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## ABSTRACT

This report describes a conference convened by eight child care advocates to create a plan for funding child care services for California's families. Part one describes the participants of the summit, their role, and the assumptions of the summit. Part two details the following three models that were proposed for financing child care: (1) create a child care trust fund to support parental leave or early care and education for employed parents; (2) expand the mandate of public education to include early care and education; and (3) establish a child care allowance which supports purchased care and parental care in the home. All three funding models have the same aim of creating a steady and sufficient income stream to support child care services for all who need them. While the models are similar in their financing mechanisms and in articulating the necessity for a paradigm shift, they differ in the actual breadth of and extent of coverage each model provided, the priority given to different user groups, and the proposed models of administration. The last part of the report examines areas of research, analysis, and action arising from the proposed models. It suggests the need for strategies which build a statewide and ultimately national commitment to universal child care, research which examines the feasibility and cost of any proposed plan, and development of the broad outline of a California Child Care Plan. Appended to the report are the following seven appendices: (1) Methodology; (2) Agenda; (3) Average Annual Cost of Child Care; (4) Mind Map; (5) Summit Participants; (6) Other Funding Ideas; and (7) Research Needs. (BAC)

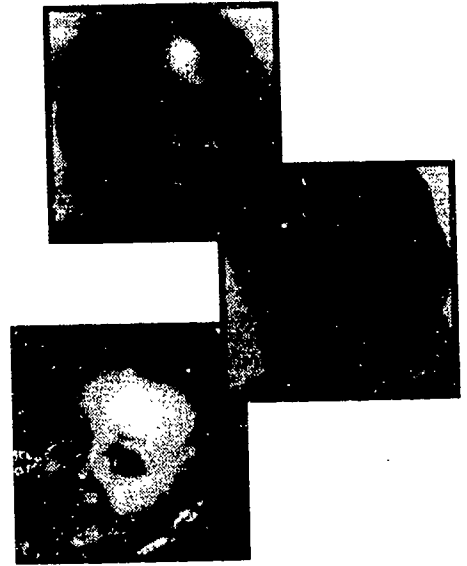
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# *THE CALIFORNIA CHILD CARE ECONOMIC SUMMIT CONFERENCE REPORT*



**FINANCING THE FUTURE  
FOR CALIFORNIA'S CHILDREN**

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*THE CALIFORNIA CHILD CARE  
ECONOMIC SUMMIT*

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October 3-5, 1993  
Conference Report

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*The California Child Care Economic Summit*

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## *REPORT SUMMARY*

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**“The Summit was an opportunity to focus on a vision rather than framing everything in terms of what is possible now.”**

**A public policy expert**

On October 3, 1993, a diverse group of forty people was convened in Rancho Santa Fe, California to focus their thinking on a significant and critical policy issue. The group was asked to create the broad outline of a California Plan for funding child care services for California's families. The Plan needed to address long term financing, suggest an equitable distribution of resources, erase the gap between child care needs and child care resources, and provide for a program of high quality care and supervision of California's children.

Called the Child Care Economic Summit, the conference was planned and convened by eight child care advocates. The planners realized that the gap between child care needs and child care resources would continue to persist without totally new thinking on the issue of child care finance. They determined that the best way to get original ideas was to convene a group of the best thinkers from a variety of fields, and ask them to bring their knowledge, experience and creativity to bear on this important social policy issue.

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With funding from the David and Lucile Packard Foundation, the steering committee engaged a consultant to facilitate the planning process. Additional financial assistance from the Center for the Future of Children of the David and Lucile Packard Foundation, the S.H. Cowell Foundation and Mervyn's funded the actual Summit meeting.

The Summit participants included legislators, government officials, educators, public finance and public policy experts, economists, philanthropists, business and labor people, and child care professionals who comprised one third of the total group. The meeting format alternated between the small work groups which each drafted a finance plan and plenary brainstorming sessions where the plans were presented, reviewed, challenged and analyzed by all the Summit participants.

In two and a half days, the Summit produced remarkable agreement and clarity on several underlying concepts necessary to achieve comprehensive child care financing. The Summit participants also produced three broad approaches for financing child care. Finally, the Summit articulated the research and planning necessary prior to promulgating a California Plan for Child Care Funding.

The participants' consensus on underlying conditions for successfully advancing a child care plan could be very briefly summarized as follows: first, a shift in how the public thinks about child care and an overall vision of a new child care paradigm must be articulated. This "new paradigm" states that access to quality affordable care is a fundamental right of children and parents and that it is the responsibility of society to guarantee that right.

Second, the provision of child care services is interwoven with other policy issues such as welfare reform, public education, and parental leave. Thus, any system of child care financing should seek out the

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linkages and relationships to other public service systems to create efficiencies and be comprehensive.

Third, a child care plan cannot advance without strengthening and creating strong political and advocacy alliances. These alliances will move the concept of a comprehensive plan through the political process to fruition. The Summit, itself, with its wide ranging participants was a beginning that should be continued with ever-widening circles of participation as the plan evolves.

The three models for child care financing all had the same aim, to create a steady and sufficient income stream to support child care services for all who need them. One group emphasized child care as an extension of public education, another emphasized child care as a work related activity, and the third emphasized a child allowance as a parental right. With the latter two plans, a payroll tax was proposed as the primary financing mechanism. The first proposal looked to an expansion of school financing to fund the system. All are described more fully in the body of the report.



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PART I

*ORIENTATION TO THE SUMMIT*

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**“What is memorable for me about the Summit is the small group process, input synthesizing, condensing, presenting, getting reactions, the merge of people and disciplines. I was impressed by the high level of creativity and the passion of the participants.”**

**A business/labor representative**

The Summit had several challenges. First was that the participants were from diverse sectors, had differing levels of knowledge about child care and were individually recognized and respected as leaders or experts in their own right. The time was structured to stimulate teamwork among a group of very strong leaders.

Second, although attendance for two and a half days was a large time commitment for the participants, it was a short amount of time to accomplish the task at hand. The Summit sought to take advantage of the participants’ knowledge and expertise. We hoped to generate a wide range of ideas about child care financing and articulate and outline three to five funding models before the Summit close. Issues for further research which emerged from a discussion of the models needed to be identified.

Third, the Summit steering committee and facilitators were challenged to choose and modify a process that would both permit and also con-

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“As a legislator used to listening to prepared presentations, this is a very different process. It has been a good way to get educated and to participate. The spirit of this conference excites me. I think it is possible to really do something. Although it was difficult to put this much time into something like this, it [the Summit] was very worthwhile.”

An elected state legislator

tain the creative, spontaneous interaction necessary to achieve the substantive goals. Traditional didactic approaches were abandoned because they were not participatory and were too heavily expert driven.

### *The Summit Assumptions*

#### *The Summit Question*

To give shape to the overall framework, the Steering Committee created several specific guidelines and informational supplements to facilitate the work of the participants. The first task was to keep the focus on a single outcome. To this end, the steering committee asked the Summit participants to think about this single question:

“How do we adequately finance child care in California from birth through age 12 at a cost of \$8500 per child per year?”

The Steering Committee recognized that this figure for child care exceeded current state average funding levels of \$5460 per child per year. However, state funded care does not supply a large amount of infant care which is at least 50% more in direct costs, true costs of space are generally not reflected in subsidy rates, and most significantly, the wage base for child care workers is notoriously low. In the absence of definitive and widely accepted cost figures, the Steering Committee used the cost estimate of the National Association for the Education of Young Children (NAEYC), and asked Summit participants to accept and work with this figure for the purpose of modeling. The NAEYC costs figures were derived from their Full Cost of Quality Study. (See Appendix 3 for cost breakdown.)

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**“I found that the groundrules as well as the very sharp focus on the task and outcomes were very helpful .”**

**A public policy and public finance expert**

## **The Summit Criteria**

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The Steering Committee also realized that individually and as a group, they held strong beliefs about child care and development. These beliefs were discussed, consolidated and expressed as criteria that had to be met by the answers each group developed to the Summit Question. The conference materials articulated the following criteria:

**Summit Criteria (responses to the Summit Question must meet the following):**

- **Quality child care and development services should be universally available.**
- **Most parents can afford to pay approximately 10% of their income for child care services.**
- **Parents should be able to choose among a variety of service models.**
- **Programs should include parent support services.**
- **An adequate infrastructure is essential to building the system.**

The Summit Question and the Summit Criteria were specifically worded, and certainly gave the appearance of directing the discussion. However, there was abundant latitude in interpreting several terms, such as universal access or parent choice, for example. Also, no data on current child care supply or child care demand were provided to participants. They were encouraged to think broadly in terms of creating an ideal, with concern for political feasibility, but to not dwell on attempting to calculate the overall cost.

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## **The Summit Groundrules**

There were several groundrules for participating in the Summit which encouraged lively discussion but set the stage for active listening and mutual respect for all input. These groundrules were necessary to support the exploratory nature of the Summit, yet keep both the discussion and emotions under control.

Participants were asked to be candid and take risks; to honor the past policy approaches, but be willing to move beyond these models. They were invited to challenge their assumptions and those of others, and to push the boundaries of their comfort zone when thinking about child care. These were the groundrules governing the contributions made by each participant.

Conversely, participants were asked to listen for understanding as opposed to listening to build a defensive argument. They were asked to seek a common ground with the other participants, and collaborate for a common cause—the development of a model. These groundrules, governing interactions among participants, served to reduce the competition between ideas, encourage questions and debate, and expand, not diminish the thinking of the group.

## **The Summit Themes: A Reality Check**

In the first plenary session, each Summit participant contributed to the creation of a graphic representation of the social and political forces influencing the development of child care services in California. The technique of “mind mapping” was used to construct a conceptual and graphic representation of the discussion which was preserved for all the

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**“The process allowed for in-depth discussion. I enjoyed the congenial spirit of competition between the groups and the opportunity to meet and spend time with people in other groups. The focus on having to come up with 3 to 5 financing mechanisms helped keep the bottom line clear.”**

**A legislative chief of staff**

subsequent planning and plenary sessions. (The mind map created at the Child Care Economic Summit is Appendix 4.)

Key themes which emerged from the mind map identified several real world constraints for implementing a new child care plan. These were used as a reality check against which the idealism and optimism of the Summit Question and Summit Criteria could be evaluated. The summit themes were:

- Neither the true costs of child care nor the true costs and consequences of not providing child care are known.
- Society is divided about the purpose of child care and its value.
- There is no state or national policy on children and families.
- There is an overwhelming need to convince the public that an investment in child care is an investment in the future.
- The economy is not producing enough income.
- An educated work force is the best hope for the economy.
- There is pressure on all government budgets and this pressure will likely continue for a long time.
- Government decision making is crisis oriented and constituent centered.
- Children and child care providers do not have a strong or powerful constituency.
- Child care is at a crossroads between Education and Social Services which leads to conflict and compromise.
- There is a lack of critical understanding and strategic analysis of what is needed to change the situation created by all the above factors.

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- **The issue of child care and the factors that influence child care funding are complex and interwoven.**

In retrospect, the Summit Themes established the baseline and the Summit Criteria proposed an ideal. The Summit participants navigated that space between the real and the ideal in creating proposed models for financing a child care future. (The Summit participants are listed in Appendix 5.)

They took the information developed during the orientation and plenary session to their work groups. Over the next two days, they worked, researched and wrestled competing ideas through an interactive and iterative process of presentation and critique. The goal was to brainstorm, clarify, and then select those ideas with the greatest potential for solving the problem posed by the Summit question. The next section of the report presents the expression of those ideas as three different models of a comprehensive child care financing mechanism.

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PART II

*THE PROPOSED PLANS*

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**“I appreciate that we have had different people and different views, especially economics. It helped to have information from outside the field.”**

**A child care expert**

The work group process was both interesting and demanding. Given the expertise and talent of the members and the task orientation of the process, it was more sophisticated than brainstorming. However, the participants had none of the accoutrements and supports of a formal planning meeting— no data, no computers, and no research documents, no assistants to run around and pull facts together. Each group was to develop ideas and broad conceptual schemes which revealed the outlines of completely new ways of financing child care.

As a result, the models developed were both sweeping and sketchy. Frustration with this combination of attributes is moderated by the plan to research, revise, and rearticulate each model in the future. When research is completed and one or two models are advanced, there will remain several large and significant undertakings which include expanding the number of participants in the process, pressing on with an actual system design, determining regulatory entities and processes,

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and advocating for child care to new constituent and interest groups. The Summit was a modest but focussed beginning.

During the Summit process, the emergence of similar proposals from the original 5 work groups prompted the consolidation of the five original work groups into three (See Appendix 2 for the Summit Agenda). By the final day of the Summit, these three work groups had each gone through two rounds of developing its plan. Each group also identified numerous research issues necessary to the assessing the feasibility of the proposed plan.

The plans were surprisingly quite different from one another in scope and in interpretation of the Summit Criteria for developing a policy model. However, they are similar in three ways. All proposed a model for child care which is greatly expanded over the present system. All emphasized the importance of developing a new public consciousness or understanding of the purposes of child care. All seem to have fished exhaustively in the streams of public finance to arrive at efficient yet sufficient funding to make universal child care a reality.



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**“Child care is a service which is inextricably linked to parental employment and economic development. To foster both the development and well-being of the child and the economic viability of the family, public policy should support universal access to child care.”**

**Group One**

### *Proposal One*

#### **Create a Child Care Trust Fund to Support Parental Leave or Early Care and Education for Employed Parents**

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The recommendations made by this group rested solidly on the belief that quality, affordable child care is a fundamental right of every child. The group also pointed out that the growth in demand in child care services is due almost exclusively to parental employment. Thus a responsive child care model would link the child care system to the employment sector while the child care content would be linked to educational standards for high quality. This group made a proposal to create a Child Development Trust Fund, which could be drawn upon by a working parent to cover the costs of parental leave, or to purchase child care services in a diverse delivery system. The group proposed that child care for parents in school or job training might be adequately funded with the efficient administration of existing funds, as employed parents would receive all their benefits through the Trust Fund.

The Child Development Trust Fund would be financed by a payroll tax of 1% on employers and employees and the distribution of benefits would be modeled after social insurance such as unemployment, disability or worker's compensation funds. The group also proposed that other existing child care funds be leveraged to consolidate administration, increase efficient distribution, and improve coverage.

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## **Proposal One: Main Ideas and Concepts**

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The proposal had three main concepts. These were:

- 1. Identify and establish the alliances needed to create a paradigm shift to the belief that quality, affordable child care is a fundamental right of every child.**
- 2. Establish a protected child care fund which supports parental leave as well as purchase of child care services.**
- 3. Identify and leverage efficiencies in existing child care funds and programs.**

The payroll tax was the single financing mechanism to support the Child Development Trust Fund. The Fund would support the labor force child care needs. Categorical assistance programs and savings in other child development funds would support child care services for unemployed parents in training and students. Efficiencies in all other child development spending, including ancillary services, were proposed in order to consolidate administration and more easily measure extent of coverage and need.

## **Proposal One: Finance Mechanisms**

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- 1% employer and employee payroll tax**
- Existing categorical funds for child development for unemployed parents in training and students**
- Leveraged efficiencies from other child care related funds**

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## MAIN CONCEPTS

### Alliances and the Paradigm Shift

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This group felt that several alliances need to be developed which will broaden the number of stakeholders in the child care issue. These stakeholders are employers, parents, workers, and educators.

**Employers.** Although large employers are usually the targets of advocacy strategies, it is small and medium size employers who provide most of the jobs in the economy. It will be important for the child care community to continue to find ways to reach employers on the child care issue. There has been some research and several conference presentations on why some employers get involved. It would be useful to increase the dissemination of information on the incentives, pay-backs and drawbacks of employer support of child care as a work related issue.

**Parents.** Much anti-child care ideology appears to be anchored in the notion that child care advocates either do not have the same goals as parents or are against parental care and parental choice. To overcome this perception, this group recommended that child care advocates identify what it will take to involve parents as advocates, talk more with parents and determine what they want and what they will support, and clearly define the benefits of child care services to the consumer community. Reaching fathers might be an especially influential way to get to employers.

Also, this group asserted that it will be extremely important to reframe the cost of funding child care to parents. Rather than identifying the \$8500 model as “expensive” it needs to be stressed that this is what an adequate program of quality child care costs. The \$8500 does not purchase a luxury model of child care. This group suggested that child

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care advocates not continue to use the analogy of moving from a Ford to Cadillac to describe what the \$8500 purchases.

**Employees.** At any one time, only about 12% of the population are parents of children age 0-12 years. Yet all employees and employers would be asked to pay into the Child Development Trust Fund. This group pointed out that child care advocates must be prepared to convince the remaining 88% of the advantages universal child care provides to all. One possible solution this group considered, but did not explore, would be to enlarge the parental leave policy to a family leave policy for any dependent.

**Educators.** The largest category of unsupervised children are 5-12 years of age. If universal care is available, school systems could be greatly impacted, for extended hours, and additional facility use. It is possible that schooling itself and the role of the school in the community could be redefined. This group suggested that child care advocates must therefore articulate the integration of child care and education, and examine positive models of child care and schooling in places where there are models.

### **Establish a Protected Child Care Fund**

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The group recommended that a Child Development Trust Fund be established by a payroll tax. The purpose in creating this fund would be to offer parents the assurance that whenever they have a need for child care or parental leave, the resources will be there to support it. There would be no waiting lists, the benefit would be predictable and fixed based on family income, and available by right. This fund would be akin to unemployment or disability insurance and not subject to annual state budget appropriations because the revenue stream is from employer and employee contributions.

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## **Leverage and Create Efficiencies with Existing Funds**

This group proposed that existing child development funds could be put under the umbrella of the Child Development Trust Fund, even though they would have to be administered separately because of eligibility requirements. One leverage point would be to use the federal and other (GAIN, for example) categorical funds for unemployed and student parents, while the payroll tax revenues support employed parents. Other possible funding sources the groups recommended studying were the Family Preservation Act, Head Start expansion funds, child abuse prevention funds which are not currently administered by the same agency, but in some cases might serve the same population. If coverage could be increased by centralizing administration, such actions should be pursued.

## **FINANCE MECHANISM**

### **Payroll Tax**

The main funding mechanism proposed by this group was a 1% payroll tax paid by employers and employees into the Trust Fund. Because it was anticipated that the gross revenues would not be sufficient to fund child care for all, this group recommended that the use of the payroll tax revenues would be for parents who were in the labor force prior to filing a claim. The fund could be administered by the State who could pay employers to distribute the benefits, or pay the employees directly.

Employees would be able to draw from the fund on a sliding scale basis, probably no less than \$2500 year for higher income parents and

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up to a maximum (\$5000 was suggested<sup>1</sup>) per year. The group thought this approach would enable employers to offer more benefit choices to employees and would allow employees greater flexibility in their choices (leave vs. purchased care).

### Comments and Questions

This group felt the proposal was strong and innovative for two reasons. These were:

1. **Stressing the link between economic development and child care would provide the avenue for engaging the business community more directly and more strongly in the advocacy for universal care.**
2. **Having an administrative scheme very similar to well known and understood employment benefits could lower implementation costs and be user friendly.**

However, the group also acknowledged that there were several areas needing clarification and research. With regard to parental leave, although the group recognized the need for time limits on the leave benefit, the limits did not get specified. The sentiment was that the Trust Fund paid for employment leave, not for at-home parenting, and different lengths of time were discussed, but consensus was not reached.

Also, there was not a clear idea on the amount of revenue which could be generated by the payroll tax. The "armchair" math indicated that the payroll tax probably could only support the work force, and not

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<sup>1</sup>The amount of \$5000 was suggested by this group because members were not confident about the reasonableness of the NAEYC figure, or felt the \$8500 would be challenged. This was not a major point, however.

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unemployed or student parents. Clearly research and economic modeling of revenue generation based on different levels of usage would give precision and completeness to the model.

Finally, the issue of political opposition needs to be given much fuller consideration. In particular, employers, non-parent employees and opponents of maternal labor force participation are likely to oppose any tax based child care payment system.

Issues raised in the larger group included:

**Why can't everyone benefit from this system, not just workers?**

The research needs to be done to determine if it is financially feasible to have a broader distribution than among employees who, along with their employers had made prior contributions to the fund. The model was conceived as having high internal benefit (those who have made contributions get to draw benefits), and as being part of an employment package. It is possible to broaden the scope, if it is financially and politically feasible.

**Why are you proposing a maximum benefit (\$5000) that does not help keep the parent at home, taking care of the children?**

The group did not know what the exact maximum would be; \$8500 was the conference criteria. However, the group drew a distinction between parental leave and paid parenting. The dollars available for paid parental leave anticipate a return to work and are not intended to be total wage replacement.

**If this model created huge increases in the number of children receiving child care (as opposed to fostering more at-home care), how will a new work force of providers be trained?**

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There needs to be a plan for training, but that task was seen as belonging to future discussions, after there was some indication a model could be accepted.

This group identified threshold research needed in order to determine if the model made financial sense, and could be tenable to the employer and employee communities. This research included:

- Financial modeling to estimate total revenues generated, annual draws, and income stream
- Population projections to determine utilization rates and demand
- Studies of models which generate effective consumer advocacy
- Studies of employers who provide child care benefits to understand the advantages, disadvantages from the employer perspective



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**“Every child is entitled to early childhood education and it should be the legal responsibility of the State to ensure that entitlement.”**

**Group Two**

*Proposal Two*

**Expand the Mandate of Public Education to Include Early Care and Education**

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This group began with a consideration for both historical precedent and a national trend occurring in the field of child care. The historical precedent is that, in California, child development programs have a 50 year history of administration under the Department of Education. This group saw their proposal as an extension and further codification of that pre-existing relationship. Second, throughout the country, and especially over the past 30 years, high quality child development programs such as Head Start and Perry Preschool have demonstrated that they offer beneficial experiences to children which can impact later achievement.

Therefore, this proposal asserted that since high quality child care is early education, such services should receive the same protections and funding from a constitutional mandate as does all other public education.

This group called for a constitutional amendment to ensure the right to free education, beginning at birth. Given California's constitutional provision (Proposition 98), overall financing would automatically flow from an expanded education allocation in the general fund. Specific and selected components of the plan would be funded by increased efficiencies and leveraging of existing categorical, federal and other state funds, as well as a possible payroll tax to finance parental leave.

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## **Proposal Two: Main Ideas and Concepts**

The group envisioned four main concepts within the plan. These were:

1. Identify and establish the alliances needed to create a paradigm shift in the attitude of the American public to a belief that every child is entitled to an early education.
2. Propose and campaign for a constitutional amendment for the right to a free education beginning at birth.
3. Permit and support parental choice for infant care, by implementing a policy of six month paid parental leave for working parents.
4. Improve the utilization of the dollars now available for child care and development.

There were three financing mechanisms for this plan. The first, which was implicit to the model, was an increase in education funding as a share of the general fund so that the expanded mission of public education could be fulfilled. Second was an improved utilization of existing categorical and federal funds for child care and ancillary services which could be applied to the expanded education mission of the schools. Third was a payroll tax to finance paid parental leave.

## **Proposal Two: Finance Mechanisms**

- General fund education allocation
- Increased efficiency with existing child development and ancillary funds
- Payroll tax for paid parental leave

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## MAIN CONCEPTS

### Alliances and the Paradigm Shift

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This group proposed that alliances among several different interest groups and constituencies must be formed in order to effect a general and popular belief that child care is the right of every child. It recommended that past strategies of changing public opinion be reviewed and analyzed. Examples included public health campaigns to stop smoking, to get good pre-natal care, and to immunize children. The group recommended that a child care campaign would benefit greatly from well packaged statistics on the economic and social costs and consequences of not providing early education and care. Elements of the public opinion campaign the group identified were:

- Change the terminology from “child care” to “early childhood education.” Early childhood education suggests higher funding levels, higher quality and support of enrichment programs.
- Identify key opposing views and opponents.
- Identify local funding needs and priorities to help target the campaign to local constituencies.
- Design and conduct a long-term media campaign to build the public’s willingness to pay for and support a child’s right to early childhood education. Important messages should include the economic and social value of an educated society.
- Fund the paradigm shift campaign through a combination of public funding and private sector philanthropy.

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## The Constitutional Amendment

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If a state constitutional amendment could be passed, the group recommended implementation in two phases. First, was to guarantee the education entitlement for children age three to five; the second, to extend services for children from birth to age three. As a service guaranteed by the Constitution, the State Legislature would ultimately decide on the funding mechanism, but it would inevitably fall to the State tax base (the income tax, a dedicated sales tax, revising tax structure).

This group did identify the State Department of Education as the administrative delivery system for a diverse array of early childhood education choices. Services would not necessarily have to be a downward extension of the public schools.

## Paid Parental Leave

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The group recognized that out of home care for infants is often not desired nor is it a reasonable choice for parents to consider. They suggested that under the entitlement for education there be a choice for parents to provide care through a paid parental leave system. The paid leave would be modeled on State Disability Insurance with a cap on benefits. Employers would be required to maintain employee benefits coverage during the period of leave, and other policy limitations would be similar to those in the existing Family Medical Leave Act. The financing mechanism would also be modeled after State Disability Insurance, with a payroll tax.

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## FINANCE MECHANISMS

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This group would leave it to the legislature to fund the new education mandate from whatever sources it would deem feasible to generate and/or appropriate from the state general fund. However, they proposed a payroll tax, to support parental leave, and improved utilization of current child care and early education funds to support a comprehensive service delivery system. The group made specific suggestions about these latter efficiencies.

### Improved Utilization of Existing Dollars

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There were several suggestions for leveraging current resources so that existing child care funds could be combined with a general fund allocation to form a funding package for early education. Some of the ideas generated by this group included:

**Dependent Care Assistance Plans:** increase the incentive for employers to promote DCAP through marketing and underwriting some of the administrative or start-up costs.

**Redevelopment Funds:** pursue the commitment of more redevelopment funds to child care.

**Economic Conversions:** include child care feasibility studies in the planning and implementation of military bases, schools, hospitals and other public facility conversions.

**Private Philanthropy:** educate funders about child care needs and work to increase the number of private foundations willing to fund both child care programs and policy development activities.

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**National Service Program:** ensure the inclusion of child care opportunities in the planning and implementation of the Clinton Administration's program of national service.

**Collaboration/Integration:** create a larger umbrella of "children's services" and work to ensure the integration of all programs and services, including early childhood education.

**Federal Education Funds:** explore which funds (such as ESEA Chapter I funds) to schools could also be used to support early care and education.

### **Comments and Suggestions**

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This group was quite firm in proposing the constitutional mandate as being the model which would most clearly protect child care as a service sector and make the important link to education (both organizationally and politically). However, they were interested in pursuing research, particularly regarding efficiencies and consolidations with existing funding streams. The current restrictions on redevelopment funds, which could finance capital expansion, need to be explored and understood. Also, there is the strong possibility that funds currently used in K-12 could be applied to early childhood education, or that additional funds could be obtained from federal sources, if the state included early childhood in the education system.

The following questions represent a sample of the queries generated by this proposal and short responses:

**If early education is a constitutional right, would it also be mandatory?**

This group felt that early education and care would be the same as kindergarten; available to all, but the choice to use it would be optional.

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**If the group was concerned about alliances, wouldn't it make sense to call the parental leave policy a family leave policy so it would have a broader base of support?**

There were differences of opinion within the group about the parental leave option. A family leave option was perceived as much more complex and costly.

**How would this group manage the difference in costs per child between early education at \$8500 per child versus the \$4200 per child currently being spent for K-12 education in California?**

The costs of K-12 assume a shorter calendar year, different labor requirements, and a shorter day. The group pointed out that the total allocation for K-12 will go up when school-age child care services are added to the base figure.

**Where would family and parent support services fit in this new model?**

The group pointed out that the content of a new system would have to be developed as part of the actual planning and implementation process. However, it is envisioned that the full complement of services would go with the high quality of care model and extend through to whatever local delivery system offers the services.

**How would the California Department of Education administer this huge increase in child care services?**

This conference was not supposed to articulate the actual mechanics of a new delivery system. If a Constitutional mandate were adopted, the state would engage in a multi-year planning process which involves all interested parties and phases in the implementation of services.

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**Wouldn't there be a real push for school district based programming at the expense of other community options which are currently in place?**

The group was not sure what the breakdown of services would be. Their emphasis was on schooling and bringing child care into the public school mandate. However, there was no reason that diverse local delivery systems could not continue to function with state support, as they do currently for state funded child development services.



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## *PROPOSAL THREE*

**“Child care is a fundamental right in a multi-cultural, democratic society. The child is the focus, and all components of society, including government, share a responsibility for the health and well being of the child.”**

### **Group Three**

#### **Establish a Child Care Allowance Which Supports Purchased Care and Parental Care in the Home**

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This group took seriously the suggestion to honor the past, but be willing to move beyond it. They looked to the model of GI benefits offered following World War II to support families and moved beyond it by extending some of the same principles to parenthood and child care. This group made an expansive proposal for a child allowance of \$8500 per child/per year which could be used for any model of child care in any delivery system, including parental care. The purpose of the allowance was to permit universality of access as well as delivery system diversity, as well as adequately cover either the cost of high quality care or support parental care in the home during a child's early years.

The proposed funding for this system would be from a payroll tax and the distribution of benefits would be primarily through the tax system. No payments to programs, government bureaucracies, or public agencies would be necessary. The group emphasized two main concepts which were needed to support the plan. These were a public paradigm shift to view child care as a fundamental right, and the support of parental care in the home as a delivery system option which is fully eligible for public support.

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## **Proposal Three: Main Ideas and Concepts**

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The group articulated two main concepts for this plan:

- 1. Create a paradigm shift to high quality child care as a fundamental birthright.**
- 2. Develop a model which supports parental care in the home.**

A single financing mechanism was proposed to support this plan, which would be supplemented by categorical funding for special purposes such as parental job re-entry or job training. Basic funding would be achieved by a 1% payroll tax on employers and employees. Several support services which currently exist would be leveraged to provide coordinated services directly to families. The group anticipated that with adequate and universal support to families with children, cost savings will accrue from reduced need for foster care, abuse and neglect services, food and nutrition services, and welfare as we know it.

## **Proposal Three: Finance Mechanisms**

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- 1% employer and employee payroll tax**
- Increased efficiency with existing funds**
- Welfare reform job training and education funds for job entry/re-entry**

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## MAIN CONCEPTS

### The Paradigm Shift

**“Children are essential to our society. Parents and government, together, have a responsibility to our children. Our children are our future, our defense and our security. The care takers of our children provide a valuable service to our country. Therefore, we will pay people to stay at home to care for their children.”**

#### **Group Three**

The group felt that a shift in the public thinking about child care could be achieved through a multi-part strategy which includes making the public aware of the underlying premises for child care, maintaining historical alliances, creating new alliances, and packaging mass or public communications to win support for the concept.

**The Underlying Premise for Child Care.** Child care should be a fundamental right because it represents a critical investment in children that will revitalize the economy, both short and long term. The benefits are:

- A higher quality and more productive current and future work force.
- A positive impact on jobs, income, and revenue generation in the state
- The prevention of social costs such as welfare dependence, violence, crime, and foster care, for example.

**The Historic and Current Alliances.** The current relationships between the child care field and labor, women’s groups, and parents need to be maintained and strengthened, even as new alliances are sought. To accomplish a paradigm shift, the current thinking about child care must evolve across the political board and it will take key members of each sector to carry the message forward.

**New Alliances.** This group suggested formalizing relationships with several different public service sectors who provide services to children to galvanize these sectors around the issue of parental care. Sectors

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included unlikely groups, such as law enforcement, and the military, to the expected alliances with educators, welfare organizations, teacher's unions and mental health agencies. Becoming involved with the economic development community was regarded as critical.

**A Communications Package.** There is a story to be developed and disseminated as the communications essential to creating the paradigm shift. Within this package are two key components: adequate and convincing data analysis which supports the thesis, and a demonstration of the key messages — how adequately caring for children can benefit society.

This group felt that alliances with communications professionals would make it possible to use different media in different settings (workshops, conferences) in order to win favor with key leaders of public opinion.

### Supporting Parental Care

The fundamental concept which underlies this model is that taking good care of one's children is providing a service to the country. Thus, the primary design criteria for this model was to substantially support parental care in the home, whether or not the parent was previously employed. This was the basis for the child allowance. Second, this model proposed to have the breadth and flexibility to umbrella support of all other types of child care thereby facilitating parent choice and delivery system diversity.

This group anticipated the many questions which would be evoked by their model and offered several parameters to give a more defined shape to their proposal. The following are basic elements for this child allowance program:

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## Child Allowance Model

- It would not be means tested.
- It would apply to either parent.
- It would apply to births/adoptions/guardianships.
- There would be minimal monitoring.
- The allowance would be adjustable to the full to part-time employment of the parents.
- The system would include health, education, and job re-entry benefit provisions.
- The system could reduce, replace, or “buy-out” AFDC in California.
- The maximum allowance would be based on a two child limit and would not exceed \$12,750.

No matter what the family income, one parent is eligible to collect the child allowance or benefit. The base rate of \$8500 a year would apply to children age 0 - 5 years of age. The amount of the allowance would drop proportionately as the child spent more time in school. Because every family would be eligible for the allowance, and the amount of the allowance is more substantial than current welfare benefits, this model could render AFDC as we know it, a redundant and unnecessary program. There is no incentive to have more children, as the allowance does not increase beyond \$12,750 no matter what the family size. Two children would be the maximum number that could be claimed.

The group did imply a maximum time limit for drawing down the child allowance—when a child reached age 12. For parents who have remained at home for the longest periods or for those with few skills

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for entry or re-entry into the job market once the children enter school, the model proposes exploring the use of the current welfare reform training program (GAIN).

## FINANCE MECHANISMS

### The Payroll Tax

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The group estimated that a 1% payroll tax uncapped, on employers and employees would raise as much as \$12 billion per year. Using a European model, the tax system would be the collection point and would administer the distribution mechanism for the child allowance system.

The concept proposed that employees would receive a refundable tax credit as a sliding scale refund of 1% of income up to \$8500 for a child age 0 to 5 years. For a second child, the allowance would rise by half (\$4250), making \$12750 the maximum benefit that the system would pay the family. There would be only one allowance per child per family group. There would be no payable benefit for more than two children. The system could reduce or replace the current welfare system. Poor families, however, should receive their child allowance monthly, rather than through a tax mechanism.

The use of the allowance is in the complete control of the parents, who may designate one parent to stay at home and care for the child, or who may use the allowance to purchase the child care of their choice. One possibility would be for outside providers to be paid directly by the administrative system, rather than by the parent. The provider would be registered, via Social Security or Employer ID number. In all cases, the size of the benefit would be prorated by the age of the child and the need for full vs. part-time care.

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## Comments and Questions

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The benefits to this model were proposed as:

- A simply administered plan that has the potential to reduce the costs of government by eliminating the multiple streams of child care funding and their attendant administrative costs and putting all funding into one system.
- Businesses that now subsidize child care will probably save money because parents will have an allowance sufficient to purchase quality care.
- The equality of treatment between employed and unemployed parents will have broad political appeal.

The potential opponents to the plan will be small businesses which will resist a payroll tax, and people who have no children. Also, since the group invested most of their energy in modeling support for parental care, they agreed several elements for using the allowance for licensed and exempt care needed to be more fully considered. Issues could include a monitoring system for both standards and pay requirements, allowing differential standards for different delivery systems while maintaining a certain level of standards, and ensuring that a "Medicare" type bureaucracy is not created in child care.

Questions posed by the large group regarding this model included the following:

Won't there be substantial sentiment against this model by the anti-entitlement factions?

What will be the relationship of this system to income transfer programs?

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What about quality in child care? Even with an emphasis on parental care, there is still a need to ensure quality and provide parent support services. How would this be accomplished?

What is the nature of a support delivery system for stay-at-home parents?

There were also several issues this group identified that needed extensive research in order to make their model complete as a proposal.

For the entry and re-entry of parents into the labor force:

- Developing a model of education with payments structured like the G.I. Bill
- Exploring the expansion of the GAIN program to all for work force re-entry

For the external impacts of the proposed model:

- Developing economic models to understand what will happen when there is an infusion of income into the parental support system
- Developing economic models to understand what will happen when parents have access to affordable, quality care for their children and opportunities for education and job training for themselves
- Estimating the number of jobs created by a fully funded child care system
- Projecting the savings that will accrue over time



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**For the system effects:**

- Identifying an acceptable school age reimbursement model and costs
- Examining and developing the sliding scale aspects of the allowance
- Exploring the impact on the existing child care delivery system, particularly the fiscal implications.

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## *SUMMARY*

**“We have realized some benefits to this process that were not articulated ahead of time. For a diverse group from diverse fields, we have discovered some remarkably similar broad patterns in our thought. This encourages me that a paradigm shift is truly possible.”**

**A member of the Summit Steering Committee**

Despite the substantive differences among the three models, there were also remarkable similarities. The most important differences were the actual breadth of and extent of coverage each model provided, the priority given to different user groups, and the proposed models of administration. The financing mechanisms were more similar than different, since each group proposed a payroll tax to fund at least some of the services included in each model. Similarly, each group articulated the necessity of a paradigm shift thus creating the public will and political climate to move any comprehensive solution forward.

The extensive discussion of the actual financing mechanism is not reflected in the proposed models, but it is important to note that no group blithely pulled the concept of a payroll tax out of a conceptual hat. Earnest and lengthy discussions were held within each group around the role of the private sector, parent co-payments, and other less obvious public revenue generators (such as user fees, etc.). Appendix 6 lists most of the financing possibilities which were also considered. Many of these are the subject of the research discussion which is presented in Part III.

As was noted throughout Part II, each group had several issues pending future discussion and research. There was such considerable overlap that they have been consolidated into a closing discussion of next steps for the Summit process. This is presented in Part III of this report.

*Developing Alliances*

**“For providers to have the opportunity to hear different people with different points of view enables us to change the position from which we carry out our advocacy.”**

**A child care expert**

The most deeply held consensus of the summit participants was that there is a need for strategies which build a statewide and ultimately national commitment to universal child care.<sup>1</sup> This strategy requires building strong alliances among groups which may now have differing philosophical and economic perspectives on the issue of child care.

This strategy also requires that a paradigm shift take place in the public attitudes and thought about child care. It was felt the ideal and most strategic place to begin is with the representative consumer of care — parents with children under the age of 12. Consumer/constituent involvement was seen as essential because if this sector places no value on child care and places no demands for it, then there is no underlying validity to the advocacy strategy.

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<sup>1</sup> Although most Summit participants balked at the overused term, the truth is a complete shift in the public consciousness about child care and how it fits in the grand scheme of social organization is needed. Paradigm shift aptly describes that fundamental change in thinking.

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**“One of the best things that can happen to us as funders is for good people to come to us with good ideas and you all have done this. There is a good beginning here.”**

**A conference funder**

The business representation at the conference provided the employer perspective on child care and on an additional payroll tax, and the experience of employers who have strong work-family policies with programs in operation. Because the Summit models are relying almost exclusively on a payroll tax to support any one of the plans, aggressive business involvement in public discourse on the issue is mandatory.

Many philanthropies are involved in funding important child care and parental support programs. Some of these may be prototypes for elements of the proposed models and could be instructive for the next stage of effort. It was pointed out that for other public policy issues, foundations have supported the lead research which redefined the issues and the framed the terms of discussion for policy makers. Summit participants used the meeting opportunity to encourage the philanthropic representatives to continue this kind of work. Certainly, this kind of alliance between the philanthropic community and the research and advocacy communities on this issue could create the watershed for the paradigm shift.

### *Conducting Research*

The purpose of the Summit was to generate directional ideas, rather than detailed models of child care financing. However, all presenters acknowledged the pressing requirement to conduct research which models the feasibility and cost of any proposed plan.

It was agreed by Summit participants that the same lines of research needed to be pursued for all of the proposed models. As research is completed, the Summit suggested creating a large child care planning data base for analysts to explore as each model is tested. Some of this

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**“The Summit forced me to think beyond my own parameters — a condition brought on by years of atrophy — asking for crumbs rather than for the big picture.”**

**A child care professional**

research would require secondary analysis of existing data. Some of the research could be performed by state agencies as part of routine data management. Other research, particularly on issues of public opinion, would have to be commissioned as original studies.

The key research needs are detailed in Appendix 7. However, they fall in two broad categories: research on consumer demand and research on cost feasibility. In the first category, analysis should cover quantification of the potential user population, projections regarding demand for child care given expected birth rates, breakdown of these data by age of children, and by county.

For the cost studies, research needs to project expected revenue streams, expected draws on revenues. These studies need to examine and model revenues generated from the imposition of a payroll tax and different percents, revenues generated by efficiencies and leveraging of child development funds, possible revenues generated by miscellaneous excise taxes. The cost studies also need to examine the fiscal impacts of expanding child care on other areas of state and industry functioning. There is bound to be a multiplier effect, for example, from the expansion of child care which will create jobs and demands for support industries, such as food services, paper goods and sundries, and equipment manufacturing.

### *Implementing a Plan (Action)*

The notion of a paradigm shift is really the consummation of a relationship between thought and action. The research represents quantifying the thought, building and activating new alliances represents the action, and through a reciprocal exchange of ideas and information, a broader understanding of a new future can be achieved.

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It is understood that the work produced by the Summit is really fluid and dynamic, to be plied into a more refined shape by the continued process of reflection and analysis, tempered by reality. It is on that note, that this report closes. The Summit Steering Committee managed despite a recessionary economy, state and federal deficits, and the pall of both natural disasters and civil unrest, to assemble this extraordinary and diverse group. The participants were, by and large, a pragmatic and politically seasoned group.

Despite all the valid reasons to temper any optimism, the Summit participants envisioned and saw the necessity for developing the broad outline of a California Child Care Plan. The Summit was, as several participants stated, a beginning. The report serves to recount one process and initiate another one. The next process is to expand the discourse to more and different stakeholders, to incrementally develop both the ties to new allies and the analysis of how a plan might work. Moving forward was the clear signal from the Summit participants. As it turned out, the most significant reality check was not the here and now, but the vision of a productive future for California.

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## *APPENDICES*

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Appendix 1.....	Methodology
Appendix 2.....	Agenda
Appendix 3.....	Average Annual Cost of Child Care
Appendix 4.....	Mind Map
Appendix 5.....	Summit Participants
Appendix 6.....	Other Funding Ideas
Appendix 7.....	Research Needs

## *METHODOLOGY*

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The Summit combined a formal agenda, large group brainstorming, small work groups, organized presentations, group critique, a measured pace, an excellent setting, and minimal free time into a two and a half day meeting on one topic: financing child care in California. The agenda, detailed after this summary, was followed pretty closely, with some minor revisions on the last day to give participants some respite from their work. Each phase of the meeting, however, was used as a check-point to determine if the agenda should be questioned, revised, or retained in order to facilitate the work flow.

The orientation included a discussion of the Summit Question and Summit Criteria, and the opening plenary session included a free fall of ideas about child care in general, which were documented graphically. In a short time frame, and at a brisk pace, a mind map was completed and reflected the variety of perspectives such a diverse group would bring to the single issue of child care finance. (See Appendix 4.)

The large group was then disassembled into the small work groups which had the charge to think about creating a child care model which met several criteria. Each work group was given two opportunities to develop, present, advocate, and refine their plan to the plenary body.



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In the small groups too there was a lot of brainstorming, which led to the clarification, and selection of those ideas with the greatest potential for solving the problem posed by the Summit question. No larger than six to eight people, each work group provided every participant with several opportunities over two days to be heard, and to have ideas tested and enriched by their colleagues. Each small group prepared two somewhat formal presentations of their plans to the plenary body. This conveyed their ideas to the plenary body and permitted a forum to advocate their group positions.

The body, in turn, tested these ideas, pushed for refinements, questioned assumptions and generally provided stimulation for each group to advance its thinking in preparation for the subsequent session. As the interactive process evolved, similarities in thinking across groups prompted the consolidation of the five original work groups into three. (See Appendix 2 for the Summit Agenda.) These three groups ultimately proposed the three different conceptual models for a California Child Care Plan which are described in PART II of this report.

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APPENDIX 2

*AGENDA*

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TIME      PROCESS/ACTIVITY

**Sunday, October 3**

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- 4:45 - 5:15      Opening Reception
- 5:15 - 5:30      Official Welcome and Kick Off
- 5:30 - 6:30      Child Care Funding: Its Current and Future State  
Creation of the Mind Map
- 6:30 - 6:50      Organize Small Groups/Present Question—  
“How to Adequately Finance Child Care in California  
Through Age 12 at a Cost of \$8,500 Per Year Per  
Child.”
- 7:00              Dinner/Small Group Members Become Acquainted

**Monday, October 4**

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- 7:30 - 8:30      Continental Breakfast
- 8:30 - 8:45      Overview of the Day

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8:45 - 10:45 Idea Group Work  
10:45 - 11:00 Break  
11:00 - 12:00 Idea Groups Prepare for Advocacy Presentation  
12:00 - 1:00 Lunch  
1:00 - 3:00 Advocacy Presentations/ Questions and Answers  
3:00- 3:15 Break  
3:15 - 3:45 Resource Exchange Planning  
3:45 - 5:45 Resource Exchange  
6:00 - 8:00 Dinner  
8:00 - 9:00 Identification of New Ideas/Interests and Self Selection  
into New Groups

### Tuesday, October 5

7:30 - 8:30 Continental Breakfast  
8:30 - 8:45 Introduction to the Day  
8:45 - 10:45 Idea Group Working Sessions  
10:45 - 11:00 Break  
11:00 - 12:00 Advocacy Presentations/ Questions and Answers  
12:00 - 1:00 Lunch  
1:00 - 2:00 Advocacy Presentations continue  
2:00 - 3:15 Agreement on Conference Recommendations;  
Support; Next Steps  
3:15 - 3:45 Closing Process  
3:45 -4:00 Closing Comments  
4:00 Summit Adjourns

## *AVERAGE ANNUAL COST OF CHILD CARE*

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During the Summit we used the figure of \$8,500 per child per year as a target for providing quality, affordable care. This figure was calculated by the National Association for the Education of Young Children and cited as it appears below by the Child Care Action Campaign and Center for Policy Alternatives in their September 1992 publication *Investing in the Future: Child Care Financing Options for the Public and Private Sectors*.

These estimates of the full cost of providing high quality early childhood care are based on a program serving 84 children, a 40-hour work week for 52 weeks per year, and for children of all ages. These estimates also assume that salaries are competitive with similar professions, such as elementary school teachers. It is important to note that the cost of care will fluctuate greatly by state (due to regional cost differences and state licensing or regulatory requirements).

<b>Teaching Staff:</b>	
1 director	@ \$40,000
2 master teachers	@ \$33,000
3 teachers	@ \$29,000
5 assistant teachers	@ \$23,000
5 teaching assistants	@ \$17,500
<b>Total Educational Salaries</b>	<b>= \$395,000</b>
<b>Total Budget</b>	<b>= \$707,734</b>
<b>Annual Center Cost Per Child = \$8,425</b>	

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APPENDIX 4

*MIND MAP*

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In the first plenary session, each Summit participant contributed to the creation of a graphic representation of the social and political forces influencing the development of child care services in California. The technique of "mind mapping" was used to construct a conceptual and graphic representation of the discussion which was preserved for all the subsequent planning and plenary sessions.



## *SUMMIT PARTICIPANTS*

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### **Foundations**

Nancy Boettiger, San Francisco (Peter & Miriam Haas Fund)  
Gwen Foster, Los Altos (David and Lucile Packard Foundation)  
Deanna Gomby, Los Altos (Center for the Future of Children, David  
and Lucile Packard Foundation)

### **Economists**

Tapan Munroe, San Francisco (Pacific Gas and Electric)  
John Zysman, Berkeley (University of California, Berkeley and  
Berkeley Roundtable for International Economics)

### **Business/Labor**

Al Osborne, Los Angeles (UCLA/Mgt.)  
Steven Plunk, San Diego (Central Labor Council, AFL-CIO)  
Paul Proett, Belmont (Apple)  
Sandra Saylor, Hayward (MERVYN'S)

### **Public Interest/Policy**

Abby Cohen, San Francisco (Child Care Law Center)  
Dan Galpern, Sacramento (Child Development Policy Institute)  
Martin Gerry, Austin, TX (LBJ School of Public Affairs)  
Lenny Goldberg, Sacramento (California Tax Reform)  
Carol Stevenson, San Francisco (Child Care Law Center)  
Marcy Whitebook, Oakland (National Center for the Early Childhood  
Work Force)  
Patty Whitney-Wise, Sacramento (California Council of Churches)

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## **Government**

Marguerite Archie-Hudson, Los Angeles (Assemblywoman, 48th Dist.)  
Dede Alpert, San Diego (Assemblywoman, 75th Dist.)  
Ann Evans, Sacramento (Chief of Staff, Assemblywoman Delaine Easton)  
Marianne Moore, Fairfax (Chief of Staff, Tom Hannigan)  
Jackie Speier, South San Francisco (Assemblywoman, 19th Dist.)

## **Education**

Steve Rhoads, Sacramento (Undersecretary, Child Development and Education)  
Mike Ricketts, Sacramento (California Department of Education, Education Finance Division)

## **Providers**

Jean Brunkow, San Diego (YMCA Resource Service)  
Alice Duff, Los Angeles (Crystal Stairs)  
Fred Ferrer, San Jose (Gardner Children's Center)  
Yolanda Garcia, San Jose (Santa Clara County Office of Education)  
Carolyn Reid Green, Los Angeles (Drew Child Development)  
Karen Hill-Scott, Los Angeles (Crystal Stairs)  
Gary Kinley, San Francisco (California Child Care Initiative)  
Diane Mapes, Riverside (Riverside County Office of Education)  
Mary Petsche, San Mateo (Child Care Coordinating Council of San Mateo County)  
Ethel Seiderman, San Anselmo (Fairfax-San Anselmo Children's Center)  
Stan Seiderman, Fairfax (Fairfax-San Anselmo Children's Center)  
Ann Sims, Daly City (Bayshore Child Care Services)  
Norman Yee, San Francisco (Wu Yee Resource and Referral)  
Aura Zapata, City of Commerce (Mexican American Opportunity Foundation)

## **Facilitators**

Mike Allison, San Francisco (Support Center)  
Barry Grossman, San Francisco (HS/OD, Inc.)  
Marte Pendley, San Francisco (Organization Communication and Development)



## *OTHER FUNDING IDEAS*

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In addition to the main funding ideas listed in the report, many other ideas were generated by the small and large work group brainstorming sessions.

### Taxes

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- Information services and information transfer taxes
  - Computers
  - Fax
  - Modems
  - Data lines
- Child entertainment taxes
  - Toys
  - Video and T.V.
  - T.V. violence
  - Cartoon advertising
  - Advertising on children's products
  - Candy
- Value added tax
  - Luxury tax
  - Text book tax
- Close tax loopholes
  - Eliminate second mortgage deduction

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Eliminate Prop. 13

Property tax assessment

Reinstate the 50% vote and eliminate the two-thirds vote requirement to pass local tax increases

- Provide child care tax credit to providers
- Manufacturer rebates on children's items ( e.g. clothing, shoes, diapers, formula, strollers, furniture, etc.)
- Development of local funds with 50%-50% state match
- Market 129 Plan with employer incentives
- Calculate child development programming into Prop. 98 as if it were education/schooling
- Developers fees
- Birth certificate fees
- Create a knowledge export fee (for higher education of foreign students paid for by foreign governments)
- Reallocation of existing dollars
  - Title I
  - Chapter 1 (ESEA)
  - Water credits
  - Agriculture credits
- Allow for early use of higher education dollars (Pell grants)
- Compress school system (longer days/fewer years)

**To increase/improve facilities**

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- First right of refusal for surplus state and local land to child care
- First right of refusal on conversion of military bases, hospitals, and schools to child care
- Revenue bonds
- Special assessment districts

## *RESEARCH NEEDS*

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Groups Two and Three recommended a payroll tax to finance a universal child care system in California. Group One recommended a payroll tax to help fund a parental leave system for child care. Payroll taxes would provide a stable and dedicated income stream for child care and development services. In addition, Group One recommended that early childhood development become a state entitlement. Each of these proposals requires research and secondary analysis of population, income, employment and other economic data to determine its fiscal and operational feasibility.

Specific areas of research recommended by Summit participants are listed below.

- Determine the cost of financing each of the three models.
- Project the utilization of the systems given birth rates and different rates of labor force participation for men, women, and different racial and ethnic groups.
- Determine the revenue generated from a payroll tax, projecting at least two decades into the future. A one percent tax was suggested by participants as a politically viable threshold.

- 
- Develop several revenue distribution models which illustrate the relationship between workers contributions into the tax fund and withdrawals from it by parents.
  - Project revenue from each of the funding ideas generated at the Summit (Appendix 6).
  - Estimate the real cost of quality child care in California, including an appropriate infrastructure.
  - Determine the economic feasibility of complete entitlement as well as sliding scale models of universal child care and development services. Utilize financial modeling to estimate total revenue, annual draws, and income stream.
  - Analyze how other entitlement and categorical funding (AFDC, Title I, Title IV-E, Child Care Food Program, Federal Block Grant, and State Child Development Funds) can be leveraged to support a universal child care system.
  - Analyze the cost of lowering the age limit for school entry.
  - Analyze the cost of expanding the GAIN program to all for work force re-entry.
  - Develop several models of administering a delivery system which is based on a payroll tax, including a model of consolidated administration for all child care under one umbrella.
  - Assess the feasibility of implementing each of the models. Develop strategies for creating the necessary shift in public opinion associated with each.

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- Examine the likely allies and political impediments to creating a new state entitlement for universally available, high quality child development and early education programs for all children from birth and for paid parental leave.
  - Estimate and project the system-wide savings which will accrue from each model.
  - Analyze studies of child care models which generate effective consumer advocacy. Incorporate studies of employers who provide benefits in order to understand the advantages and disadvantages from the employer perspective.
  - Estimate the number of jobs created by a fully funded, universally available child care system.

# THE CHILD CARE ECONOMIC SUMMIT

FINANCING THE FUTURE  
FOR CALIFORNIA'S CHILDREN

July, 1994

Dear Friend:

Several months ago, forty individuals from many different professional perspectives and varying points of view came together for a common purpose: to find new ways to finance child care and development for California's children. The results can be found in the enclosed report of the Child Care Economic Summit.

The Summit was a call to action by eight child care advocates, the Summit Steering Committee, who are convinced that our economic health and well being are undeniably linked to the future of our children. Yet the gap between California's child care need and its resources is reaching alarming proportions. To stop this gap from widening, we must identify new and creative sources of funding.

Within the report you will find a definite point of view expressed: **every child in California has a right to quality child care.** Summit participants operated on the belief that society has a responsibility to meet the needs of its children and to help families take care of themselves. Further, we believe that the failure to achieve these goals will have drastic effects on the economic health of our state and our country.



BY THE YEAR 2000,  
ONE OF EVERY EIGHT  
CHILDREN IN THE  
UNITED STATES WILL  
LIVE IN CALIFORNIA.

HOW WE CARE FOR  
THESE CHILDREN WILL  
SHAPE THE ECONOMIC  
FUTURE OF OUR STATE.

TOGETHER WE WILL  
CREATE A BOLD,  
INNOVATIVE RESPONSE  
TO THIS CHALLENGE.

The California Child Care Economic Summit was made possible with financial support from the David and Lucile Packard Foundation, The Center for the Future of Children, the S.H. Cowell Foundation and MERVYN'S. Their commitment to seeking child care solutions is gratifying.

This project is continuing. The Summit Steering Committee, listed below, have agreed to move forward with child care finance and related issues.

Your comments are welcome. Please address them to any one of the Steering Committee. A limited number of additional copies of the Summit report are available. Please contact Mary Petsche by phone (415 696-8780) or FAX (415 343-8719) if you would like a copy sent to you or to another person.

Sincerely,

The Steering Committee  
of the Child Care Economic Summit

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