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# Building and Financing Early Care and Education Systems in the States

**Anne Mitchell, M.S., Early Childhood Policy Research & the Alliance for Early Childhood Finance**

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## Why invest in early childhood education and care?

Numerous studies show the benefits of investment in quality child care and education. High quality preschool has been linked with long-term benefits in education and employment for participants and reduction in costs to government.

The greatest benefits, and therefore the greatest return on investment, occur for low income children, who are at greatest risk of educational failure. However, many children from middle or higher income families also need early childhood education to be fully ready for school.

Communities have experienced impressive short-term benefits from investing in early childhood education and care:

- New York State estimates savings to public education at 40-60 percent of the cost of the investment in universal prekindergarten because of fewer students being retained or needing special education services.
- Studies of the economic impact of the child care industry demonstrate that the industry is a substantial employer and generates significant revenue in the local economy with ripple effects larger than those of most other industries.
- High quality early childhood education and care creates jobs, indirectly supports the work of parents by providing a safe and stimulating environment for their young children, and attracts businesses to communities.

Economists have determined that the return on investment in early childhood education is better than that for other economic development strategies, such as public subsidies to sports venues or industrial parks.

## How is early childhood care and education funded?

**In the USA, most of the cost of child care is borne by families themselves:**

- Total investment in child care is estimated at \$75-80 billion—40 percent is public money, 1-2 percent from the private sector, 60 percent is from parents and families

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- Families pay out 1½ to 2 times more for center-based child care than for education at a public college, because less of the cost is subsidized

Most other industrialized countries support early childhood education and care through subsidies up to 80–90 percent of costs. Families pay little or nothing—much like our approach to K-12 public education.

**What are states doing to build systems of early childhood education and care?**

A number of states, including Michigan, are developing early childhood education and care systems. We will briefly describe and compare three states—Illinois, North Carolina, and Rhode Island—to show the variety of ways that systems can evolve and to identify critical components of success. States experiencing success have tended to focus on infrastructure (system and workforce development) as well as support for child care/early education services.

Infrastructure investment is critical because:

- Infrastructure investments are relatively modest compared to the cost of direct services.
- Without adequate infrastructure, services will not be as effective or sustainable.

However, no one model is necessary for success, and change efforts can go forward in difficult as well as favorable times.

**How have Illinois, North Carolina, and Rhode Island Approached ECE System Development?**

These three states vary in their size, demographics, economic status, and local politics. Illinois is the 5<sup>th</sup> most populous state, while Rhode Island ranks 43<sup>rd</sup> in population. Table 1 compares these states on several characteristics. These states vary in size, poverty and income levels and in their per capita expenditures for early childhood services. Rhode Island spends the most per capita on children under 5 years, an amount that is almost twice what North Carolina spends.

Given their diversity, it is not surprising that each has taken a different approach to services and system development.

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**Table 1: Comparison of Three States on Selected Characteristics**

	Illinois	North Carolina	Rhode Island
Total Population*	12,419,293	8,049,313	1,048,319
Children under 5 as percent of population*	7.1%	6.7%	6.1%
Poverty rate for children under 5*	10.7%	12.3%	11.9%
Estimated median income (family of 4)+	\$68,117	\$57,203	\$68,418
Percent of children under 6 with working parents FY 1999*	58%	61%	62%
Investment per capita children under 5	\$680	\$584	\$1,036

\*Census 2000; +US Department of Health & Human Services

Table 2: Comparison of Early Childhood Education and Care Systems in Three States

	<b>Illinois</b>	<b>North Carolina</b>	<b>Rhode Island</b>
<b>Services (Dollar amounts are state revenue invested)</b>	<b>Early Childhood Block Grants</b> <ul style="list-style-type: none"> <li>• Pre-K for “at risk” children</li> <li>• Prevention services for infants and toddlers</li> <li>• Parenting for those with children under 5 years</li> </ul>	<b>Smart Start</b> – public private partnerships; grants for locally designed programs for children under 5 years  <b>More at Four</b> – Pre-K for children at risk of school failure	<b>Starting Right</b> – Funds to <ul style="list-style-type: none"> <li>• Expand the federal Head Start program</li> <li>• Provide early education in the public schools</li> </ul>
<b>System Development</b>	<b>Early Learning Council</b> that plans for comprehensive early learning system	<b>North Carolina Partnership for Children</b> that works with local partnerships to design individual initiatives in early education, health and family support to ensure children’s school readiness	<b>Starting Right</b> – umbrella for early childhood services <ul style="list-style-type: none"> <li>• Promotes quality child care</li> <li>• Extends childcare services to teens</li> <li>• Provides funding for services</li> </ul>
<b>Professional Development</b>	Investments in: <ul style="list-style-type: none"> <li>• T.E.A.C.H. scholarships</li> <li>• Great START – salary bonus program</li> </ul>	Investments in: <ul style="list-style-type: none"> <li>• T.E.A.C.H. scholarships</li> <li>• Professional development institute</li> <li>• WAGE\$ salary bonus program</li> </ul>	<b>Guarantees access to health care coverage</b> for child care staff
<b>Policy</b>	<b>“Universal Eligibility”</b> for subsidized care regardless of welfare status*	<b>Rated licensing system with Tiered reimbursement</b>	<b>Entitlement to child care assistance</b> for all low-income working families

\*Universal eligibility does not mean all families are eligible for subsidies; all families under a certain income level are eligible as long as they meet the work/training criteria, regardless of circumstances such as welfare status.

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Table 2 compares the states in their approaches to services, system development, professional development and policy. Despite differing approaches each state has focused some of their efforts in each of these areas because developing the policy and infrastructure to support services over time is crucial to sustainability of efforts.

- Illinois was one of the first states to establish “universal eligibility” for subsidized child care. In 1997 the state created a single child care subsidy program open to all working families with incomes up to 50% of the state median income, with no waiting lists.
- North Carolina’s highly creative “Smart Start” initiative is a public/private partnership. It provides assistance and funding to local partnerships which design and implement programs to meet the needs of their families. North Carolina has also developed a rated licensing system linked with tiered reimbursement.
- Rhode Island is the only state with an entitlement to child care assistance. The state appropriates money annually to meet anticipated needs for low income families, much as it does for Medicaid or cash assistance. They have also taken the unusual approach of funding networks of child care providers to offer comprehensive services similar to those of Head Start.

For the story of their efforts over time, consult the full report available on the Web at: <http://www.earlychildhoodfinance.org/Publications/SuccessStoriesPDFDraft2.pdf>.

### What factors are critical to the success of systems development?

The experiences of these three states point to common ingredients of successful reform:

- **Strong individual champions of reform.** Leadership from the governor, state legislators, or managers in state agencies that provides a clear vision of how conditions could improve
- **We're all on the same team.** The willingness of people inside and outside of government—bureaucrats, political leaders and advocates—to work together
- **Continuity of leadership.** System development occurs over time and needs leaders who keep the focus on moving the agenda along.
- **Philanthropic investments.** Philanthropic organizations that make well-conceived investments in policy and advocacy can facilitate change.
- **Policy windows.** Periods of major policy change, such as welfare or education reform, can provide the opportunity for early childhood initiatives.

### How Does Michigan Compare with these States?

Michigan is the 8<sup>th</sup> largest state with a median family income (family of 4) of \$68,740. Michigan is similar to Illinois and North Carolina in population size, but more like Illinois and Rhode Island in median family income. Michigan already has a pre-K program for at-risk children (Michigan School Readiness Program). In 2000 the legislature initiated a program for universal parent education services for families of children from birth to 5 years old. The All Students Achieve Program—Parent Involvement in Education (ASAP-PIE) was designed to promote school readiness and reduce the need for future special education services. However, the program was terminated as a result of the economic recession.

### What Can Michigan Do Now to Promote Early Childhood Education and Care?

#### *Policy Ideas for Michigan*

- **Develop a range of options for early education and care.** Research tells us that rapid brain development occurs from birth, and the early years are a “prime time” for learning. Providing a range of options including parenting support groups, child care and early education programs for children from birth to five years and their parents allows families to choose programs to best prepare their children for school.
- **Move Pre-K education toward universal access for all families who want it.** Although low-income children are most at risk of not being prepared for school, many children from middle or higher income families also need additional preparation to be ready for school. With many single parent families and families with two working parents, children from all socio-economic levels can benefit from high quality preschool education.
- **Invest in improving the quality of child care and measure the results.** Studies are clear that high quality is a major factor in effective early childhood programs. The extra investments in quality will pay off in better outcomes. Quality Rating Systems are a powerful policy tool; they give policymakers a framework for accountability, help parents make more informed choices, and provide benchmarks of progress for the early care and education industry.

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- *Invest in improving the quality of child care and measure the results*