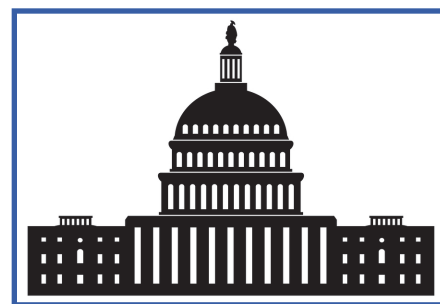


Transforming the Financing of Early Care and Education

Issue Brief for Policy Makers

A Vision for Financing Early Care and Education

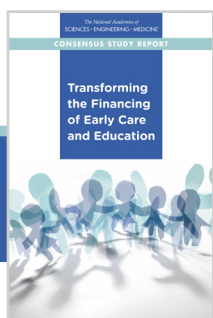
Early care and education for children from birth to kindergarten entry is essential to their positive development and early learning. Ensuring that all children and families have access to affordable, high-quality early care and education benefits not only the children and their families but also society at large. Despite these clear benefits, the current, fragmented system for financing early care and education is inadequate and perpetuates economic and social inequality. A report from the National Academies of Sciences, Engineering, and Medicine, *Transforming the Financing of Early Care and Education* (2018), offers recommendations to develop an effective, child-centered financing structure.



The elements that are essential to a child-centered financing structure include consistent, high quality-standards and cost-based payments; access to care that does not vary with families' circumstances or parental employment; harmonization of provider-oriented and family-oriented financing to ensure access for all families; and coordination of funds from federal, state, and local sources. Together these elements support a highly qualified workforce and affordable access to early care and education for all families.

CONSISTENT STANDARDS AND PAYMENTS

Providers typically need funding from multiple sources to support even the most basic costs of operation. Complying with the requirements of multiple funders—which are not coordinated and may even conflict—is inefficient and costly.



Transforming the Financing of Early Care and Education (2018)

Available: http://www.nas.edu/Finance_ECE

The National Academies of
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The federal government, in coordination with the states, should specify consistent, high quality-standards for all its financing mechanisms, and any funding it provides should be linked to meeting those standards. Any state or local funds supporting those federal programs should also be linked to the same standards. In this way, the federal funding would act as a policy lever to promote high-quality early care and education at the state level.

Individual states should set high quality-standards that link to any financing mechanisms for which they are the primary funders and also are consistent throughout the state. In this way, states may exceed federal standards, but all programs in a state should be required to meet the same high quality-standards regardless of funding source. Pairing these consistent standards with financing that is sufficient to cover the total costs of providing high-quality early care and education, including recruiting and retaining a highly qualified workforce, will increase providers' stability and viability.

ENSURING ACCESS FOR ALL CHILDREN

Current financing mechanisms do not ensure access to affordable, high-quality early care and education for all children. Current mechanisms are inadequate in that they fail to serve all low-income families eligible for assistance, and they fail to make high-quality early care and education affordable for other low- and middle-income families. Some make assistance contingent on parental employment, and the lowest-income families pay a higher share of income in fees than higher-income families. Children's access to early care and education should not be contingent on the characteristics of their parents. Federal early care and education (ECE) assistance programs and tax preferences should not be restricted to those children whose parents are either employed or participating in approved education and training activities.

Federal and state governments should also set uniform family payment standards that increase progressively across income groups, and costs not covered by family payments should be covered by a combination of institutional support to providers who meet quality

standards and direct assistance to families, based on uniform income eligibility standards. This combination of institutional support to providers and family-oriented assistance would jointly cover the full costs of high-quality early care and education and eliminate gaps in family eligibility for assistance, which discourage and prevent participation.

STATE-LEVEL COORDINATION

The current structure of multiple ECE financing mechanisms places a heavy burden on providers who must manage the various sources of funds. States can maintain the multiple revenue streams and financing mechanisms that support early care and education, while also eliminating administrative burden placed on providers. State governments that demonstrate a readiness to implement a financing structure that advances principles for a high-quality ECE system with adequate funding should act as coordinators for the various federal and state financing mechanisms that support early care and education, with the exception of federal and state tax preferences that flow directly to families.

SHARING THE COST OF HIGH-QUALITY EARLY CARE AND EDUCATION

The cost of providing high-quality early care and education far exceeds the amount of funding currently in the system. Resources to fill the gap will need to come from a combination of public and private resources, with the largest portion of the necessary increase coming from public investments: federal and state governments should increase funding levels for early care and education. It is likely that all sources of revenue—families, employers and the private sector, the public sector, or various combinations of these sources—will continue to be needed, but revenue should be increased. The burden of the increase should not come through either family payments or tax revenue collection that disproportionately affect those families with the fewest resources.

Decision makers at the state and local level will also need to balance the advantages and disadvantages of offering systemwide services that either do not

require family payments, offer certain programs that do not require family payments, or require families to make an affordable contribution in the form of fees for ECE services. If a family contribution is required by a program, then that contribution as a share of family income should progressively increase as income rises, while payments for families at the lowest-income level should be reduced to zero.

MAKING THE TRANSITION TO HIGH QUALITY

The process of transitioning from the current structure to an integrated system in which access does not depend on a family's circumstances will take time, resources, and intentional coordination and planning. The private sector already plays an essential role in supporting early care and education, through benefits to employees, advocacy for changes in public policy, and direct support and technical assistance.

A coalition of public and private funders, in coordination with other key stakeholders, will be needed to support the development and implementation of plans at the local, state, and national levels that progress toward a new financing structure for high-quality early care and education. National goals for early care and education can address strategies for increasing resources, assessing and monitoring progress, and ensuring accountability throughout the financing system. At the state and community levels, partners and stakeholders can identify local resources and implementation challenges. Engagement with private partners is a key way to build local and national support and to leverage resources for a coordinated financing system.

WORKFORCE DEVELOPMENT

A highly qualified workforce is essential to meeting the goal of ensuring access to high-quality early care and education for every child. As the nation makes the transition to a system in which every family has

access to affordable, high-quality early care and education, it will be necessary to build the capacity of the ECE workforce.

Compensation for the workforce is not currently commensurate with the qualifications needed to provide high-quality early care and education. To bridge that gap, it will be necessary to improve staff compensation, education, and training for the ECE workforce. Financial assistance should be available to support current members of the workforce in higher education and credentialing programs and other forms of professional learning. Current early childhood educators should bear no cost for increasing their knowledge base, competencies, and qualifications. Similar assistance for prospective members of the workforce will not only build future quality and capacity but also help to promote diversity in the pipeline of professionals.

States and the federal government should provide grants to institutions and systems of postsecondary education to develop faculty and ECE programs and to align ECE curricula with the science of child development and early learning and with principles of high-quality professional practice. Federal funding should be leveraged through grants that provide incentives to states, colleges, and universities to ensure that higher-education programs are of high quality and aligned with workforce needs, including evaluating and monitoring student outcomes, curricula, and processes.

The deficiencies in the current system are hurtful to all children and families in need of ECE options, and to the practitioners and educators who provide it, who are themselves often in extreme economic distress. Investments in high-quality early care and education of children from birth to kindergarten entry are critical and will benefit not only children and their families but also society at large.

COMMITTEE ON FINANCING EARLY CARE AND EDUCATION WITH A HIGHLY QUALIFIED WORKFORCE

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For More Information . . . This Issue Brief was prepared by the Board on Children, Youth, and Families based on the Consensus Study Report, *Transforming the Financing of Early Care and Education* (2018), sponsored by the Alliance for Early Success the Bill & Melinda Gates Foundation; the Buffett Early Childhood Fund; the Caplan Foundation for Early Childhood; the Foundation for Child Development; the Heising-Simons Foundation; the Kresge Foundation; the U.S. Department of Education; the U.S. Department of Health and Human Services Administration for Children and Families; and with additional support from the Bruce Alberts Fund, the Cecil and Ida Green Fund, and the W.K. Kellogg Foundation Fund. Any opinions, findings, conclusions, or recommendations expressed in this publication do not necessarily reflect the views of any organization or agency that provided support for the project. Copies of the Consensus Study Reports are available from http://www.nas.edu/Finance_ECE.

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