

Financial structure of early childhood education requires overhaul to make it accessible and affordable for all families

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High-quality early care and education (ECE) is critical to positive child development and has the potential to generate economic returns, but the current financing structure of ECE leaves many children without access to high-quality services and does little to strengthen the ECE workforce, says a new report from the National Academies of Sciences, Engineering, and Medicine. Transforming the accessibility, affordability, and quality of ECE provided outside the child's home will require phased implementation, amounting to at least an estimated \$140 billion annually from the public and private (philanthropy, employers, and families) sectors in the final phase of implementation. The report says an ideal financing structure should support high standards; a highly qualified workforce; and equitable access for families from all socio-economic, racial, ethnic, ability, and geographic backgrounds.

The committee that carried out the study and wrote the report estimated potential contributions from families and the public sector over phases, recognizing that increases in ECE funding will need to occur over time. By the final phase of implementation, the estimated total annual cost of providing high-quality early care and education for all children is at least \$140 billion. If families contribute to the costs based on an affordable [family](#) payment schedule, the increase in public funding would grow from the current level of about \$5 billion a year to \$53 billion a year in the final phase. This would mean that public costs would increase to \$82 billion and private costs would be \$58 billion annually in the [final phase](#).

"While high-quality early care and education for children from birth to kindergarten entry is critical to child development and has the potential to generate significant economic returns in the long run, it has been financed in such a way that makes early education available only to a fraction of the families needing and desiring care, and does little to further develop the early care and education workforce," said LaRue Allen, Raymond and Rosalee Weiss Professor of Applied Psychology and chair of the committee.

The report focuses on early care and education that is paid, non-parental care provided outside the home for children before they enter kindergarten. Services may be offered on a full-day or part-day basis, and vary by type: some are publicly funded, some are private, market-based centers, and many other ECE settings rely on a mix of public and private funding.

Currently, funding for early care and education comes from a multitude of individual programs with different revenue streams, constituencies, eligibility requirements, and standards. Whereas public K-12 education is financed almost entirely by the public sector and available to all children, ECE typically involves substantial family payments. According to a recent estimate developed by the Build Initiative, families pay approximately 52 percent of the total cost of early care and education, with the public sector contributing 46 percent and non-parental private sector funding covering about 2 percent. Families with incomes below the federal poverty level spend about 20 percent of their income on early care and education, while those with income above five times the federal poverty level pay 6 percent of their income. The committee notes that families with higher incomes typically pay more for ECE, but they also have significantly more discretionary income available after paying ECE costs.

Funds are distributed to providers and families through mechanisms

such as federally funded Head Start programs, public pre-kindergarten programs that are funded primarily by states or local jurisdictions, and state Child Care Assistance Programs, which tend to target resources to low-income families, as well as tax preferences that benefit middle- and upper-income families. The current lack of harmonization among these financing mechanisms leads to gaps in ECE affordability for some low-income families, economic segregation within ECE settings and classrooms, and underutilization of ECE services by middle-income families. In addition, many of these programs are under-funded and do not serve all children who are eligible to receive services. In order to allow all children and families access to ECE, federal and state governments should set uniform family payment standards that increase progressively across low-, moderate-, and higher-income groups, so families pay either no fee or an amount they can reasonably afford, based on established income criteria. The share of costs that are not covered by family payments should be covered by a combination of support to ECE providers and assistance directly to families that is based on these income eligibility standards.

The report also says that in order to provide high-quality care, a highly qualified workforce is essential, meaning educators and staff must be well-compensated, have affordable opportunities to access higher education, and receive appropriate ongoing support and professional development. Despite an increased emphasis on strengthening the qualifications and education level of ECE educators over the past two decades, there has not been a similar emphasis on raising the compensation of the workforce. ECE educators and staff are paid at significantly lower levels than other professionals with a similar level of education, and benefits are limited.

Although financing to support ongoing professional learning - including higher education and professional development - is available, it is inadequate, given the needs of the current workforce, the committee

said. Financing higher education is almost entirely the responsibility of the entering or incumbent ECE educator. In addition, financing is largely absent for system-level improvements to ensure that higher-education programs prepare students with the knowledge and competencies necessary to work with young children. The report says that without proper investment to ensure quality in higher-education programs, financing tuition assistance and other supports may do little to improve quality in ECE professional practice.

Because compensation for the ECE workforce is not currently commensurate with desired qualifications, the committee recommended that the ECE workforce be provided with financial assistance to achieve qualifications through higher-education programs, credentialing programs, and other forms of professional learning. The current ECE workforce should bear no cost for strengthening their credentials and competencies and should be assisted to limit costs to a reasonable proportion of post-graduation earnings. Once compensation reaches adequate levels to recruit and retain a highly qualified workforce, it may be appropriate to ask ECE professionals to contribute to their costs of attaining additional qualifications.

To build adequate, equitable, and sustainable financing with effective incentives for quality additional resources will need to come from a combination of public and private resources, with the largest portion of funding coming from public investments, the report says. Federal and state governments should increase funding levels and revise tax preferences to ensure adequate funding. How the burden can best be distributed among the levels of government and among revenue sources must be determined through political processes that weigh options for transitioning to and implementing a high-quality ECE system and the benefits of such a system against the potential political and economic costs of reducing other public expenditures or raising taxes. But the dual function of early care and education at a critical educational period and

as economic security for families with parents in the workforce argues for continued public responsibility for ensuring ECE access for all children. The committee supports an ongoing significant federal role but also supports important roles for state and local governments.

The committee recognized that implementing a new financing structure to ensure access to high-quality, affordable early care and [education](#) will take time and will require ample political will and leadership, but it also noted that there is great urgency in realizing this vision. Once in place, the committee said, these changes will attract highly qualified professionals, serve the needs of all families, and will allow the nation's youngest children the opportunity for the best possible start in life.

More information: [www.nap.edu/catalog/24984/tran ... y-care-and-education](http://www.nap.edu/catalog/24984/tran...y-care-and-education)

Provided by National Academies of Sciences, Engineering, and Medicine

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