

*Financing Access to High Quality Early
Care and Education for Mississippi
Children:
Analysis of Round 1 Options*

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October, 2003

Overview of HSPC Analysis

MS Round 1 Policy Specifications

Analysis of costs and impacts

Choices for Round 2

Objective of Analysis:

Compare alternative high quality ECE financing policy specifications developed by MS Team, with regard to:

- Hourly cost
- Budgetary cost
- Affordability for Families
- Targeting funds to most vulnerable children

HSPC Simulation Model Components

Policies specified by Mississippi Team:

- Hourly costs: staffing, compensation, ratios, infrastructure
- Financing mechanisms, Eligibility standards

Features within the model:

- Reflects parental demand, participation rates

Model produces:

- Hourly costs
- Budget costs
- Distribution of benefits

The Model: Costs and Impacts of Moving From Current Utilization to High Quality

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 funds.
- Add up gross and net costs of alternative policies. Show for each income, age group.
- Show changes from current state spending, share of education budget.

Specifications Affecting Hourly Cost of ECE:

For Each Age group, type of setting:

- Staff qualifications, compensation
- Child:adult ratios
- Professional development costs
- Regulation and governance

Two Levels: Minimum Adequate vs. Ideal

Financing Mechanisms to Help MS Families Afford High Quality ECE

MS Options: All at Minimum Adequate vs. Ideal

A. Voucher only: cover 75% vs. 100% of children

B. Combination: 55% provider subsidy, not income related; wrap-around income-related voucher for remainder, for 75% of children.

C. Tax Credits: 50% of federal CDCTC

1. As only type of assistance

2. Added to PS-Voucher combination

ECE Practitioner Qualifications

- Center teachers with BA/BS:

Min. Adeq. – Ideal Levels

15 – 40 % for infants

26 – 50 % for toddlers,

58 – 53 % for preschoolers.

- FCC: 15 – 20% with BA/BS; 15 – 40% AA degrees.

Compensation

ECE teachers salaries linked to MS elementary school teacher salary and benefits, same for a starting BA/BS level teacher, less for assistant teachers, more for directors

Starting BA level teacher at \$15 per hour; assistant teacher with AA degree at \$11.50 per hour.

- Benefits at 20 percent, per K-12 in Mississippi.

FCC compensation equivalent for center staff of same qualifications – average \$12-14 per hour.

Average Child:Adult Ratios (exc. Directors):

Current vs. Recommended

	Current Average: Survey	Minimum Adequate	Ideal
Centers			
Infants	5.0	4.2	3.0
Toddlers	7.7	7.5	5.0
Pre- Ks	8.8	9.9	6.0
FCC	4.3	5.0	4.0

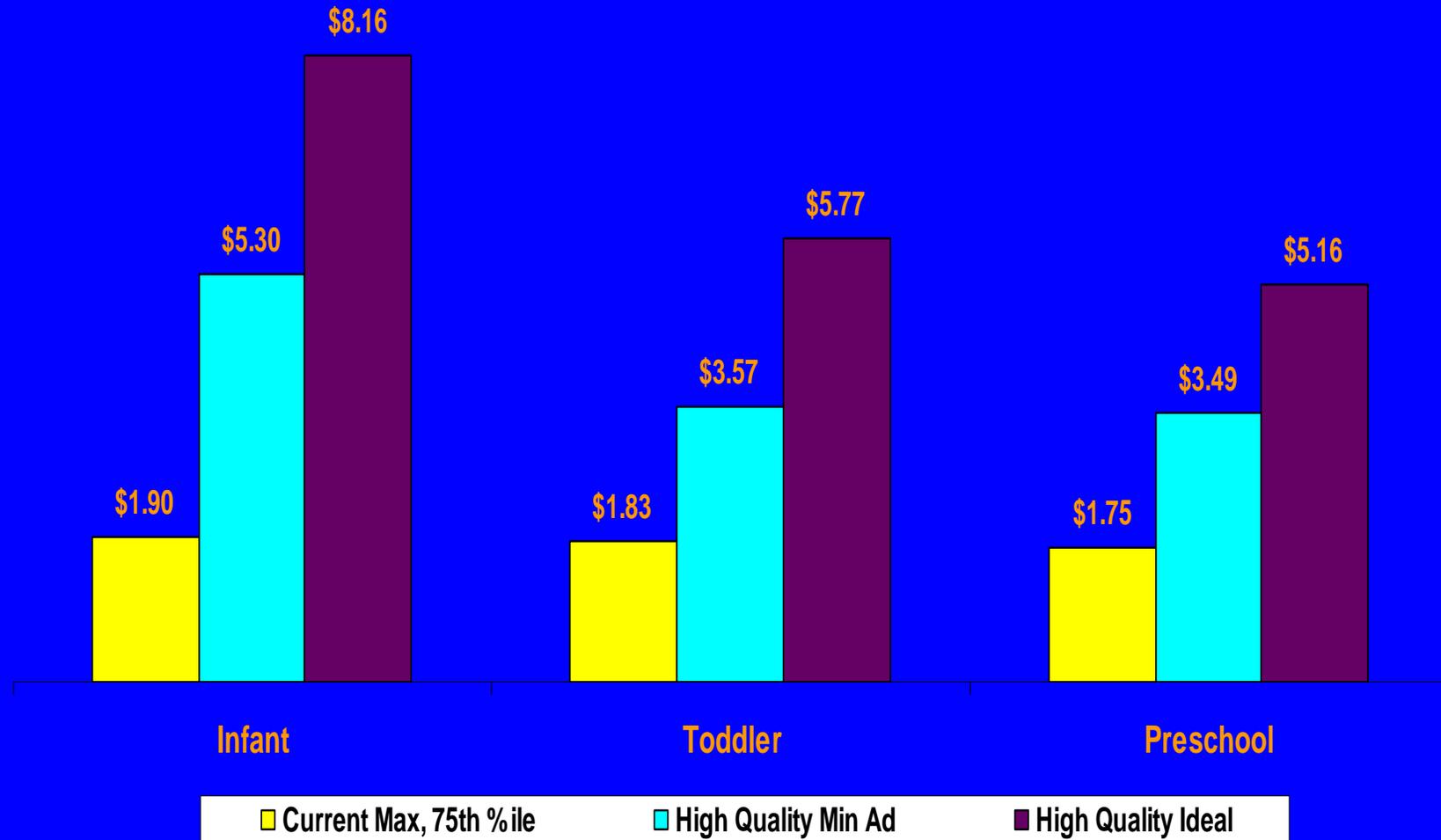
Professional Development

- Annual allotment for voluntary participation
- Can pay for university courses, less expensive colleges, or alternative training and development offerings.

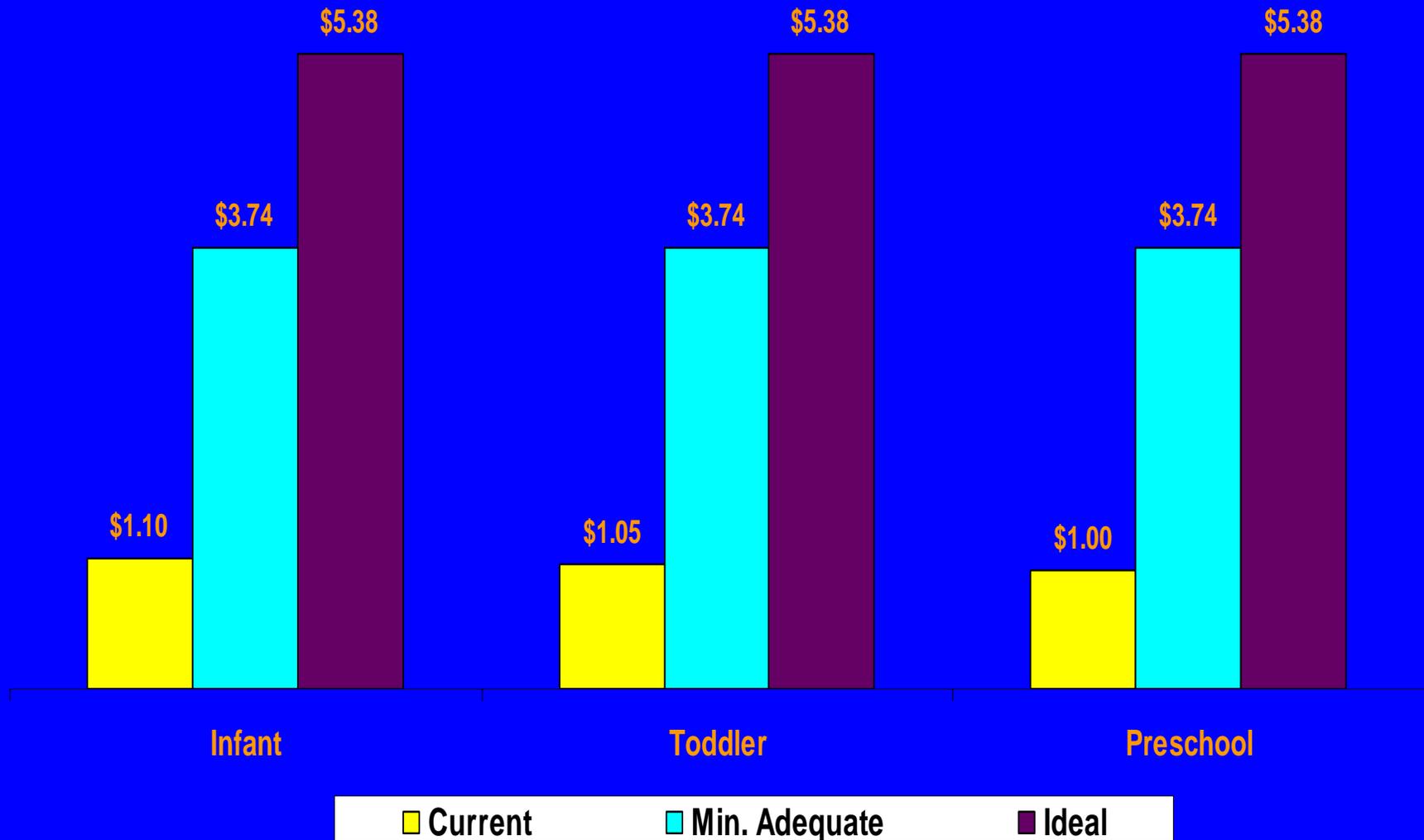
	<u>Min. Adequate</u>	<u>Ideal</u>
Basic allotment:	\$ 900	\$ 1,500
Expenses:	\$ 500	\$ 500
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Total	\$ 1,400	\$ 2,000

Hourly Costs of High Quality ECE for Mississippi

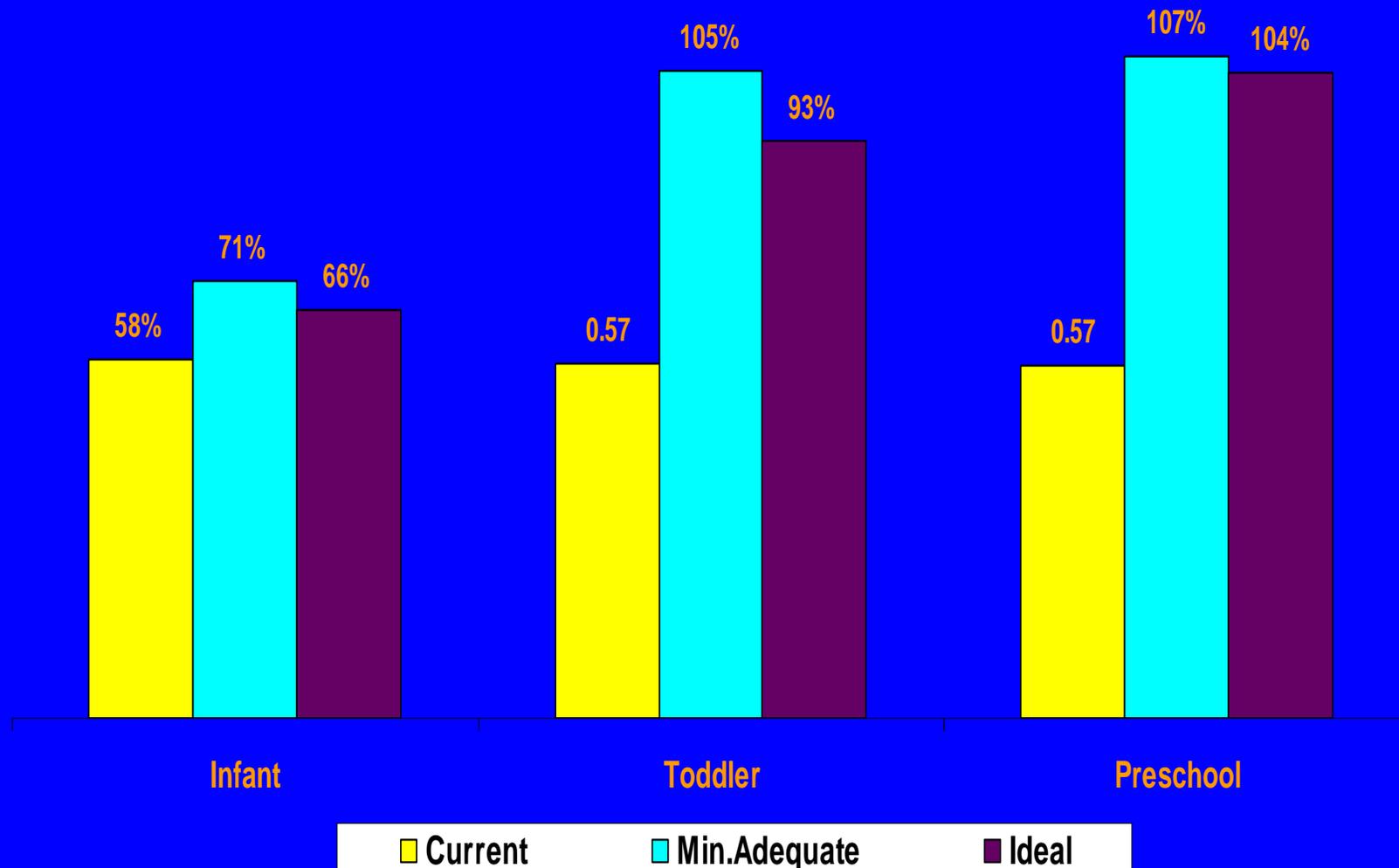
Hourly Cost of High Quality Centers vs. Current MS Rates



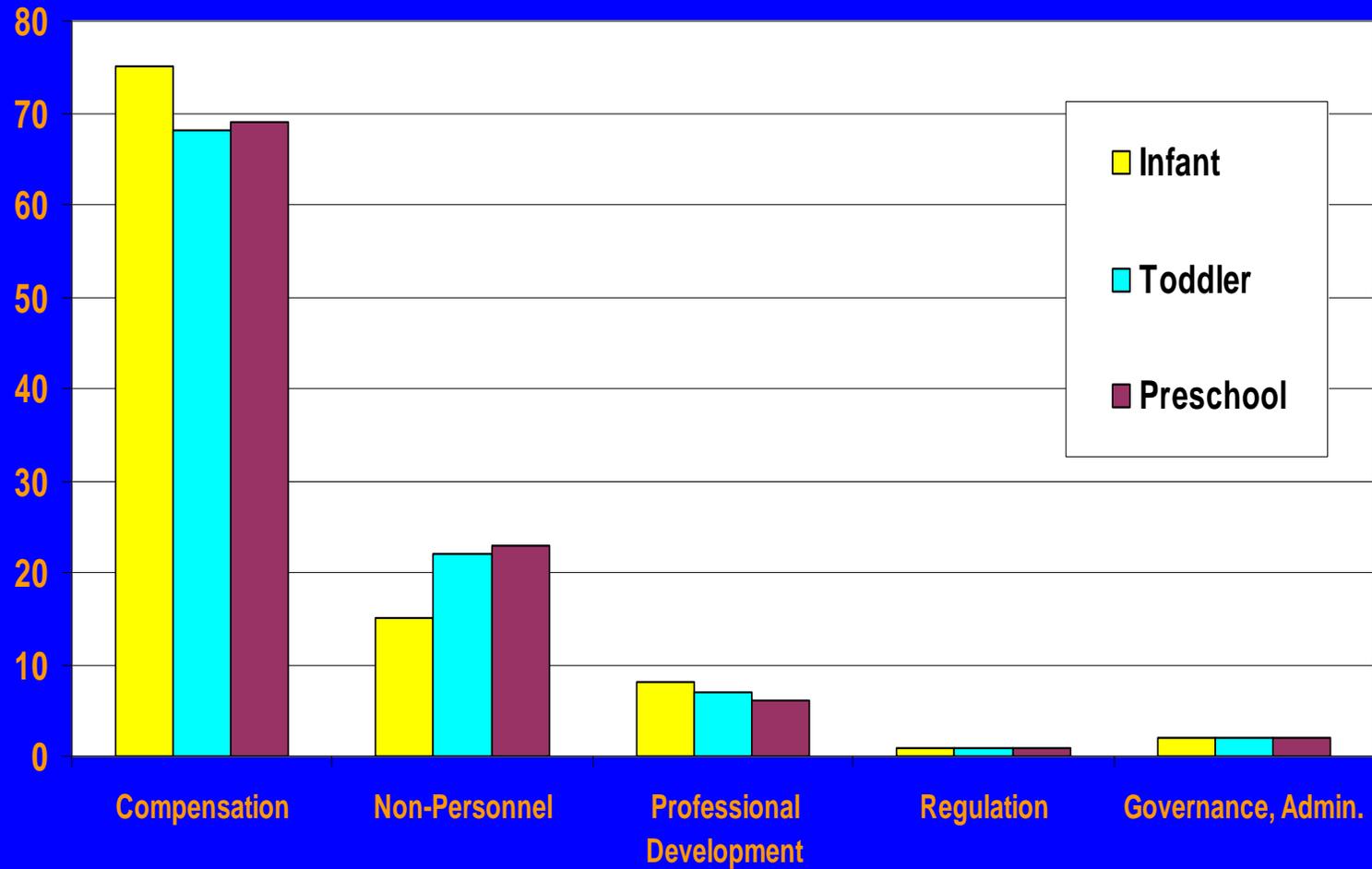
Hourly Cost of High Quality FCC vs. Current MS Rates



Ratio of FCC to Center Costs, High Quality vs. MS Current



Components of High Quality MS Center Costs (Min. Adequate)



Budgetary Costs:

Specification And Analysis Of
Alternative Financing
Mechanisms And Eligibility
Policies

B. Budget Costs of High Quality ECE: moving from hourly costs to state budget costs.

1. Estimate current utilization from MS household survey.
2. Apply hourly costs of High Quality ECE to age, type.
3. Apply policies to assist parents afford high quality ECE; derive new prices paid by parents after assistance, cost of subsidies.
4. Estimate changes in types, amounts of ECE due to new prices.
5. Estimate changes in paid employment and resulting changes in state and federal tax revenues.
6. Estimate amount of federal or other sources of subsidy funds.
7. Aggregate gross and net subsidy costs of alternative policies.

Mississippi ECE Financing Options:

A. Baseline Option 1: Current MS Voucher

B. Voucher Only Options: Income-related co-pay.

2. Minimum Adequate costs; Cover 100% of children

3. Minimum Adequate costs; Cover 75% of children

4. Ideal costs; Cover 100% of children

5. Ideal Costs; Cover 75% of children

C. Combination: 55% Provider Subsidy; Income-related voucher for remaining costs.

8. Cover 75% of children; Min. Adequate costs

9. Cover 75% of children; Ideal costs

Mississippi ECE Financing Options – cont'd

D. Tax Credit Options: state credit = 50% federal

6. CC Tax credit as only assistance. Min.Adequate
7. CC Tax credit as only assistance. Ideal
10. Tax credit added to PS-Voucher combo; Min.Adequate
11. Tax credit added to PS-Voucher combo; Ideal costs.

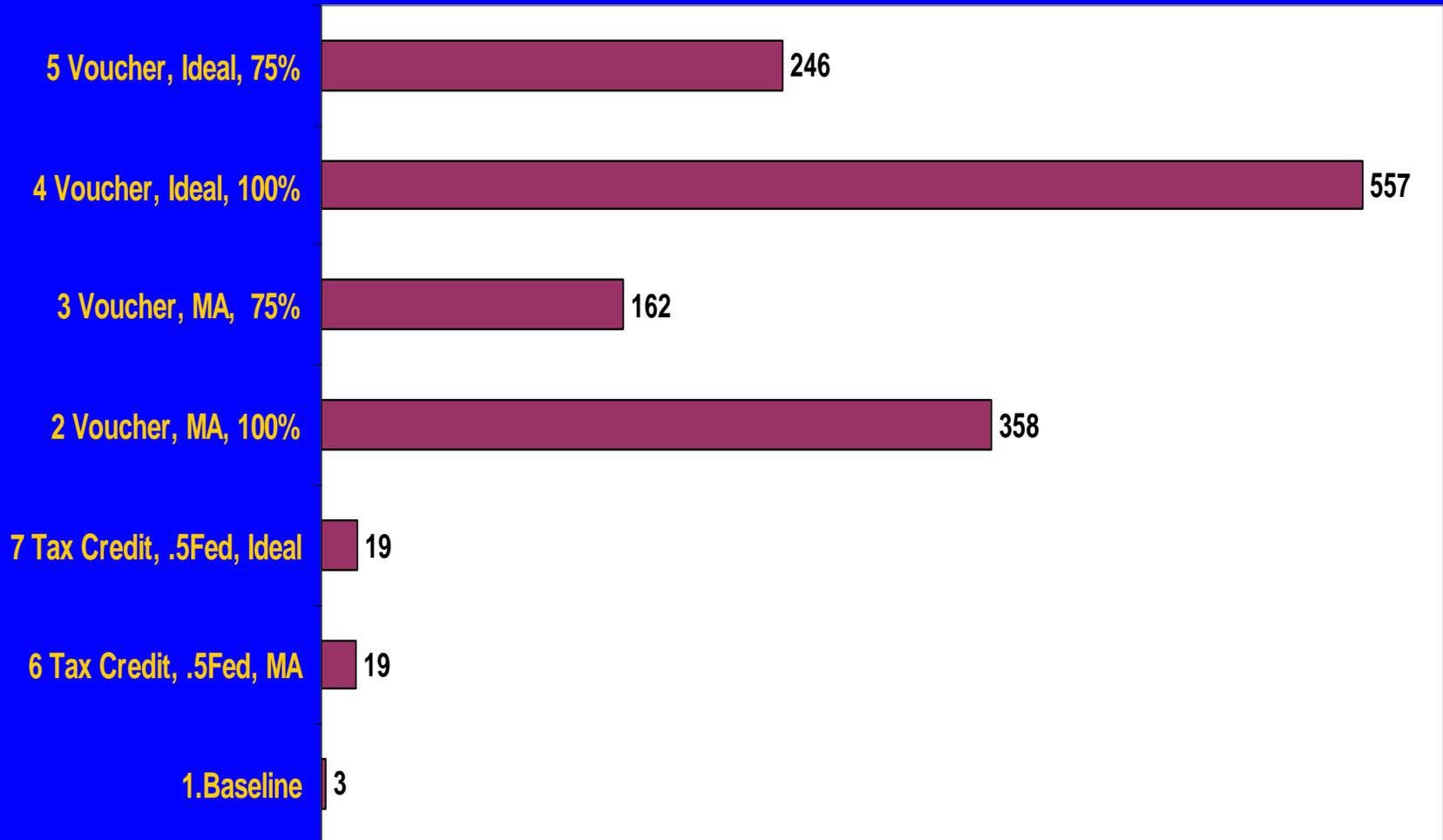
C. HSPC Illustrative Option

Option 12 would provide Free ECE For All, 100% provider subsidy with no income limit or co-payment.

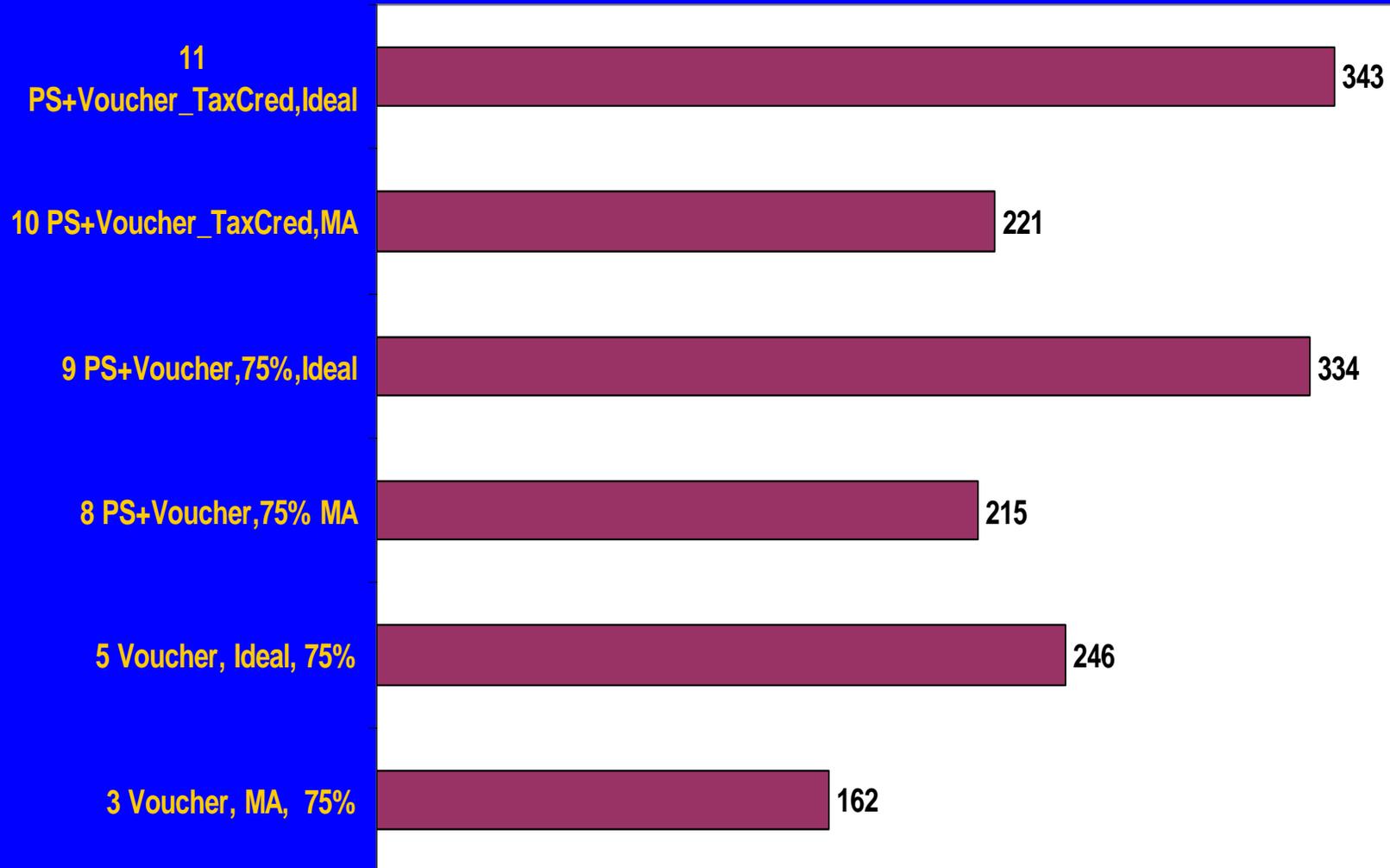
Requirements for Eligibility Specified for Each Financing Mechanism: MS Round 1

- Age of child(ren) = **B-5**
- Parental work requirement: **None**
- Maximum hours per week: **None**
- Maximum family income: **75% vs. 100% children**
- Will payments be made for care by relatives or by parents: **No**

**State Budget Cost After 5-year Phase-in;
Alternative MS Financing Options (\$ Millions, 2002\$)**



**State Budget Costs After 5-year Phase-in;
Alternative MS Financing Options (2) [\$ Millions, 2002\$]**



Revenue Impacts

Increased revenues due to greater employment:

A. MS voucher and provider subsidy options increase

- State income tax revenues by \$0.2 – 1.3 million
- Federal income tax revenues by \$0.6 – 3.9 million
- Federal FICA revenues by \$4.6 – 11.2 million

B. Illustrative Free ECE For All options would increase

- State income tax revenues by \$7.3 million
- Federal income, FICA by \$21.7 and 61.4 million

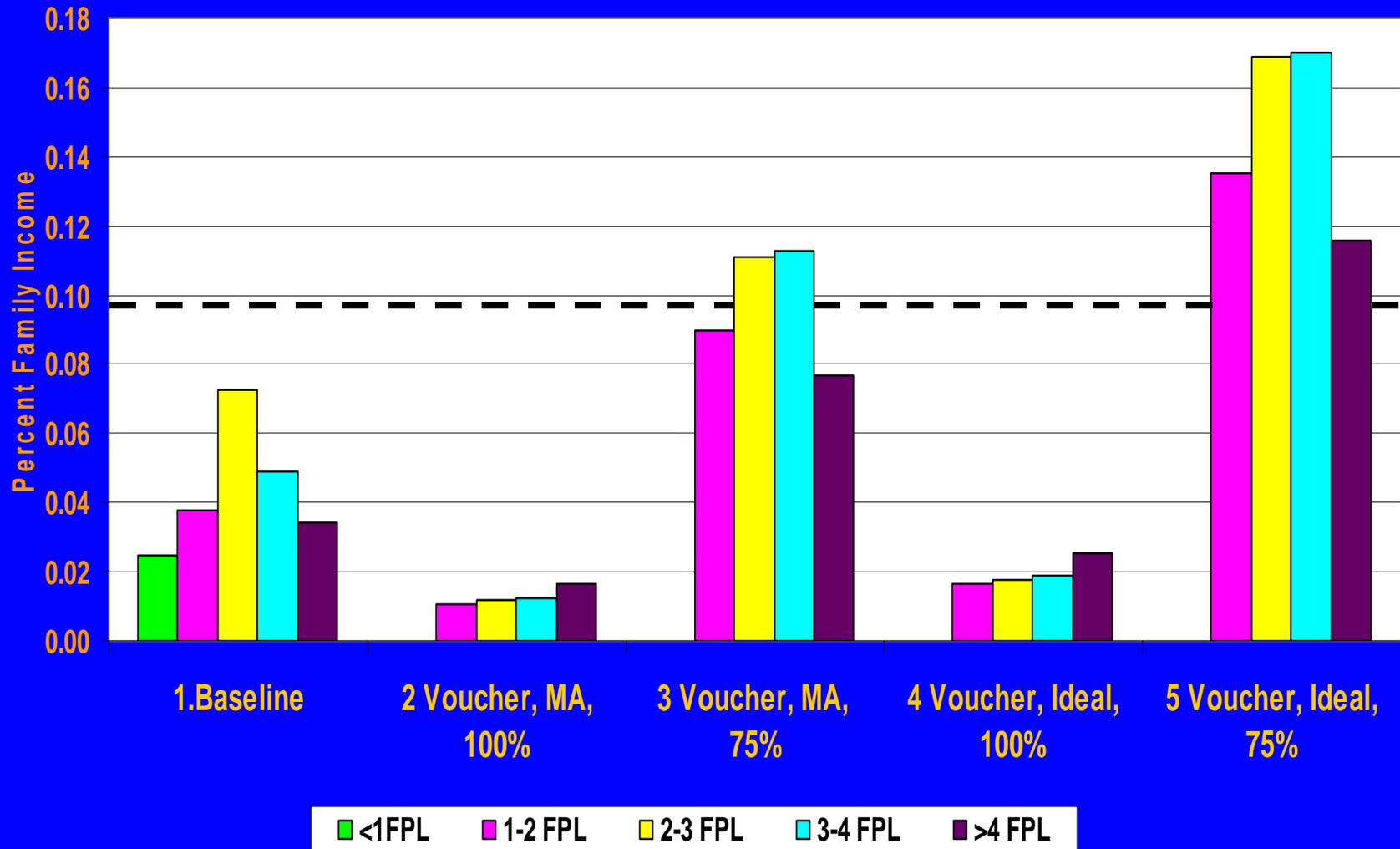
MS tax credit options *reduce* revenues \$19 million

ECE Funding in Context

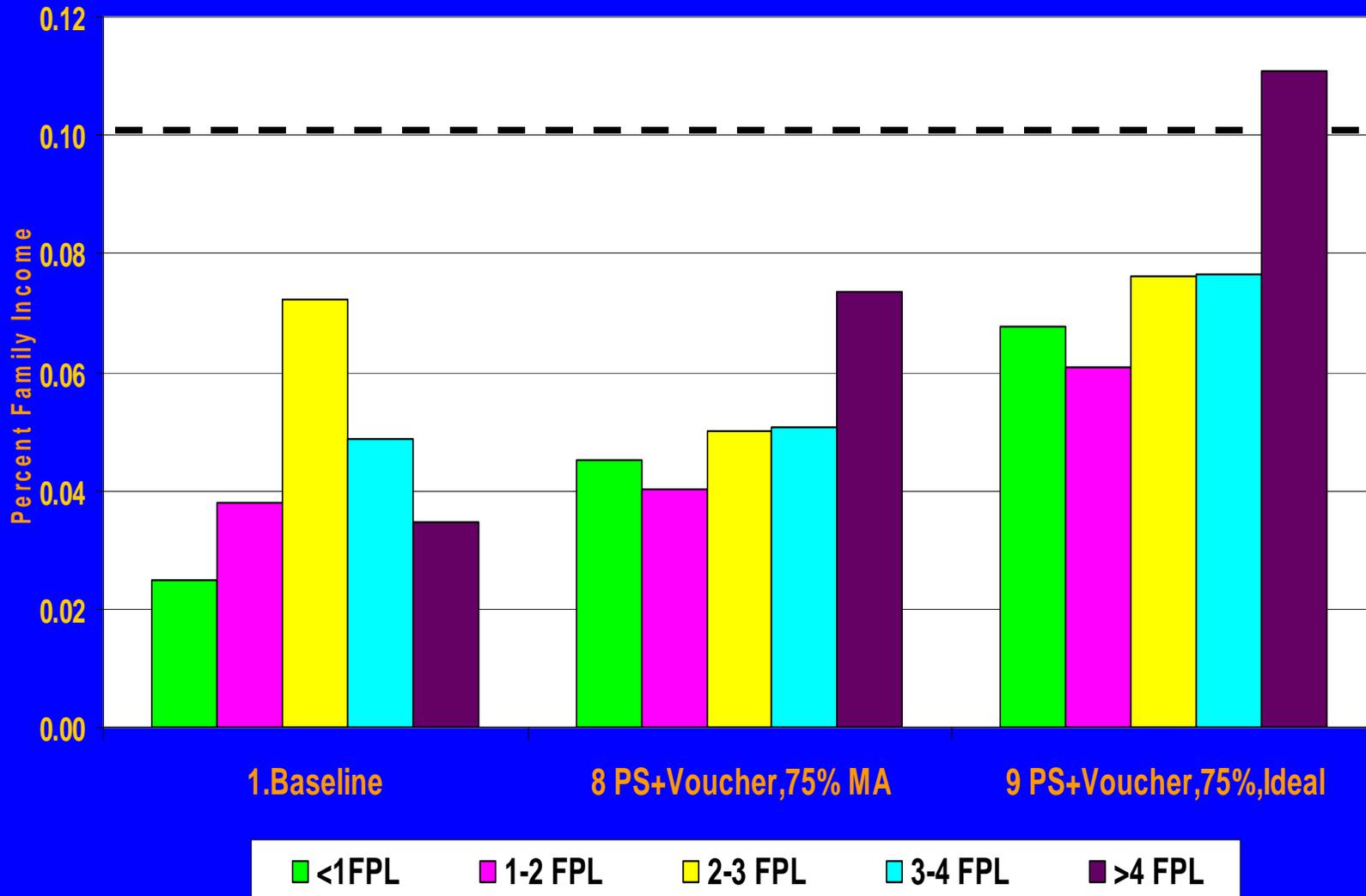
- Mississippi spending on K-12 public education = \$2.7 billion (\$1.6 B state, .75 B local)
- Current State ECE spending is 0.1 % of public education; Federal + State = 1.75% of K-12
- Options specified by Mississippi Team would increase ECE spending to 6-21 % of total public education spending.

Impacts of Round 1 MS Policy Options
on
Affordability of High Quality ECE
for Families of Different Income Groups

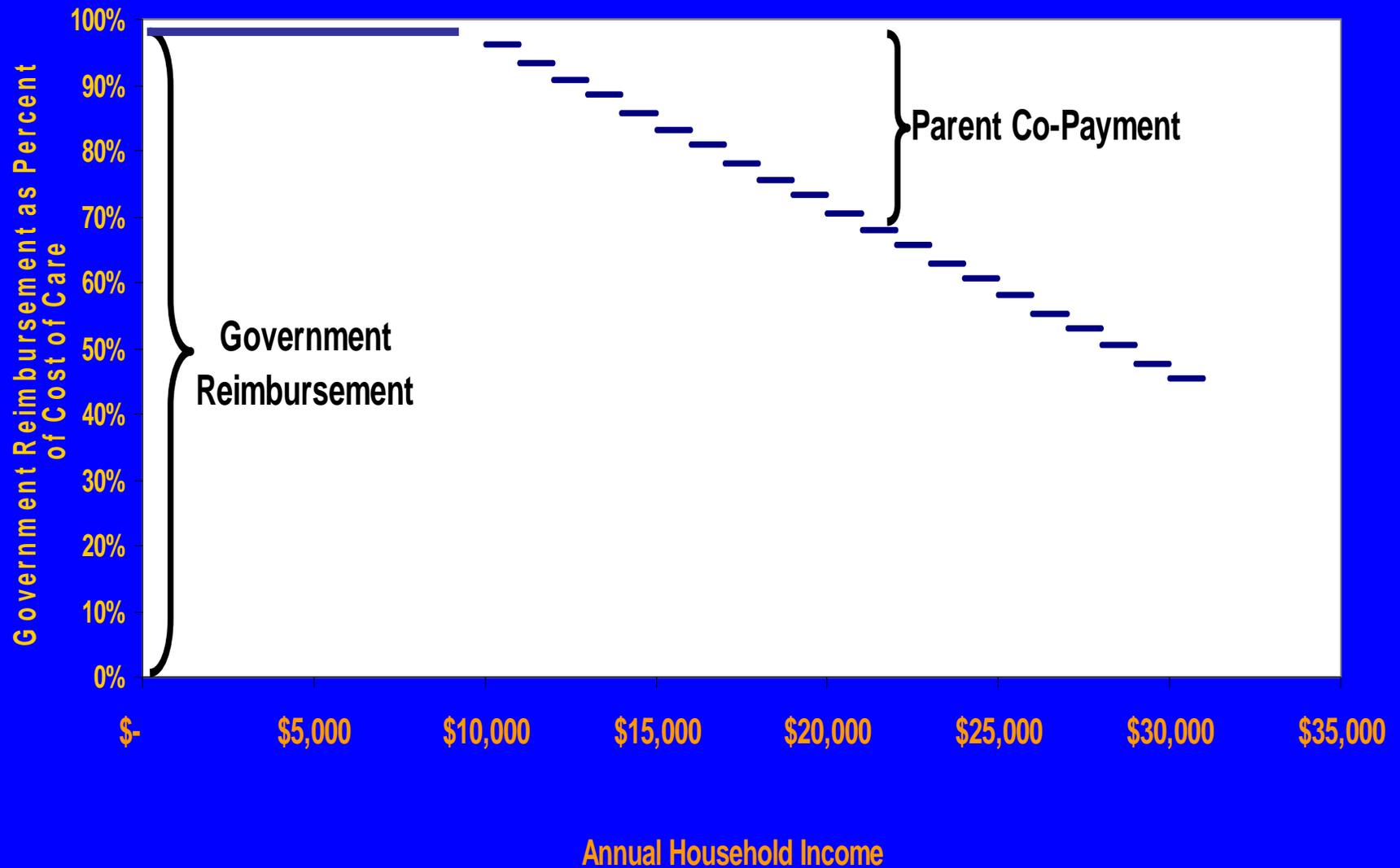
Ave. Family Payments as Percent of Income, By Income Group; For ONE Child



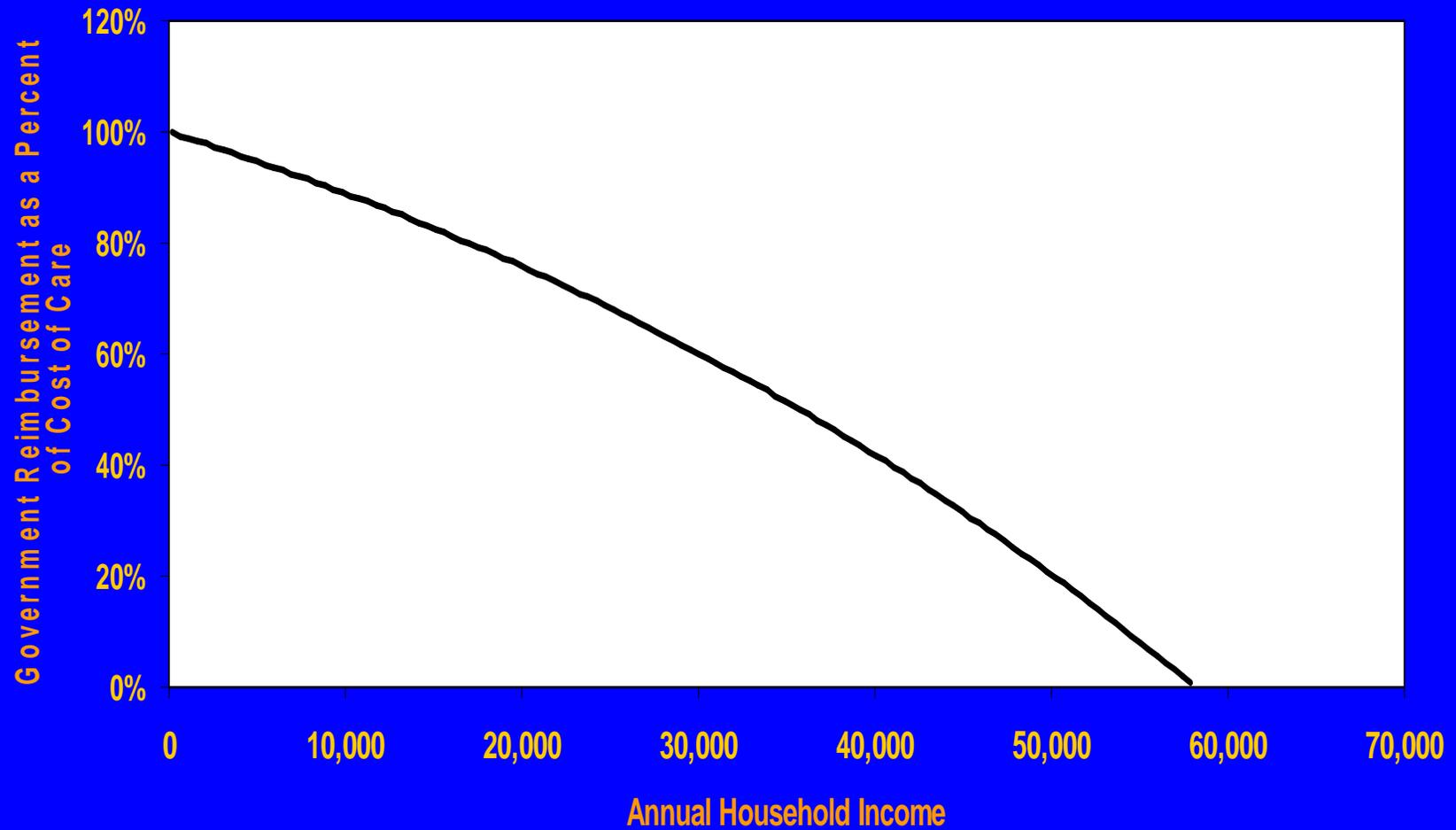
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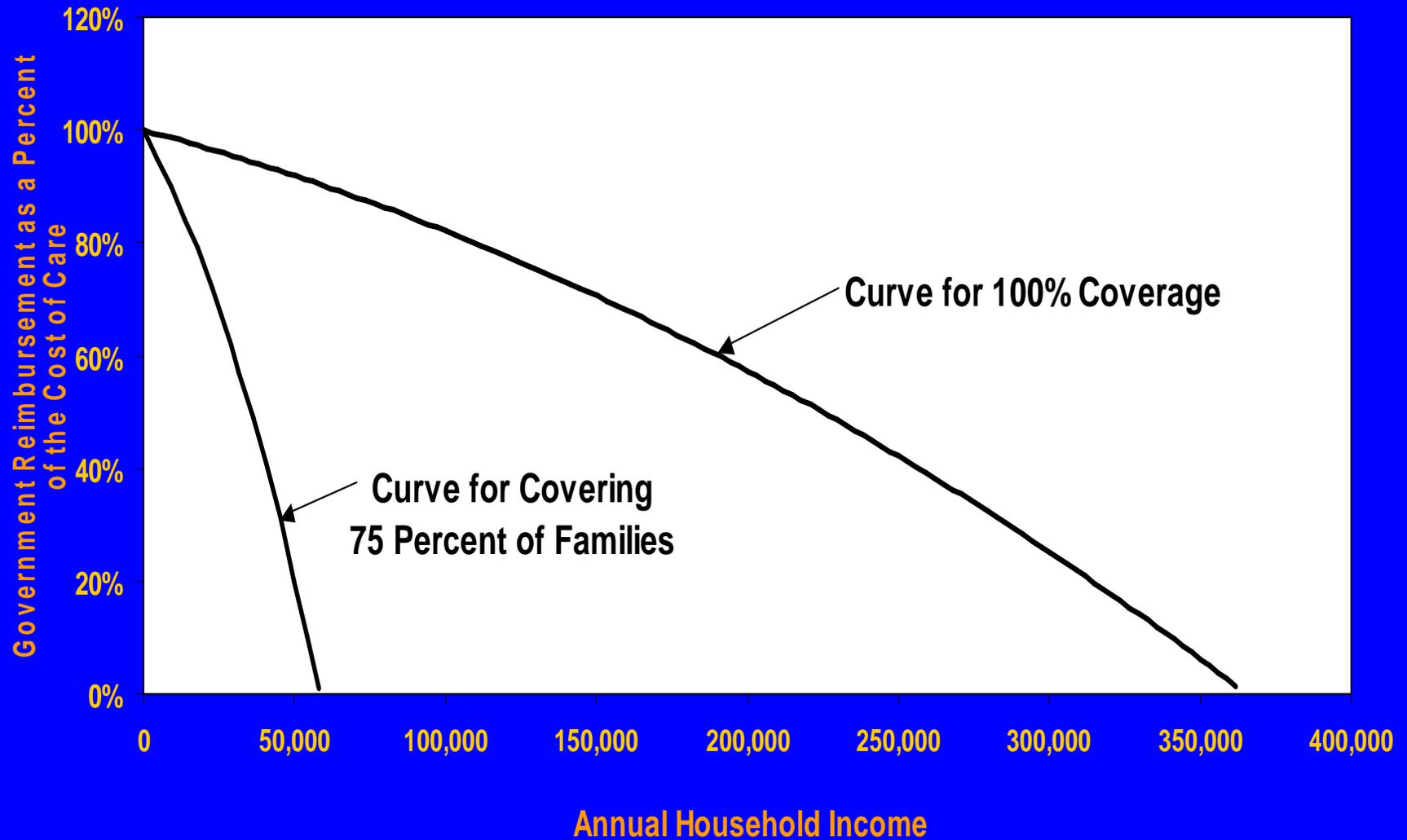
Current ECE Subsidy Copayment Schedule for Mississippi for a Family of Three, One Child in Care



Round 1: Proposed ECE Subsidy Co-Payment Schedule for Mississippi; Covering 75 Percent of Families



Round 1: Proposed ECE Subsidy Co-Payment Schedules for Mississippi; Cover 75% vs. 100% Children

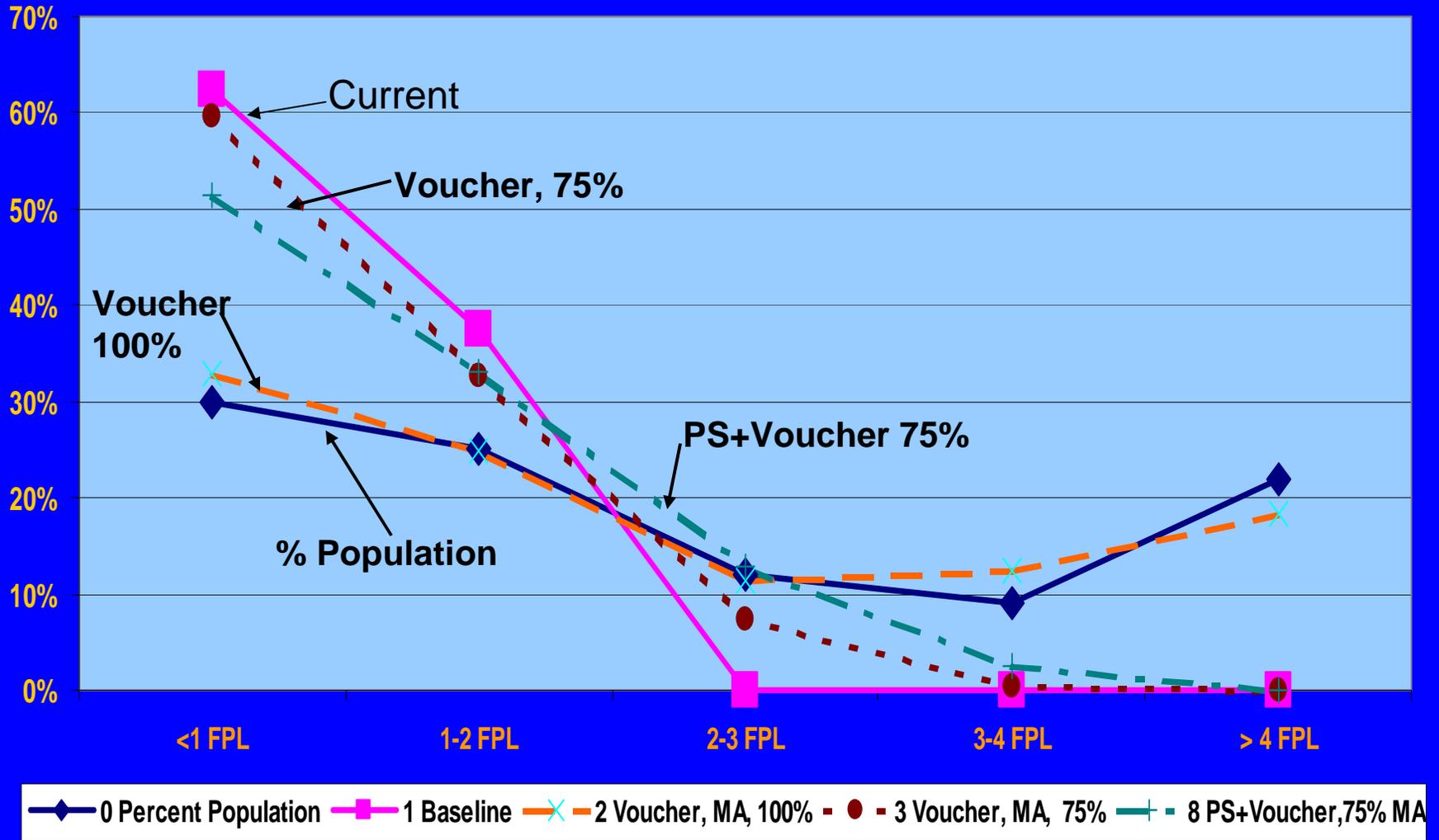


Affordability Summary

1. Factors affecting affordability: hourly cost, eligibility, co-pay curve.
2. Current vouchers hold low income harmless, leave middle income affordability problems.
3. Proposed voucher not affordable at either minimum adequate or ideal level unless cover 100% of children
4. Combination of PS and Voucher makes ECE moderately affordable at Minimum Adequate level, not affordable at Ideal level for any income group.
5. Tax credits have minor impact on affordability

Impacts of Round 1 MS Policy
Options on
Targeting of Funds to
Most Vulnerable Children

Percent of Total Benefits by Income Group; Options vs. Percent Population



Summary:

Comparing Round 1 MS Options:

- Budget Impact
- Affordability for Families
- Targeting to Vulnerable Children

Comparing the Impact of Several MS Policy Options	State Budget Increase: \$ Millions	Budget Impact: % K-12 Spending	Affordability Percent Family Income	Targeting Percent to Low-moderate
1) Current Income-related Voucher. Maximum eligibility at 2.05 FPL.	-0-	0.1	3 - 7	100
2) Voucher, Min.Adequate; cover 100% kids	355	14	1 - 2	58
3) Voucher, Min.Adequate; cover 75% kids	159	6	7 - 11	93
8) Combination, voucher + 55% provider subsidy; cover 75%; MA	212	8	4 - 7	73
9) Combination, voucher + 55% provider subsidy; cover 75%; Idl.	331	13	6 - 11	73

Choices for Round 2

Good start, but some potential problems:

The high quality policies specified yield a high hourly cost that makes it hard to achieve low and middle income affordability, unless all families are subsidized.

- a. Subsidizing all families has a high budgetary cost, does not target funds to most vulnerable children;
- b. Middle income families may not support the initiative if their costs are increased;
- c. Providers will not be able to institute the higher rates that allow them to achieve quality if middle income parents can/will not pay higher prices.

Range of Potential Solutions:

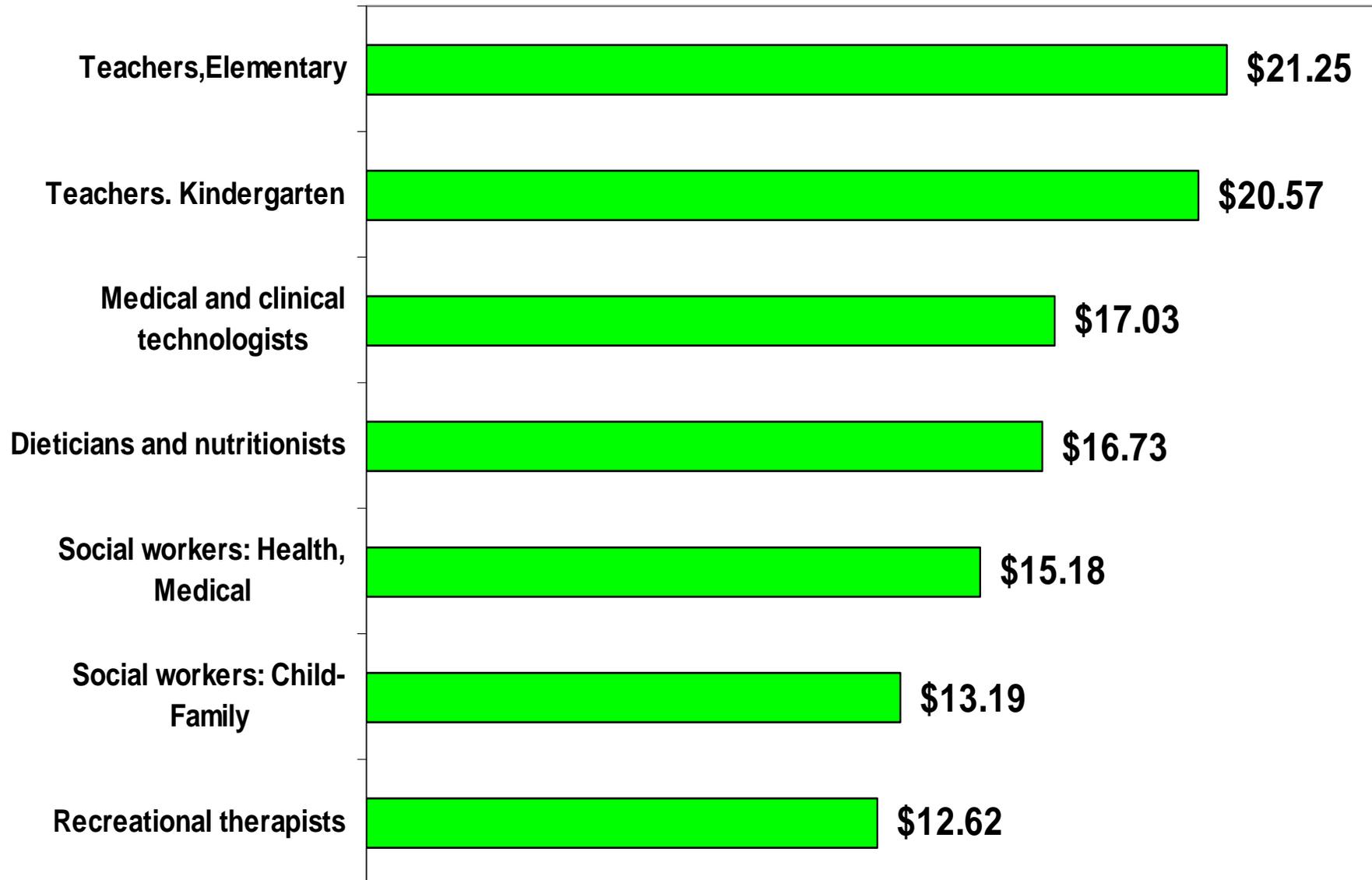
Mix and Match:

- A. *Decrease hourly cost of high quality ECE* (decreases state budget increment, improves low and middle income affordability).
- B. *Increase middle income subsidies* (increases state budget increment; allocates greater share of funds to less vulnerable children/families).
- C. *Modify eligibility criteria or co-pay curves* (reduces state budget increment, targets greater percent of funds to more vulnerable children).

A. Options for Decreasing Hourly Costs

1. Modify salary schedule – alternatives to elementary school teacher pay as BA/BS standard.
2. Change mix of staff qualifications (% with BA/BS) or mix of responsibilities (share of practitioners at each level).
3. Modify child:adult ratios

Median Hourly Salaries, Mississippi 2001 Professions Requiring BA/BS + Certification



Mississippi Center Staff Mix Specifications (Minimum Adequate)

Number of Staff per 100 Children:	Infants	Toddlers	Pre-Schoolers
Directors /Asst. Director\	2	2	2
Lead Teamcher	3	3	3
Teachers	7	6.1	3
Assistant Teacherss	14	4.2	4.1
Percent with a BA or Above	15%	26%	58%
Percent with an AA	31%	7%	33%
Percent below an AA	54%	67%	9%

Mississippi Staff Mix Specifications (Ideal)

Number of Staff per 100 Children:	Infants	Toddlers	Pre-Schoolers
Directors /Asst. Dir	2	2	2
Lead Teamchers	5	3	5
Teachers	14	8	6
Assistant Teacherss	14.3	7	5.7
Percent with a BA or Above	40%	50%	53%
Percent with an AA	40%	36%	36%
Percent below an AA	21%	14%	11%

B. Low & Middle Income Assistance Options

- Increase to improve affordability
- Modify to improve targeting

1. Modify co-pay schedule

- Reduce co-pays for low income

2. Modify eligibility

- Set maximum eligibility at between 75% and 100%

EXTRA SLIDES

Phasing: Major Cost Factors

To Be Discussed When Mississippi Team is Satisfied With Options

1. Compensation and ratios
2. Coverage (age, income)
3. Participation, outreach.

Phasing: Compensation, Ratios and Staff Mix

- Need to move entire market, not just public reimbursement rates.
- Time required to change mix of professional qualifications, compensation.
- Implement registry, tracking system and competency measures before full financing.
- Compensation: tiered reimbursement may reward current quality, not induce change.

Phasing issues: age and income

Income:

- NYS experience, vs. GA
- Initial focus on low income gives effort public identification as welfare program.

Age of child:

- maintains universality
- fosters split of CC/welfare for B-3, ed for 4-6

Phasing: other issues

Pilot projects can be trap:

- long time to evaluate;
- uncertain whether findings due to nature of program or to how implemented.

Participation rate depends on outreach, can be limited and phased in.