

*Financing Universal Early Care and
Education for America's Children:*

Options for Mississippi

The Presentation

- I. Project Overview
- II. Infrastructure and Compensation
- III. Demand and Financing Issues
- IV. Findings to Inform Policy Choices
- V. Mapping out the Partnership

I. Project Overview

Project Goal

To help state policy makers understand alternative costs and impacts of financing a system of high-quality early care and education, responding to policies that they specify

Project Objectives

1. To specify the hourly costs per child of a high-quality system of early care and education.
2. To incorporate parental responses in cost estimates, including changes in type and amount of care and levels of maternal employment.
3. To produce comparisons of alternative financing approaches that apply lessons from other U.S. social benefits (K-12 and higher education, health, retirement, transportation, housing) that show costs and impacts on the use of care and employment.

What is the cost per child per hour?

Hourly Cost of Quality Care

- Includes all elements of compensation and infrastructure.
- Shows cost for each type of care, each age of child.
- Can vary with policy choices.

What do parents want?

Parent Responses

Ability to predict changes in type and amount of care used and levels of maternal employment as the price of care is changed.

What are the financing strategies used to get there?

Analyze Financing Policies

Show costs and impacts of different financing mechanisms with different levels of eligibility, work requirements, take-up rates.

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Financing Early Care and Education

II. Infrastructure and Compensation

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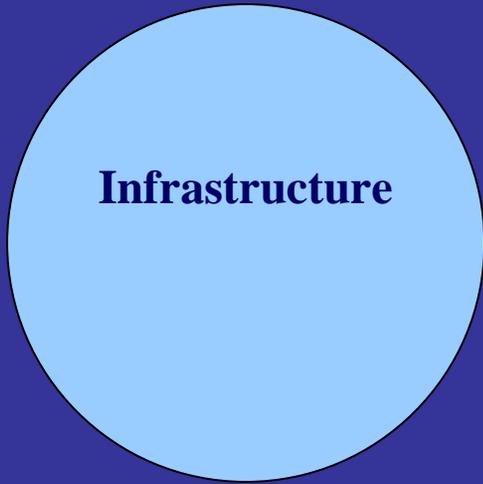
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Financing Early Care and Education

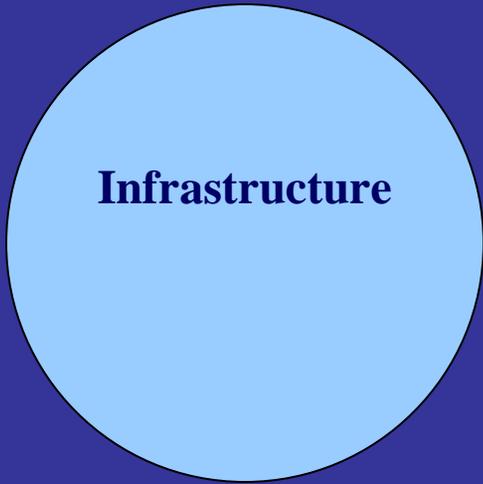


What Does it Cost Per Child Per Hour? *Process*

- Defined elements and issues
- Commissioned papers from experts
- Convened working groups to achieve consensus
- Synthesized principles
- Made recommendations for “Minimum Adequate” and “Ideal” scenarios

What Does it Cost Per Child Per Hour?

Content





Compensation

What Does it Cost Per Child Per Hour?

Compensation: “Mississippi-sizing” Selected Expert Recommendations

- Discern adult:child ratios.
- Link wages to those earned by public elementary school teachers in each state, adjusted for equivalent hours worked.
- Specify share of teachers at each age level that should have college degrees (BA and AA).
- Family child care workers should have salaries that are commensurate with center-based staff of the same level of qualification.
- Maintain entry-level positions with low educational requirements; increase salaries with attainment of greater professional qualifications.

What Does it Cost Per Child Per Hour?

Professional Development: “Mississippi-sizing”

Selected Expert Recommendations

- Include center providers, unregulated family child care home providers, regulated family child care home providers, center directors, and child care trainers in the professional development system.
- Include core competencies, career lattices, registries, and professional development information systems in the professional development infrastructure.
- Model professional development on the public school system of ongoing professional development. Provide 100% subsidy for the professional development of low-wage early care and education teachers; charge tuition for half of cost as they become better paid. Provide 100% release time for professional development, hour for hour.

Regulation

What Does it Cost Per Child Per Hour?

Regulation: “Mississippi-sizing” Selected Expert Recommendations

- Regulation should apply to centers that operate for a minimum of 8 hours/week, and for more than 4 weeks/year.
- Family child care providers who receive public money should be registered and those who care for 3 or more children should be licensed.
- Centers should receive site visits two to four times annually; family child care homes, twice annually.
- Inspector and supervisor salaries should be linked to starting BA teacher salaries, or proposed new early care and education teacher salaries.

What Does it Cost Per Child Per Hour?

*Governance and Administration is
composed of:*

- Governance
- Accreditation
- R&R Network
- Management Information
Systems (MIS)

What Does it Cost Per Child Per Hour?

Governance and Administration: “Mississippi-sizing” Selected Expert Recommendations

Governance

- Governance should occur at both state and local levels.
- The seat of governance should be in a private, nonprofit agency.
- A system of governance should train and support grassroots advocates; support family child care providers (through networks); offer technical assistance to administrative entities; and provide public information.

What Does it Cost Per Child Per Hour?

Governance and Administration

Governance and Administration: “Mississippi-sizing” Selected Expert Recommendations

Accreditation

- Develop a Statewide Accreditation Facilitation System (SAFS) to support providers seeking accreditation; coordinate activities related to accreditation process; and promote accreditation.
- An SAFS should offer technical assistance; link with training institutions to facilitate provider career development; cover accreditation fees and administer quality-improvement funds; and monitor databases of accredited providers.

What Does it Cost Per Child Per Hour?

*Governance and Administration: “Mississippi-sizing”
Selected Expert Recommendations*

Resource and Referral Network

A Resource and Referral Network should perform the following three functions:

- Data Collection, Management, and Analysis
- Consumer Education and Referral Services
- Supply-Building through Recruiting, Training, and Technical Assistance to Providers

What Does it Cost Per Child Per Hour?

*Governance and Administration: “Mississippi-
sizing” Selected Expert Recommendations*

Management Information Systems (MIS)

- Create a new internet-based Early Care and Education MIS to be housed with a private vendor or a state government agency.
- An MIS should provide information on supply to families; manage database of provider characteristics; track provision of subsidies to families; and integrate data from all systems and produce documentation, public information, statistics, and local reports.

III. Financing and Demand:

Alternative Ways to Help Families

Key Features of Financing Model

Policies for MS Team to specify:

- **Hourly costs: compensation, ratios, mix**
- **Financing mechanisms**
- **Eligibility standards**

Features within the model:

- **Reflects parental demand**
- **Considers participation rates, outreach**

Financing Mechanisms

to Help Families Afford High Quality ECE

- **Income-related Voucher: specified co-pay level related to parental income.**
- **Direct free service (e.g. Head Start) or non-income-related subsidy to provider at specified percentage of hourly cost (e.g., 25%, 50%, 100%).**
- **Wrap-around systems: free service for some children or part day; voucher for remainder.**
- **Tax credit related to family income - refundable?**
- **May combine any of above mechanisms.**

Requirements for Eligibility to be Specified for Each Financing Mechanism

- **Age of child**
- **Whether there is a parental work requirement**
- **Maximum hours per week, may relate to work.**
- **Maximum family income**
- **Whether payments will be made for care by relatives or by parents (of infants) - limitations, windfalls.**

Key Features of Demand Analysis

- **Net decrease in price increases the use of ECE and increases maternal employment.**
- **Shifts in patterns of use based upon comparative changes in price among center, FCC, relatives.**
- **Center care more price sensitive than FCC.**
- **Price changes produce significant changes in mix, but not eliminate diverse system -- eg, 50% price reduction shifts 10% of children between parental and center care. +8 hrs work**

Participation Rate

- **Determine from household survey and administrative data.**
- **Greatly influenced by policies regarding outreach and ease of access.**
- **Can be used to phase in cost of program.**

The Model: Moving from Hourly Costs to State Budget Costs

For each MS Child/Family in Data Base:

- **Estimate current utilization from household survey.**
- **Apply hourly costs of High Quality ECE for appropriate age, type of care.**
- **Apply policies to assist parents afford high quality ECE; derive new prices paid by parents after assistance. Calculate cost of subsidies.**
- **Estimate changes in types, amounts of ECE due to new prices.**

The Model – continued

- Estimate changes in paid employment and resulting changes in state and federal tax revenues.
- Estimate amount of federal or other sources of subsidy funds.
- Aggregate gross and net subsidy costs of alternative policies.
- Show changes from current state spending, share of education budget.

HSPC Analysis: Putting the Pieces Together

For children in each income group (lowest - highest):

- What is the hourly cost of care: current vs. high quality; with/without subsidies**
- How many children receive subsidies.**
- Total cost to government and others of subsidies.**
- Remaining cost to families, total and average hourly - dollar amounts and percent income**
- Can show for any characteristic in survey: age, race, disability, parental work or marital status, etc..**

IV. Findings to Inform Policy
Choices:
Illustrations from Other States

Major Policy Choices

- **Quality and access in a diverse market or standardize market with preferred care.**
- **Degree of professionalization, levels of compensation**
- **Balancing quality and affordability**
- **How much to invest in infrastructure**
- **Balancing rates for center, FCC and FFN care**
- **Provisions for special needs children**
- **Balancing coverage and efficient targeting of funds**
- **Blending welfare concepts with early education**

Major Policy Choice: Nature of Market

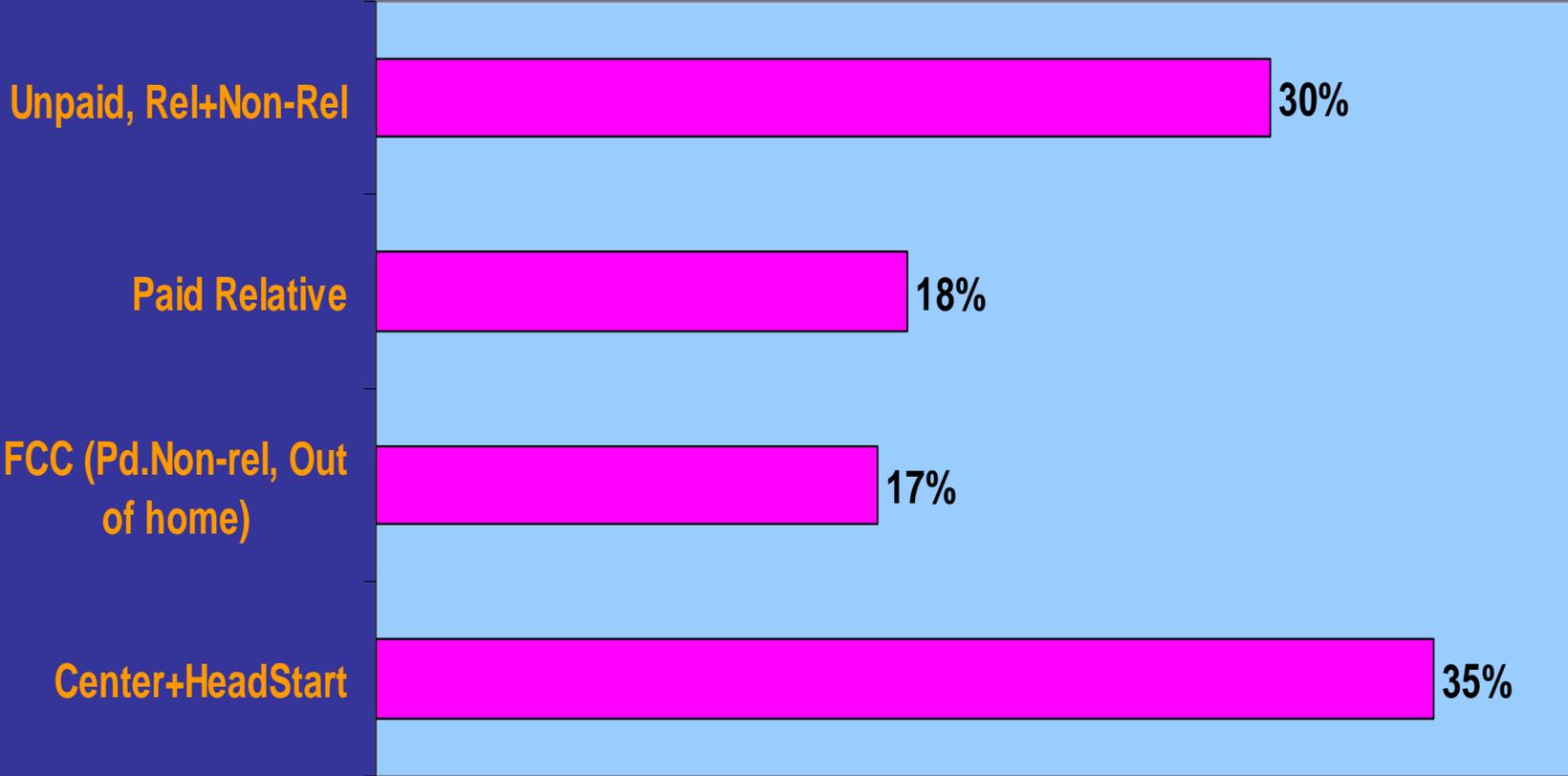
Improve quality and access in the current diverse market – parent choice of Center, FCC, FFN care

OR

Replace the market with a single form of subsidized care.

The current diverse child care market:

Percent Hours in Non-Parental Care
All U.S. Children 0-5 (1999)



Major Policy Choices: Staff

- What level of ECE staff professionalization and ratios do we want, for each type of care, for each age of child?
- What level of compensation is necessary to achieve this professionalization?

Qualifications and Compensation: *Center Staff—Expert Recommendations*

- **ECE staff compensation (salary and benefits) linked to elementary school teachers.** *1/3 – 2/3 teachers with BA. Average BA salary ~ \$18/hour.*

- **Salaries vary by position (responsibility), education and experience/competency.**

*100% of starting BA elementary teacher salary
for starting ECE teacher with BA/BS.*

50% for ECE assist. teacher with HS diploma.

170% for a Director with MA/Ph.D.

- **Professional development = 1 course/year@ \$1,000**

BA Level Occupations, 2001 Salaries, US Average



- Competing principles: pay equity vs. labor market

Qualifications and Compensation: *FCC Providers—Expert Recommendations*

- **Currently 1/5 have BA/BS degrees**

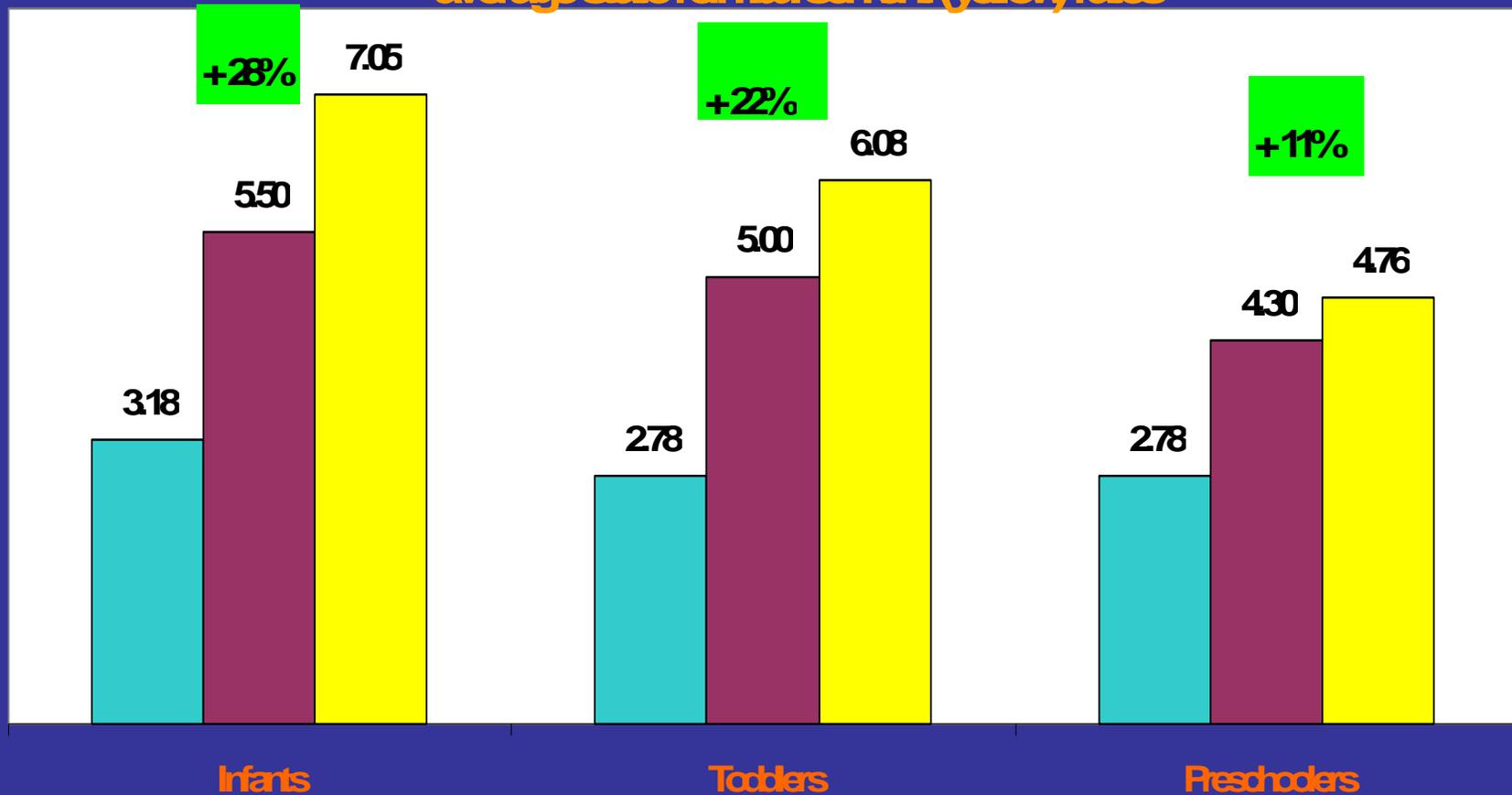
Improve to 1/3 – 1/2 BA/BS

- **FCC compensation to equal that of Center staff with comparable qualifications, experience.**
Therefore also linked to K-12 or other salaries.
- **Child:adult ratios of ~ 6 or ~ 3.5 for reimbursement ?**

Major Policy Choices: Hourly Costs of High Quality ECE

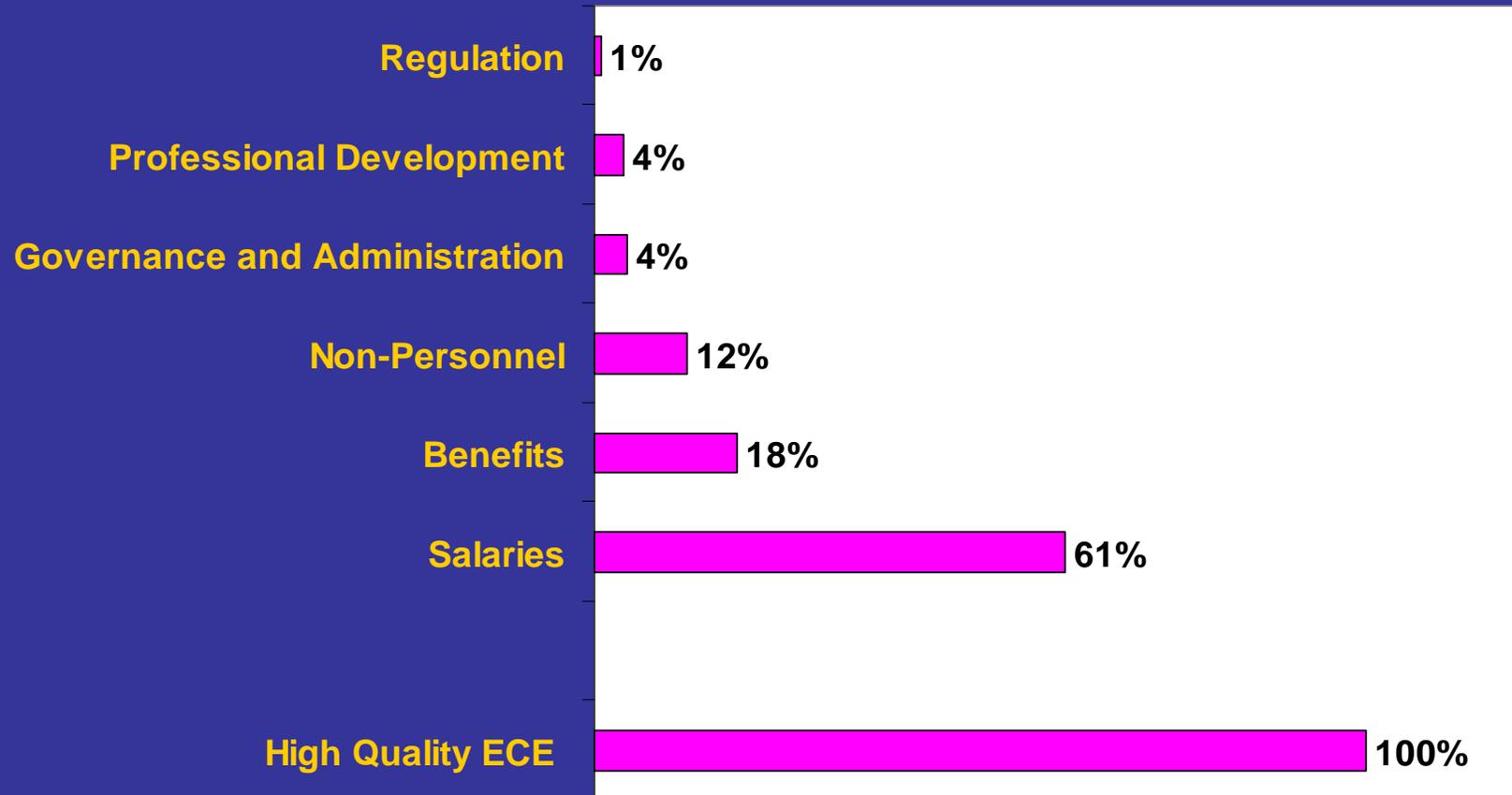
- **What happens to hourly rates with increased qualifications and compensation.**
- **How much to invest in infrastructure: regulation, professional development, governance and administration.**
- **How balance rates for center, FCC and FFN care; higher rates for special needs children?**

Hourly Rate Comparison for Center Care, by Age of Child
High Quality rates (blue) compared to 75th percentile (purple) and
average state reimbursement (yellow) rates



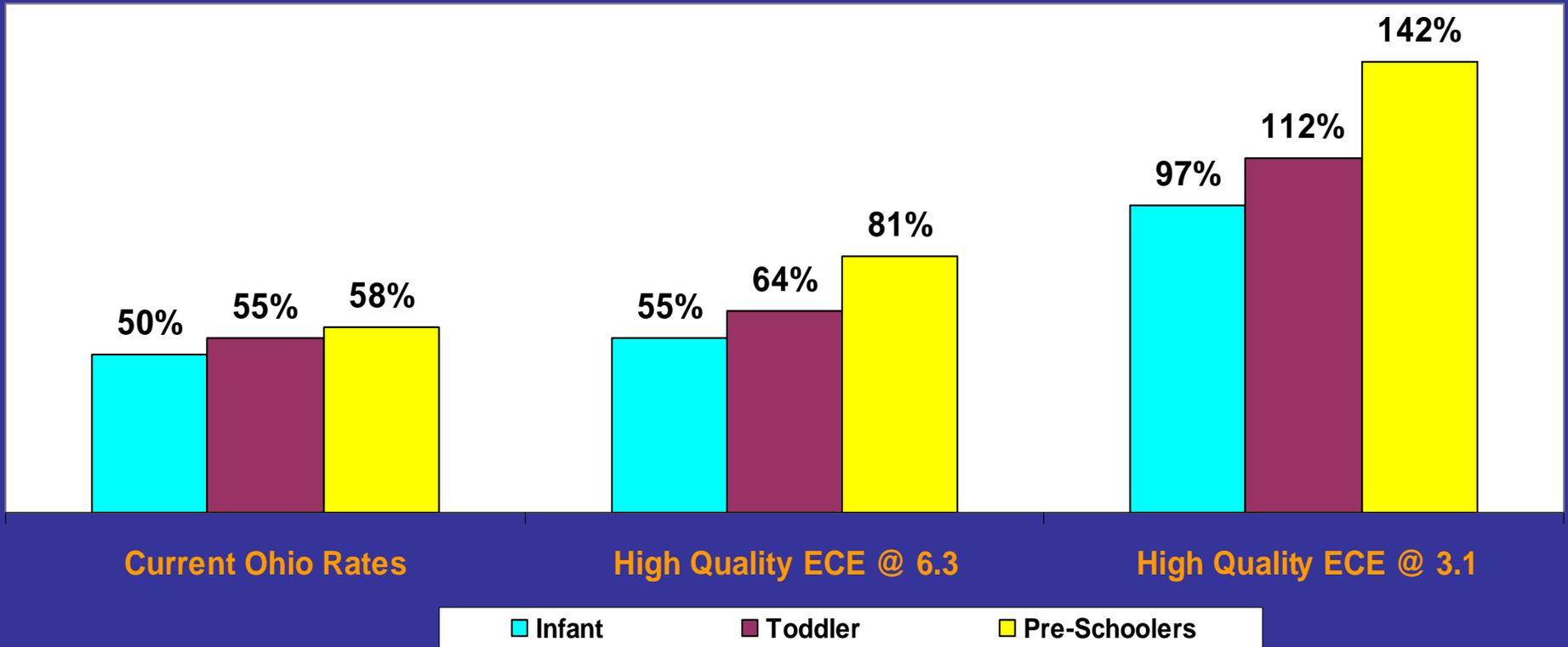
- Hourly costs of HQ are moderately higher than 75th percentile, but much higher than average state rates.
- Rates are 10-20% higher than HQ for special needs children

Compensation and Infrastructure Cost Components of High Quality ECE



- **Infrastructure components are critical to achieve quality, but are only about 10% of cost**

FCC Rates as Percent of Center Rates, Varying FCC Ratios

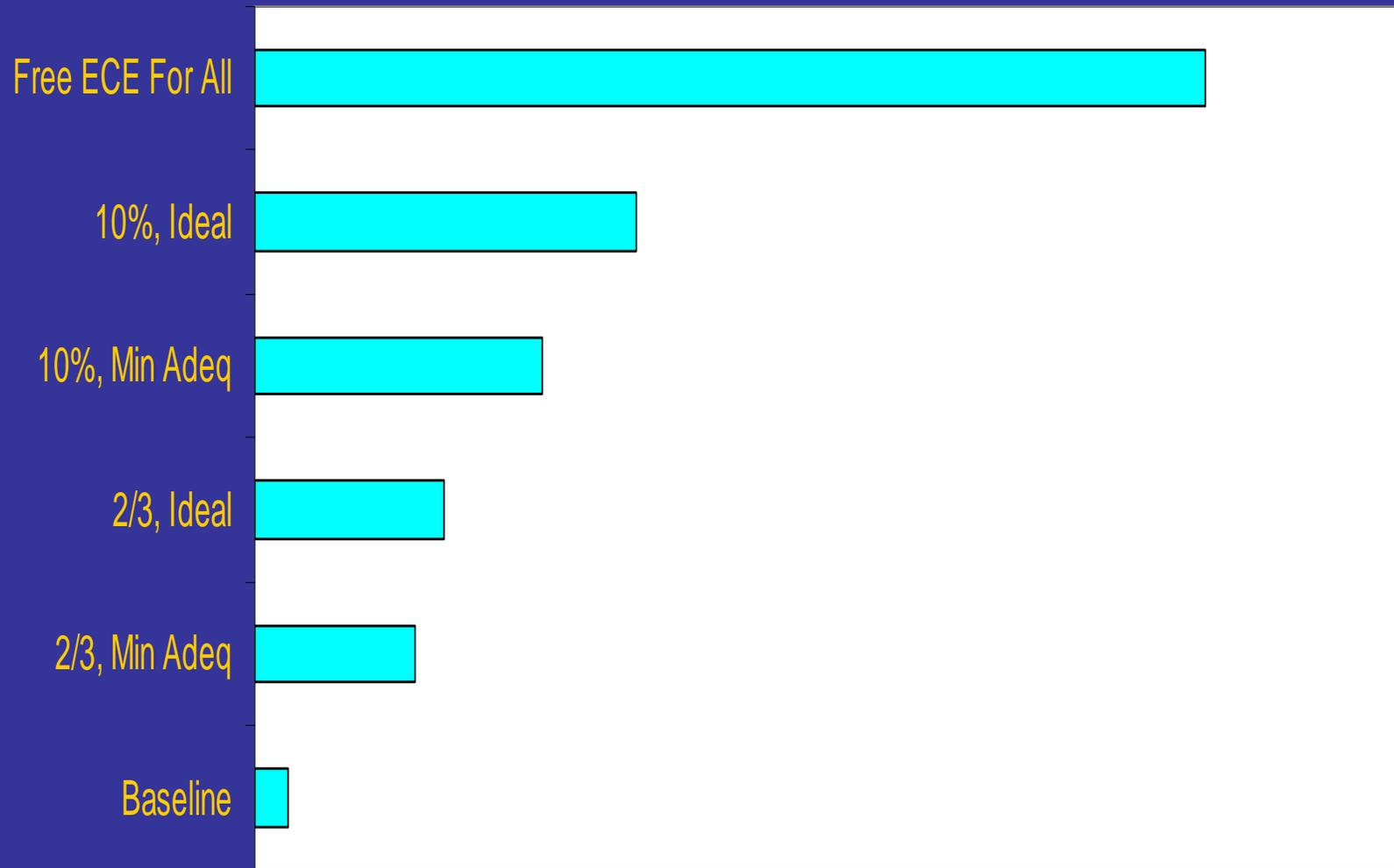


- **Decisions about FCC composition may change relative cost of Center, FCC care.**

Major Policy Choices: State Budget Costs

- **How universal – all kids, just to lower or middle income; how much means testing**
- **Selected options:**
 - stipends for parents of infants to stay home;**
 - eliminate work requirement;**
 - CWD and FCC rates;**
 - payments for care by relatives.**

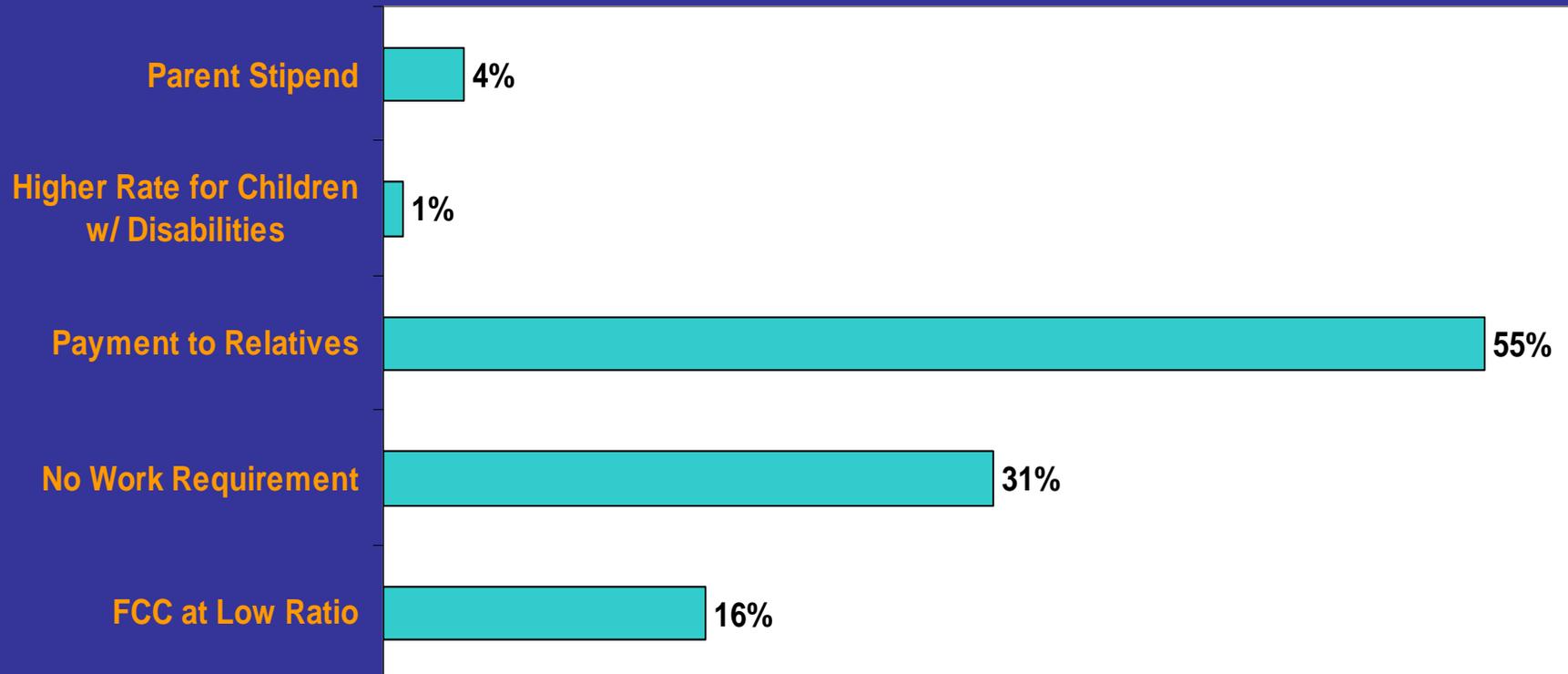
State Budget Costs After 5-Year Phase in, Alternative Financing Options (\$ Millions, 2001 \$)



ECE Funding in Context: Illustrative State

- **Current state ECE spending is equivalent to 2% of public education budget**
- **Options considered by Task Force would increase ECE spending to 5-25 % of public education budget.**

Cost of Selected Policies Percent Increase Over Current Costs



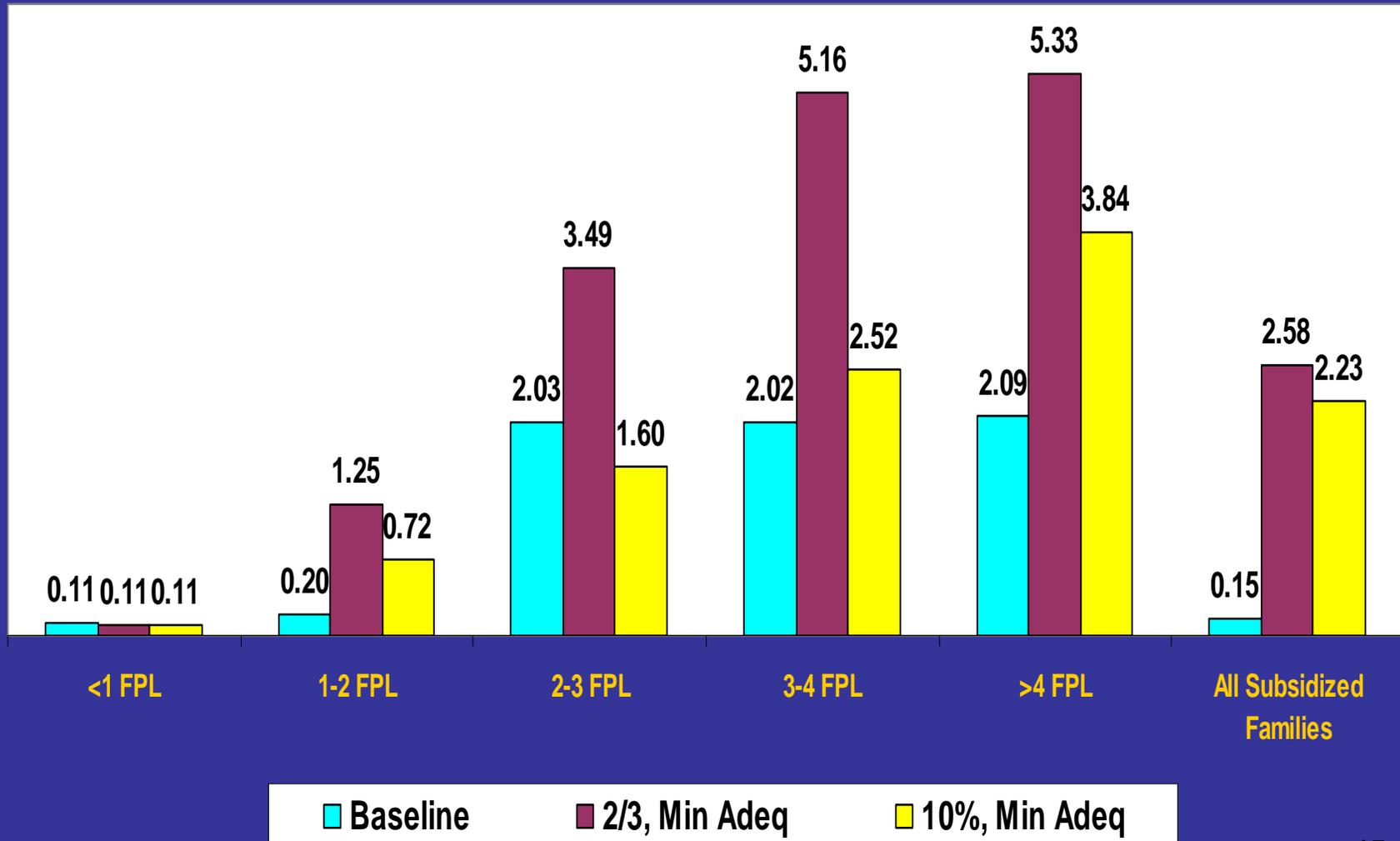
- **A stipend for parents of infants, or a CWD rate add little to total costs; relative payments and eliminating work requirements are high-cost policies.**

Alternative Financing Mechanisms

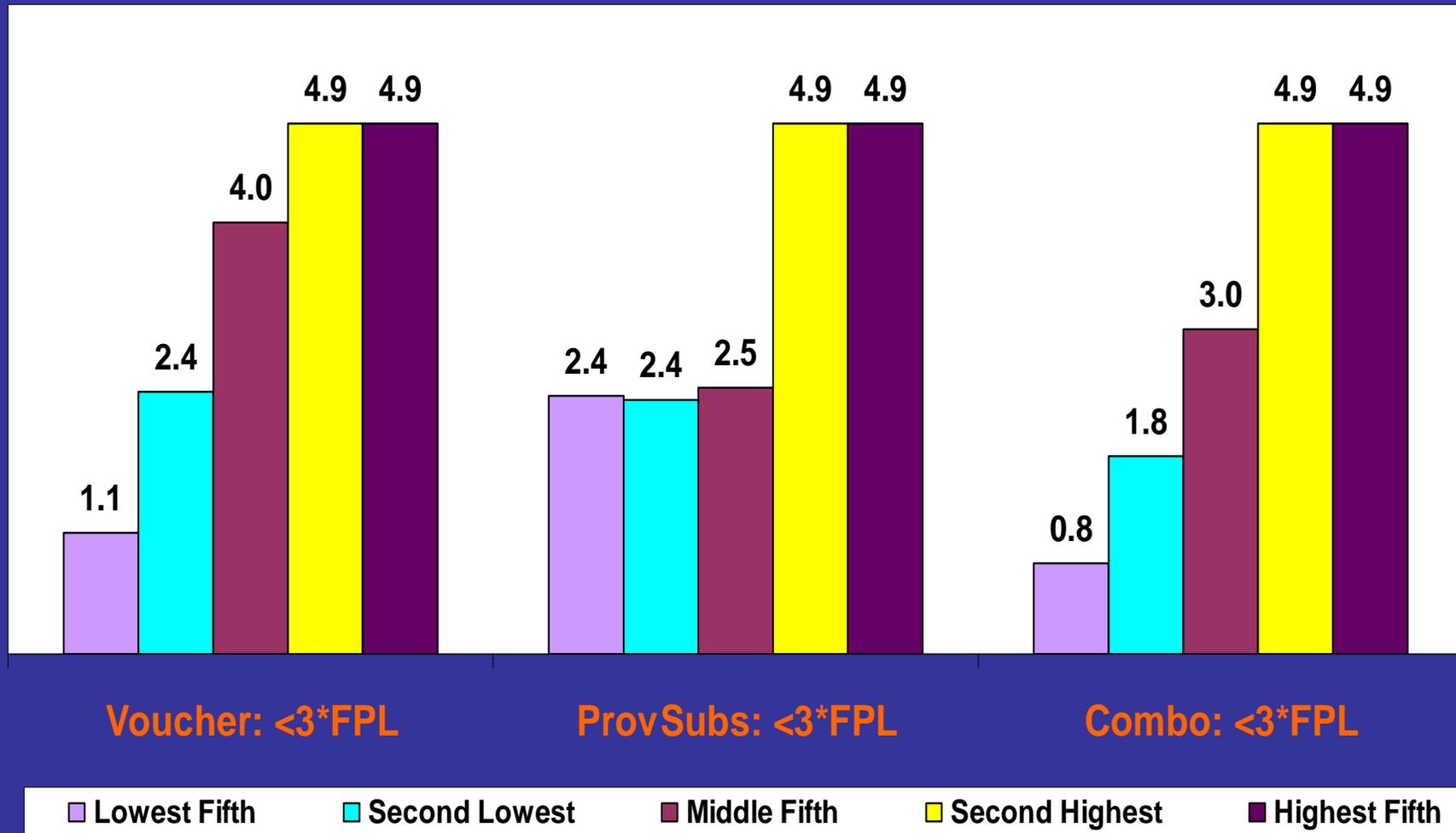
Balancing needs of low, middle income families

- **Income-related Voucher : specified co-pay level related to parental income.**
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- **Wrap-around systems: free service for some children or part-day; voucher for remainder.**
- **Tax credit related to family income - refundable?**

Affordability: Price Paid By Parents After Assistance Per hour, average for all types of care; By Income Group



**AFFORDABILITY: Average Household Cost (\$/Hour)
After Subsidy, By Income Group.
Comparing Mechanisms; Eligibility < 3*FPL**



Costs to Families After Subsidy

- **A purely income-related system achieves affordability for low-income, but leaves high-quality care too expensive for middle-income families; providers could not increase rates.**
- **Non-income related subsidies help middle-income families, but leave care unaffordable for low-income families unless almost entire cost is covered.**
- **A hybrid approach – 25% provider subsidy plus income-related benefit – balances needs of low-, moderate- and middle-income families.**
- **Balance can be achieved either through mix of mechanisms or shape of co-pay curve.**

Targeting Benefits to Groups in Need While Meeting Middle-Income Needs

- Current voucher system targets virtually all benefits to lowest income group.
- Expanding eligibility for vouchers up to middle income (<3-4 FPL) directs significant benefits (-40% of total) to moderate-income families.
- Extending eligibility to 5-8 FPL diverts 1/4-1/3 of benefits to upper-middle families.

Conclusion: Exciting Prospects, Big Choices for Mississippi

Lessons from other social benefits:

- ❑ **We can develop a near-universal financing system for ECE, but must confront many design choices and expect a complex financing package like retirement, health, higher education.**

Demand and Employment:

- ❑ **Increasing financial access will increase both utilization of paid care and paid employment of mothers. But will not eliminate use of non-center care.**
- ❑ **May shift the balance among different types of care used, must be wary of unanticipated consequences.**

Staffing and infrastructure:

- ❑ **We can afford to build a high-quality ECE system, with well-paid staff, if we look carefully at qualifications, compensation standards and ratios.**
- ❑ **Issues of regulation, professional development and governance are not costly, but are critical design elements.**

Financing mechanisms:

- ❑ **Keeping some income-related aspects improves equity, reduces cost, but may limit participation.**
- ❑ **Extending income-related benefits to middle class gives bulk of benefits to moderate-income working families.**
- ❑ **Hybrid system can balance equity and affordability for low-, moderate- and middle-income families.**

V. Mapping out the Partnership

Who's Who and Who Does What in the Project?

Teachers College

State liaison

Infrastructure

Policy development

Human Services Policy Center

Policy specifications for cost and financing analysis

Demand survey and descriptive analysis

Model development and application; analysis of costs and impacts of policies.

State Partnership Work Plan

Key Tasks	Key Players	Timeline
Develop partnership agreements.	MS, TC and HSPC	November-January 2003
Prepare state background materials.	MS Team	February-March 2003
Develop policy stakeholder group and sub-committees.	MS Team, in consultation with TC	February-March 2003
Adapt household survey for Mississippi application.	HSPC with MS liaison	March-April 2003

State Partnership Work Plan

Key Tasks	Key Players	Timeline
First meeting on site in MS	All	March 2003
Conduct demand survey	HSPC	April-July 2003
Work on protocol; meet to prepare summary and deliver to HSPC and TC	Sub-committees and state liaison with HSPC consultation	April-September 2003
Provide charts summarizing survey data	HSPC	October 2003

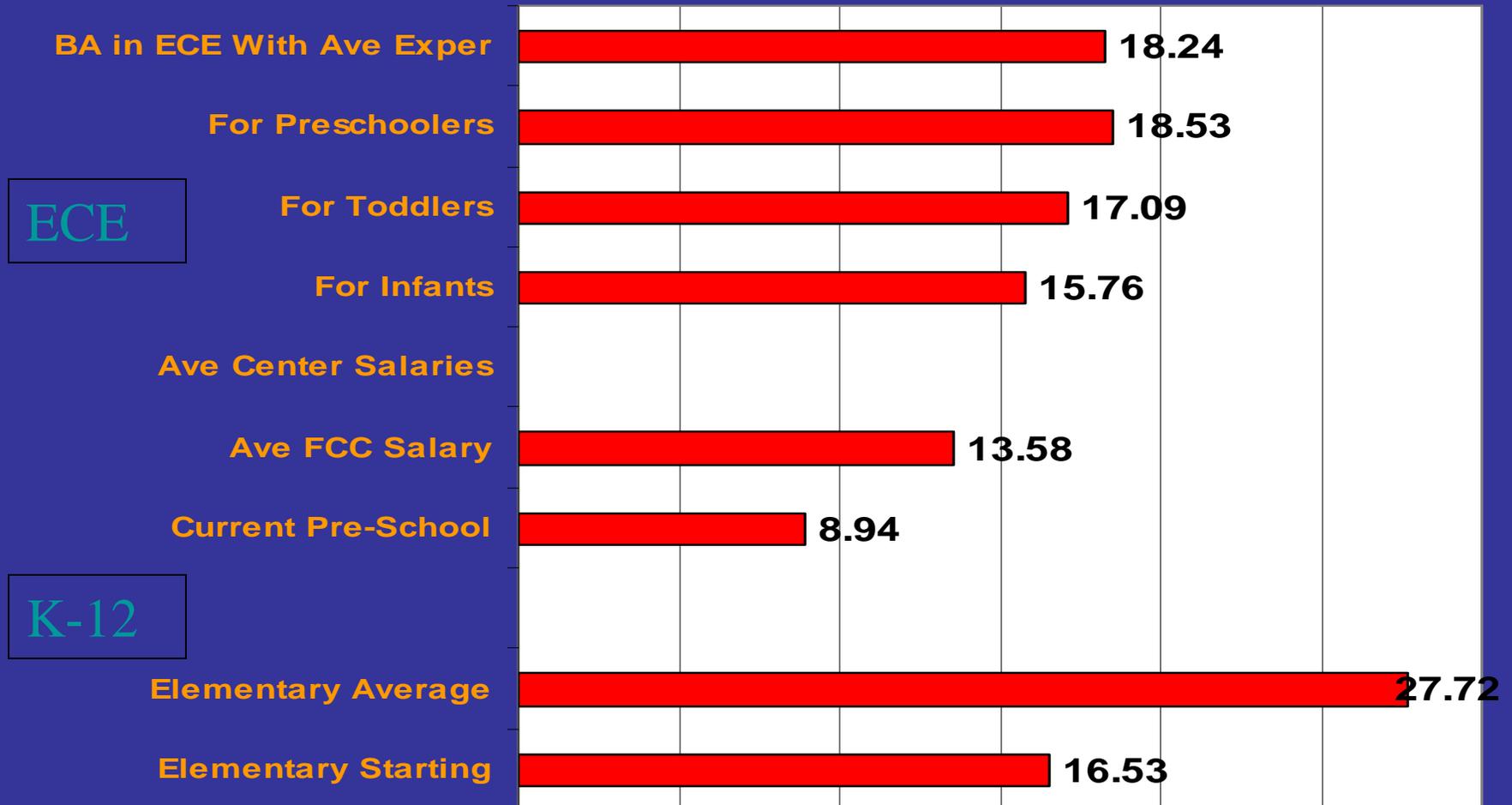
State Partnership Work Plan

Key Tasks	Key Players	Timeline
Conduct analysis of alternative policy options	HSPC	November 2003- January 2004
Second meeting on site in MS	All	February 2004
Conduct analysis of additional/revised policy options	HSPC	April-May 2004
Final meeting on site in MS	All	May 2004

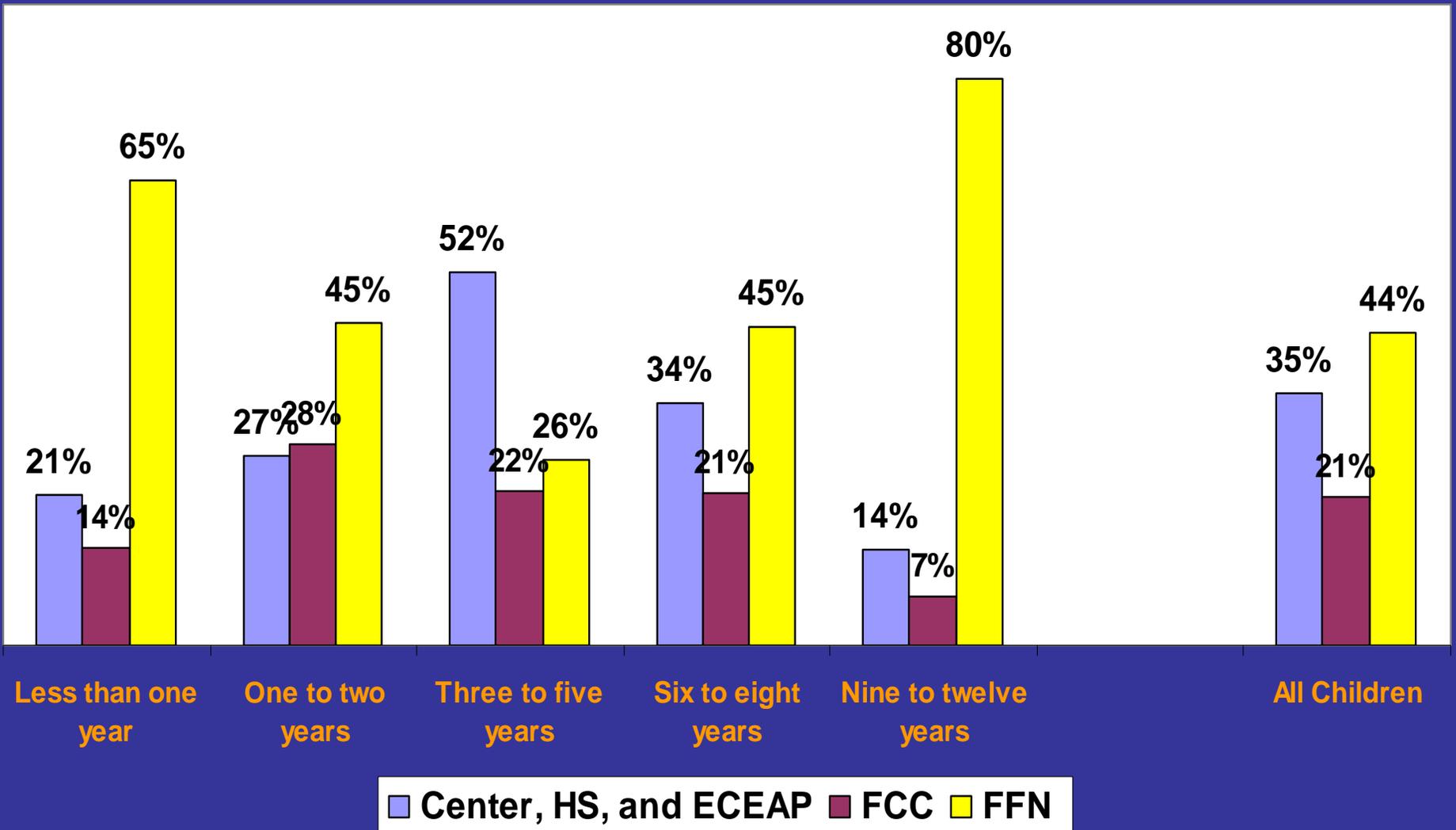
Extra Slides For Q & A

Recommended Ohio ECE Hourly Teacher Salaries in Context

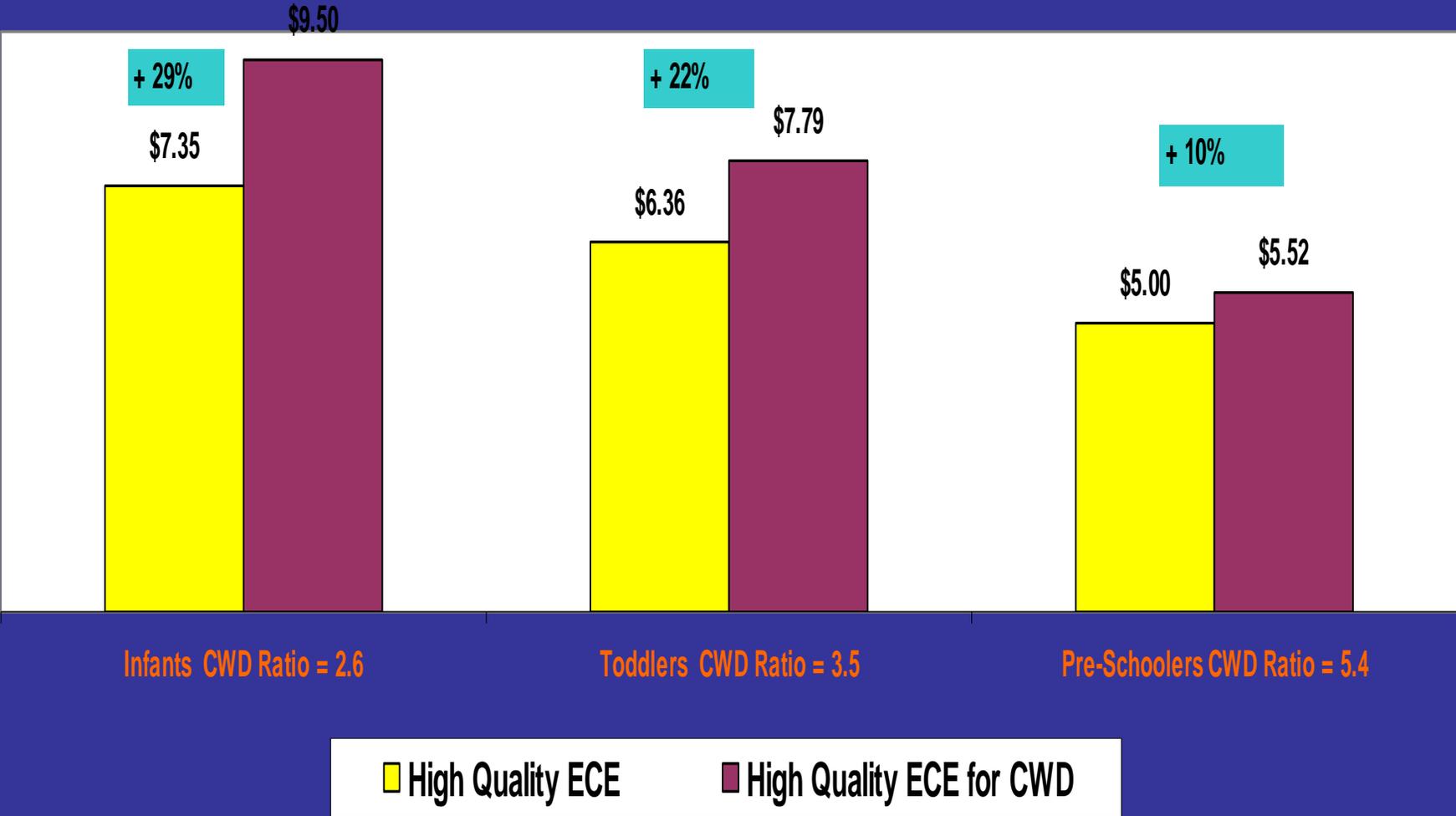
K-12 = Current; ECE = Ohio Working Group/Expert Recommendations



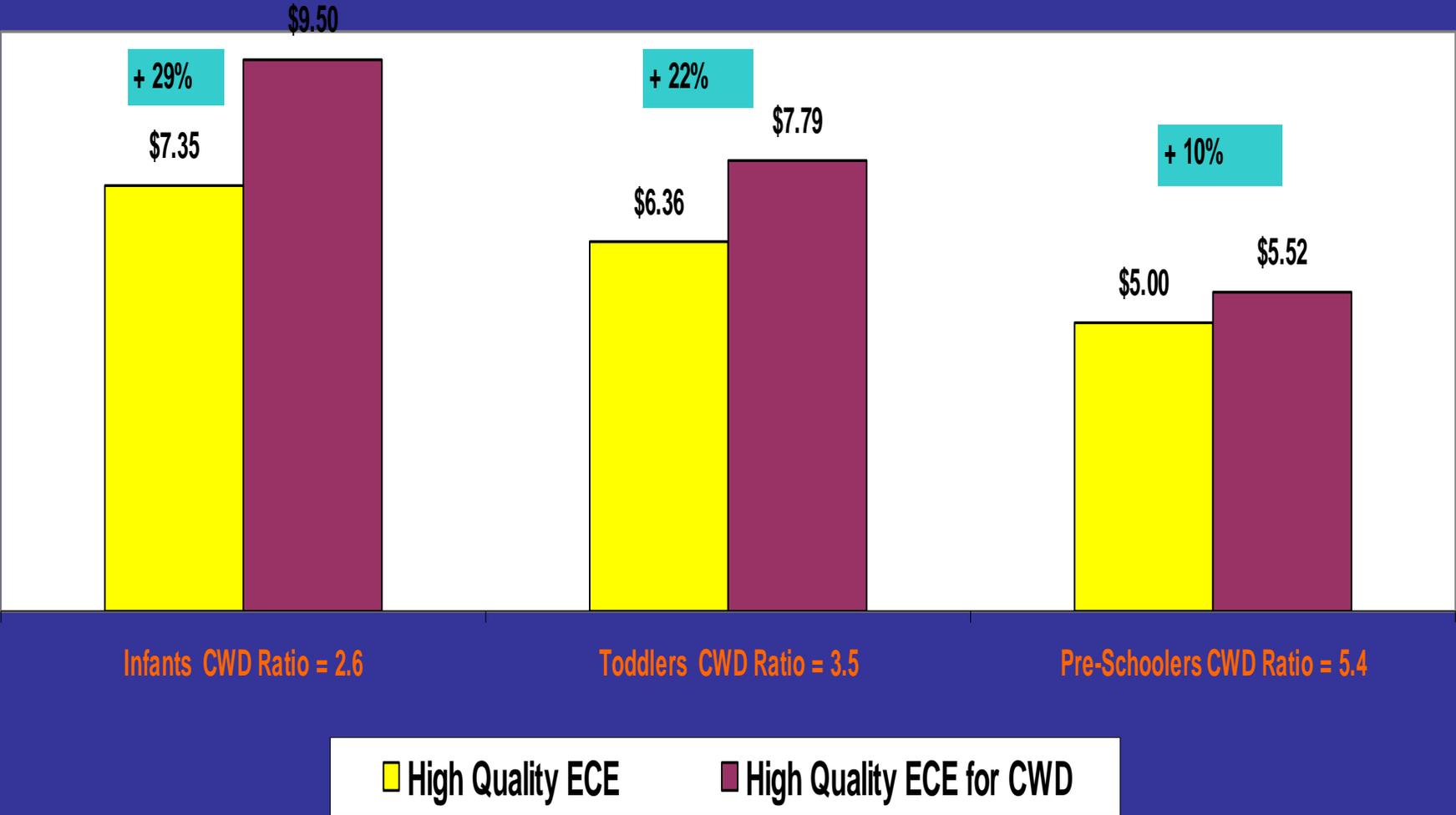
PERCENT of ALL NON-PARENTAL CARE HOURS Each Week in Each Type of Care, By Age Groups



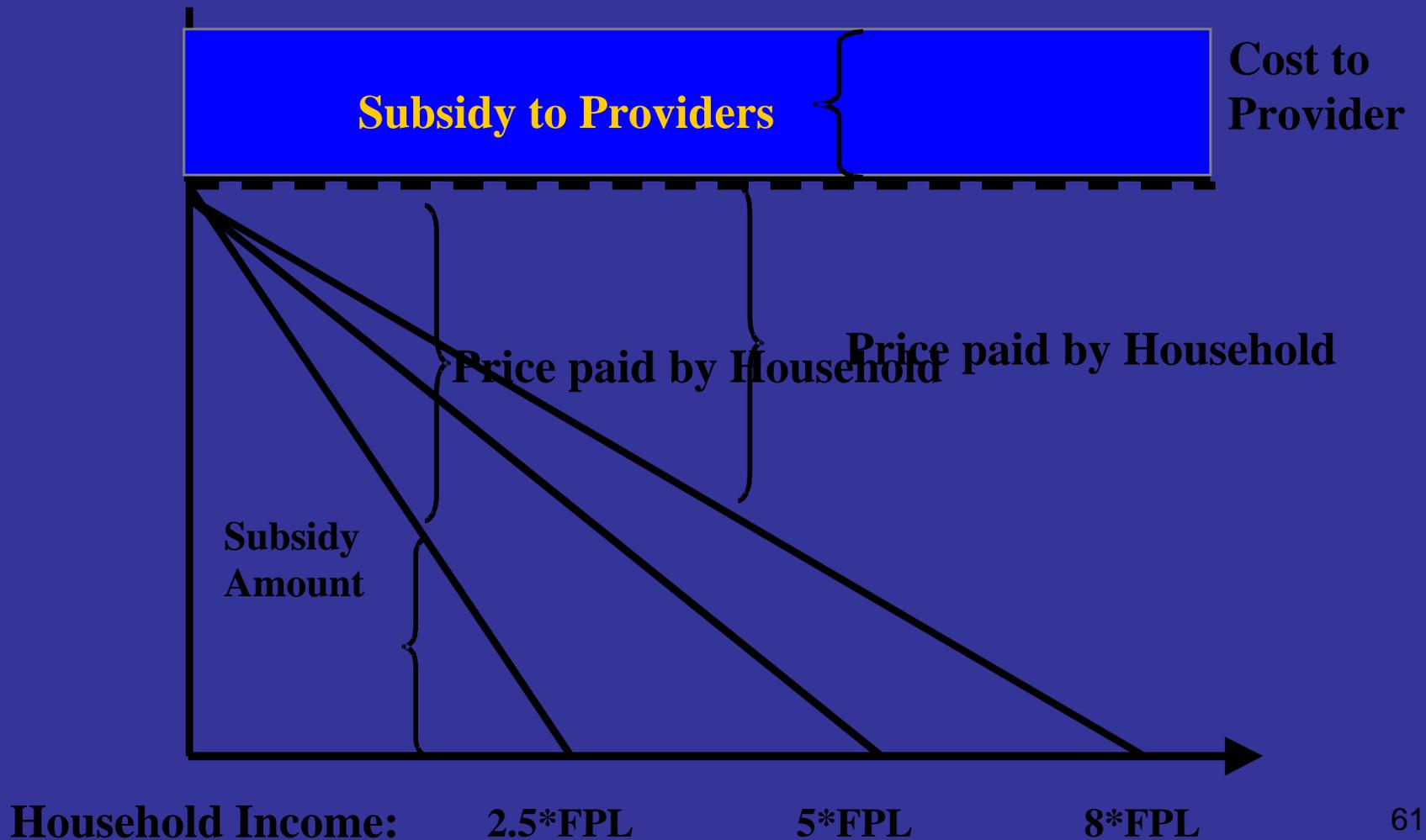
High Quality Rates for Children With and Without Disabilities



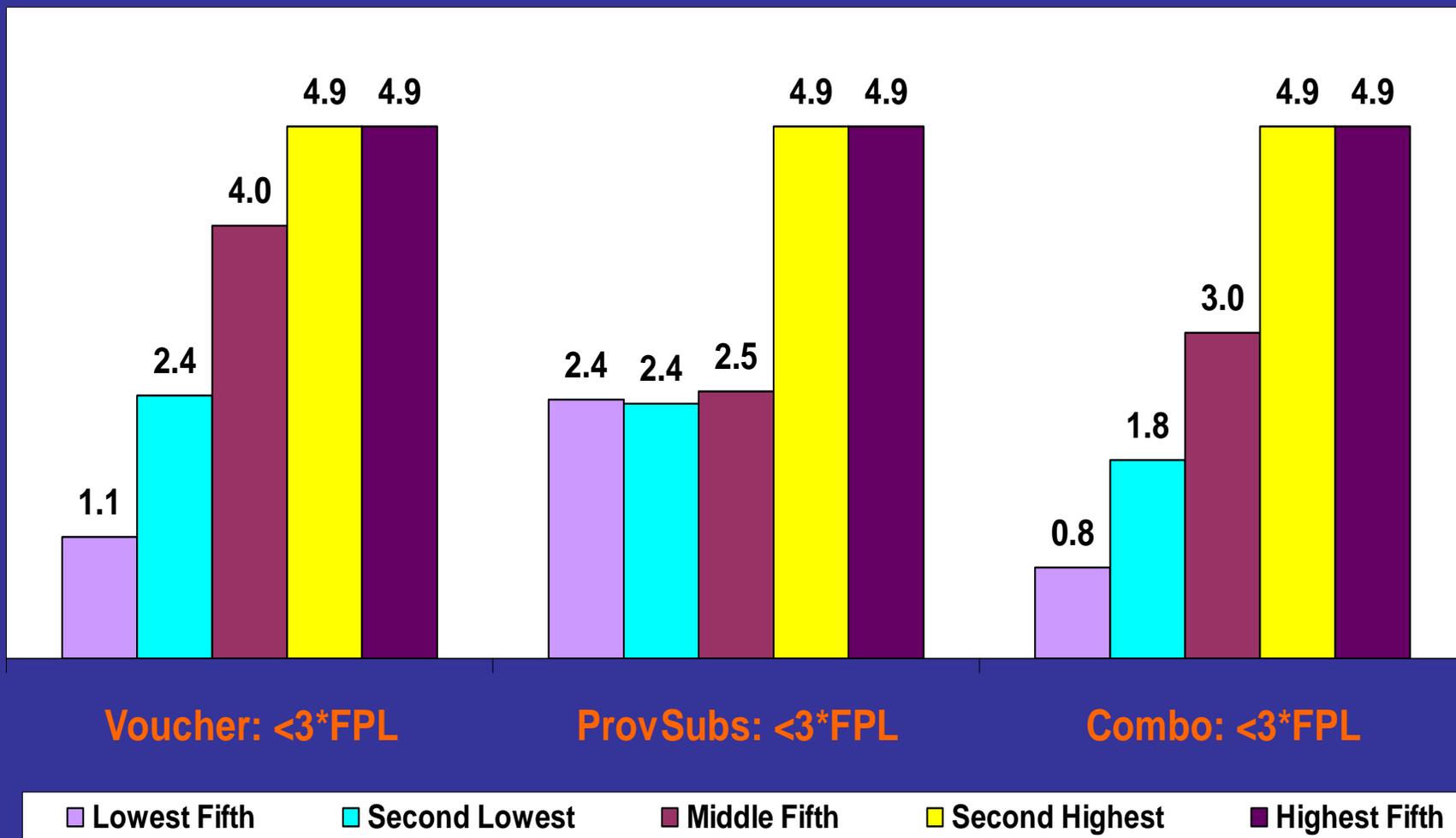
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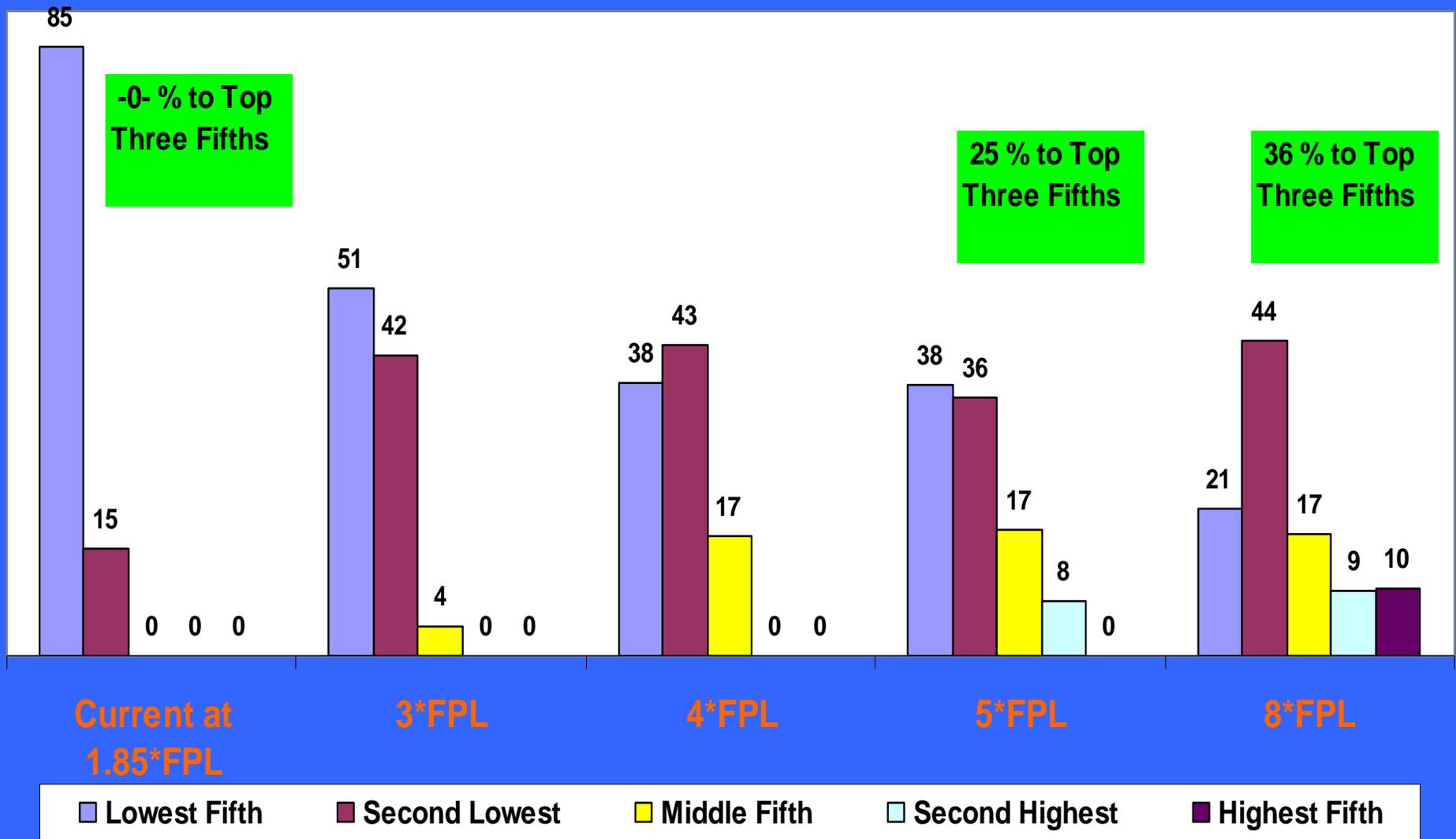
Financing Mechanisms: Provider Subsidy, Plus Income-related Grant (Varying Eligibility)



**AFFORDABILITY: Average Household Cost (\$/Hour)
After Subsidy, By Income Group.
Comparing Mechanisms; Eligibility < 3*FPL**



Percent Voucher Subsidies to Each Income Group Comparing Eligibility Limits



Percent of Subsidies to Each Income Group Comparing Mechanisms at 5*FPL Eligibility Limit

