



**MINNESOTA FAMILY
IMPACT SEMINARS**

**Options for a Responsive
and Accountable
Early Childhood Education System
in Minnesota**



**Smarter
Reform:
Moving Beyond Single
Program Solutions to
an Early Care and
Education System**

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Alliance for Early Childhood Finance
Minnesota Family Impact Seminar
April 25, 2007

“ The significant problems we face cannot be solved at the same level of thinking we were at when we created them.”



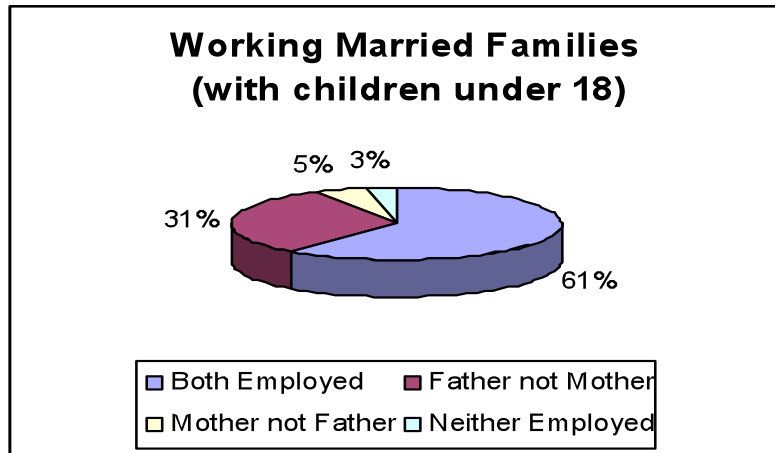
-Albert Einstein

19th century industrialization supported a model where men engaged in paid work and women took responsibility for unpaid work—most especially caring for young children.

The care and education of children was viewed as a private concern.

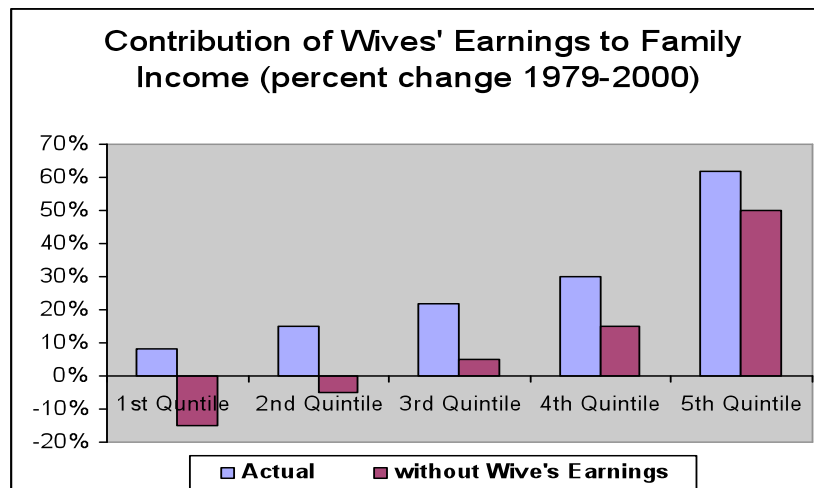


New Reality: Dual-Earner Families are the Norm



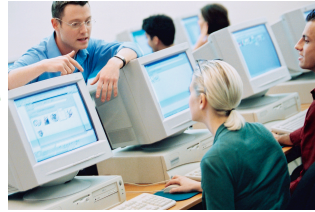
Bureau of Labor Statistics. (2004). Current Population Survey: Table 4.

New Reality: Dual-Earner Families are the Norm



Source: Bernstein & Kornbluh, New America Foundation, 2005

New Reality: the Knowledge Economy Needs an Educated Workforce



Economic development experts are clear: in order to grow the economy, industry needs skilled, educated employees.

When employers are surveyed about key challenges facing business and industry, they frequently cite employee skills as one of the most serious challenges.

But we still try to solve new problems with old thinking



Despite fundamental shifts in the US economy, workforce and family life:

- We still view early care and education as a private responsibility.
- We assume that if families need help with child care, they can find what they need in the private market. We think it's just poor families that need help.

We Need a New Approach



The U.S. is now a dual-earner, dual-career society.

We need to grow a future workforce that is both flexible and educated.

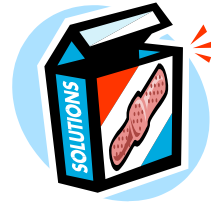
To achieve these ends, we must shift from viewing ECE as a private responsibility to creating an early care and education **SYSTEM** that offers families the supports they need to care for and educate our nation's children.

Smarter Reform



- Build systems, not just programs
- Ensure universal access
- Focus on quality
- Increase public investment and leadership
- Value children and the families who raise them

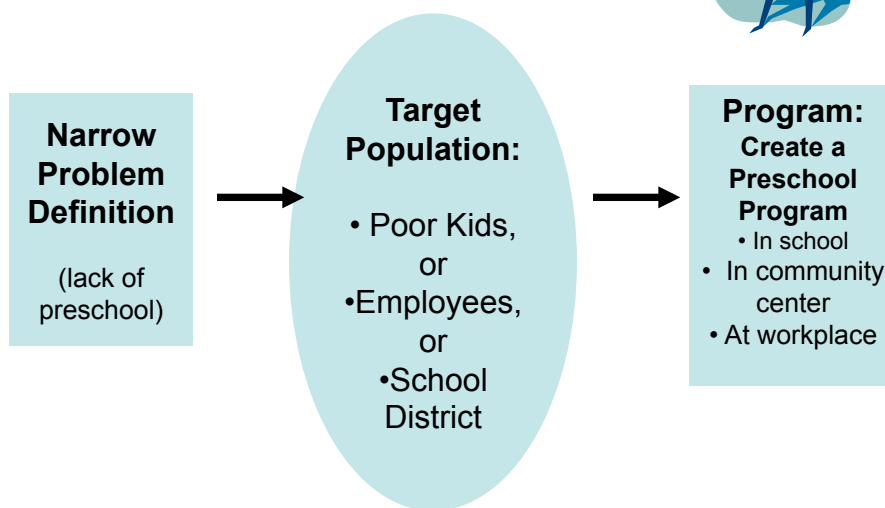
System Reform:
we name the problem
as "systemic" but...



We don't respond with solutions that re-frame early education and care as it affects the whole society.

If we did, we'd start creating public policy that looks completely different from what we have now.

We Want the Solution to Be Simple



But the Problem (and the Solution) is Multi- Faceted



Broad Problem Definition:

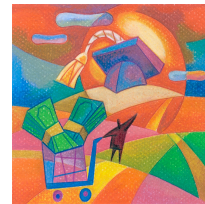
(America Isn't
Investing in
Human Capital)

Universal Approach

Systemic Response:

- Support for range of ECE services & family supports
- Flexible Financial Aid for Families
- Publicly Funded Infrastructure
- Support for Non-Market ECE

Strategic Investment & Leadership



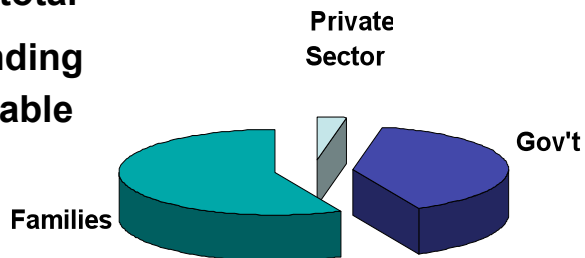
- ECE is a market-driven system with unique challenges
- ECE is a special market sector because it serves both public and private needs
- The public-good aspect of ECE is vulnerable to market forces (price and convenience) rather than the long-term benefits of quality early education

The Early Care and Education Market is both public & private



ECE Revenue

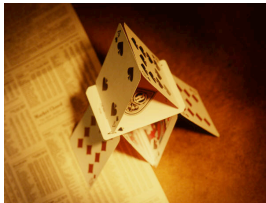
- Consumer tuition is the largest source of revenue
- Private sector has increased dramatically but still less than 4% of total
- Government funding is primarily portable \$ (vouchers or tax benefits)



ECE is an Underdeveloped Market



- **Lack of effective demand** from consumers for high quality services.
- **Low profitability** due to high labor expenses required by high staff/child ratios.
- **No economies of scale** in an industry composed of very small businesses.
- **Insufficient product differentiation** makes it difficult for consumers to obtain information on the quality of early care and education services.



ECE is an Economically Fragile Industry

Bottom-Line Issues for ECE Businesses:

- **Ensure Full Enrollment** - every day, in every classroom
- **Collect Tuition & Fees** - in full and on-time
- **Maintain High Quality Services** (fees cover cost or have 3rd party revenue source)

Market Interventions

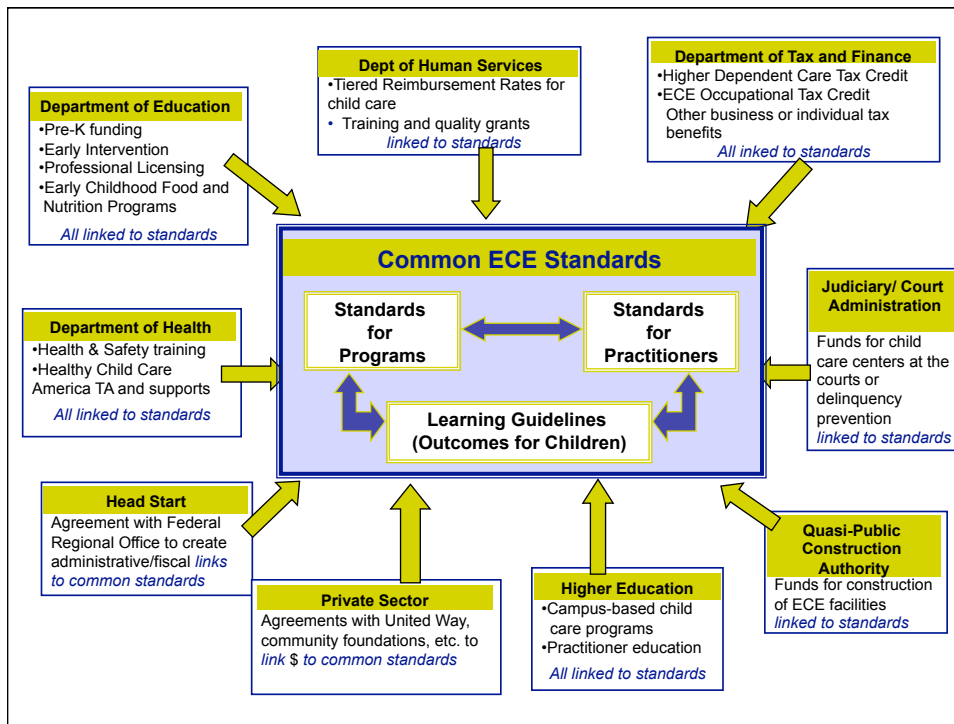


- Industry-wide Quality Standards
- Industry-wide Support Systems
- Public/Private Financing Linked to Compliance with Quality Standards
- Intermediaries to launch/administer shared services

Quality Rating Systems



- Promote product differentiation
- Can help increase consumer demand for quality
- Can help reinforce the "public good" portion of early care and education
- Promote & support continuous improvement among early care and education providers.



Financing Linked to Quality Standards

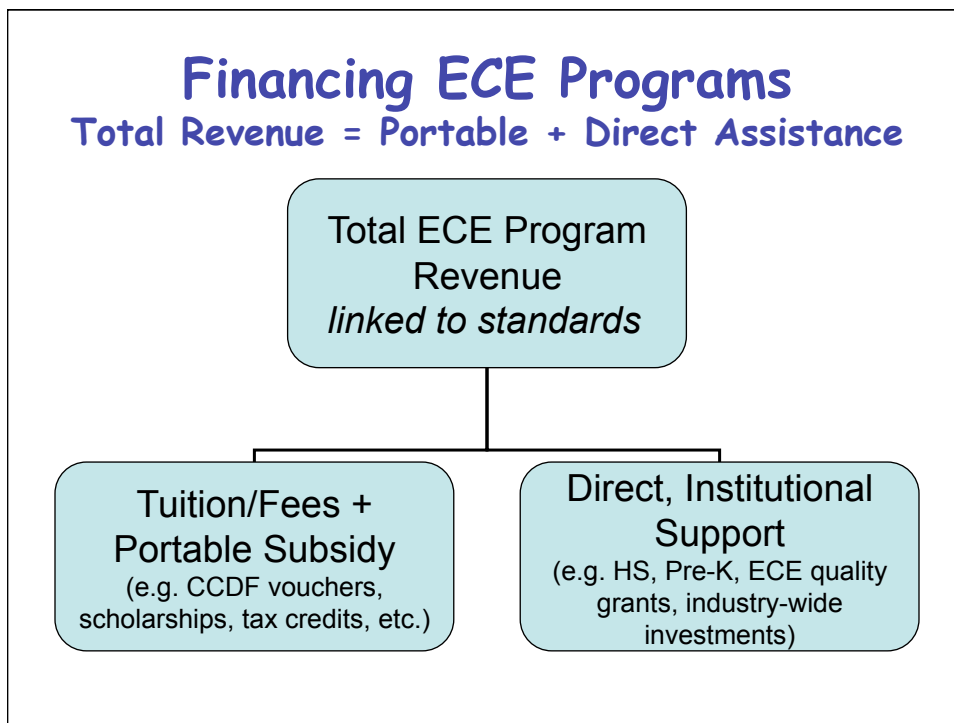


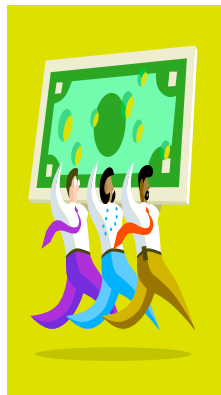
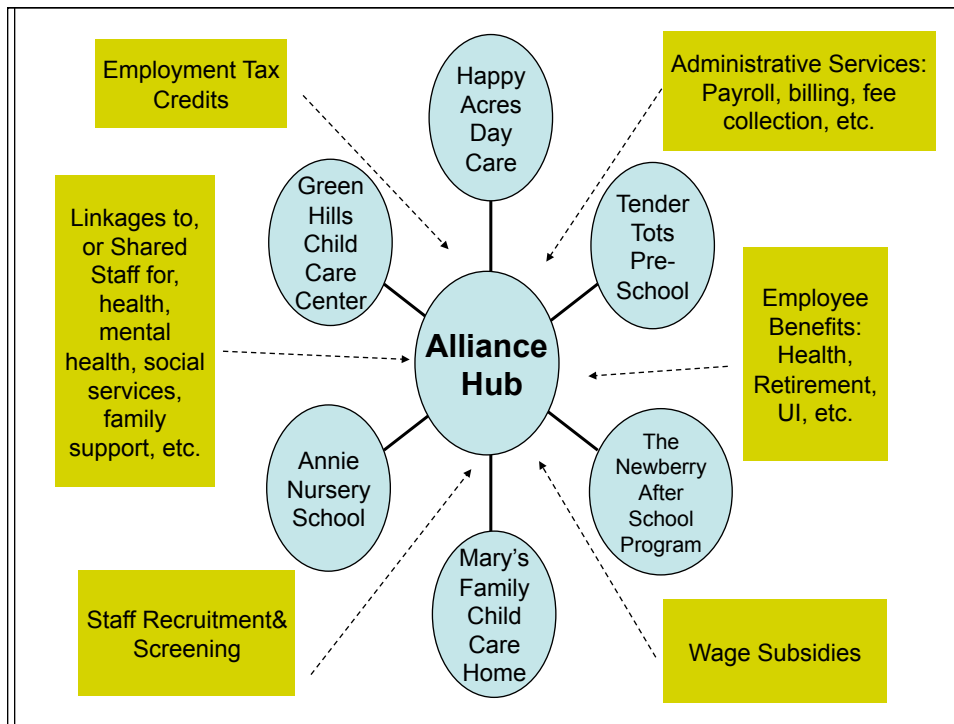
Innovative ideas...

- Tax credits linked to quality (LA, ME, OR)
- Investment capital linked to quality (ME, OR, NC loans to grants)
- Public and private grants for operating assistance linked to quality (PA, MT, OK)
- Access to shared services linked to quality (NC)

Step	Criteria	Portable Incentives	Direct Incentives
Start with Stars	Apply for QRS & complete requirements (e.g. Health & Safety checklist)	Child care subsidy (CCDF/TANF) at basic rate State child care tax credit at basic rate	Start with STARS grant - one time only TEACH and CADFP available Access to T/TA -- prioritized Links to family support and/or home visiting
STAR 1 - Attained ★	Meets STAR 1 Standards or in a points system has sufficient points for Star 1	Child care subsidy at Star 1 level (tiered bonus) State child care tax credit at basic + .25	STARS Support Grant - available for 2 years TEACH, CACFP, T/TA, family support links same as Start with Stars Early Childhood MH Consultation available Health Consultation available
STAR 2 - Attained ★ ★	Meets STAR 2 Standards or in points system has sufficient points for star 2	Child care subsidy at Star 2 level (tiered bonus) Private scholarships/grants at Star 2 level State child care tax credit at basic + .50 refundable practitioner tax credit at base level (or Ed & Ret grants)	STARS Support Grant - available for 3 years Ed & Retention Award (or practitioner tax credits) Campus-based child care funds @ Star 2 level TEACH prioritized CACFP, T/TA, family support links same as Star One Early Childhood MH & Health consultation prioritized
STAR 3 - Attained ★ ★ ★	Meets STAR 3 Standards or in points system has sufficient points for star 3	Child care subsidy at Star 3 level (tiered bonus) Private scholarships/grants at Star 3 level State child care tax credit at basic + .75 refundable practitioner tax credit at 1.5 of base level (or Ed & Ret grants)	STARS Support Grant -- ongoing Ed & Retention Award (or practitioner tax credits) Campus-based child care funds @ Star 3 level TEACH & CACFP same as Star Two Training and TA available, as needed & appropriate Title IV-B - priority placement for protective/preventive Family support available & aligned with IV-B cases Early Childhood MH Consul aligned with IV-B Health Consultation prioritized & aligned with IV-B Priority placement for children with disabilities
STAR 4 - Attained ★ ★ ★ ★	Meets STAR 4 Standards/points or National Accreditation or Head Start (licensed integrated model)	Child care subsidy at Star 4 level (tiered bonus) Private scholarships/grants at Star 4 level State child care tax credit x 2 (double benefit) refundable practitioner tax credit at 2x base level (or Ed & Ret grants)	STARS Support Grant - ongoing Ed & Retention Award (or practitioner tax credit) Campus-based child care funds @ Star 4 level Eligible for Head Start and/or State Pre-K Funding TEACH, CACFP, T/TA, Title IV-B, Family Support, MH & Health Consultation same as Star Three Priority placement for children with disabilities

Hypothetical QRS Supports -- Finance and TA





Shared Services

- Group Purchasing
- Staffing & Human Resources
- Food Services
- Family Supports & Services
- Quality Assurance – child assessment, training, mentoring
- Marketing
- Contract Negotiation/Development
- Shared Administration
- Billing and Fee Collection

Families & Children Have Economic Value



Because a significant amount of the time spent caring for children takes place outside the market economy, we tend to think of it as an altruistic act, rather than what it also is -- an investment that is crucial to economic growth

-Nancy Folbre

Families & Children Have Economic Value



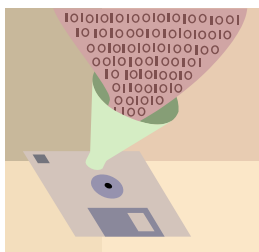
What could you buy with your Social Security check, or your IRAs for that matter, if everyone else in your generation had simply forgotten to have children or failed to invest in them?

- Phillip Longman



Supporting Families

- Paid family leave
- Social Security & retirement reforms - to support years spent caring for young children
- High-quality part-time jobs - with health and retirement benefits
- Flexible work schedules
- Opportunities for reduced work hours without undue penalties



For More Information...

- www.earlychildhoodfinance.org
- [http://
economicdevelopment.cce.cornell.edu
u](http://economicdevelopment.cce.cornell.edu)



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Extra Slides

(only if needed for further explanation)

Quality Early Learning is Rooted in Relationships



- skilled teachers, with special training in ECE;
- small class sizes and high adult-to-child ratios;
- age-appropriate curricula and stimulating materials in a safe physical setting;
- a language-rich environment;
- warm, responsive interactions between staff and children;
- high and consistent levels of child participation.

ECE Financing System: What's needed?



- Institutional Program Support
- Financial Aid for Families
- Publicly Funded Infrastructure
- Support for Non-Market Care



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