go to our website,
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This report is based on analyses of alternative policies to improve financial access to high-quality early learning opportunities conducted by the Human Services Policy Center in partnership with four states. The following state coordinators worked very hard to make this project a success: Ms. Margie Wallen from Illinois; Dr. Cathy Grace from Mississippi; Dr. Jane Wiechel from Ohio; Dr. Janet Marsh and Ms. Beverly Hunter from South Carolina The financing policy analysis, computer models, and analytic methods used in the analysis were developed and implemented by HSPC and remain the copyrighted property of the Human Services Policy Center at the University of Washington. This analysis and the state surveys were funded by the Packard, Kauffman, Mailman, Annie E. Casey, Mott, Cleveland and MacArthur Foundations; the Carnegie Corporation; the Barksdale Reading Institute; the Ohio Department of Education; the South Carolina Department of Health and Human Services; the Illinois and Chicago Departments of Human Services; and the Mississippi Department of Human Services. This work was part of the Financing Universal Early Care and Education for America's Children Project, Richard N. Brandon and Sharon Lynn Kagan, Co-Directors.