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ABSTRACT

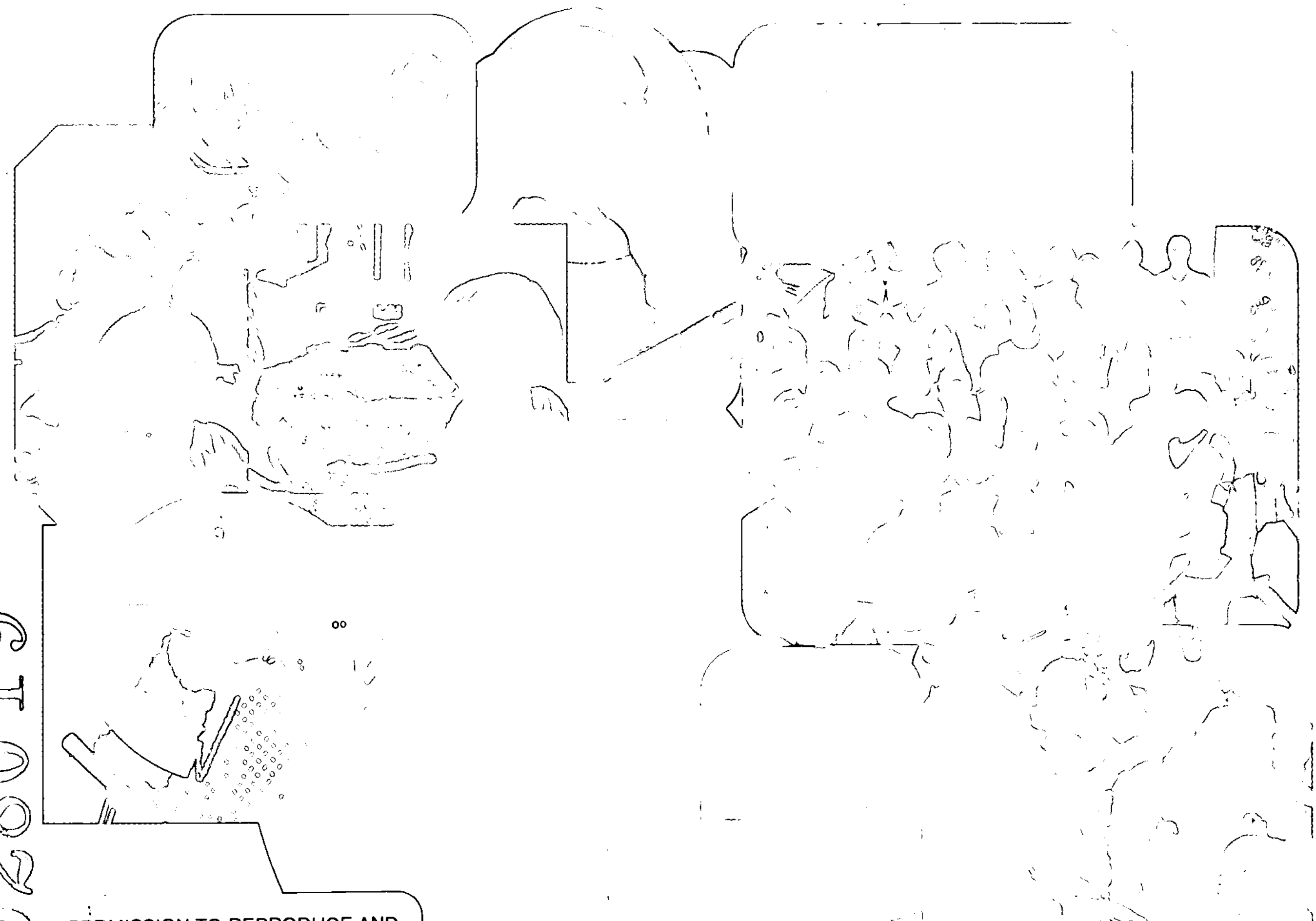
The need for an adequate financial base for the future of quality early care and education (ECE) for young children is being increasingly recognized. This document presents the proceedings for a 1999 working meeting of individuals from diverse fields to identify and explore possible actions related to financing ECE for children birth through 5 years of age. The document includes discussions of the growing recognition of the relation between quality ECE and developmental outcomes, ECE funding mechanisms, system and finance reforms to improve services for infants, universal preschool, and creation of a climate for increasing public investment in ECE. Also included is a list of action steps to initiate efforts to improve ECE financing. Five insights are identified as emerging from the meeting: (1) renewal and reenergized commitment to provide leadership; (2) a consensus around a set of statements which can serve as a foundation for future action; (3) acknowledgement that a strong research and policy base has been built over the last decade; (4) the lack of a single, simple approach to ECE financing; and (5) recognition of the need to acknowledge public values about caring for your children, to develop diverse constituencies, and to sharpen advocacy efforts. The document's five appendices contain the meeting agenda, a participant list, participants' proposals for next action steps in ECE financing, a 36-item bibliography of research relevant to ECE financing, and a list of state commissions supporting ECE financing. (KB)

ED 438 023

Stepping Up Together

Financing Early Care and Education in the 21st Century

Volume 2



PS 028019

Proceedings for

MAKING IT ECONOMICALLY VIABLE: FINANCING EARLY CARE AND EDUCATION

A Working Meeting • Santa Cruz, California • March 3-5, 1999

For additional copies of *Stepping Up* or *Stepping Up Together*,
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or cohen@childadvocacy.org.

September, 1999

Dear Colleague,

The David and Lucile Packard and the Ewing Marion Kauffman Foundations joined together in early March of this year to sponsor a working meeting, *Making It Economically Viable; Financing Early Care and Education*, in Santa Cruz, California. Fifty economists, children's advocates, academic experts, and public policy specialists met with a goal of formulating viable financing strategies over the next decade for an early care and education (ECE) system.

In an effort to capture the spirit of the discussions that occurred during the meeting, we have put together a two-volume series, ***Stepping Up*** and ***Stepping Up Together, Financing Early Care and Education in the 21st Century***. Responses to ***Stepping Up*** (which contains four papers commissioned for the meeting) were enthusiastic. We now are distributing ***Stepping Up Together***, the proceedings for the meeting.

We are disseminating these proceedings to share the essence of the discussions and lay out new insights which we believe will contribute to making progress on these important issues. For those of you who attended, this volume will recall the meeting's conversations and hopefully rekindle the excitement we experienced about the possibilities of moving forward. For those of you who did not attend, we hope this volume provides a snapshot of the meeting and serves as an invitation to add your energies and expertise to the cause.

We are delighted to announce that the website dedicated to ECE finance issues that was proposed at the meeting will be unveiled in the next six to eight weeks. It is our hope that this website will serve as a hub for discussions and a springboard for actions on these issues.

It is clear from the enthusiasm displayed and the ideas generated during the Santa Cruz meeting that individuals from a variety of disciplines are ready to take action on ECE financing issues. We hope this report will provoke new thinking and intensified dialogue so that we can step up together to these challenges. Thank you for your dedication and commitment to this important work.

Sincerely,

Stacie Goffin
Stacie G. Goffin
SENIOR PROGRAM OFFICER
YOUTH DEVELOPMENT
EWING MARION KAUFFMAN FOUNDATION

Marie Young
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SENIOR PROGRAM MANAGER
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THE DAVID AND LUCILE PACKARD FOUNDATION

Stepping Up Together

Financing Early Care and Education in the 21st Century

Volume 2

Proceedings for

MAKING IT ECONOMICALLY VIABLE: FINANCING EARLY CARE AND EDUCATION
A Working Meeting · Santa Cruz, California · March 3-5, 1999

We want to express our gratitude to the Advisory Committee for their substantive contributions: Harriet Dichter, Deanna Gomby, Joan Lombardi, Cheryl Polk, Nancy Sconyers, Carol Stevenson, and Jolie Bain Pillsbury (who also served as our meeting facilitator). Thanks also to all the individuals who attended the Santa Cruz meeting, offered their thinking and expertise, listened to new ideas and took them to heart, and who now are stepping up with colleagues around the country to seek solutions to our ECE financing crisis.

Proceedings

In early March 1999, more than fifty individuals from diverse fields gathered in Santa Cruz, California to identify and explore actionable next steps in the realm of financing for early care and education for children ages birth through five. The meeting, entitled ***Making It Economically Viable: Financing Early Care and Education***,[1] was convened by the David and Lucile Packard and Ewing Marion Kauffman Foundations. Participants were asked to identify viable early care and education (ECE) financing mechanisms and next decade strategies needed for their adoption. This ambitious goal resulted in a dynamic gathering and a great deal of hard work. Out of this rich and vibrant exchange, which included exploration of areas disagreement, common ground emerged upon which future efforts can be built.

As much as some veterans in the ECE field would like to find a "silver bullet," a single, simple solution to the financing crisis, in reality there is not one. Instead, we must all look to an incremental process that gets us to success, and we must celebrate each small step along the way as we get closer to our goal.

Jewel D. Scott, Executive Director
The Civic Council of Greater Kansas City

By the end of the final day, most participants agreed that at least five significant insights had come out of the meeting. Several of these ideas signal important shifts to a new phase of thinking about and acting on ECE financing issues. Perhaps the most exciting is the notion of renewal and reenergized commitment of many individuals who now are ready to join together in a collective effort to provide leadership on the important issues of ECE financing. Some of those coming together have a history in the field; others are new to the challenge. The veterans provided important substantive and contextual information. The new voices offered fresh perspectives and insights–on the issues and on the dynamics within the field itself. This report conveys much of the dialogue and may be regarded as the first draft of a blueprint for collective leadership and action.

Second, a set of statements emerged which can serve as a foundation for moving forward *(see*

"Common Ground" below). Not every participant fully agreed with every statement, but the consensus was that the time is right to move forward and accomplish progress–the details can be worked out in the process.

Third, participants acknowledged that much has been done that can inform the next decade's strategy. During the last ten years, advocates, researchers and policymakers have built a strong base. We should use this groundwork to our advantage as well as learn from the incredible diversity of strategies for developing revenue and increasing investments currently evident across the nation at the local and state levels. With all that has been done and is being done, we are able to move forward.

Fourth, participants conceded that there is no silver bullet–no single, simple approach to ECE financing issues—and that one is unlikely to emerge. As a result of this insight, a new openness emerged to innovative approaches to financing.

Fifth, and finally, we concurred that we must acknowledge public values about the care of young children, develop diverse constituencies and sharpen advocacy efforts; these actions must be central as we seek to address the many challenges of financing ECE in our country.

Stepping Up: Financing Early Care and Education in the 21st Century, Volume I, contains the four papers commissioned for this important meeting. This second volume discusses the purposes, tenor and outcomes of the meeting itself. We invite you to read this volume and think about what you might contribute to tackling these enormously challenging issues. Then we hope you will join us in this effort.

Common Ground

Until the closing moments, the meeting was abuzz with a wide range of ECE topics. Some ideas generated pointed disagreement and heated exchange; some were greeted with more subtle responses. Realization of some ideas would require incremental system changes; accomplishing others would require fundamental restructuring. But by the meeting's end, there was agreement that the following statements could serve as starting points in a number of areas related to ECE financing.

Birth through age five is the chronological framework for an ECE system.

Financing strategies for the early care and education of children ages 3-5 can build on the growing preschool movement.

Financing strategies for the ECE of children ages 0-2 need to be differently conceptualized from those for ages 3-5.

Parents need a wide range of choices for care of their children.

Parental leave should be on the agenda for consideration.

Greater attention to political realities and public values is needed.

A variety of financing mechanisms is needed to get full funding for an ECE system.

Multiple visions of ECE can coexist as the work on financing mechanisms proceeds.

Broader circles of constituent involvement are needed.

There is a foundation of work on which to build.

Specific elements of the ECE system should be matched with appropriate financing mechanisms.

New mechanisms that bring additional revenues to the ECE system can be identified and instituted into policy.

March 5, 1999, Santa Cruz, California

A Crisis in Our Midst

The ECE field has witnessed immense progress in recent decades. Working together, many parents, practitioners, advocates, researchers, and funders have taken a hard look at the ECE marketplace as it now exists. They have come to grips with the urgent need to improve and expand services, and have made significant progress toward defining quality and strengthening programs. But in the process, they have returned again and again to a disturbing reality: parents with young children–the source of most ECE dollars–simply cannot afford the cost of high-quality services. Indeed, many are hard pressed to pay for programs and arrangements on which they now rely. The issue of an adequate financial base is central to future progress.

Today, as never before, there is an interest in young children. The political climate is open to the establishment of new or enhanced ECE financing mechanisms and structures, but according to national experts, it won't be open for long.

The opening of this window reflects, in part, growing conviction that efforts to improve prospects for our nation's young people must begin in the early years; they cannot wait until children are five or six years old. Over the last two decades, researchers in fields such as neuroscience, developmental psychology and cognitive science have expanded our understanding of the kind of care our children need in these years.[2] Their work on infant brain development demonstrates and describes the powerful influence of early experience on the journey through childhood and beyond. To be sure, learning takes place throughout life, but in the years between birth and kindergarten, children make developmental strides that form the basis for later achievement.

Another line of research shows the vital link between optimal developmental outcomes for children and quality ECE.[3] It demonstrates that children benefit when non-parental caregivers are well qualified, well trained and well compensated; when child-adult ratios allow for responsive care; when facilities are safe, comfortable and well maintained; and, when activities are engaging and appropriate for young children. We also know that improving quality means raising cost. The yawning gap between the cost of high-quality care, the incomes of low- and middle-income families and the investments of the public sector demand new approaches to ECE financing.

Working Definitions

These definitions, proposed by participants, served as working definitions during the meeting.

Financing Mechanisms: The strategies for generating funding (e.g., payroll tax, social insurance, tax credit, local, state, federal general fund revenues).

Financing Structure: The delivery systems for administering funding (e.g., higher education, elementary and secondary education, and social services).

Funding: Private or public monies that go to parents and to providers (money generated by financing mechanisms; usually refers to amounts of funds needed, e.g., $14 billion in funding).

Early care and education system: ECE system includes the programs/providers and the infrastructure (e.g., professional development, regulation, governance, accountability, public will, and information management/dissemination) for services for children birth to five years old.

Researchers' insights into ECE program quality have influenced the day-to-day choices and actions of parents and the policy decisions made by elected officials, and business and community leaders. The emergence of this body of research over the last decade is one of several important factors that have created the opportunity to address our nation's ECE financing crisis.

A second important factor has been the flood of women with young children entering the workforce. In 1975, 39% of mothers with children under the age of six were in the workforce; by 1998, that percent had grown to 65%.[4] And, today, one in three of preschool-age children whose mothers are not in the labor force (2.7 million) nevertheless experience some form of ECE service on a regular basis.[5]

For me, the Santa Cruz meeting re- energized my commitment to seeing that high-quality, affordable care is available for every child. Now, I look forward to putting an equal level of energy into strategic, unified action to create funding to make it happen!

Sarah M. Greene, CEO
National Head Start Association

A third factor that has heightened interest in ECE issues is the new national welfare policy. The growing conviction of elected officials and the public that low-income parents should work and be independent of government cash assistance resulted in two major pieces of federal legislation that pushed most low-income families into the workforce–the Family Support Act *(1988)* and the Personal Responsibility and Work Opportunity Reconciliation Act *(1996)*. In this context, the need for ECE services for low-income working parents is undeniable–and so is their need for subsidies to pay for those services. Low-income families spend an average of 27% of their monthly income on ECE services, compared with an average of 7% for families with higher incomes.[6] Although funding for such services has increased tremendously since 1990– federal funding alone has nearly tripled[7]–parents still bear the brunt of the cost and too many parents still cannot afford the kind of ECE services they want for their children.

Recent research stresses the importance of quality in ECE programs and increased demand by families raises issues of access, especially for low-income families. Even with the last decade's historic increase in state and federal ECE funding, there is a gaping disparity between the cost of quality care and the financial commitments made thus far. Some experts suggest that current funding levels may need to be tripled[8] in order to finance a high quality, universal ECE system.

The Santa Cruz Meeting

The Santa Cruz meeting, designed to spark new ideas and explore possible options for next steps on ECE finance issues, opened on Wednesday, March 3, in the late afternoon and adjourned on Friday, March 5.

Individuals from diverse backgrounds were invited, including economics, public policy, ECE, business and government. Some were researchers, some practitioners, some advocates, some funders. A few were new to the ECE field itself.

The goals of the meeting were extremely ambitious given the short time frame and the diverse backgrounds of participants. Participants were challenged to maintain a focus on financing issues and a sense of urgency laced the interactions. Materials and presentations distributed in advance of and during the meeting helped provide common information and suggested themes for discussion, but the diversity of participants precluded the presence of a shared conceptual framework. Frustration alternated with excitement as people struggled to understand each other and embrace the challenges.

Participants were asked to think beyond current solutions, contribute new perspectives on financing from other fields, and be open to new ideas from other participants. In an effort to spur new thinking, a panel of participants made presentations on four approaches to financing outside the current American ECE system: public education, social insurance, higher education, and the French preschool system, the *ecole maternelle*.

Ground rules were set for the meeting that encouraged shared purpose and commitment to achieving the goals. Participants were expected to be present for the entire meeting and asked to read materials prior to their arrival.

The meeting format alternated between plenary sessions and small group work. On Thursday afternoon, participants created small working groups. Topics were not predetermined and the set of ideas around which interest coalesced ranged from considerations of the kind of care provided, to financing mechanisms, to accomplishing and sustaining progress.

I found the meeting to be energizing; it made me anxious to start work on the next steps. So many of us have been working for so long on these issues, and the outcomes have not been very encouraging. Now, I think maybe there really is hope.

Sandy Burud
Burud and Associates

Two of the working groups examined aspects of the current system–care provided to infants and toddlers *(ages 0-2)* and care provided to preschool children *(ages 3-5)*. Participants concluded that there was virtue in zeroing in on the unique developmental needs of these two stages, that the provision of services to each group faces different challenges and opportunities. However, there also was an understanding that the needs of children and families ultimately are best served when continuity exists between developmental phases and the system links the two together.

A third group focused its attention on finance mechanisms, especially tax policies. Finally, a fourth group went beyond discussing what should be financed or how, to develop a process by which local/state constituencies for ECE financing and programs can be built, consulted and relied on for political support.

By inviting new voices into the meeting dialogue, the dynamics within the ECE field were illuminated. Veteran participants were challenged to reflect on their place within the field and on their own perspectives, challenges that were openly discussed by many. Some came to realize justifiable pride in their accomplishments had fused with narrow commitments to their own frameworks.

Although the meeting did not conclude with recommendations on specific financing mechanisms, advances were made on a number of fronts. This in itself came to be viewed as an important discovery. It brought many of us to two realizations about making progress on these issues. First is the belief that moving forward on ECE financing issues is more likely to be an iterative, strategic process—resembling the construction of a huge jigsaw puzzle in which different areas are worked on simultaneously –rather than a unified campaign with a singular focus.

One of the keys to adequate funding is to hold politicians accountable to the promises they make regarding children's programs. Everywhere we turn children's programs are poorly implemented because of a political "bait and switch" where programs are never funded at the level needed to fulfill their promise.

Steve Barnett, Professor
Director, Center for Early Education
Rutgers—The State University of New Jersey

Second is the recognition of a healthy tension between those who believe that there must be an agreed upon definition of the ECE system and those who believe the lack of such a definition should not be allowed to stymie progress. Rather than representing two distinct camps, the goals of each can be realized in the process–consensus on the definition will come into focus as we move forward.

Coming Together Around Shared Interests

Within each of the small working groups, the interchange was rich and many ideas were generated. This section reports on these discussions and the ideas for next steps that emerged.

Tax and Other Financing Mechanisms: Education, Research, Implementation

This group proceeded from the assumption that new financing mechanisms need to be developed and current ones improved, especially in the area of federal and state tax policy. Current U.S. tax policy related to ECE is not as effective as it could be. Benefits are not large enough to affect consumer behavior, do not reach all taxpayers, and are not crafted to promote quality.[9] Tax strategies are attractive because if tax policies are thoughtfully constructed, they are relatively stable, self-administered and can potentially help all families.

The group identified three strategies to promote development and implementation of new and improved financing mechanisms, especially in the area of tax policy: 1) a concentrated effort to educate the ECE community about financing mechanisms, especially tax policy; 2) a greater ability to research, analyze, and cost out different concrete tax and financing proposals; 3) an immediate action agenda to promote expansion of the current federal Dependent Care Tax Credit *(DCTC)* and parallel state tax provisions.

The first strategy is designed to promote greater understanding of current and potential ECE financing mechanisms. This is especially needed in the area of tax policy, where the issues can be quite complex. Without a greater understanding of basic financing concepts, the group felt that the ECE community would have a difficult time moving forward on a common financing agenda. This educational effort could be undertaken by "teach-ins" in the states and/or at the federal level on financing issues, especially tax policy. The goal of these "teach-ins" would be to develop shared understanding of current financing mechanisms and create frameworks for analyzing new proposals. The effort should include a technical assistance component to help communities build on what they have learned. Overall, the educational effort should be designed to lay the groundwork for more knowledgeable discussion and work on financing options.

The second strategy is designed to move communities to develop and implement new financing proposals. For this to occur, there must be a greater ability to research, analyze and make reliable cost estimates for different

Action Steps: Tax and Other Financing Mechanisms

- △ **Undertake a concerted educational effort in the ECE community to promote greater understanding of current and proposed financing mechanisms, especially in the area of federal and state tax policy.**
- △ **Develop and cost out concrete tax and financing proposals that are suited to the particular segment of the system being financed.**
- △ **Create action teams for immediate work at the federal and state levels to improve the federal DCTC and parallel state tax provisions.**

concrete financing proposals. This effort could be undertaken by ongoing work groups that would flesh out some of the ideas that have been advanced at this conference and elsewhere. They could work closely with an economist or other analyst with the ability to cost out proposals. They should share information with the larger ECE community as they proceed, especially in states with financing commissions or other entities that could put their work to immediate good use. They could consult with experts from other fields—such as tax, venture capital, housing and community development. They should work to ensure that proposals by one work group were integrated with proposals by other work groups—and ultimately support an integrated ECE system.

The Santa Cruz meeting helped me to understand that the challenge of expanding ECE funding is a less technical issue and a more political one. We need to build public and political will around a set of strategies that go beyond child care to help families balance home and work responsibilities.

Evelyn Ganzglass,
Director of Employment and Social Services Policy Studies National Governors' Association Center for Best Practices

For example, in the tax area a work group of interested individuals could be organized to explore in more depth an idea advanced by Louise Stoney—the creation of a Child Care Facility Tax Credit modeled on the Low-Income Housing Tax Credit (Housing Credit). The Housing Credit is the largest federal program to fund the development and rehabilitation of low-income housing. It works by giving incentives in the form of tax credits to private investors, who in turn provide equity financing for low-income housing projects. The Housing Credit gives low-income families the chance to live in housing that they otherwise would not be able to afford. A Child Care Facility Tax Credit could similarly help encourage the building or renovation of child care facilities in low-income neighborhoods.

Expansion and improvement of the DCTC and parallel state tax provisions was proposed by this work group as the third strategy, a move already supported by the ECE community. Both Congress and many state legislatures, flush with budget surpluses, are considering tax cuts. Now is the time to make sure any tax cuts include strong provisions to help families with ECE expenses. An action team should be organized to work with the National Women's Law Center in its ongoing efforts to improve the DCTC at the federal level and establish or improve parallel state tax credits or deductions for child care.

The DCTC, at $2.5 billion, is the third largest source of federal support for ECE, after Head Start *($4.7 billion)* and the Child Care and Development Fund *($3.4 billion)*. It allows families with child care expenses to offset their tax liability by a percentage of their qualifying expenses. The maximum tax assistance available ranges from $1,440 for families with two children and annual incomes less than $10,000 to $960 for families with two children and annual incomes over $28,000, yet few families with low-incomes can afford to spend enough on child care to obtain the maximum tax assistance from the DCTC. At best, the DCTC offsets only 20% to 30% of a family's child care expenses—up to $2,400 in expenses for one child and $4,800 in expenses for two or more children. Moreover, because the DCTC is not refundable, it offers no assistance to low-income families who have no tax liability.

About half the states have tax credits or deductions that parallel the federal DCTC. Only a few are refundable. Minnesota has one of the most generous credits for low-income families, providing an offset against state taxes of 100% of the federal DCTC, and can be received as a tax refund if the family has little or no tax liability. It is indexed for inflation.[10]

The tax work group proposed modifying the federal DCTC in four ways:

- △ **Make it refundable. Ensure that families who owe no federal income taxes can receive a refund and thereby benefit from the DCTC.**
- △ **Ensure that it is indexed for inflation. Ensure that the DCTC does not have static limits that have to be changed legislatively.**
- △ **Increase the expense limit. Ensure that the DCTC's limits for allowable expenditures reflect the real costs of paying for high-quality child care.**
- △ **Increase the percentage of costs covered. Ensure that families, especially at low incomes, can claim a greater percentage of their actual child care costs, so that the DCTC can broaden parental choices and make a difference for more children.**

The single most important insight for me recently is that ECE programs cannot survive and provide quality services if they rely on parent fees and/or vouchers alone. ECE programs need direct financial support in addition, just as higher education institutions do.

Joan Lombardi, Senior Associate
Bush Center in Child Development and Social Policy, Yale University

The group proposed similar changes to state tax provisions for child care and advocated that states without such provisions consider adding them to their tax codes.

Focusing on Babies: Research, Networking, Parental Leave

A second work group chose to focus on system and finance reforms that would expand and improve ECE services for babies, ages birth through two, working on the premise that the needs of this age group are distinct.

Today, more than half of all mothers return to work before their babies' first birthdays; 48% of the nation's children under the age of 3 are cared for during working hours by someone other than a parent. About 17% are cared for by relatives, 12% are in child care centers, 11% in family child care homes and 4% are in their own homes, cared for by a non-relative.[11] The need for care for our youngest children is great, but high-quality services are difficult to find. In fact, one study estimates that fully 40% of the infant and toddler rooms in child care centers are of such poor quality that they endanger children's health and safety.[12] Other research questions the quality of care for babies in family child care homes.[13]

This group advanced four sets of ideas:

First was the idea that ECE for babies offers a discrete set of challenges that may get lost in general discussions of the 0-5 age span. This stage of childhood–and of parenthood–brings different needs, and merits separate consideration. Nevertheless, the group believed that care for babies could and should be coordinated with ECE for preschoolers.

Second, the group asserted that the field needs to know more about the current state of care for babies. They urged an effort to document what already is known, and chart directions for further research.

Action Steps: Focusing on Babies

- △ **Analyze the existing supply of all types of caregiving settings for babies, as well as its quality and real costs.**
- △ **Study existing policies and programs for babies, the status of parental leave, and finance mechanisms that most directly affect children ages birth to two years, such as child care subsidies.**
- △ **Establish a working group to map out a research agenda aimed at filling the gaps in what we know about ECE for infants and toddlers.**
- △ **Explore the implications of incorporating paid parental leave into an ECE system; include an international perspective.**
- △ **Convene stakeholders from business, labor, and other sectors to consider ways to incorporate infant/toddler care into an integrated ECE system.**
- △ **Work on models of neighborhood support centers that would support and connect all of the adults who care for young children.**

Third, the group believed that a key to improving care for babies is providing community-based supports and resources for all types of caregivers–parents, relatives, family child care providers, and center-based providers. They proposed establishing networks of Caring Community Centers–neighborhood centers where all caregivers, including parents, could go for company, advice, information, or referrals. The group viewed the creation of such neighborhood support centers as an enhancement effort that would supplement–but not replace–the improvement of existing early childhood services and the expansion of subsidies.

Because these support centers could build on existing organizations or programs *(such as family resource centers, resource and referral organizations, Early Head Start programs, Healthy Start, programs funded by IDEA, Part C, or community-based organizations)*, some funding could come from existing funding streams. Some new monies would be needed however. Budget surpluses and the tobacco settlement funds were mentioned as possible sources. Public-private partnerships also could be established to support these centers.

And fourth, the group agreed that a parental leave option is fundamental to any scheme of care for babies. This priority was based both on the recognition of the limited availability and poor quality of infant care available to most families and on the shared sense that parents should be able to choose whether they want to care for their child in the first year of life. Participants proposed building a system of parental leave based on existing laws and practices. For example, the 1993 Family and Medical Leave Act gives employees in companies with 50 or more employees the right to take 12 weeks of unpaid leave. Building on this law could mean extending unpaid leave to all new parents, regardless of the size of the company, and extending the length of the leave to 12 months following the birth or adoption of a child. State parental leave laws could be extended in similar ways.

Efforts to extend eligibility could be combined with efforts to establish financing mechanisms for paid parental leave. Some financing mechanisms discussed included:

- △ **Expanding the use of state disability funds. Disability funds, collected from payroll taxes, could be expanded to fund parental leave. In California, state disability insurance covers six weeks of "disability" following the birth of a child.**

△ **Using Child Care and Development Block Grant (CCDBG) funds. These funds could be used to compensate parents who stay home to care for their children.**

△ **Modifying the DCTC to provide tax benefits to stay-at-home parents of very young children. Presently, the DCTC is available only to employed parents who can document child care expenses.**

Moving toward Universal Preschool: Education, Advocacy, Funding

The third work group developed strategies aimed at ensuring that all children enter kindergarten ready to succeed by means of universal preschool programs. It suggested ways to move toward universal preschool programs that are developmentally appropriate; available to all three and four year olds whose parents choose to enroll them, regardless of whether parents are working; offer full-day programming, with some part of the day free and some paid for on a sliding scale; and, in which programs and staff are licensed/credentialed.

The preschool group proposed to fund these programs from local, state or federal dollars, with state/local control. The group suggested the following strategies for increasing federal spending on ECE:

△ **Redirect unspent TANF dollars to preschool. $3-4 billion are now available; $8-10 billion might become available over the next several years.**

△ **Expand existing federal funding streams. Among the funding streams might be Head Start and the CCDBG.**

△ **Use part of the federal budget surplus: a percentage of this surplus might be dedicated to children, including ECE.**

Participants noted several advantages of the universal preschool strategy. It holds appeal for parents of preschoolers, and may please employers as well. Winning over other taxpayers may be more difficult, however. Framing the issue as an extension of school reform provides a strong rationale for raising or allocating tax dollars for early education. When ECE is presented as a matter of school readiness, it may be seen as a way to help children rather than a way to build or strengthen an institution.

On the other hand, to succeed, universal preschool must confront some deeply rooted convictions including the notion that ECE is a family matter, not a public responsibility. This strategy must also address the public's view of

Action Steps: Moving Toward Universal Preschool

△ **Commission case studies of existing state level initiatives that are moving toward universal preschool. Disseminate the findings, especially in states that are considering their own programs.**

△ **Establish a working group to consider ways to redirect TANF dollars to preschool programs.**

△ **Join forces with existing groups working to expand existing funding streams and to develop new strategies.**

△ **Develop a powerful rationale for using part of the federal budget surplus to support ECE initiatives.**

△ **Study possible sources for increased state spending on universal preschool, including lottery revenues, tobacco settlement dollars, and new tax revenues from Internet sales.**

ECE as "babysitting." Finally, resistance also may come from private for-profit or non-profit child care providers, who may fear competition from state preschool programs. Given these stumbling blocks, the universal preschool group identified advocacy and public engagement as crucial elements of their strategy.

Creating a Climate for Change: Clarity, Analysis, Education and Sustainability

The fourth work group asked: "What needs to happen to increase public investment in ECE?" They worked from the perspective that our country has moved from a representative government, in which elected officials speak for their constituents, to an agency government, in which elected officials determine what constituents want and then act as agents to obtain those wishes. Therefore, the key to changing policy in this new environment is to understand and educate public opinion; the will of the public determines how elected officials act.

This group devoted considerable time to discussing an assessment of public support for ECE prepared for the meeting.[14] Ethel Klein, the author and a member of this group, asserted that by and large, the American public does not consider public provision of ECE to be important to society and believes that parents need to bear more responsibility for the healthy development of their own children. Resistance to universal ECE is rooted in the view that child rearing is the responsibility of parents, not government. Americans do believe, however, that government has a role to play in reducing poverty, and will invest in programs aimed at helping poor children and enabling welfare recipients and the working poor to hold jobs.

The group developed an iterative model for learning from and educating the public and gaining their support. The model consists of a number of components. All of the components must be implemented, but they may take place in different sequences depending on the dynamics of particular situations.

- △ **Articulate ECE financing requests with clarity.** Participants in this group agreed that for progress to be made advocates must be clear about what is to be funded, currently such clarity does not exist. Group members who have experience working with elected officials suggested that support would be easier to obtain if such clarity accompanied advocacy efforts.

  As a starting point, therefore, the group created a "straw" vision so they then could create a process to achieve the vision. The vision they identified was a universal system of high-quality ECE services dedicated to enabling all children to enter

Action Steps: Creating a Climate for Change

- △ **Clearly delineate the quality ECE system that you want to fund.**
- △ **Calculate the cost of such a system and the benefits to the public of instituting it.**
- △ **Analyze successful advocacy efforts, especially in states with promising ECE initiatives, and map out a research agenda to support public engagement work.**
- △ **Organize broad-based public meetings in each state, bringing in new people and new ideas to educate the public and persuade them to support fully funding quality programs.**

school prepared to succeed. Such a system would be sustainable, fully-funded, and include a high degree of parental involvement.

△ **Analyze political realities and map public values.** Efforts to learn from and educate the public should be informed by cogent analyses of the political environment and of public values, based on qualitative and quantitative opinion research. In addition, advocates should create campaigns that draw on communications expertise to persuade the public to support a high quality ECE system.

△ **Educate the public about the costs of ECE services to be financed.** After achieving clarity about what is to be funded, the group agreed that advocates need to educate the public about the actual costs of the system, as well as the current local, state and federal funding sources for the ECE system.

The basic challenge facing advocates of ECE is getting Americans to understand that providing ECE is a social good. That is the key to moving this issue further into the public realm. That door has been opened by the more recent efforts to discuss ECE but, as that work shows, the challenge is not naming the problem. The challenge is getting the public to accept our assertion that government has some responsibility to and for our children.

Ethel Klein
EDK Associates

△ **Do a cost/benefit analysis of the financing request.** Cost/benefit analyses could be used to inform the public of the return on investments that they might expect to see if they agree to fully fund a high-quality ECE system. The goal would be to persuade the public that intervention and prevention are less expensive than the costs of bad outcomes for children.

△ **Implement and evaluate.** At some time after the adoption of the agreed-upon changes, the public input process should begin again to determine whether public support still exists. Reevaluation of existing programs and mechanisms may be necessary, as well as updated cost/benefit analyses.

This iterative model, acknowledges on core public values and persuades the public of the soundness of investments in quality ECE services, thereby supporting the establishment of an ECE system that is sustainable over time.

The Next Steps

Like other forms of turbulence, brainstorms tend to be brief, intense, and memorable. The ideas and suggestions precipitated during the Santa Cruz meeting were abundant and wide-ranging, but little time was available for elaboration. Below we have compiled some of the downpour– although documentors' "pails" could not begin to collect all of the thoughts and suggestions that flowed from participants. Here we present a broad view, suggesting several overarching challenges that emerged from the Santa Cruz dialogue.

- △ **Develop a shared mental model within which new ideas can be generated, tested, and explored.** Participants were in agreement about the importance of strategies linking diverse finance mechanisms into an integrated ECE system. Some believed that this would not happen until the field itself develops a more unified vision that would serve as a framework for building an ECE system. However, most agreed that without agreement on a shared model, work on finance issues should still proceed.

- △ **Build capacity to work on ECE finance.** Relatively few experts in finance have great familiarity with the nuances of ECE policy and practice, and relatively few early childhood educators can discuss finance issues in great detail. "Teach-ins" or similar efforts to educate key stakeholders in states and localities would significantly enhance efforts to address ECE financing issues.

- △ **Support further research in the realm of ECE finance.** Many key questions remain unanswered. For example, efforts to determine the actual costs of high quality ECE are needed both at the federal and state level. We also need to know more about the economic dynamics of systemic reform and the political dynamics of successful advocacy. And, we don't know enough about applying lessons learned from high quality individual programs to entire systems *(local, state, or national).*

- △ **Create a climate for change.** Public support for ECE financing issues is neither widespread nor deep. Many in the field do not have a clear understanding of the role public values play in this dynamic. More work needs to be done in analyzing political realities and mapping public values as they relate to ECE issues. We must broaden the constituency base by engaging new stakeholders. Efforts to strengthen advocacy and public support must be initiated to support and sustain change.

- △ **Build on existing work on finance strategies and mechanisms.** Important work on financing already has been done or is in process. Many of the suggestions raised at the Santa Cruz meeting are being thought about, developed, or tested somewhere in the nation. Lest we reinvent the wheel, it is important to survey existing work on finance strategies and mechanisms, and to build on them.

It is clear from the energy and enthusiasm displayed during the meeting that many individuals from across the country and across disciplines are ready to take action. We hope that you will join with us and others like us who are taking on the challenges of collective leadership to address the ECE financing challenges we face today. Much of importance emerged from the spirited discussions and the valuable insights that characterized the meeting. A core set of statements now exists that can serve as a guide. We know there is a foundation from which to launch our efforts. We have given up on the notion that there is a single, simple approach to ECE financing challenges. And we know that political viability and sustainability will have to involve more than educating the public; we must be listening as well.

ENDNOTES

1. See Appendix A for an agenda and Appendix B for a list of participants.
2. For a summary, see *Rethinking the Brain, New Insights into Early Development*, by Rima Shore. New York, NY: Families and Work Institute, 1997.
3. E. Peisner-Feinberg,, M. R. Burchinal, R. Clifford, N. Yazejian., M. L. Culkin, J. Zelazo, C. Howes, P. Byler, S.L. Kagan, J. Rustici, *The Children of the Cost, Quality, and Outcomes Study Go To School* (Chapel Hill, N.C.: Frank Porter Graham National Center for Early Development and Learning, University of North Carolina at Chapel Hill, 1999); National Institute of Child Health and Human Development Early Child Care Research Network, "Child Outcomes When Child Care Center Classes Meet Recommended Standards for Quality," *American Journal of Public Health*, v. 89, no. 7 (July 1999):1072-1077.
4. U. S. Department of Labor, Bureau of Labor Statistics (Unpublished data, 1999).
5. National Center for Education Statistics, "ECE Program Participation for Infants, Toddlers, and Preschoolers" (Washington, DC: NCES, October 1996).
6. "Who's Minding the Kids? Child Care Arrangements: Fall 1991," Survey of Income and Program Participation, Current Population Reports, P70-36, U.S. Bureau of the Census (Washington, D.C.:1991) 21.
7. Federal funding in FY1990 was $5.2 billion; for FY1999, funding was $14 billion. Ron Haskins, Staff Director, Human Resources Subcommittee, Ways and Means Committee, U.S. House of Representatives, 1999.
8. Louise Stoney, *Toward Solutions: Through the Child Care Funding Maze, Stepping Up: Financing Early Care and Education in the 21st Century* (Washington, D.C.: David and Lucile Packard and Ewing Marion Kauffman Foundations, 1999) 7.
9. Ibid., 7-8.
10. J. Steinschneider, E. Donahue, N. Campbell, & V. Williams, *Making Care Less Taxing: Improving State Child and Dependent Care Tax Provisions* (Washington, D. C.: National Women's Law Center,1998).
11. B. Willer, S. Hofferth, E.E. Kisker, et. al., *The Demand and Supply of Child Care in 1990* (Washington, D. C.: National Association for the Education of Young Children, 1991).
12. S. Helburn, M. Culkin, J. Morris, N. Moran, C. Howes, L. Phillipsen, D. Bryant, R. Clifford, D. Cryer, E. Peisner-Feinberg, M. Burchinal, S. L. Kagan and J. Rustici, "Cost, Quality, and Child Outcomes in Child Care Centers: Key Findings and Recommendations," *Young Children"* (May 1995) 40-44.
13. E. Galinsky, C. Howes, S. Kontos, M. Shinn, " The Study of Children in Family Child Care and Relative Care—Key Findings and Policy Recommendations," *Young Children* (November 1994) 58-61.
14. E. Klein, "Funding Early Care and Education: An Assessment of Public Support," *Stepping Up: Financing Early Care and Education in the 21st Century, Vol. 1*, a publication of four papers commissioned for *Making It Economically Viable: Financing Early Care and Education*, a working meeting hosted by the Ewing Marion Kauffman and David and Lucile Packard Foundations (June, 1999).

Stepping Up Together: *Kicking Off*

Santa Cruz meeting participants suggested that the following action steps could be taken to kick off efforts to improve ECE financing.

- △ **Educate yourself on ECE financing issues. If you have ECE finance expertise, educate colleagues, advocates, the media and the public about financing.**
- △ **Join with those who are actively working with policy makers.**
- △ **If you have ECE expertise, share it with policy makers, advocates, the media and the public to make the case for the need for new investments in ECE.**
- △ **Think openly about possibilities before rejecting a new approach to financing.**
- △ **As a parent, share your concerns about our ECE services with others, especially elected officials and the media.**
- △ **Undertake a concerted educational effort in the ECE community to promote greater understanding of current and proposed financing mechanisms, especially in the area of federal and state tax policy.**
- △ **Communicate lessons learned as new financing models are developed. Disseminate the materials broadly.**
- △ **Develop and cost out concrete tax and financing proposals that are suited to the particular segment of the system being financed.**
- △ **Create action teams for immediate work at the federal and state levels to improve the federal DCTC and parallel state tax provisions.**
- △ **Analyze the existing supply of all types of caregiving settings for babies, as well as its quality and real costs.**
- △ **As a child advocate, reach out to educate and listen to the public. Involve the public in your advocacy work.**
- △ **Study existing policies and programs for babies, the status of parental leave, and finance mechanisms that most directly affect children ages birth to two years, such as child care subsidies.**
- △ **Establish a working group to map out a research agenda aimed at filling the gaps in what we know about ECE for infants and toddlers.**

△ Explore the implications of incorporating paid parental leave into an ECE system; include an international perspective.

△ Convene stakeholders from business, labor, and other sectors to consider ways to incorporate infant/toddler care into an integrated ECE system.

△ Work on models of neighborhood support centers that would support and connect all of the adults who care for young children.

△ Commission case studies of existing state level initiatives that are moving toward universal preschool. Disseminate the findings, especially in states that are considering their own programs.

△ As an elected official, participate in improving the financing of ECE. Speak out publicly about the needs of families for high-quality ECE and for adequate funding to support it.

△ Establish a working group to consider ways to redirect TANF dollars to preschool programs.

△ Join forces with existing groups working to expand existing funding streams and to develop new strategies.

△ Develop a powerful rationale for using part of the federal budget surplus to support ECE initiatives.

△ Study possible sources for increased state spending on universal preschool, including lottery revenues, tobacco settlement dollars, and new tax revenues from Internet sales.

△ Clearly delineate the quality ECE system which you want to fund.

△ Calculate the cost of such a system and the benefits to the public of instituting it.

△ Analyze successful advocacy efforts, especially in states with promising ECE initiatives and map out a research agenda to support public engagement work.

△ Organize broad-based public meetings in each state, bringing in new people and new ideas to educate the public and persuade them to support fully funding quality programs.

For additional copies of *Stepping Up or Stepping Up Together*, or for further information about the website, please contact the National Association of Child Advocates (NACA), 202-289-0777, X211 or cohen@childadvocacy.org.

Making It Economically Viable: *Financing Early Care and Education*

March 3-5, 1999
Santa Cruz, California

Appendix A

AGENDA

The overall purpose of this meeting is to provide a forum for key stakeholders to identify viable financing frameworks and develop an action agenda to move toward the ultimate goal of giving all children access to quality early care and education.

The meeting will be successful if, by its end, you have contributed to:

- △ *The formulation of one or several viable financing mechanisms for the early care and education system for children 0-5;*
- △ *The development of financing frameworks identifying the partners, research, political strategies, and key stakeholders and constituencies necessary for adopting, implementing and sustaining the chosen financing mechanisms; and,*
- △ *The identification of specific next steps to be taken to move an action agenda forward.*

Wednesday, March 3

1:00 pm **Facilitators & Recorders Meeting**

The facilitators and recorders have an opportunity to review and discuss their role.

3:00 pm **Registration**

4:00 pm **Welcome and Purpose**

Over the last twenty years, a great deal of research has been done to map out the kind of early care and education we want for all our children. It is time now to turn our thinking and efforts to deciding how we should finance such a system. During this meeting everyone will have an opportunity to devise financing strategies that will guarantee children the out-of-home support they need during the first five years of life while enabling parents to work.

It is our challenge to create an action agenda for the next decade that will make a difference in the affordability of accessible, quality early care and education for all children. It is our hope that everybody will find this work useful in guiding their own efforts, and that collectively we can take advantage of a window of opportunity that exists to establish new or enhanced early care and education financing mechanisms.

SPEAKERS:

Stacie Goffin, Ewing Marion Kauffman Foundation

Marie Young, The David and Lucile Packard Foundation

5:00 pm **Mapping The Policy Space**

The participants identify the issues surrounding the development of financing mechanisms, discuss the proposed criteria for an early care and education system, and adopt a common perspective on the concept of a viable financing framework.

Facilitator: Jolie Bain Pillsbury

6:30 pm **Reception**

7:00 pm **Dinner**

8:00 pm **Close**

Thursday, March 4

8:00 pm **Continental Breakfast**

8:30 pm **Thinking about Financing in a New Way**

Panel discussion of alternate scenarios for financing early care and education in the 21st Century.

SPEAKERS:

Teresa Vast, Financial Aid Think Tank
Steven Barnett, Rutgers University
Duffy Campbell, National Women's Law Center
Mark Greenberg, Center for Law and Social Policy

9:45 am **Exploring the Issues** *(Round 1)*

Participants attend concurrent sessions to engage in more in-depth discussions exploring specific financing mechanisms, issues in implementing a quality early care and education system, and the challenges of creating a climate for change.

SYMPOSIA LEADERS:

ECE:	FINANCING MECHANISMS:	CREATING A CLIMATE FOR CHANGE
Shirley Stubbs Gillette	Terry Vast	Ethel Klein
Susan Muenchow	Duffy Campbell	Faith Wohl
	Mark Greenberg	Nancy Sconyers
	Steven Barnett	

10:30 am **Break**

10:45 am **Exploring the Issues** *(Round 2)*

Participants attend concurrent sessions to engage in more in-depth discussions exploring specific financing mechanisms, issues in implementing a quality early care and education system, and the challenges of creating a climate for change.

SYMPOSIA LEADERS:

ECE:	FINANCING MECHANISMS:	CREATING A CLIMATE FOR CHANGE
Gina Adams	Terry Vast	Deb Wadsworth
Abby Cohen	Duffy Campbell	Joan Lombardi
	Mark Greenberg	Harriet Dichter
	Steven Barnett	

11:30 am **Identifying the Viable Financing Mechanisms**

Participants identify the financing mechanisms that are of most interest to them. The group reviews and adopts a common approach to more fully develop the financing framework(s) to support the adoption and implementation of the selected financing mechanisms.

12:30 pm **Developing the Financing Frameworks** *(Working Lunch)*

Participants work in small groups to more fully develop the financing mechanism(s) and articulate the financing framework(s) needed to support the adoption of the financing mechanism(s).

FACILITATORS:	RECORDERS:
Harriet Dichter	Nancy Sconyers
Anne Mitchell	Bob Pillsbury
Margy Walker	Carol Stevenson
Marge Petruska	Cheryl Polk
Karen Hill Scott	Eleanor Clement Glass
Barbara Reisman	Deanna Gomby

2:30 pm **Break**

3:30 pm **Negotiating a Common Action Agenda**

Based on the work of the groups on the financing frameworks, all the participants identify strategies for the development and implementation of financing mechanisms. Participants choose areas that would benefit from common action and decide how to coordinate their efforts.

5:30 pm **Break**

6:30 pm **Reception and Dinner**

8:00 pm **Close**

Friday, March 5

8:00 am **Continental Breakfast**

8:30 am **Outlining the Work Plan**

Building on the prior day's work, the participants identify the specific next steps to be taken to move the common action agenda forward.

10:00 am **Break**

10:30 am **Next Steps**

Participants discuss what is required to take the next steps identified in the work plan and share their own ideas about what follow-up actions to take in the next three months.

12:00 pm **Concluding Luncheon**

1:00 pm **Adjourn**

Participant List
Revised 8/11/99

Appendix B

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Participants' Proposals for Next Action Steps for ECE Financing

Appendix C

Before participants arrived in Santa Cruz, they were asked to submit a brief proposal discussing what needs to happen next to generate, explore or test ideas that will provoke new approaches to financing ECE for children ages 0-5. We are sharing these ideas with you because they are fresh and intriguing and because they suggest potentially productive routes to solutions to the ECE financing crisis.

Bring preschool education into state law suits where the constitutionality of public education and its financing are being challenged. The argument is that preschool education is a remedy for the inadequacies of the existing education system and that the state funding is required to ensure that poor children have access to intensive, high quality programs.

Build early education and care investment accounts on the existing DCAP by removing the cap and letting the accounts roll over each year. Let people put money in these even prior to having a child so that they can use these to finance parental leave and then childcare/early education later. The government could contribute a 50% match or a match on a sliding scale with income.

Raise standards so that the minimum education for a lead teacher for a child 3-5 years old is a BA with an early childhood certification or endorsement. The standard will drive funding up if class sizes are limited *(to 15-18)*. There must be a public information campaign supported by research to convince the public that real teachers and not babysitters are required.

Bring together all the state finance commission members *(see Appendix E)* to share ideas and to hear new ideas. Possibly, begin a discussion about developing a national agenda or minimally, engage commission members on possible next steps. This will help build a sense of movement on a national level, help commission members think outside of the box, and get more movement outside of the states and bring together an impressive array of leaders for children.

I think it is important to bring together the national players along with the grass roots movers and shakers working on this issue. It has been missing. It is the merging of the thinkers with the doers. Some of the problems we are dealing with is because people who are trying to make things happen in their states have been isolated from some of the people who are doing the thinking. It would be wonderfully helpful to get together people for an extended length of time to get down to individual "nitty gritty" state politics and overlay it on a national agenda.

At the federal level: Establish a Presidential bipartisan commission to identify the amount and structure of public and private investment needed to provide good quality child care for all children who need it, as well as realistic economic support for parents who choose to care for infants and toddlers at home. Consider, as a delivery mechanism, a financial aid system, similar to that used in post-secondary education, for determining each family's need and distributing aid according to market prices of the programs parents choose and the cost of parental leave.

At the state level: Organize think tanks or finance commissions to develop proposals for the financing of good quality child care for children from birth to age six. Proposals should address parental time with very young children – paid parental leave – as a child care option. Proposals that include universally available pre-kindergarten programs for 3 and 4-year olds should address serving this age group within the context of the 0-6 age continuum and a diverse delivery system of private and public programs. As part of its task, each state-level think tank should propose a specific role for the federal government.

We need to come up with numbers (costs) and a bold, innovative proposal, that includes funding from family contributions, public, and private funding sources and how the system will work for children and families. It needs to include parents being able to stay home with children in addition to child care, special needs, Head Start, and parent education. Build a national consensus on this proposal. Pay for organizers to build public support. Find visible leaders to help push it. Get support from women's community, faith community, business community, early child development community, and health system.

We need hard quantitative estimates of the costs and benefits of universal ECE financing under a variety of financing approaches. Different experts have proposed building universal ECE finance around K-12, higher education, employee benefit, income transfer, housing, retirement and health insurance models. The most desirable method is likely to emerge from a creative synthesis of aspects of each of these approaches. Before we can develop such a creative synthesis, we need a careful examination of the characteristics of each of these approaches, detailed specification of how they could be applied to ECE, analysis of the costs *(public and private subsidies)* and benefits *(increased utilization of higher quality care, increased labor force participation, increased tax payments)*. We need to be able to estimate benefits and costs under a variety of different policy parameters and for different jurisdictions.

Adoption of a universal ECE financing system will require improved public understanding and support. In order to mount effective public communication efforts, we need a broad range of strategic communication planning and research. These would include detailed public opinion research to understand the linkage among different views about the nature of ECE and views about public policy; delineation of audience segments based upon their ability to influence policy and groupings based upon their current beliefs and relevant demographic divisions and political context; development and testing of sample messages for each audience segment; reaction of different audiences to communications efforts mounted in recent years. There is a critical interaction between communication research and the consideration of alternative modes of universal finance: framing a new policy *(alternative financing mode)* as rooted in meeting educational needs, responding to parents work needs, providing an employee benefit like retirement or health insurance, or improving the functioning of an imperfect market like housing, will have great impact on the acceptability of the proposal. Such framing language should be developed and tested with audiences prior to launching a financing proposal. Preliminary work in this regard has been conducted by a partnership including the Benton Foundation, the University of Washington *(Human Services Policy Center)* and UCLA.

We need a better understanding of the economic dynamics of moving to a higher level of quality in an entire ECE system *(local, state, national)*, rather than just in a single setting. This would entail answering such questions as: what is the nature and cost of quality in different modes of care *(informal, family care, centers)*; what is the role of parents in quality *(e.g., what are the implication of setting training and competence standards for ECE teachers that are higher than many stay-at-home parents can meet?)*; what will happen to parents' choices about cost, quality and location in a much different financing system, where parents do not have to pay much more for high quality; what are the dynamics by which different providers at different quality levels will increase or decrease their enrollment under a universal financing system, and what operational and political stresses will be caused by these changes?

A personnel tax on businesses as one source of funds, presumably levied at state level. One variation on the theme: employers who prefer to provide their own child care benefits and maintain a recruitment edge, could opt out of the tax by providing "sufficient" child care benefits of their own. The qualifying criteria for "sufficient" should be high, e.g., subsidizing 25-50% of the cost of high quality child care for all employees with children in care. A large company could not meet the standard, for example, by having one child care center. *(There could also be quality and compensation standards required of these in lieu employer-provided programs, e.g., must be accredited, etc.)*

The premise is that businesses have a vested interest in a good child care system and therefore are a logical partner in paying for it. The cost of the tax should be covered through a more efficient work force. A tax levied on all businesses is a more even approach than the current sporadic offering of benefits by individual companies, which also disproportionately help higher income employees.

NEXT STEPS...

The business community does not yet see childcare as a business necessity, so such a tax proposed now would be premature.

At some point a critical mass of businesses will "get it" that a better childcare system is necessary for business reasons. The, I believe, they will prefer to lend their political clout and create a more seamless national system rather than having to individually create and sustain their own complex sets of services. First, they have to tire of doing it themselves; that may not take long.

To achieve critical mass of business leaders who "get" it:

- △ Create, publish, and publicize a synthesis of the data about what individual businesses are losing now from the inadequate child care system, e.g. what turnover costs them, and the savings that arise when they offer child care benefits. *(A Manual on the Business Case for Child Care)*. Then it must be distributed strategically to the business masses. The same document could also explain why a "big fix" is necessary. Many business people assume that if child care supply were increased the whole problem would be solved.
- △ Sustain efforts to encourage more employer-provided child care benefits of all types through public policy incentives, tax credits, etc., to push the number of businesses who are tying to find a way to o I it themselves. The City of Los Angeles gives preference in awarding city contracts to companies with child care benefits (all else being equal). Companies completing bidders forms are highly motivated to learn more about child care benefits. Other public policies include local planning ordinances that require child care facilities in new construction or contributions to funds.

Child care "Insurance" – my term for a fund that pays child care expenses. It is like social security, funded in part by employment taxes. Perhaps additional coverage could be "purchased" by families who pay in more each pay period, like a 401K. It is insurance-like, in that you don't draw from it all the time, only when you need it. The concept is to spread the payment for child care over a lifetime rather than all in at the front end when a family's earning power is lowest. Not sure how to handle those who don't have children, although full Social Security benefits are not "collected" by everyone either.

Make child development classes, a high school requirement. If child development courses were required as drivers' education is currently, the population would presumably become much more aware of the importance of the early years. *(A worthy goal in itself.)* Parents who can pay more for child care would hopefully better understand the value of educational care and how complex it is to create. Programs who serve higher income parents may thus be able to charge higher fees and invest the additional revenue in salaries, etc. Currently, while many parents cannot afford to pay more, others could but do not understand the value of doing so.

As a footnote, systems that financially support parents caring for their young children at home should also be part of any financing plan. For example, the New Jersey's Temporary Disability Insurance Coverage system cited in *Financing Child Care in the United States*, The Ewing Marian Kauffman Foundation and The Pew Charitable Trusts, 1997.

Tax based policies, at the federal, state, and local levels are often politically popular ways to help subsidize the cost of child care. At the federal level, the broad, bipartisan appeal of tax-based approaches is reflected in the numerous child care bills offered in the last Congress that included provisions that would have created new federal employer tax credits, expanded the federal Dependent Care Tax Credit (DCTC), and modified existing federal law governing

Dependent Care Assistance Plans *(DCAPs)*. The likely impact of many tax proposals, however, is not fully understood, which makes it hard to argue either for their adoption or for their rejection in favor of other, more effective financing strategies. The need for more data and analysis of tax provisions to finance child care is the context for the following proposals.

Evaluate the impact of employer tax credits, and provide information on the pros and cons of this approach to policymakers and advocates at the federal and state levels. Nineteen states have such credits, and legislation to create them has been introduced in many other states as well as Congress, but the available evidence indicates that very few eligible employers have actually taken advantage of them and that they may not be a very effective or efficient allocation of public resources. To the best of our knowledge, the only research that has been conducted to determine the utilization of these credits, and to analyze the reasons for their low usage, is ten years old and based on limited empirical evidence. New research on the impact of employer tax credits would be useful to advocates and policymakers at both the federal and state levels.

Evaluate the impact of existing individual income-tax-based child care strategies: the federal Dependent Care Tax Credit *(DCTC)*, state DCTCs and other tax-based provisions, and federal Dependent Care Assistance Plans *(DCAPs)*. This means collecting data on who has benefitted from each of these tax provisions *(e.g., number of users, at what income levels; percentage of eligible users; value of the benefit for different users)*, and otherwise analyzing their effectiveness. To the extent that data are not available – especially at the state level – it means advocating for its collection. This information could be used to inform policymakers and promote changes in these tax provisions at both the federal and state levels or to support data-based arguments that these tax provisions are not the most effective way to deliver child care assistance. It might also lead to other strategies, such as renewed efforts to disseminate information on the availability of tax credits more widely to consumers, if lack of knowledge turns out to be one explanation for underutilization.

I would recommend a think tank roundtable with invited papers from experts in financing other analogous systems which ECE folks could react/respond to and have another opportunity which would invite papers from ECE folks about necessary elements of a system to be heard and responded to by people who work in the financing field to respond/react to. The general idea is to develop a cadre of financing and ECE people to begin work on developing options. This will require knowledge from both sides.

Support organizational capacity efforts of key players necessary to advocate for needed changes and decide if there are the right players out there to accomplish goal – is this anyone's baby – i.e., who will take leadership on the issue?

Identify and support effective methods of communicating with the public at large about the importance of public support *($)* for child care. *(One example: Proposition 10 passed by only 40,000 votes. When one looks at voting patterns in state, you see how few counties actually supported the proposition – but those that did were the most highly populated. This has significance for where one would target resources for an initiative's passage.)*

My three ideas for next steps focus on incremental rather than universal financing options. They are state- rather than federally-oriented, although there could be a federal role under the third cluster. The first two address two current "windows of opportunity."

Explore options for earmarking money that may become available as a result of the tobacco settlement to establish an endowment or other strategy to support the long-term financing of quality early child care and education services. This discussion should include how to make a compelling political case that the money should be used for this purpose rather than something that may be more narrowly related to public health.

Explore options for using TANF resources *(either transferred to the child care block grant or not)* to support targeted strategies aimed at low-wage workers and companies that employ such workers. In particular, matching another strategies that leverage private sector investment should be explored.

Explore options for improving the quality of the early care and education workforce *(e.g., Rhode Island's policy to let some child care providers buy into the state government's health insurance program, and loan forgiveness programs and scholarships to get people into the field and encourage further education)* and early care and education facilities *(e.g., incentives for banks to provide low interest financing for facilities)*.

I suggest the creation of a network of special-focus, multi-generational consumer cooperatives and credit unions to enable low- and middle-income families to pay for the real costs *(i.e., assuming the payment of "worthy wages" to child care professionals and supervisors)* of child care and/or non-publicly financed early care and education for pre-school children.

The child care and parenting cooperatives which I envision would become engaged in a variety of community-driven activities focused on the care and well-being of infants, toddlers and young children. To help support member families, the new cooperatives *(each serving a neighborhood, city or country)* would form a network of interconnected, Federally chartered and insured credit unions which would provide a broad range of child care- and parenting-related financial services to members. Where a majority of the members earn either less than 80% of the average for all wage earners or less than 80% of the median household income, these credit unions could also qualify as "community development credit unions." Such a designation would result in much greater flexibility in accepting insured non-member deposits. The Federal Credit Union Act has recently been amended to make it easier for groups with similar needs to have the "common bond" needed for credit union creation. The field of membership for a child care and parenting cooperative and its credit union, for example, might be adults in extended families which include children below the age of 5 or 6. The involvement of persons from diverse age groups within extended families could create the opportunity to provide ongoing intra- and inter-family financial support. For example, such a credit union might offer some combination of the following child care and early education financing services: traditional savings accounts, Individual Development Accounts (IDA) which can be used for child care expenses or loans or IDA advances for the payment of child care and/or early education fees and expenses.

Individual Development Accounts *(IDAs)* are optional, dedicated savings accounts managed by community organizations and held at local financial institutions. Similar in structure to Individual Retirement Accounts *(IRAs)*, they can only be used for housing including the purchase of a first home, medical expenses, education or job training expenses, or capitalizing a small business. Assets are accumulated in these long-term accounts and the IDA approach invests government and private dollars in proportion to the savings of the account holders. On a sliding scale, higher income individuals contribute up to 100% of deposited amounts, while impoverished persons receive substantial subsidies for certain deposits. However, some level of matching contribution by participants, from earned income, Earned Income Tax Credits, monthly income-support transfers or from "sweat equity," is always required. IDA investments are allocated by individuals (and within reasonable limits, moved by them) among a variety of investment vehicles, including "money market" interest-bearing funds, bond funds, indexed common stock funds and venture capital funds. IDAs could provide a vehicle for families to gain access to affordable child care and early education.

A major problem for families in need of child care is that the need for funds to pay for child care or early childhood education usually comes early in the income or earnings cycle of the family. Often there is little time over which savings can be accumulated. The cooperative/ credit union model which I envision would permit families to spread the cost of child care over a much longer period of time and, thus, take advantage of the higher income year which are to come. Thus, family members who currently do not have enough income or savings to afford child care could be matched with older family members in a better position to provide assets and collateral such as retirement funds. For example, funds for child care loans could then be secured using older member's retirement funds, and in turn the older member could secure future loans on long-term care, etc., secured through those same pooled resources.

Somehow, a ground swell must grow that convinces the general population that providing quality early care and education to young children is vital. Much is being done to help this along, but the movement must become more widespread. Most young families still do not realize how important the early years are to their children's future success. We should examine how other fields achieved needed change. For example, when looking for care for their elderly parents, children now have an idea of what to look for – possibly because they have more "choice" of quality programming from which to choose. We could begin the process for early care and education by focusing on how to improve quality choices for low-income families and by taking a close look at how the military accomplished its goal of improving quality and accessibility for the armed forces. Some specific ideas are:

- △ Public investments in child care have an impact on the entire system. To be successful, public policy should ensure that providers committed to serving low-income communities have sufficient long-term financial stability to support quality child care and attract new leaders to the field.
- △ Public policies should be examined to determine whether they hinder the development of quality programs. For example, states set reimbursement rates for child care well below the cost of providing quality services. At the same time, advocates press for higher quality and system expansion without addressing the fiscal implications of higher regulatory standards.

- △ More policies should be developed that encourage pooling of public funds to improve accessibility of quality early car and education for low-income children. Examine the work of the Child Care and Head Start bureaus in encouraging partnerships. Some states have encouraged partnerships utilizing Chapter I dollars and a few are looking into partnerships with Early Head Start. More needs to be done with other departments to really create meaningful pooling of funds to enable community-based providers serving low-income families to access resources. "Best Practices" for financing child care should be widely disseminated to the field and to policy makers through written documents and presentations at conferences *(not just conferences in the education field!)*.

Encourage development of grass roots capacity for advocacy, discussion, and ideas to improve financing. Participation in the policy dialogue by the most talented members of the direct service provider community is critical to the future of child care in this country. Too often, policies are developed without meaningful input from those who will be most affected. The result has been policies that have undermined quality and the ability of the filed to retain practitioners with potential for developing great programs. Providers who have the ability to think globally must be identified and engaged in discussions; their leadership capacity must be developed through real-life opportunities after formal training is completed.

Select 25 communities where funding partnerships apparently work, ascertain what makes it work and widely disseminate the results. Use philanthropic dollars and influence to encourage the private and public sectors to encourage capital investment in early learning facilities to take quality practices "to scale."

While financing is a key part of the discussion, I don't think financing is the central issue needing resolution. Financing would be easier to address if there was a broadly shared vision of what a system of accessible, affordable quality early care and education for all children should look like and if there was a broadly shared political consensus that such a system was desirable. While I understand that the central focus of this meeting will be financing, I hope that part of the agenda will also be devoted to discussing what a system should look like; otherwise, it may be difficult to have an effective discussion of financing without an agreement on what is being financed.

Assuming agreement on a system, I think the most effective strategy is to identify a state or group of states where the fiscal and political environments are most promising, and seek to initiate the desired system on a state or sub-state basis. This should be accompanied by a coordinated effort to generate public interest and excitement in other states, and to raise the prestige and status of the state or states that have taken the lead. I think the greatest potential for progress in advancing systems of early care and education will be in individual states rather than at the federal level, because education policy is largely under state control and because most key child care decisions are state decisions under the federal block grant structure. The recent election successes of lottery initiatives emphasizing use of funds for education and of the California early education initiative suggest the potential viability of attaining dedicated funding for early education efforts. In addition, the current fiscal climate in states (strong economies, state budget surpluses, unspent TANF funds, and tobacco funds) provides an unusually promising opportunity for initiating new state efforts.

One component of a funding strategy that might be helpful in all states could be to generate a national campaign around potential use of the TANF surplus. The annualized surplus now appears to be in the range of $3-4 billion or more, and a number of states are having difficulties deciding how or whether to spend it *(and are also having difficulties deciding how to satisfy their maintenance of effort obligations, which total $10 to $11 billion)*. On an ad hoc basis, a number of states have shifted some of the resources to child care, but it might be helpful to generate greater awareness of the magnitude of the unspent funds, along with an effort to frame the importance of shifting a substantial share of newly freed-up resources to state early care and education systems.

Leveraging of federal, state, and local dollars with corporate and private dollars to create a web of financial support for quality early care and education.

Step 1: The American public needs true buy-in to early care and education. They need to believe it is a solid investment for theirs and the country's future. Several programs need to be backed by research so that they are successful. They then need to be marketed better.

Step 2: In addition, further exploration and marketing of true costs for accessible, affordable, quality early care end education needs to be done with the aspects of quality early care and education (teacher retention, class size, provider/child ratios, etc.) explained, assigned a cost, and given a projected future savings account so that the public understands and supports true early care and education.

One way to support the financing of good, affordable early childhood services would be to work with state leaders who can play a key role in funding and coordinating child care services with pre-kindergarten systems. The effort would identify promising approaches toward funding and programs activities and work intensively with several states considering such policies. The system components that need coordination include funding sources (federal, state, local and private sector dollars), administrative structures and rules, and oversight and evaluation practices and processes. As sates achieve better systems coordination, policymakers will have a greater understanding of needs and how to target resources so the state can make the most of available programs.

The coordination work would include surveying states about their laws and financing strategies, producing an analysis of the effects of statutory and funding provisions on programs, and linking legislators, governors' staff, key agency and program administrators and community stakeholders through meetings that include planning and action sessions. These activities have high potential for establishing creative partnerships that could prompt action, particularly by reaching understandings that reveal common interests. An examination of how to access other relevant funding streams, such as child health, business or school funds, could bolster this effort.

Second, a focus on quality care and education is essential to producing good effects for children and their families. To achieve a quality system, it is critical to disseminate research findings as well as program and policy examples to a range of people who represent several key sectors. Policymakers, administrators, practitioners, businesspeople and parents are key interest holders that must have a strong understanding of effective approaches and standards in order for quality programs to become institutionalized. By connecting national experts and scientific researchers and their work with these interest holders, information can be translated into practices and policies. The information exchange can best work when presented in terms so that each of these stakeholders can process the information, whether described verbally or in writing or both. This means that information to government officials should be comprised of the impacts on public spending and revenue, cost/benefit data, and access to other funding sources. Information presented to early childhood providers should contain issues that are pertinent to them, such as costs of care, reimbursement, standards, financing and career development. When sharing information with parents, it is important to respect their autonomy and value systems while giving them tools to enhance their child's development. Arranging for peers to communicate information can improve how it is understood and implemented.

Third, adding business resources to child care and early education programs, policies and public awareness campaign is a strategy that could increase access to affordable, quality services. To increase employer participation in early childhood issues, a concentrated effort must show business leaders what is in it for them. To accomplish this, briefings between businesses and policymakers would be organized. This specific format would encourage businesses to participate because of access to key policymakers. Some of the policymakers, whether representing the federal government, a governor, a legislature or locality, would discuss reasons why businesses have an interest in supporting this issue. For effective communication, other business leaders would join policymakers in peer-to-peer discussions with business leaders. In persuasion efforts, policymakers and other would use verbal and written approaches to impart facts that show why businesses should pay attention and contribute to good child care and early education. These would include both short and long range interests. In the short term, critical data would be presented about more working parents with preschool-age children and the effects of child care problems on employee turnover, absenteeism, and productivity. In the long term, research would be shared with business leaders about children who participate in good early education programs having better job skills and education achievement compared to those who did not participate in such programs. Specific examples of business involvement in early child care would be provided. Goals of this project would be a system where businesses not only invest money and other resources to early childhood services but also mentor early childhood providers about good business practices.

First, "To ensure that all families can access and afford quality early care and education for their children," your stated objective, it is proposed that the federal government make an adequate investment in a voucher system that will subsidize families, based on a sliding subsidy schedule that provides virtually 100% subsidy for families at or below the poverty level, with lesser subsidies for higher income families, cutting off at about $60,000 annual income per year. In our calculations, we suggest that no family pay more than 30% of their disposable income ***above the poverty level*** for families of a given size. Families would be required to purchase licensed services and the program would allow for higher reimbursement to providers of good quality services. We calculate that the cost of such a voucher system would be in the range of $40-50 billion per year, depending on the incentives built in to improve quality. The proposal also includes adequate funding of state enforcement of minimum licensing standards. This sort of program and funding level is necessary if we are truly intent on giving ***all families*** access to reasonable quality, affordable ECE services. Unfortunately, serious consideration of programs such as this one involving massive public funding increases has been absent from our debate within the ECE advocacy community. Instead, we focus on short-run reaction to inadequate Congressional initiatives that are pragmatic attempts to work within a political environment that has been framed by the conservative social agenda. This is the time to start working toward a complete solution to the child care problem early in the next millennium.

Second, to justify major, sustained increases in public ECE spending it is necessary, over the next five years, to provide the public with a cost-benefit analysis indicating the benefits of such an investment in the quality of children's early lives and education. We can estimate the costs easily enough, but we do not have the information necessary to estimate the benefits. The national research agenda should be prioritized to supply the information needed.

Third, early care and education involves highly personal choices and requires local responses and ingenuity to satisfy parents' needs and desires for their children. Financing these local initiatives to encourage a flowering of good practice is crucial and will only strengthen any strategy to provide good quality services to all children. The philanthropic community, possibly government agencies, should also help provide access to information about these strategies and practices. As well as ingenious ways of financing improved quality. Funding approaches need to be evaluated for their long-run effectiveness of maintaining funding levels that truly institutionalize the promising programs. What funding approaches work?

Inadequate training and compensation of child care personnel is a major impediment to improving quality. How can ECE personnel be professionalized and should they be?

Determine the Actual Cost of the Early Care and Education System (Funding Levels Needed)

There is no definite idea regarding what it would cost to fully fund an early care and education system. The first step the field needs to address is what constitutes the early care and education system. More precisely, does the filed feel that early care and education includes care for children birth to five, three to five, birth to eight?; does it include comprehensive services for all children or just those who need them?; does it include infrastructure or simply direct services? The second step is to discern what the appropriate levels of funding are for what services. The third step is to calculate utilization rates (included projected uptake rates). The fourth step, using the above information, is to compute the cost under differing conditions.

Access Different Domains Where Services are Universal or Near-Universal (Potential Funding Mechanisms)

There is an urgent need to examine different financing mechanisms that are used in the United States to support universal or near-universal efforts. Such efforts include Health Insurance, Social Security, Transportation, Education, Libraries, etc. The field has already had outstanding work done in the area of Higher Education. Similar efforts are needed in other domains.

Mount Cross-National Work to Discern Other Nations' Investments in Early Care and Education and Perhaps Compare these Investments with Other National Performance Data (e.g., TIMMS)

While the United States has a totally unique policy ethos regarding the funding of services to young children and their families, it is important to discern what other nations have done and are doing regarding their financing strategies and commitments. This information should be helpful as the field considers alternative strategies. It would be particularly helpful if high early care and investment nations also had high performance in other domains deemed important by policy makers (e.g., education, economy). Such an analysis should be completed (perhaps as an add-on or add-in to the OECD international Policy Study), with the findings popularized.

Mount Public Information and Advocacy Campaigns Regarding the Costs and Benefits of Early Care and Education Investments

The American public must have a better understanding of why such investments pay off. We have the data now. It needs to be more widely popularized, with some Madison Avenue *(or Washington, D.C.)* sloganeering. Sound bites, effective non-field-based spokespersons, and a mobilized advocacy community would help dramatically. This effort could begin immediately, with staged releases of information, including some of that discussed above.

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We should try to pilot new financing schemes in 4-6 localities or states that already have a solid set of program and policy reforms underway. This would mean doing tailored design work with state and local officials, scholars, advocates and others in the local sites. The goal would be to develop a high quality, universally available set of ECE programs. The design teams might concentrate on different parts of the financing puzzle and be connected to a national group that would develop more of a "composite" plan. See below.

We should attempt to establish a national financing commission or work group that would work with the local/state reform groups to cull lessons learned from these and other "pilots" and to make proposals for what government and the private sector might do in key areas: subsidies/general program revenue, quality funds *(salaries, professional development, consumer info)* and facilities *("off-budget")* etc. This group should have strong ties to business leaders.

We should develop project to study family leave as a viable part of the ECE system. A critical examination of what partial wage replacement costs in the 5 states in which family leave operates and how well utilized it is would be a helpful start. Then a team of economists, political scientists, and others might establish other options for national and state policy reforms to ensure partial wage replacement for parents who wish to stay at home to nurture a young child.

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What is it we want to finance? Here we have been stuck between half day "pre-school" programs that are designed for children and full day "child care" services that are designed for working families. We need new images that transcend these dichotomies. We need to look at other examples. In particular, we need to consider how early childhood services have been funded in other countries *(i.e., the combination of family leave, infant care and pre-schools in France)*.

How do we structure the financing? Recent papers on financing *(Stoney, 1998; Vast 97)* have been primarily focused on how we structure the financing of early childhood services. We need to take each of the suggestions and promote more in-depth discussion and perhaps some demonstrations using various models *(K-12 model, higher ed, health care)*. Each model must include mechanisms to ensure adequate compensation for staff.

How do we increase public will to invest in early childhood? The bottom line is how can we get more money into the early childhood system. Naturally this is directly related to the messages we send about "that" we are going to fund and "how." Much more attention needs to be paid to advocacy efforts that are focused on improving policies. Foundation funding is needed to support national organizations and state and local groups advocating for increased public funding.

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Funding sources pay more for higher quality care.

Explicit goal for all children, not the poor or "working poor." Those children who can afford it will pay full price. Those who can't will pay on a national formula.

Training and quality improvement dollars available to providers.

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Evaluate pre-k initiatives – especially in those states moving toward universal access to determine: utilization by families at varying income levels; impact on children's cognitive and communications skills; and impact on existing, community-based early childhood programs/child care and Head Start.

Evaluations should include descriptions of the initiatives: total new funding, sources of funding, investments in facilities and professional development, standards.

Fund selected number of multi-issue state-wide children's advocacy organizations to test strategies for generating new public revenue or allocating additional revenue for early care and education.

Train children's advocates, early childhood providers and educators to enable them to frame the financing issue and trade-offs more effectively and to build their capacity to participate in policy discussions about early childhood education financing.

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I have been a long-time advocate of expanding the federal child care tax credit as an effective means of financing child care. I would make the credit refundable, increase the maximum credit to 80 percent of expenses *(up to a limit, depending on the type of care)*, phase the credit out at higher income levels, and require the provider to be licensed *(or registered)*. I would also provide a smaller refundable credit for parent care for children under the age of one *(similar to the Clinton proposal)*. I would also favor limited funding for training child care workers and perhaps even subsidizing child care worker wages. Finally, I would expand subsidies to businesses that provide child care services for their employees and would make low-interest loans available for starting child care centers. Generally, I favor providing incentives for individuals and businesses to promote high quality care.

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Passage of federal and/or state legislation such as the Federal Administration Early Learning Fund *(in the President's Budget)* to allow funds to flow to communities for innovative approaches toward improving quality for care for 0-5 year olds. This should be results-based with tracked trends and drive new collaborations within communities *(e.g., between health/mental health providers and early childhood programs)*.

Providing much more information and examples about the effects of low quality care on child development *(including brain research and the lack of a strong labor force)* but tied to steps that can be taken to ensure high quality. This is research and practice based. This should be done by every level and include the media and business and religious groups. This needs much more than the Rob Reiner activity although that is important. This is a concentrated campaign targeted to parents and everyone else. Information can be gathered from government and private research but a campaign will have to be private.

Arm advocates, legislators, interest groups, etc., with strategies such as California's tobacco tax proposition, the Florida counties' model, the Kansas City "Is it good for kids?" campaign, the Colorado cardboard children, etc. Innovative, successful funding strategies need to be carefully documented and how-to materials need to be disseminated widely. This is a good private effort – business, media, foundations.

Support New Federal and State Legislation

We need to develop stronger public finance tools that make feasible greater private sector investment in the financing of early care and education. Leadership in support of these tools could come initially from the sectors and industries most affected by the needs of working parents – for example, hospitality, health care, and other industries and sectors with a growing, lower wage workforce. The early care and education field should mobilize the private sector in support of federal and state legislation that: Creates much more powerful tax credits for pooled corporate contributions and investments in early childhood facilities *(local or regional child care equity funds)*. Existing child care tax credit models *(for example, California's)* are ineffective because the credit is too weak *(only 30% of the contribution)*; there is no mechanism for pooling of contributions from multiple businesses to create a local equity fund; the restriction that the supply-building product must benefit the employees of the donor does not reflect the realities of the child care market; and, it lowers the cost of private sector lending to the early care and education field to meet its capital needs.

Defining the Field as an Industry and Every Provider as a Social Enterprise

In order to support the field's utilization of finance tools that function as "investments" and "loans" rather than grants, every provider needs to embrace an identity as a "social enterprise" that is part of a recognized and growing "industry" with the ability to respond to changing market forces, to utilize public and private sector financing tools, and to broker a complex mix of public and private resources to create quality programs for children. A social enterprise can function as part of a public sector agency, as a nonprofit organization, or as a for-profit business. It is characterized by an ability to achieve a measurable social and educational goal that promotes human and community development, while operating with reference to the financial bottom-line in a way that generates an expanding pool of private sector and public sector investment in the industry. In order to promote this self-concept, the field should take steps to:

△ Define and measure itself as an important and growing industry in the local economy, that must be supported to grow in very specific ways in order to help the local economy achieve appropriate and sustainable growth.

△ Support provider education in market assessment, management, financing, and other elements of small business training, appropriately tailored to the different types of social enterprises found in the industry.

△ Direct the efforts of local planning councils, resource and referral agencies and other local and regional intermediaries to the task of helping providers in every neighborhood position themselves effectively in relation to the "market," and where the market consistently fails to produce appropriate kinds of supply *(infant care, for example)*, intervening with appropriate investments and supports to address specific market failures.

Making the Market in Low-Income Neighborhoods

The formal child care market in many low-income communities is disorganized and under-utilized. Well-intentioned community efforts to increase one type of supply *(e.g., Head Start centers or informal care givers)* are often made with little or no attention to entirely predictable impacts on other kinds of supply. Consumers do not fully utilize available "demand side" subsidies to their maximum benefit, and without tremendous organizing, are not able to cause the power of their demand side subsidies to create programs that address specific "market failures." Regional and local intermediaries should devote more effort to neighborhood-based, market-oriented, resident-driven planning for comprehensive early care and education in defined low-income communities that:

△ Mobilizes consumers to define the directions in which the community market for early care and education should be supported to grow.

△ Mobilizes consumers to utilize all available demand side subsidies to purchase quality services.

△ Helps providers make informed and coordinated decisions about how to target and/or expand their enterprises.

△ Builds sustainable community enterprises and institutions that take advantage of all local, regional, state, and federal tools for investment and quality-enhancement.

A look at tax policy with the goal of developing new tax policies *(to replace the DCTC)* that can generate significant sums for the early care and education industry *(e.g., direct subsidies for programs and facilities)* as well as subsidies that can effectively impact consumer behavior and lower the cost of child care for families. First step is careful research on potential approaches and then dialogue with experts in tax policy as well as leaders in ECE.

A look at how to provide paid parental leave for low and moderate income families, using social insurance strategies such as Temporary Disability Insurance, unemployment compensation, etc. Again, I think the approach should be research followed by dialogue with experts in disability insurance, unemployment compensation, etc.

Facilitate new and challenging discussions with the federal Head Start Bureau, the federal Child Care Bureau, and the federal Department of Education about re-structuring the system to create a coordinated strategy for combining direct aid and portable aid for early care and education. This is very politically risky and likely to engender a lot of turf battles. But someone has to do it! And we need a powerful, non-invested entity to lead this dialogue. Perhaps the private sector could play an important role here. The bottom line is that we will always be "tinkering" until we address the very institutions that perpetuate our divided system.

Unify a vision and approach(es) to financing that have the greatest potential to achieve the goal of making high-quality early care and education accessible and affordable to all families with young children. To accomplish this, identify an organizational home for supporting, coalescing, and furthering financing efforts of national organizations, researchers, government entities, and state commissions. The home should have the capacity and credibility to provide leadership and to carry out these activities:

- △ Convene researchers, advocates and organizations focused on generating financing solutions;
- △ Coordinate regular meetings of a core group of researchers and leaders to investigate financing ideas in a cooperative, collaborative way;
- △ Attract and share resources for researching, designing, testing, and promoting an early care and education financing system.
- △ Identify data needs and work to establish or modify current data systems as necessary to collect and supply data regarding need and unmet need for services, quality of services, etc.
- △ Support the establishment and/or continuation of state and/or community level financing commissions by convening leaders from states' financing commissions or other financing efforts to explore and learn from the various approaches used to ignite interest and to identify and implement solutions, and by providing ongoing support to the state commissions with resources and a central point of contact for networking and up-to-date information about current financing research and pilot-testing.
- △ Support the establishment and work of a national commission on financing early care and education.

Establish a national commission charged with examining potential financing approaches and working together with state commissions in crafting complementary state and national solutions. The national commission could be established by Congress, the President, and/or by leadership in the private sector. The state commissions would work with the national commission toward a national consensus on coordinated financing strategies. With the encouragement of the state commissions, the national commission would develop a financing action plan and recommend it to all sectors.

Support research efforts and pilot-test aspects of the higher education approach to financing and financial aid, including:

- △ Produce a presentation/discussion package for states and local groups to use in exploring the higher education financing model.
- △ Research aspects of higher education financing such as pricing, financial aid administration, setting up endowment funds, and developing a national organization of organizations.
- △ Develop a need analysis methodology and a model financial aid service for pilot-testing.
- △ Convene staff of Administration for

Children and Families and the U.S. Department of Education's Office of Post-secondary Education to explore the potential application of methods used in managing federal funds for post-secondary education *(aid to institutions and aid to students)* to use of federal funds for child care and early education.

In the 1996 welfare law, Congress freed states to create a "seamless web" of child care services by combining four programs targeting specific populations into a single, flexible, block grant. At the same time, Congress eliminated the guarantee of child care that had existed for working welfare recipients and those in the first year of transition from welfare to work. Finally, Congress, with significant prodding from the administration, increased the funding level for child care well beyond what had ever been spent by states in the past.

Despite the increase in federal funds, and more flexibility in administration, states continue to find that they are unable to serve all working poor families – and an number of states have not created seamless and equitable systems of child care assistance. States cite a lack of adequate funding and a need to focus resources on families transitioning from welfare to work in order to meet work participation requirements under the Welfare Law. Congress should use the leverage of federal funding and the tax system to address this issue.

First, Congress can increase funding for the Child Care and Development Block Grant and require that states maintain state spending while taking steps to create a seamless system of child care assistance that treats all working families equitably in order to access the new funds. When the Bock Grant is reauthorized in 2003, all states should be required to have a seamless system in order to be eligible for the federal funds. States need flexibility and resources to address outreach, quality and capacity gaps in the child care system and to develop out-of-school time programs for the five million children currently left home alone after school. All of these goals should be addressed by both increasing the Block Grant as the President has proposed, and by redirecting to the Block Grant the $9 billion in smaller initiatives he recommended.

Second, federal tax policy should include a refundable tax credit for working poor families with young children. The existing tax credit for child care expenses is available to households of all incomes, but does not benefit low-income families without sufficient tax liability to take advantage of a non-refundable credit. The President is right to propose increasing the tax credit to reflect current cost of care; however, the administration proposal does not target the lowest income families and is not refundable.

Employers need to become better educated about the economic impact of not having child care available for employees and the fiscal impact of the child care profession in local communities. There is a need for a handbook to be used by policy makers, Child Care Resource and Referral, child care providers and advocates which would be used to sell local employers and other funders on the importance of high quality child care. It would be good to have part of the handbook be a worksheet with a formula identified which could use information plugged into it from the local community to identify economic impact for that community. Having all this information in one place would help anyone who is using this. States could be involved in facilitating meetings across the state to use this material as a training tool for the general public, legislators, local funders, etc.

A group of financing experts needs to be called together at the state level to form a task force to:

- △ Identify barriers to being able to supply high quality child care
- △ Identify all child care going on in state and who is funding it
- △ Identify all possible funding options – write legislation to create funding streams such as taxes, lottery funds, tobacco funds, etc.
- △ Bring recognition to the general public that child care issues are an Economic Development issue – not a welfare issue
- △ Do training throughout the state about possibilities for identified funding
- △ Create tax credits for businesses who establish child care settings
- △ Propose funding accounts with tax incentives for donations to fund child care for employed parents.
- △ Develop a way to offer incentives for child care providers who do not earn at least what a classroom kindergarten teacher would make. This would involve several options which could include one time lump sum payments for staying in a position for six months to a year, earning CDA's or taking extra training. A project such as this could be funded by CCDF funds, private funds from foundations and businesses, and by state tax dollars. The federal government could be involved by offering incentives to states who develop a program like this and by requiring this type of incentive program or a minimum of at least a CDA for child care givers; they also would have to provide partial funding. The state would be involved by either contracting out the administration of this program or administering it themselves, and local governments might also be involved by administering or putting local funds into the project to help with the cost.

I believe the most important next step is to provide an infrastructure in which new ideas can be generated, tested or explored. Right now, a combination of scattered individuals and organizations take interest in aspects of financing on a relatively ad hoc basis, without a coordinated sense of strategy, priority or need. The field needs to define what Dr. Peter Senge calls a "shared mental model" as a proposed overall architecture. (An example of this is the visual model proposed in Teresa Vast's Minnesota report.) To get to this point, some organization needs to act as convener, catalyst, and communicator to the field on an on-going basis on issues and ideas related to early education financing. One possibility would be to enable an organization like the Child Care Action Campaign (CCAC) to play this role – as it has in that arena of communications and media, through its role as leader of the Media Strategies Group over the past five years. The field accepts and trusts CCAC in such a role. This would allow the attainment of new knowledge, and proposals resulting therefrom, to be continuous, connected and focused. In essence, this would provide "staff" to the issue.

To support a designated staff organization, and extend the infrastructure, a national advisory body of some sort should be created, to provide guidance and expertise to the staff's work. This could include economists, finance experts, bankers, representatives of other fields from which lessons can be drawn, and other who can provide the thinking necessary to transform the way early care and education is financed. I would not make this a government body but rather situate both the staff and advisory body in the private non-profit environment. Representatives of government and the for-profit sector should be included as advisory members. These two steps create a foundation on which other next steps and new approaches can be built.

The Foundation: A Selected Bibliography of Research Relevant to ECE Financing Published Since 1990

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Appendix D

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State Commissions Supporting ECE Financing

Appendix E

Below is a list of the state-level commissions that support work in the area of ECE financing, including contact information. Many thanks to the National Child Care Information Center (NCCIC) for compiling the list.

Alaska

△ **According to the State Child Care Plans submitted October 1, 1997:**

In Alaska, local associations of Business and Professional Women, local Chambers of Commerce and major employers will be invited to participate as members of an independent committee to examine the financing structures for child care and early education from a business point of view.

Contact:
Mary Lorence
Child Care Program Coordinator
Alaska Department of Health and Social Services
Division of Public Assistance
P.O. Box 110640
Juneau AK 99811-0640
907-465-3329 Fax: 907-465-5154

Colorado

△ **Colorado Business Commission on Child Care Financing**

As a part of the former Governor's Early Childhood Care and Education Initiative, the Business Commission on Child Care Financing was established in 1995 to create a long-term, viable financing plan for a system of high-quality, affordable child care services. The publications produced through this initiative include:

Family Friendly Policies...Good for Your Business, Your Employees, & the Children in Your Community, a resource guide for employers developed by the Colorado Business Commission on Child Care Financing in collaboration with the Bright Beginnings office of the Colorado Children's Campaign. It includes examples of how businesses and corporations might partner with government agencies to enhance child care options and other family-supportive policies.

Report of the Colorado Business Commission on Child Care Financing summarizes changing workplace demographics which require new focus on family issues, in particular child care. It addresses the supply and demand of child care, the quality of care, and the economic impact of care and includes the Commission's recommendations.

△ ***Educare Colorado*** is a private sector initiative that has brought business, philanthropy, communities of faith, parents, policy makers, and childcare providers together to enhance the quality and availability of early care and education services. More than 130 community members have been working on planning committees, and have identified four key steps that comprise the primary objectives of Educare: implementing a public engagement campaign; improving quality through a rating system, technical support and resources for facility improvements; working to establish full funding for universal care; and evaluating the impact of these efforts.

Contact:
Doug Price, President of the Board
Educare Colorado
303-322-1553 ext. 106

Florida

△ ***Florida Child Care Executive Partnership*** aims to provide access to affordable, quality early care and education programs that accommodate parents' work schedules through a public-private partnership. Florida matches each dollar an employer pays to subsidize child care costs for employees who qualify for state-subsidized child care. Members of the Child Care Executive Partnership board are appointed by the Governor and include executives from some of the state's leading employers, an association representing thousands of Florida's businesses, the child care community and the Governor's chief of staff. The Partnership's accomplishments include winning approval for a plan mandating state funds to match employer contributions. As a result, 7,000 additional children of working parents are being served by the child care subsidy program in Florida.

Contact:
Susan Muenchow, Executive Director
Florida Children's Forum
2807 Remington Green Circle
Tallahassee, FL 32308
850-681-7002

or:
Larry Pintacuda
Chief of Child Care Services
Florida Department of Children and Families
Family Safety and Preservation
1317 Winewood Blvd., Bldg. 7, Room 229
Tallahassee, FL 32399-0700
850-488-4900

Hawaii

△ ***Hawaii's Good Beginnings Alliance*** Good Beginnings is a public-private partnership devoted to the development of an integrated and effective system of early childhood programs and services. Good Beginnings encompasses a formalized partnership among communities, business, philanthropy, and government, with each having a mandated responsibility for addressing early childhood outcomes. The structure has three primary entities: local county councils; the Good Beginnings Alliance (a statewide, private, nonprofit charitable organization); and an interdepartmental council composed of state agency directors. The Good Beginnings Alliance has the primary responsibility for overseeing implementation of family-focused services, quality assurance, coordination and accountability, financing and resource development, and public engagement.

Contact:
Elizabeth Chun, Director
Hawaii's Good Beginnings Alliance
828 Fort Street Mall, Suite 203
Honolulu, HI 96813
808-531-5502 Fax: 808-531-5702

Indiana

△ ***Indiana Child Care Financing Initiative*** was designed to bring business and community teams together with national and state experts to attract private sector resources to improve child care and boost business productivity. One of the goals of this statewide effort is to increase the role of private-sector employers as leaders on child care issues and investors in high-quality child care for working families.

A public-private child care financing partnership, the Indiana Child Care Fund, will raise corporate, foundation, and other private contributions to invest in strengthening the state's child care infrastructure. The Indiana Donors Alliance is the official home of the Indiana Child Care Fund. One of the fund's first projects was the development and distribution of a business tool kit entitled *Child Care: It's Good Business.*

Contact:
Carole Stein
Indiana Child Care Financing Initiative
Indiana Family and Social Services Administration
P.O. Box 7083
Indianapolis, IN 46207-7083
317-232-1148 Fax: 317-233-4693
www.ai.org/fssa/HTML/inChildFinancing.html

Maryland

△ ***Maryland Child Care Business Partnership*** Governor Parris N. Glendening has established through an Executive Order the Maryland Child Care Business Partnership. Business executives from across the State will join with representatives of government, child advocacy groups and parents to examine the availability of child care for low-wage workers and propose strategies for increasing it.

Contact:
Linda Heisner, Executive Director
Child Care Administration
311 W. Saratoga Street
Baltimore, MD 21201
410-767-7128 Fax: 410-333-8699

Minnesota

△ ***Minnesota Early Care and Education Financing Partnership*** was formed under a collaborative agreement between the Alliance of Early Childhood Professionals, Child Care WORKS and KidsPlan in 1997. The Partnership's strategic plan is focused on exploring financing and building support in Minnesota for fully financing a high-quality early care and education system. Core activities have included sponsoring the Financial Aid Think Tank and establishing an Early Care and Education Finance Commission.

△ ***Minnesota Early Care and Education Finance Commission*** was formed in the summer of 1998. One of the Commission's goals is to develop a long range vision and plan for ensuring that every Minnesota child receives the care and education that prepares her/him to succeed in school and later life. The Commission will develop a series of public reports for policy makers and make recommendations for the public and private sectors.

Contact:
Margaret Boyer, Executive Director
Alliance of Early Childhood Professionals
1600 East Lake Street
Minneapolis, MN 55407
612-721-4246 Fax: 612-721-0435

Nebraska

△ ***Business Council on Child Care Financing*** Governor Mike Johanns has appointed a Business Council on Child Care Financing. The council has been organized for the purpose of examining child care in Nebraska from a business perspective to develop innovative methods and to help finance quality child care that is affordable and accessible to families. Among its goals, the council will work to assess the financial status of child care in Nebraska including costs and gaps in financing; identify the financial impact that accredited and accessible early childhood care and education programs have for Nebraska; and recommend strategies and develop a long-term plan to finance early childhood care and education.

Contact:
Kelly Ptacek, Manager, Early Childhood
Greater Omaha Chamber of Commerce
Education Department
1301 Harney Street
Omaha, NE 68102
402-346-5000 ext. 229
fax: 402-346-7050

New Hampshire

△ ***Business Commission on Child Care and Early Childhood Education*** was created last spring by the Governor of New Hampshire to recommend ways to improve child care in the state. The Business Commission's main mission is to find ways to provide high-quality child care for more of the state's children and families at a more affordable cost. The Commission released its recommendations at the end of June 1999.

Contact:
Gina Grappone
Governor's Office of Citizen's Affairs
Statehouse
107 N. Main Street
Concord, NH 03301
603-271-2121

Ohio

△ ***According to the State Child Care Plans submitted October 1, 1997:***

In Ohio, the Early Childhood Coordination Committee will establish a sub-committee to facilitate a statewide approach to public-private partnership development. The efforts of this committee will focus on gathering information on what is already occurring across the state, identify successful ventures and make recommendations for replicating these efforts. The committee will investigate what other states have done well and evaluate their potential effectiveness in Ohio.

Contact:
Marsha Hannah
Chief, Child Care Services
Ohio Department of Human Services
65 E. State Street 5th Floor
Columbus OH 43215
614-466-1043 Fax: 614-728-6803

Oregon

△ ***Oregon Commission for Child Care*** is an Advisory Board to the Governor on the issues, concerns and alternative solutions that are critical to the development of accessible, affordable, and quality child care. Financing for child care is one of the issues that the commission is focused on, along with a variety of initiatives to support public-private investments in community child care needs.

The Oregon Commission for Child Care, Campaign for Business and Family has an initiative called "The Big Change," promoting awareness of work/life programs.

The Oregon Campaign for Business and Family has also developed an "Employer Tool Kit" which includes information on employer tax credits, employee needs assessments, cost/benefit analysis, and other policies and services employers can use to support employees' child care needs. The Kit is available from the Oregon Child Care Resource and Referral Network at: 503-375-2644.

Contact:
Oregon Commission for Child Care
875 Union Street NE
Salem, OR 97311
503-947-1245 Fax: 503-947-1210
www.emp.state.or.us/occc/

Washington

△ ***Washington State Child Care Coordinating Committee*** The Child Care Coordinating Committee was established by the Washington State Legislature in 1988. Its purpose is to advise the legislature and state agencies on improving the quality availability, and affordability of early care and education programs for children and youth in Washington state. The Committee is comprised of 33 members, representing various stakeholders and constituents of the early care and education system. Nine subcommittees work on focus areas: career development, family focus, health and safety, licensing, partnership, public policy, school-age care, subsidy, and systems. The Child Care Coordinating Committee is required to report annually to the Legislature and state agencies, and to make recommendations to maximize funding and improve the quality and quantity of child care in the state.

Contact:
Laura Dallison
Acting Office Chief (as of September 1999)
Washington Department of Social and Health Services
Office of Child Care Policy
OB2, Box 45700
Olympia, WA 98504-5700
360-902-7920 Fax: 360-902-7903

△ ***Commission on Early Learning*** Washington State's Commission on Early Learning has been established by Governor Locke to identify gaps in programs for children and parents and to focus on raising the public's awareness of the importance of the early years to a child's ability to learn. One focus of the Commission's work is to mobilize and prioritize public and private resources to provide parent education and comprehensive support for children's learning and development.

Contact:
Robin Zukoski, Executive Director
P.O. Box 40011
Olympia, WA 98504-0011
360-902-0660 Fax: 360-586-5281
www.wa.gov/governor/early/home1.htm

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