



# Designing a State-Based Social Insurance Program for Early Child Care and Education

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## *Preface*

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# ABOUT THE CHAPTER

This chapter explores social insurance solutions to challenges states face in providing affordable, quality early care and education for young children. It was developed during a year of deliberations by a Working Group of 13 child and family policy experts with a variety of expertise and perspectives. It is part of a larger Study Panel project on Universal Family Care. The chapter focuses exclusively on programs for children ages 0 to 5—or, more specifically, those who have not yet reached the traditional age of entrance into a state’s formal education system, as the precise age of entrance into public education varies by state.

This chapter focuses on state-level policy options regarding program design and funding. Funding for child care and education in the United States is remarkably complex. Mandatory public education programs—typically beginning around age 5—are largely funded through state and/or local resources. In contrast, the very limited existing public funding for early child care and education (ECCE), particularly for children ages 0 to 3, has traditionally come primarily from the federal government. Changes to federal ECCE policy are beyond the scope of this report, though the report notes where added federal funding or guidance could be particularly helpful to states.

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# EXECUTIVE SUMMARY

The dynamics of work and family life have shifted over the past several decades, but public policy has not kept pace with the changing needs of workers and their families. As households increasingly rely on having all adults working to make ends meet, a full-time stay-at-home parent is no longer achievable for many families. At the same time, the lack of affordable early child care and education (ECCE) poses a significant challenge for families trying to balance the need to provide safe, stimulating care for children with financial security. Women—especially women of color—face particularly stark disadvantages in terms of financial security and labor force attachment when meaningful access to affordable early child care and education is lacking.

A variety of federal-level programs exist to provide assistance with the cost of early child care and education. However, because these programs are vastly underfunded, they fail to serve a substantial proportion of families who meet the very strict eligibility requirements. Financing and implementing education systems has historically been the purview of states, but most states have failed, as yet, to treat early child care and education with the same attention as primary and secondary school education. A robust state-level ECCE program could substantially improve child health, development, and well-being, increase the financial security of families, and reduce inequities in access to high-quality care.

This chapter discusses three policy options for states interested in developing an early child care and education program:

1. Comprehensive universal early child care and education—which would place early care and education on par with primary and secondary school education by entitling all children access to publicly funded early care and education.
2. Employment-based, contributory early child care and education—which would entitle all children to early care and education if their parent(s)/guardian(s) are sufficiently attached to the labor force.
3. Universal early child care and education subsidy—which would entitle all families to a subsidy or voucher to cover a portion of the cost of early care and education for their children.

For each of these policy options, states will need to consider a variety of program design factors, including how the program is financed and the nature of the benefits that families receive. States will also need to address integrating a new state ECCE program with existing federal and state ECCE programs, building up the ECCE workforce and improving the quality of ECCE jobs, and lifting up the quality of care. Ultimately, a carefully designed ECCE program has the potential to make a substantial positive impact on children, families, communities, and the economy.

*Section I.*

# **INTRODUCTION**

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The dynamics of work and family life have shifted over the past several decades, yet public policy has not fully adapted to the changing needs of workers and their families. With women now representing a substantial proportion of the workforce,<sup>1</sup> more mothers are working outside the home.<sup>2</sup> As the vast majority of children are growing up in households where every parent is working,<sup>3</sup> the need for children to have access to safe, quality early care and education outside the home has increased over time. These trends are not likely to reverse. Mothers' earnings are critical to most families' ability to make ends meet. Nearly two-thirds (64 percent) of mothers are breadwinners or co-breadwinners, bringing home at least a quarter of the family's earnings, including more than 4 in 10 (42 percent) who are primary breadwinners, bringing home half or more of the family's earnings. Women of color are also more likely to be the primary source of economic support for their families.<sup>4</sup>

For most families trying to earn sufficient income both to provide for their families and

to provide safe, stimulating care for their children, access to high-quality, affordable early child care and education (ECCE) is lacking. Roughly 60 percent of the circa 24 million children between the ages of 0 and 5 in the United States<sup>5</sup> are in some form of regular care arrangement.<sup>6</sup> Yet, in contrast to free, public primary and secondary education, families typically bear a substantial financial responsibility in paying for ECCE. On average, families pay more than half the cost of ECCE out of pocket,<sup>7</sup> and many families pay the full cost of care without any public financial support. Early care and education for a child aged 0 to 4 years costs between \$9,000 and \$9,600 per year, on average, though there is substantial geographic variation.<sup>8</sup> There is also substantial variation in the cost of care by age, as infant care is roughly \$1,000-\$2,000 more expensive per year than the cost of care for four-year-olds.<sup>9</sup> Further, the financial

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*On average, families pay more than half the cost of ECCE out of pocket.*

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<sup>1</sup> U.S. Department of Labor, "Table 4. Families with Own Children: Employment Status of Parents by Age of Youngest Child and Family Type, 2017-2018 Annual Averages," Washington, DC: U.S. Department of Labor Bureau of Labor Statistics, 2019, <https://www.bls.gov/news.release/pdf/famee.pdf>.

<sup>2</sup> Lynda Laughlin, "Who's Minding the Kids? Child Care Arrangements: Spring 2011," *Household Economic Studies*, pp. 70-135, Washington, DC: U.S. Census Bureau, 2013, <https://www2.census.gov/library/publications/2013/demo/p70-135.pdf>.

<sup>3</sup> Eileen Patten, "How American Parents Balance Work and Family Life When Both Work," Pew Research Center, 2015, <http://www.pewresearch.org/fact-tank/2015/11/04/how-american-parents-balance-work-and-family-life-when-both-work/>.

<sup>4</sup> Sarah Jane Glynn, "Breadwinning Mothers Continue to be the U.S. Norm," Center for American Progress, May 10, 2019, <https://www.americanprogress.org/issues/women/reports/2019/05/10/469739/breadwinning-mothers-continue-u-s-norm/>.

<sup>5</sup> U.S. Census Bureau, "POP1 Child Population: Number of Children (in Millions) Ages 0-17 by Age, 1950-2017 and Projected 2018-2050," 2017, <https://www.childstats.gov/americaschildren/tables/pop1.asp>.

<sup>6</sup> The majority of children with no regular care arrangement is under the supervision of a stay-at-home parent/guardian, while others have inconsistent or unstable sources of care. [See: Lynda Laughlin, "Who's Minding the Kids? Child Care Arrangements: Spring 2011," *Household Economic Studies*. P70-135. Washington, DC: U.S. Census Bureau, 2013, <https://www2.census.gov/library/publications/2013/demo/p70-135.pdf>.]

<sup>7</sup> BUILD Initiative, "Finance and Quality Rating and Improvement Systems," Boston, MA, 2017, <http://www.buildinitiative.org/Portals/0/Uploads/Documents/Resources/QRIS%203/FinanceQRIS.pdf>.

<sup>8</sup> Child Care Aware of America, "The US and the High Cost of Child Care: 2018 Report," 2018, [https://cdn2.hubspot.net/hubfs/3957809/COCreport2018\\_1.pdf](https://cdn2.hubspot.net/hubfs/3957809/COCreport2018_1.pdf).

<sup>9</sup> Ibid.

burden of ECCE is distributed unequally; lower-income families spend a substantially higher proportion of their income on these services than do higher-income families.<sup>10</sup>

While a patchwork of federal funding sources is available to help finance ECCE programs, even among children eligible for those programs, many do not receive benefits due to insufficient funding. For example, only about 1 in 6 eligible children (typically those in the lowest-income families) benefits from the Child Care and Development Block Grant (CCDBG)—one of the largest federal child care programs.<sup>11</sup> Most early care and education

programs are designed and administered at the state and local level. As a result, the quality, accessibility, and affordability of early child care and education resources vary greatly by location.

### ***Child Health, Development, and Well-being***

Children’s brains develop rapidly before the age of five—more rapidly than at any other period of life.<sup>12</sup> The first five years are rich with cognitive, linguistic, social, emotional, and motor development. Children’s experiences and life circumstances in these early years

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<sup>10</sup> La Rue Allen and Emily P. Backes (eds.), “Transforming the Financing of Early Care and Education,” Committee on Financing Early Care and Education with a Highly Qualified Workforce, Washington, DC: The National Academies Press, 2018, <https://www.nap.edu/catalog/24984/transforming-the-financing-of-early-care-and-education>.

<sup>11</sup> Nina Chien, “Factsheet: Estimates of Child Care Eligibility & Receipt for Fiscal Year 2015,” Office of the Assistant Secretary for Planning & Evaluation, U.S. Department of Health and Human Services, January 2019, <https://aspe.hhs.gov/system/files/pdf/260361/CY2015ChildCareSubsidyEligibility.pdf>.

<sup>12</sup> Center on the Developing Child, “Five Numbers to Remember About Early Childhood Development (Brief),” 2009, <https://developingchild.harvard.edu/resources/five-numbers-to-remember-about-early-childhood-development/#note>.



may affect their health, development, and well-being long into the future.<sup>13</sup>

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*Children who attend high-quality early education programs have improved outcomes in long-term academic achievement, socio-emotional development, poverty, lifetime earnings, and incarceration rates.*

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As a result, the quality of care for the youngest children in our society can have a particularly significant impact on long-term developmental outcomes. In fact, most of the achievement gaps and disparities in socio-emotional development that are found among school-aged children and adolescents were actually present prior to their entry into the formal education system.<sup>14</sup> Numerous studies have found that high-quality early care and education programs can have lasting effects on a child's long-term educational achievement.<sup>15</sup>

But the benefits of quality early childhood education are not limited to academic achievement: Children who attend high-quality early education programs have improved outcomes on factors ranging from socio-emotional development<sup>16</sup> to poverty, lifetime earnings, and incarceration rates.<sup>17</sup> Evidence suggests that even physical health is improved through participation in high-quality early child care and education programs; one study in particular found significant reductions in cardiovascular and metabolic diseases among children who attended a high-quality early childhood education program compared to their peers who did not.<sup>18</sup>

To the extent that high-quality ECCE programs reduce a range of negative outcomes, their costs can be viewed as an investment in the nation's citizenry and future workforce. Estimates of the return on that investment range from \$4 to \$16 for every dollar spent on high-quality early childhood programs.<sup>19</sup>

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<sup>13</sup> Vincent J. Felitti, Robert F. Anda, Dale Nordenberg, David F. Williamson, Alison M. Spitz, Valerie Edwards, Mary P. Koss, and James S. Marks, "Relationship of Childhood Abuse and Household Dysfunction to Many of the Leading Causes of Death in Adults: The Adverse Childhood Experiences (ACE) Study," *American Journal of Preventative Medicine*, vol. 14, no. 4, 1998, [https://www.ajpmonline.org/article/S0749-3797\(98\)00017-8/abstract](https://www.ajpmonline.org/article/S0749-3797(98)00017-8/abstract).

<sup>14</sup> James J. Heckman, "Schools, Skills, and Synapses," *Economic Inquiry*, vol. 46, no. 3, 2008, [http://jenni.uchicago.edu/papers/Heckman\\_2008\\_EI\\_v46\\_n3.pdf](http://jenni.uchicago.edu/papers/Heckman_2008_EI_v46_n3.pdf).

<sup>15</sup> For a review of the literature on the impact of early childhood education, see: Sneha Elango, Jorge Luis García, James J. Heckman, and Andrés Hojman, "Early Childhood Education," 2015, <https://heckmanequation.org/assets/2017/01/FINALMoffitt-ECE-Paper2015.pdf>.

<sup>16</sup> James J. Heckman, "Schools, Skills, and Synapses," *Economic Inquiry*, vol. 46, no. 3, 2008, [http://jenni.uchicago.edu/papers/Heckman\\_2008\\_EI\\_v46\\_n3.pdf](http://jenni.uchicago.edu/papers/Heckman_2008_EI_v46_n3.pdf).

<sup>17</sup> Arthur Rolnick, "Investing in Early Childhood Development is Smart Economic Development," *The Science of Early Brain Development: A Foundation for the Success of Our Children and the State Economy: First Edition*, Wisconsin Family Impact Seminars, 2014, [https://www.purdue.edu/hhs/hdfs/fii/wp-content/uploads/2015/07/s\\_wifis32report.pdf](https://www.purdue.edu/hhs/hdfs/fii/wp-content/uploads/2015/07/s_wifis32report.pdf).

<sup>18</sup> Frances Campbell, Gabriella Conti, James J. Heckman, Seong Hyeok Moon, Rodrigo Pinto, Elizabeth Pungello, and Yi Pan, "Early Childhood Investments Substantially Boost Adult Health," *Science*, vol. 343, 2014, <https://heckmanequation.org/assets/2017/01/Science-2014-Campbell-1478-85.pdf>.

<sup>19</sup> Arthur Rolnick, "Investing in Early Childhood Development is Smart Economic Development," *The Science of Early Brain Development: A Foundation for the Success of Our Children and the State Economy: First Edition*, Wisconsin Family Impact Seminars, 2014, [https://www.purdue.edu/hhs/hdfs/fii/wp-content/uploads/2015/07/s\\_wifis32report.pdf](https://www.purdue.edu/hhs/hdfs/fii/wp-content/uploads/2015/07/s_wifis32report.pdf).

## ***The Cost of Early Child Care and Education, Family Financial Security, and Inequities in Access***

Investing in the success and well-being of our future citizenry is one rationale for financing high-quality ECCE programs, but access to affordable ECCE can also affect family economic security and labor force attachment in the present. As the proportion of families with a stay-at-home caregiver has declined relative to previous generations, families increasingly rely on some outside source of care for their pre-school-aged children.<sup>20</sup>

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*The average cost of ECCE represents 37 percent of the earnings of the average single parent.*

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Despite this increasing demand for early child care and education, its cost is well beyond the means of many families in the United States,<sup>21</sup> particularly for high-quality center-based programs. On average, families with a four-year-old in a legally operating child care facility can expect to pay roughly \$9,000 for center-based care or around \$8,300 for home-based care.<sup>22</sup> For a toddler, the cost of center-based care rises to around \$10,000, and for an infant to roughly \$11,600. Across

all ages (below the age of eligibility for public K-12 education), states, and both types of care settings, the average annual cost of child care runs between \$9,000 and \$9,600. These cost figures vary tremendously across states, and do not take into account additional expenses for extra services such as extended or flexible hours.

The average cost of early care and education represents over one-third (37 percent) of the earnings of the average single parent, and 10 percent of the average earnings of married co-parent households with minor children.<sup>23</sup> According to standards established by the U.S. Department of Health and Human Services, child care should take up no more than 7 percent of a family's income in order to be considered affordable.<sup>24</sup> Thus, for many families, high-quality care for young children is unaffordable in the current early care and education landscape across the U.S. Additionally, the affordability of many existing early child care and education resources is dependent on the fact that professional care providers are often receiving very low—even poverty-level—wages. The cost of providing adequate compensation for high-quality care is even higher than the often already overwhelming cost of care.<sup>25</sup> As programs pursue the goal of improving the quality of care, it will be

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<sup>20</sup> Heather Boushey, *Finding Time* (Boston, MA: Harvard University Press, 2016).

<sup>21</sup> Elise Gould and Tanyell Cooke, "High-Quality Child Care Is Out of Reach for Working Families," Economic Policy Institute, Issue Brief #404, 2015, <https://www.epi.org/files/2015/child-care-is-out-of-reach.pdf>.

<sup>22</sup> Child Care Aware of America, "The US and the High Cost of Child Care: 2018 Report," 2018, <http://usa.childcareaware.org/advocacy-public-policy/resources/research/costofcare/>.

<sup>23</sup> Ibid.

<sup>24</sup> Office of Child Care (OCC), Administration for Children and Families (ACF), Department of Health and Human Services (HHS), "Child Care and Development Fund (CCDF) Program," 2016, <https://www.federalregister.gov/documents/2016/09/30/2016-22986/child-care-and-development-fund-ccdf-program>.

<sup>25</sup> For a state-by-state breakdown of the cost of high-quality early care and education, see: <https://www.costofchildcare.org/>.



necessary to also invest in increasing wages and training for child care and education providers.<sup>26</sup>

While the presence of a stay-at-home caregiver has declined over the past several decades, the rate of stay-at-home motherhood has increased slightly in recent years, with roughly three in ten children cared for by a stay-at-home mother.<sup>27</sup> Today's stay-at-home mothers are significantly more likely to be women of color, to live below the poverty line, and to have lower educational attainment than working mothers.<sup>28</sup> These

disparities suggest two possible—and interrelated—narratives. On the one hand, mothers of certain demographic backgrounds may simply show a greater preference for staying home and raising their children. On the other hand, societal trends suggest that a second reason for the disparity may be the more likely, or at least more common, rationale—that women are staying home with their children due to a lack of supportive workplace policies in the United States, such as broad access to affordable child care and paid family and medical leave.<sup>29</sup> Additionally, families may be making their own cost-

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<sup>26</sup> For an extensive discussion of this topic, see: Nina Dastur, Indivar Dutta-Gupta, Laura Tatum, Peter Edelman, Kali Grant, and Casey Goldvale, “Building the Caring Economy: Workforce Investments to Expand Access to Affordable, High-Quality Early and Long-Term Care,” Creative Commons, 2017, [http://www.georgetownpoverty.org/wp-content/uploads/2017/05/Building-the-caring-economy\\_hi-res.pdf](http://www.georgetownpoverty.org/wp-content/uploads/2017/05/Building-the-caring-economy_hi-res.pdf).

<sup>27</sup> D’Vera Cohn, Gretchen Livingston, and Wendy Wang, “After Decades of Decline, A Rise in Stay-at-Home Mothers,” Pew Research Center, 2014, <http://www.pewsocialtrends.org/2014/04/08/after-decades-of-decline-a-rise-in-stay-at-home-mothers/>.

<sup>28</sup> Ibid.

<sup>29</sup> Sarah Jane Glynn and Danielle Corley, “The Cost of Work-Family Policy Inaction: Quantifying the Costs Families Currently Face as a Result of Lacking U.S. Work-Family Policies,” Washington, DC: Center for American Progress, 2016, <https://cdn.americanprogress.org/wp-content/uploads/2016/09/22060013/CostOfWorkFamilyPolicyInaction-report.pdf>.



benefit analyses in regards to accessing paid child care and education services; if a parent's earnings are insufficient to balance out the cost of enrolling their child in an early care or education program, they may view the tradeoff between labor force participation and the financial burden of out-of-home care differently from more affluent families. Indeed, research on the introduction of universal pre-K in Washington, D.C. suggests that the District's free, public early education program resulted in sizeable increases in labor force participation among disadvantaged mothers (and others).<sup>30</sup>

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*Working families in the U.S. experience an estimated \$8.9 billion loss in earnings annually due to a lack of access to affordable child care.*

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Working families in the U.S. experience an estimated \$8.9 billion loss in earnings annually due to a lack of access to affordable child care.<sup>31</sup> As other similarly wealthy nations have implemented family-friendly work policies, their women's labor force participation has grown. In the United States, by contrast, women's labor force participation

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<sup>30</sup> Rashid Malik, "The Effects of Universal Preschool in Washington, D.C.: Children's Learning and Mothers' Earnings," Center for American Progress, 2018, <https://www.americanprogress.org/issues/early-childhood/reports/2018/09/26/458208/effects-universal-preschool-washington-d-c/>.

<sup>31</sup> Sarah Jane Glynn and Danielle Corley, "The Cost of Work-Family Policy Inaction: Quantifying the Costs Families Currently Face as a Result of Lacking U.S. Work-Family Policies," Washington, DC: Center for American Progress, 2016, <https://cdn.americanprogress.org/wp-content/uploads/2016/09/22060013/CostOfWorkFamilyPolicyInaction-report.pdf>.

has been stagnant or declining, falling further behind other OECD countries.<sup>32</sup> This could be compromising U.S. economic growth and competitiveness; one study estimates the cost to the nation to be \$57 billion in lost earnings, productivity, and revenue.<sup>33</sup> Increasing families' access to affordable ECCE<sup>34</sup> and increasing public expenditures on ECCE programs,<sup>35</sup> on the other hand, could significantly increase maternal employment.

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<sup>32</sup> Francine D. Blau and Lawrence M. Kahn, "Female Labor Supply: Why Is the United States Falling Behind?," *American Economic Review*, vol. 103, no. 3, 2013.

<sup>33</sup> Sandra Bishop-Josef, Chris Beakey, Sara Watson, and Tom Garrett, "Want to Grow the Economy? Fix the Child Care Crisis," Ready Nation: Council for a Strong America, 2019, <https://www.strongnation.org/articles/780-want-to-grow-the-economy-fix-the-child-care-crisis>.

<sup>34</sup> Taryn W. Morrissey, "Child Care and Parent Labor Force Participation: A Review of the Research Literature," *Review of Economics of the Household*, vol. 15, no. 1, March 2017.

<sup>35</sup> María E. Enchautegui, Nina Chien, Kimberly Burgess, and Robin Ghertner, "Effects of the CCDF Subsidy Program on the Employment Outcomes of Low-Income Mothers," U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, December 2016, <https://aspe.hhs.gov/system/files/pdf/253961/EffectsCCSubsidiesMaternalLFPTechnical.pdf>.

*Section II.*

**THE LANDSCAPE  
OF EARLY CHILD  
CARE AND  
EDUCATION  
POLICIES IN THE  
UNITED STATES**

NATIONAL  
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Caring for children and nurturing their development has long been viewed as women’s work. It is generally performed by women in their own homes without pay—and by some women, especially women of color and immigrants, for other families’ children at low pay. Child care work has long been undervalued and viewed as a private—rather than a public—responsibility. These views have shaped the patchwork of child care and early education policies that still prevails across the nation today.

### ***Brief History of Early Child Care and Education Programs in the United States***

In response to the crises of the Great Depression and the Second World War, the federal government made its first investments in child care—but abandoned those initiatives

as the crises passed. “Emergency nursery schools” were established in the 1930s as part of the New Deal’s Works Progress Administration (WPA), primarily to provide employment to unemployed teachers, nurses, and others. However, many of the centers were closed as private employment increased. When women were needed during the Second World War to work in defense-related industries, some WPA centers were revived and new child care centers were created in war production areas. Federal and state funds made care available at a modest fee, regardless of income, to about 600,000 children at over 3,000 centers between 1942 and 1946. After the war ended, Congress withdrew funding and most centers closed.<sup>36</sup>

The doubling of mothers’ labor force participation between the end of the Second World War and 1970, together with new

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<sup>36</sup> For a broader discussion of the history of child care policy in the United States, as well as original citations, see: Julie Vogtman, “Undervalued: A Brief History of Women’s Care Work and Child Care Policy in the United States,” National Women’s Law Center, 2017, [https://nwlc.org/wp-content/uploads/2017/12/final\\_nwlc\\_Undervalued2017.pdf](https://nwlc.org/wp-content/uploads/2017/12/final_nwlc_Undervalued2017.pdf).

research on the importance of children's early development, led to renewed interest in public child care policy. The Head Start program was created in 1965 as part of the War on Poverty to provide preschool education and health, nutrition, and other services to young children in poor families.<sup>37</sup>

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*A universal national child care program was nearly enacted more than 40 years ago. The Comprehensive Child Development Act of 1971 passed Congress with bipartisan support.*

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A universal national child care program was nearly enacted more than 40 years ago. The Comprehensive Child Development Act of 1971 passed Congress with bipartisan support. It would have provided substantial funding for child care centers that would be open to all on a sliding fee scale, reflecting the view that "comprehensive child development programs should be available to all children."<sup>38</sup> The bill mandated free care for families with the lowest income and additional services to promote healthy child development for low-income children. President Richard M. Nixon vetoed the bill, declaring that it would "commit the vast moral authority of the National Government to the side of communal approaches to child rearing over against [sic] the family-centered approach."<sup>39</sup>

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<sup>37</sup> Ibid.

<sup>38</sup> H.R. 1083, *Comprehensive Child Development Act of 1971*, Finding of Congress, <https://www.congress.gov/bill/93rd-congress/house-bill/1083/all-info>.

<sup>39</sup> Richard Nixon, "Veto of the Economic Opportunity Amendments of 1971," Dec. 9, 1971 (Transcript available at the American Presidency Project: <http://www.presidency.ucsb.edu/ws/?pid=3251>).

<sup>40</sup> Sharon K. Long, Gretchen G. Kirby, Robin Kurka, and Shelley Waters, "Child Care Assistance under Welfare Reform: Early Responses by the States," Washington, DC: The Urban Institute, 1998, <http://webarchive.urban.org/publications/308043.html>.

<sup>41</sup> Congressional Research Service, "The Child Care and Development Block Grant: Background and Funding," 2014, [https://www.everycrsreport.com/files/20140917\\_RL30785\\_523d234ca8f11b399d2adf7d0609aa077586fe95.pdf](https://www.everycrsreport.com/files/20140917_RL30785_523d234ca8f11b399d2adf7d0609aa077586fe95.pdf).

Following the veto, universal child care policies fell off the national agenda. Instead, federal policies focused on child care as a means to promote work, particularly among low-income single parents. Until 1990, the welfare program known as Aid to Families with Dependent Children (AFDC) was connected to three separate federal child care programs. Families who were receiving AFDC and who were either working or in an education or training program were entitled to child care. Families leaving AFDC were entitled to one year of subsidized child care under the separate Transitional Child Care Program. The At-Risk Child Care program provided capped funding to states to serve working families at risk of needing welfare without child care assistance.<sup>40</sup>

In 1990, the Child Care and Development Block Grant program (CCDBG) was enacted to provide child care assistance to low- and moderate-income working families not connected to AFDC whose incomes did not exceed 75 percent of state median income. The CCDBG program did not create an individual entitlement to child care and was funded by annual appropriations.<sup>41</sup> The program is now funded under the broader Child Care and Development Fund (CCDF), which includes a mandatory entitlement for states (the Child Care Entitlement to States) and the discretionary Child Care and Development Block Grant, which provides funds for eligible families.



The 1996 law that repealed AFDC also eliminated its three associated child care programs and any individual entitlement to child care. Instead, the law created one new consolidated child care block grant to be administered by the state agency managing the CCDBG, subject to CCDBG rules.<sup>42</sup>

More recently, federal and state initiatives have devoted more attention to improving the quality of early care and education for children. In 2018, Congress allocated an additional \$2.4 billion in discretionary funding for the CCDBG, as well as increasing funding for other, smaller early care and education programs. While funding is still far

from adequate, this investment was a critical step in the right direction.

### ***Overview of Current Early Child Care and Education Programs***

This section briefly describes current programs that focus on providing care and education services to young children.<sup>43</sup> It does not address broader social policies for families and children that may be used to support early care and education, such as Temporary Assistance to Needy Families (TANF), the Social Services Block Grant (SSBG), Elementary and Secondary Education Act (ESEA), and the Child Tax Credit (CTC).<sup>44</sup>

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<sup>42</sup> Ibid.

<sup>43</sup> The primary resource used to inform this overview is: Congressional Research Service, “Early Childhood Care and Education Programs: Background and Funding,” 2016, [https://www.everycrsreport.com/files/20160516\\_R40212\\_7109fd6a323108f119477ff9818cfb50481a8469.pdf](https://www.everycrsreport.com/files/20160516_R40212_7109fd6a323108f119477ff9818cfb50481a8469.pdf).

<sup>44</sup> For a summary of federal spending, by program, on early child care and education, see Figure 12 on page 37 of: Nina Dastur, Indivar Dutta-Gupta, Laura Tatum, Peter Edelman, Kali Grant, and Casey Goldvale, “Building the Caring Economy: Workforce Investments to Expand Access to Affordable, High-Quality Early and Long-Term Care,” Creative Commons, 2017, [http://www.georgetownpoverty.org/wp-content/uploads/2017/05/Building-the-caring-economy\\_hi-res.pdf](http://www.georgetownpoverty.org/wp-content/uploads/2017/05/Building-the-caring-economy_hi-res.pdf).

Nor does this section include programs that support young children’s healthy development in other ways, such as the Children’s Health Insurance Program (CHIP); Medicaid; the Maternal, Infant, and Early Childhood Home Visiting (MIECHV) program; the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); and the Supplemental Nutrition Assistance Program (SNAP).

### **Child Care and Development Block Grant (CCDBG)**

The Child Care and Development Block Grant (CCDBG) provides federal funds to every state to provide direct child care assistance to low- and moderate-income families who have children under 13 and/or older children with disabilities. A portion of the funding also must be used to improve the quality and accessibility of care. States must match a portion of the federal funds and can develop their own policies under broad federal parameters.<sup>45</sup>

Since the number of families in need of financial support for ECCE is so much higher than current funding levels can cover, states typically rely on key program design levers to prioritize the limited ECCE subsidy resources that are available. Under federal law, CCDBG funds may be used to assist families with income up to 85 percent of the state median income. Because federal funds are insufficient

to serve all children eligible under federal law, states may—and do—set lower eligibility limits. In nearly one-third of the states, families with income above 150 percent of the federal poverty guidelines (\$30,630 a year for a family of three in 2017) could not qualify for child care assistance. In nearly three-quarters of states, families with income above 200 percent of poverty (\$40,840 a year for a family of three in 2017) would be ineligible for assistance.<sup>46</sup>

States also determine the copayment required of eligible families. Federal regulations recommend that parents not be required to pay more than seven percent of their income on child care. However, most states do not meet this standard. Over half the states require families at 150 percent of poverty to pay copayments that account for more than seven percent of their income for child care; nearly a quarter of the states require families at the poverty line to pay more than seven percent of their income.<sup>47</sup>

Under federal law, the parents with whom the child resides must be “working or attending a job training or educational program” or the child must be receiving or in need of protective services.<sup>48</sup> States have some flexibility in setting eligibility standards. For example, federal law does not mandate how many hours parents must work to qualify for the CCDBG, but nearly

<sup>45</sup> Congressional Research Service, “The Child Care and Development Block Grant: Background and Funding,” 2014, [https://www.everycrsreport.com/files/20140917\\_RL30785\\_523d234ca8f11b399d2adf7d0609aa077586fe95.pdf](https://www.everycrsreport.com/files/20140917_RL30785_523d234ca8f11b399d2adf7d0609aa077586fe95.pdf).

<sup>46</sup> Karen Schulman and Helen Blank, “Persistent Gaps: State Child Care Assistance Policies 2018,” National Women’s Law Center, 2018, <https://nwlc.org/resources/overdue-for-investment-state-child-care-assistance-policies-2018/>.

<sup>47</sup> Ibid.

<sup>48</sup> U.S. Code Title 42, “The Public Health and Welfare,” Chapter 105, Community Services Programs, Subchapter II–B, Child Care and Development Block Grant, Section 9858c, <https://www.law.cornell.edu/uscode/text/42/9858c>.

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*Although federal regulations recommend that parents not be required to pay more than seven percent of their income for child care, most states do not meet this standard.*

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half of the states do.<sup>49,50</sup> Parents working in unstable, low-wage jobs may have difficulty

meeting the minimum hours requirements, and thus may not qualify for assistance.<sup>51</sup> Recognizing that it is difficult to search for and start a job without child care in place, the 2014 federal reauthorization of the law requires states to allow families to qualify for and begin receiving assistance while a parent looks for work if they become unemployed, and some states have their own, more generous allowances.<sup>52,53</sup> The

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<sup>49</sup> States that do not set a minimum number of parent/guardian work hours for eligibility may still base the amount of the subsidy on the number of hours worked.

<sup>50</sup> Victoria Tran, Sarah Minton, Sweta Haldar, and Kelly Dwyer, "The CCDF Policies Database Book of Tables, Key Cross-State Variations in CCDF Policies as of October 1, 2017," OPRE Report 2018-106, Washington, DC: Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services, 2018, [https://www.acf.hhs.gov/sites/default/files/opre/ccdf\\_policies\\_database\\_2017\\_book\\_of\\_tables\\_final\\_10\\_09\\_18\\_508.pdf](https://www.acf.hhs.gov/sites/default/files/opre/ccdf_policies_database_2017_book_of_tables_final_10_09_18_508.pdf).

<sup>51</sup> Kimberly Burgess, Colin Campbell, Nina Chien, Taryn Morrissey, and Sharon Wolf, "Income and Employment Fluctuations Among Low-Income Working Families and Their Implications for Child Care Subsidy Policy," Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, <https://aspe.hhs.gov/system/files/pdf/255481/incomefluct.pdf>.

<sup>52</sup> The reauthorization of CCDBG in 2014 requires states to allow families who have been receiving child care assistance to continue receiving it for at least three months while a parent looks for a job.

<sup>53</sup> Karen Schulman and Helen Blank, "Persistent Gaps: State Child Care Assistance Policies 2018," National Women's Law Center, 2018, <https://nwlc.org/resources/overdue-for-investment-state-child-care-assistance-policies-2018/>. A larger share of states has job search policies for families receiving or leaving Temporary Assistance to Needy Families, see Tables 2 and 3: [https://www.acf.hhs.gov/sites/default/files/opre/ccdf\\_policies\\_database\\_2016\\_book\\_of\\_tables\\_final\\_12\\_05\\_17\\_b508.pdf](https://www.acf.hhs.gov/sites/default/files/opre/ccdf_policies_database_2016_book_of_tables_final_12_05_17_b508.pdf).



2014 reauthorization also requires states to implement 12-month eligibility re-determination periods for CCDF families, regardless of changes in a family's income (unless their income doesn't exceed the federal threshold of 85 percent of the state's median income) or any temporary changes in parent/guardian participation in work, training, and/or education activities.<sup>54</sup>

Parents may choose any provider that meets basic health and safety standards, including centers, licensed family child care homes, and, in most states, providers who are exempt from licensing requirements under state law because of the small number of children served, their relationship to the children, or other reasons.<sup>55</sup> Congress strengthened those standards in its 2014 CCDBG reauthorization (see text box), but states' implementation has been uneven.<sup>56</sup>

### Quality-Related Requirements for States under the Child Care and Development Block Grant Reauthorization of 2014

#### The Act requires states to:

- Establish and enforce minimum health and safety standards covering 11 broad areas, such as the prevention and control of infectious diseases, building and premises safety, and emergency preparedness;
- Ensure that all providers receiving funds from the CCDBG complete pre-service and ongoing training on health and safety topics;
- Set age-specific standards for group size limits and child-to-provider ratios;
- Conduct pre-licensure and annual unannounced licensing inspections for all licensed CCDBG providers, as well as annual inspections for unlicensed (or "license-exempt") CCDBG providers;

- Establish qualifications and training for licensing inspectors and set inspector-to-provider ratios; and
- Conduct criminal background checks on applicable child care providers and staff members.

#### In addition,

- All providers receiving funds from the CCDBG must complete pre-service and ongoing training on health and safety topics; and
- Minimum state spending on general quality activities increases incrementally from 4 percent of CCDBG spending under prior law to 9 percent by FY2020, plus states must spend an additional 3 percent on quality activities for infants and toddlers.

**Source:** Congressional Research Service (CRS), "Early Childhood Care and Education Programs: Background and Funding," 2016, <https://crsreports.congress.gov/product/pdf/R/R40212>.

<sup>54</sup> Administration for Children and Families, Office of Child Care, "CCDF Reauthorization Frequently Asked Questions," U.S. Department of Health and Human Services, 2015, <https://www.acf.hhs.gov/occ/resource/ccdf-reauthorization-faq-archived>.

<sup>55</sup> National Center on Early Childhood Quality Assurance, "Supporting License-Exempt Family Child Care (No. 302)," Department of Health and Human Services: Administration for Children & Families: Office of Child Care, 2015, [https://childcareta.acf.hhs.gov/sites/default/files/public/supporting\\_exempt\\_fcc.pdf](https://childcareta.acf.hhs.gov/sites/default/files/public/supporting_exempt_fcc.pdf).

<sup>56</sup> Karen Schulman, "The Child Care and Development Block Grant Act of 2014: Uneven State Implementation of Key Policies," National Women's Law Center, 2015, <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2017/09/NWLC-report-on-state-implementation-of-CCDBG-reauthorization.pdf>.



State payment rates for CCDBG child care providers can help determine the quality of services that providers will be able to offer. However, since public funding for ECCE is relatively limited compared to the amount families pay out of pocket, the quality of care generally more closely reflects the income of the communities served by that particular service provider. To give families access to 75 percent of the providers in their communities, federal regulations recommend that states set payment rates for providers at the 75th percentile of current market rates. However, just two states set their payment rates at the 75th percentile of current market rates, and multiple states have set their payment rates at less than the 50th percentile of current

market rates.<sup>57</sup> States operate resource and referral agencies that help parents locate providers, but parents/guardians may be unable to find providers who will provide the care they need for the rates offered.

The CCDBG provides vital assistance to families who receive it—but many families in need do not. Children who meet all state eligibility requirements are not guaranteed assistance. Nearly two-fifths of states have waiting lists or frozen intake—meaning they simply turn families away without even putting their names on a waiting list.<sup>58</sup> The number of children receiving CCDBG assistance dropped by over 373,000 between 2006 and 2015;<sup>59</sup> only 16 percent of children

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<sup>57</sup> Karen Schulman and Helen Blank, “Persistent Gaps: State Child Care Assistance Policies 2018,” National Women’s Law Center, 2018, <https://nwlc.org/resources/overdue-for-investment-state-child-care-assistance-policies-2018/>.

<sup>58</sup> Ibid.

<sup>59</sup> CCDBG funds are available for families with children up to age 13 who have child care and education needs. [Christine Johnson-Staub and Hannah Matthews, “CCDBG: A Critical Support for Working Families,” CLASP, 2017, <https://www.clasp.org/sites/default/files/public/resources-and-publications/publication-1/CCDBG-A-Critical-Support.pdf>.]



through age 13 eligible for assistance under federal guidelines were estimated to be receiving it as of 2015.<sup>60</sup> The recent infusion of federal funds for the CCDBG could have an impact on those numbers, with one estimate suggesting that an additional 670,00 children could be served as a result of the 2018 funding increase.<sup>61</sup> However, states may also prioritize using those funds for other investments, such as quality improvement, which in turn would translate into a lower impact on increasing enrollment than anticipated.

### **Head Start / Early Head Start**

Head Start is a federal program that provides funds directly to local grantees, rather than

states, to provide comprehensive early childhood development services to low-income children, including educational, health, nutritional, social, and other services.<sup>62</sup> Although Head Start programs may serve any child up to compulsory school age, they principally serve three- and four-year-olds. The smaller Early Head Start component, added in 1994, serves children under age three, including during pregnancy. A network of about 1,600 public and private (nonprofit and for-profit) agencies administers Head Start programs.<sup>63</sup>

Head Start gives grantees flexibility to design programs to meet local needs, consistent with federal requirements. In general, families

<sup>60</sup> Committee on Ways and Means, U.S. House of Representatives, *2018 Green Book*, Chapter 9: Child Care, Additional Tables and Figures, "Figure 9-5, Percent of Children Eligible under State Rules Who Were Served by the CCDF in 2015," 2018, <https://greenbook-waysandmeans.house.gov/2018-green-book/chapter-9-child-care>.

<sup>61</sup> CLASP, "\$5 Billion Child Care Increase Would Help Hundreds of Thousands," Fact Sheet, March 2019, <https://www.clasp.org/sites/default/files/publications/2019/03/State%20by%20State%20Impact%20of%20%245%20Billion%20FY2020.pdf>.

<sup>62</sup> Congressional Research Service, "Head Start: Background and Funding," 2014, [https://www.everycrsreport.com/files/20140102\\_RL30952\\_9de5df5a6c4debc9131eea76fb96ade27155c351.pdf](https://www.everycrsreport.com/files/20140102_RL30952_9de5df5a6c4debc9131eea76fb96ade27155c351.pdf).

<sup>63</sup> *Ibid.*

served must be below the federal poverty line, or the child must be homeless, in foster care, or participating in public assistance. Programs may fill up to 35 percent of their slots with children from families with income between 100 and 130 percent of the poverty line, provided that priority populations have been served first.<sup>64</sup>

Head Start regulations specify staff qualifications and training requirements. For example, at least 50 percent of Head Start teachers must have a bachelor's or advanced degree in early childhood education; all Head Start teacher assistants must have at least a Child Development Associate (CDA) credential, be enrolled in an associate's or bachelor's degree program, or be enrolled in a CDA program to be completed within two years. A portion of Head Start funding is reserved to encourage partnerships between Early Head Start grantees and center-based and family child care providers who agree to meet the Head Start performance standards.<sup>65</sup>

Nationwide, Head Start served 732,711 preschool-aged children (31 percent of all eligible children) and Early Head Start served 154,352 children under age three (7 percent

of all eligible children).<sup>66</sup> Among children in poverty, Head Start programs served 35 percent of three- and four-year-olds and seven percent of children under three.<sup>67</sup> Access varies widely by state.<sup>68</sup> For example, Nevada enrolls 17 percent of poor four-year-olds, while North Dakota enrolls 100 percent. Enrollment of poor children under age three ranges from three percent in Nevada to 13 percent in the District of Columbia.<sup>69</sup> Additionally, while states can contribute additional funds to Head Start, over three-quarters of states do not invest beyond the federal dollars received.<sup>70</sup>

### **State preschool programs**

State-funded preschool education programs have expanded rapidly in recent years. In 2002, just three states and the District of Columbia served more than one-third of four-year-olds; in 2017, serving one-third of four-year-olds has become the national average, and nine jurisdictions enrolled more than 50 percent. Two jurisdictions (DC and VT) have also succeeded in enrolling more than half of three-year-olds in a state preschool program. In 2002, 13 states had no state-funded preschool programs; that

<sup>64</sup> For example, 10 percent of slots are reserved for children with disabilities.

<sup>65</sup> U.S. Department of Health and Human Services, Administration for Children and Families, "Head Start Program Performance Standard Excerpts, 45 CFR Chapter XIII, Subchapter B: The Administration for Children and Families, Head Start Programs," 2016, <https://eclkc.ohs.acf.hhs.gov/sites/default/files/docs/pdf/staff-qualifications.pdf>.

<sup>66</sup> National Head Start Association, "Access to Head Start in the United States of America," 2019, <https://www.nhsa.org/national-head-start-fact-sheets>.

<sup>67</sup> Child Trends Databank, "Head Start," December 27, 2018, <https://www.childtrends.org/indicators/head-start>.

<sup>68</sup> W. Steven Barnett and Allison H. Friedman-Krauss, "State(s) of Head Start," National Institute for Early Education Research (NIEER), Rutgers Graduate School of Education, 2016, [http://nieer.org/wp-content/uploads/2016/12/HS\\_Full\\_Reduced.pdf](http://nieer.org/wp-content/uploads/2016/12/HS_Full_Reduced.pdf).

<sup>69</sup> Ibid.

<sup>70</sup> Bipartisan Policy Center, "Creating an Integrated Efficient Early Care and Education System to Support Children and Families: A State-by-State Analysis," December 2018, <https://bipartisanpolicy.org/wp-content/uploads/2019/01/Creating-an-Integrated-Efficient-Early-Care-and-Education-System-to-Support-Children-and-Families-A-State-by-State-Analysis.pdf>.

number declined to seven in 2017.<sup>71</sup> Total state spending on preschool education has increased since 2002, though spending per child has decreased in real terms.<sup>72</sup>

Most programs use a state-specified income level in addition to age to determine eligibility, but even states with a goal of universal access generally prioritize low-income children and children with other risk factors when resources are insufficient to serve all children.<sup>73</sup>

There is substantial variability across states regarding key structural design features of state preschool programs, and thus what it means for families in a practical sense to get a slot in one of those programs is relatively hard to define. State programs differ in regard to the settings in which children can receive care (e.g., public schools, community-based providers, or both), program hours (e.g., half-versus full-day), licensing standards (e.g., staff-to-student ratios), and curriculum quality.<sup>74</sup>

State programs also vary widely in quality and workforce policies. The National Institute for Early Education Research—which evaluates

programs using ten quality benchmarks—found that, in 2017, just five state preschool programs met all ten benchmarks, while an additional 15 programs met nine. By contrast, nine programs, including several in states serving large numbers of children, met fewer than five benchmarks.<sup>75</sup> States also have different standards for workforce policies supporting early childhood educators and care providers, such as compensation, educational requirements, and professional development opportunities.<sup>76</sup>

The federal Preschool Development Grant (PDG) Program provides some support for state preschool efforts. Initially, PDG funding for FY2014-FY2017 was used to support states in building or expanding access to high-quality preschool programs for low- and moderate-income four-year-olds. For the purposes of this program, the federal administering agencies defined the term “high-quality preschool program” in a way that addressed staff development, child-to-staff ratios, and health and safety standards. This legacy PDG program was later replaced by a new PDG program authorized in the “Every Student Succeeds Act of 2015.” The new law explicitly prohibited the administering

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<sup>71</sup> Allison H. Friedman-Krauss, W. Steven Barnett, G.G. Weisenfeld, Richard Kasmin, Nicole DiCrecchio, and Michelle Horowitz, “The State of Preschool 2017: State of Preschool Yearbook,” National Institute for Early Education Research (NIEER), Rutgers Graduate School of Education, 2018, [http://nieer.org/wp-content/uploads/2018/04/YB2017\\_Executive-Summary.pdf](http://nieer.org/wp-content/uploads/2018/04/YB2017_Executive-Summary.pdf).

<sup>72</sup> Ibid.

<sup>73</sup> Megan E. Carolan and Lori Connors-Tadros, “Approaches to State Pre-K Eligibility Policy: Considerations for Policy Makers in Revising Policy to Increase Access for High Needs Children,” Center on Enhancing Early Learning Outcomes, 2015, [http://ceelo.org/wp-content/uploads/2015/05/ceelo\\_policy\\_report\\_prek\\_eligibility\\_approaches.pdf](http://ceelo.org/wp-content/uploads/2015/05/ceelo_policy_report_prek_eligibility_approaches.pdf).

<sup>74</sup> Ajay Chaudry, “The Promise of Preschool Education: Challenges for Policy and Governance,” *The Current State of Scientific Knowledge on Pre-Kindergarten Effects*, The Brookings Institution and Duke University Center for Child and Family Policy, 2017, [https://www.brookings.edu/wp-content/uploads/2017/04/duke\\_prekstudy\\_final\\_4-4-17\\_hires.pdf](https://www.brookings.edu/wp-content/uploads/2017/04/duke_prekstudy_final_4-4-17_hires.pdf).

<sup>75</sup> Allison H. Friedman-Krauss, W. Steven Barnett, G.G. Weisenfeld, Richard Kasmin, Nicole DiCrecchio, and Michelle Horowitz, “The State of Preschool 2017: State of Preschool Yearbook,” National Institute for Early Education Research (NIEER), Rutgers Graduate School of Education, 2018, [http://nieer.org/wp-content/uploads/2018/04/YB2017\\_Executive-Summary.pdf](http://nieer.org/wp-content/uploads/2018/04/YB2017_Executive-Summary.pdf).

<sup>76</sup> Ajay Chaudry, “The Promise of Preschool Education: Challenges for Policy and Governance,” *The Current State of Scientific Knowledge on Pre-Kindergarten Effects*, The Brookings Institution and Duke University Center for Child and Family Policy, 2017, [https://www.brookings.edu/wp-content/uploads/2017/04/duke\\_prekstudy\\_final\\_4-4-17\\_hires.pdf](https://www.brookings.edu/wp-content/uploads/2017/04/duke_prekstudy_final_4-4-17_hires.pdf).



federal agencies from defining the term “high-quality.”<sup>77</sup> Under the new PDG grants (first funded in FY2018), states are focusing on birth-through-five needs assessments, strategic planning, maximizing parental choice, sharing best practices, and improving overall quality of early childhood programs.<sup>78</sup>

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<sup>77</sup> CRS, “Early Childhood Care and Education Programs: Background and Funding,” 2016, [https://www.everycrsreport.com/files/20160516\\_R40212\\_7109fd6a323108f119477ff9818cfb50481a8469.pdf](https://www.everycrsreport.com/files/20160516_R40212_7109fd6a323108f119477ff9818cfb50481a8469.pdf).

<sup>78</sup> Ibid.

## State Highlights: Universal Preschool Programs

### District of Columbia:

The District of Columbia's preschool program serves children in all eight wards of the District. The program was established through the Pre-K Enhancement and Expansion Act of 2008. Federal and state-level public funding are supplemented by support from the DC Ed Fund, which acquires "high-impact, private investments" to support the growth of D.C. Public Schools.<sup>79</sup> To be eligible, a child must be three or four years old and a resident of the District. As of 2018, 86 percent of four-year-olds and 72 percent of three-year-olds were enrolled. Full-day preschool services are provided in traditional public schools, public charter schools, and community-based programs.<sup>80</sup>

### Oklahoma:

In 1993, Oklahoma gave all school districts the option to offer pre-K programs for four-year-olds. Five years later, a state law (HB 1657) began requiring school districts to provide half- or full-day preschool for four-year-olds in the state. Oklahoma allocates state and local tax money for preschool. School districts may also use funds from their federal Title I<sup>81</sup> programs to fund preschool. One study found that the preschool program had impacts that lasted into middle school, including math achievement test scores, enrollment in honors courses, and grade retention.<sup>82</sup>



<sup>79</sup> For more information, see: DC Ed Fund, <https://www.dcedfund.org/#dc-ed-fund>.

<sup>80</sup> District of Columbia Office of the State Superintendent of Education (OSSE), "Fiscal Year 2018 Pre-K Report," 2018, <https://osse.dc.gov/sites/default/files/dc/sites/osse/publication/attachments/OSSE%20Annual%20Pre-K%20Report%202018.pdf>.

<sup>81</sup> "Title I, Part A (Title I) of the Elementary and Secondary Education Act, as amended by the Every Student Succeeds Act (ESEA), provides financial assistance to local educational agencies (LEAs) and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards." <https://www2.ed.gov/programs/titleiparta/index.html>. As enacted in 1965, "[t]he purpose of this subchapter [Title I] is to provide all children significant opportunity to receive a fair, equitable, and high-quality education, and to close educational achievement gaps." Elementary and Secondary Education Act of 1965, 20 U.S.C. 6301 et seq., <https://www.law.cornell.edu/uscode/text/20/6301>.

<sup>82</sup> William T. Gormley, Jr., Deborah Phillips, and Sara Anderson, "The Effects of Tulsa's Pre-K Program on Middle School Student Performance," *Journal of Policy Analysis and Management*, vol. 37, no. 1, 2018, <https://onlinelibrary.wiley.com/doi/pdf/10.1002/pam.22023>.



## Child and Dependent Care Tax Provisions

The federal Child and Dependent Care Tax Credit (CDCTC) is a tax credit for employment-related expenses incurred for the care of a dependent child under age 13 or a dependent or spouse with disabilities. Congress enacted it in 1954 as a deduction for certain employment-related child and dependent care expenses. The measure was converted to a tax credit in 1976.<sup>83</sup> Currently, the maximum credit rate, for families with adjusted gross income of \$15,000 or less, is 35 percent of expenses up to \$3,000 for one child (for a maximum credit of \$1,050) and \$6,000 for two or more children (for a maximum credit of \$2,100). The credit rate declines with income

to 20 percent for families with income above \$43,000 (for a maximum credit of \$600 for one child and of \$1,200 for two or more children).

The federal CDCTC is non-refundable: it can only be used to offset federal income tax liability. Positive federal income tax liability is rare to non-existent for families with incomes at or below the poverty line. As a result, very low-income families—who in theory are entitled to the largest credit—receive little or no benefit.<sup>84</sup>

Another federal tax provision is the Dependent Care Assistance Program (DCAP). If employers offer the DCAP, taxpayers can exclude from their income—for both income

<sup>83</sup> Act of Aug. 16, 1954, Pub. L. No. 83-591, §214, 68A Stat. 3, 70-71 (codified at I.R.C. §214); Tax Reform Act of 1976, Pub. L. No. 94-455.

<sup>84</sup> Margot L. Crandall-Hollick, "Child and Dependent Care Tax Benefits: How They Work and Who Receives Them," Congressional Research Service: R44993, 2018, <https://crsreports.congress.gov/product/pdf/R/R44993>.

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*Because the federal Child and Dependent Care Tax Credit is non-refundable, very low-income families receive little or no benefit.*

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and payroll tax purposes—up to \$5,000 for the employment-related care expenses of one or more children under 13 or a dependent or spouse with disabilities. This exclusion from income is worth more to taxpayers with a higher marginal tax rate.<sup>85</sup> Additionally, families must still be capable of paying up-front for their child care expenditures, as the DCAP program simply reimburses for incurred expenses (akin to many health care Flexible Spending Account programs).

Half of the states and the District of Columbia have their own child and dependent care tax provisions, most of which are based on the federal CDCTC. In 12 states, the credits are refundable.<sup>86</sup>

## **Other federally funded early child care and education programs**

The Individuals with Disabilities Education Act (IDEA) authorizes grants to states to serve individuals with disabilities through age 21. IDEA specifically authorizes grants for infants and toddlers (birth through age two) experiencing developmental delays, as well as for children ages three to five with a disability who require special services to benefit from public education. Roughly 373,000 infants and toddlers and 760,000 preschool-age children participated in FY 2017.<sup>87</sup>

The Child Care Access Means Parents in School (CCAMPIS) program awards grants to institutions of higher education to supplement or initiate campus-based child care services. Parents must be eligible for a Pell Grant. About 3,400 students were served in FY 2016,<sup>88</sup> but a recent increase in funding (from roughly \$15 million in FY2017 to \$33 million in FY2018<sup>89</sup>) will almost certainly increase the number of families served by this program moving forward.

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<sup>85</sup> Ibid.

<sup>86</sup> National Women's Law Center, "State Child and Dependent Tax Credit Provisions, Tax Year 2017, Fact Sheet," 2018, <https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/06/State-Child-Care-and-Dependent-Care-TY-2017-Final.pdf>.

<sup>87</sup> Committee on Ways and Means, U.S. House of Representatives, *2018 Green Book*, Chapter 9: Child Care, Additional Tables and Figures, "Table 9-1. Characteristics of Selected Early Childhood Care and Education Programs and Tax Provisions," 2018, <https://greenbook-waysandmeans.house.gov/sites/greenbook.waysandmeans.house.gov/files/Chapter%209%20Child%20Care%20-%20Additional%20Tables%20and%20Figures.pdf>.

<sup>88</sup> Ibid.

<sup>89</sup> U.S. Department of Education, "Child Care Access Means Parents in School Program: Funding Status," January 9, 2019, <https://www2.ed.gov/programs/campisp/funding.html>.



The Family and Child Education Program (FACE) provides grants to tribes and tribal institutions for services for children under age six and their parents in home- and center-based settings. About 2,200 children were served in School Year 2016-2017.<sup>90</sup>

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<sup>90</sup> Committee on Ways and Means, U.S. House of Representatives, *2018 Green Book*, Chapter 9: Child Care, Additional Tables and Figures, “Table 9-1. Characteristics of Selected Early Childhood Care and Education Programs and Tax Provisions,” 2018, <https://greenbook-waysandmeans.house.gov/sites/greenbook.waysandmeans.house.gov/files/Chapter%209%20Child%20Care%20-%20Additional%20Tables%20and%20Figures.pdf>.

*Section III.*

**POLICY OPTIONS  
FOR STATE EARLY  
CHILD CARE  
AND EDUCATION  
PROGRAMS**



This section outlines three approaches that a state could take to establish a social insurance program<sup>91</sup> for early child care and education:

1. a comprehensive universal early child care and education program,
2. an employment-based early child care and education contributory program, and
3. a universal early child care and education subsidy program.

The panel does not recommend or advise against any of these options. Instead, it describes the core design features and unique considerations for each of these three options, outlines a range of vetted approaches states

could adopt in pursuing them, and describes the building blocks and tradeoffs involved.

If a state were to opt for one of the three broad policy options elaborated in this chapter, additional choices would then need to be made with regard to benefit design and funding mechanisms. These decision points are discussed broadly in the text boxes *Designing Program Benefits* (p. 40) and *Funding Sources* (p. 41), and more specifically within the elaboration of each of the three policy options below. Finally, we analyze the implications of each design approach for fiscal sustainability, program stability, political feasibility, administrative simplicity, and addressing inequality in access.

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<sup>91</sup> Social insurance programs are by design expansive in reach and typically financed through broad-based, contributory funding streams.

## Designing Program Benefits

There are several factors to consider when deciding how to structure the benefits of an ECCE program.

### How could benefits be structured and delivered to families?

There are three common ways that ECCE benefits can be delivered. The policy option(s) (listed above) that are compatible with each benefit delivery approach are indicated in parentheses.

- **Public provision:** An early child care and education program could expand the existing public education system to serve younger children. Local school systems might use state funds for both school-based and other qualified programs, or divide funding between school systems and collaboratives of community-based programs that function as part of the public system. (Option 1)
- **In-kind benefit:** An in-kind benefit is paid directly to a qualified early child care and education provider on behalf of an eligible family. Often provided to families in the form of subsidies or vouchers, these benefits could cover all or a portion of the cost of care. (Option 1, 2, or 3)
- **Cash benefit:** A cash benefit would be paid directly to eligible families to spend as they wished for child care and education. As with child and dependent care tax credits, families might be required to document that the benefits are being used to pay for ECCE. (Option 2)

### What types of care qualify for coverage?

Presumably, any program would cover center-based care and licensed home-based care

facilities. A program also might cover license-exempt family, friend, and neighbor (FFN) care. Policymakers might require FFN providers to meet quality standards and could fund training, home visits, and other supports for such providers.

### How much care would be covered?

- Should benefits include full-day or only half-day programs?
- Would a program cover care year-round or exclude summer months, as in many K-12 public school systems?
- What about additional subsidies or vouchers for services outside of regular program hours (e.g., early mornings, evenings, weekends)?
- Might benefits increase for families with lower incomes and/or greater levels of need?
- How can a program ensure providers receive sufficient compensation to provide high-quality care without further raising costs for families?
- Could benefits vary with the type of care selected (e.g., lower benefits for FFN care than licensed home-based and center-based care?)
- Should benefits increase for more highly-rated providers, perhaps using a state-level Quality Rating and Improvement System (QRIS) system?

## Funding Sources

States have a variety of options for funding an early child care and education program. A program need not draw solely on one source of funding, but rather could blend funding streams and/or use different funding sources to pay for different program elements. Each of the following funding sources brings different advantages and challenges. Some are relatively more predictable and stable; are more regressive; or spread the costs more broadly.

### Earmarked revenue sources

A state could opt to institute some form of earmarked tax to provide a primary or supplementary source of program funding.

More than half of federal spending on programs supporting seniors and working-aged adults is funded through dedicated revenue sources, but dedicated revenue sources represent only about five percent of federal spending on children.<sup>92</sup>

At the state level, dedicated funding sources are typically considered more reliable than general revenues. Because of state balanced budget requirements, earmarked taxes are largely removed from annual appropriations battles associated with general revenues. However, funding through an earmarked tax could still be unpredictable, particularly if the tax were based on property value or sales of a specific commodity. Some options for sources of earmarked taxes include:

- Personal income surtax, which could be calculated either as a flat proportion of income or progressively by requiring higher contribution rates from higher earners.
- Payroll tax, which could be paid exclusively by employees, shared between employees and employers, or paid exclusively by employers.

Though a state might cap taxable earnings, omitting a cap would generate more revenue and spread costs more equitably.

- Corporate income surtax.
- Unearned income tax.
- A state or local levy initiative.
- Property surtax.
- Sales (sur)tax, which—for states that already charge a sales tax—could be applicable to all items for which a sales tax is collected or exclusively for one or more specific types of item.

### General revenues

States could fund an early child care and education program through general revenues. This mode of funding can be vulnerable to annual appropriations battles, but tying ECCE funding to K-12 formula grants—as several states do for their existing preschool programs—could provide greater stability.

### Family contributions

A state could offer universal ECCE free of charge to families or require a co-payment from families not eligible for existing no-cost federal or state programs (e.g., Head Start). Some states already require such contributions from families for existing

<sup>92</sup> Committee for a Responsible Federal Budget, “Budgeting for the Next Generation: Options to Improve Budgeting for Children,” 2018, [http://www.crfb.org/sites/default/files/Budgeting\\_for\\_the\\_Next\\_Generation\\_Options\\_to\\_Improve\\_Budgeting\\_for\\_Children.pdf](http://www.crfb.org/sites/default/files/Budgeting_for_the_Next_Generation_Options_to_Improve_Budgeting_for_Children.pdf).

*Continued on p.42*

## Funding Sources *(continued)*

subsidy or voucher programs. To enhance equity and promote accessibility for those with the greatest need, family contributions might be determined based on each family's means, through either a sliding scale design or a fixed percentage rate proportional to family earnings (e.g., no more than seven percent of a family's total income, which is the amount recommended by the Department of Health and Human Services for family contributions for child care). A state might consider requiring families earning above a certain income to pay the entirety of their child care costs, but such a program would likely exclude many middle- and upper-income households from receiving benefits, which would limit its universality and long-term political viability. An alternative option more in the

spirit of social insurance would be to have even higher-income households still receive a modest benefit from the program, which would increase the program's universality and, in tandem, broaden its base of support.

### **Philanthropic grants**

While unlikely to provide a sufficiently consistent funding source to implement an entire ECCE program, philanthropic grants could provide a valuable source of additional resources for program development and enhancement. Grants might be especially useful for funding program startup costs, staff training, professional development, and infrastructure development.



## **Option 1. Comprehensive universal early child care and education program**

A universal, comprehensive early child care and education program would cover all children, regardless of parent/guardian employment status. The program could supply early care and education to children through the public school program (essentially extending public K-12 education to younger ages), subsidies for qualified center- and/or home-based care (or even FFN care), or some combination of the two. Since many states are already providing access to pre-K programs for some or all three- and four-year-olds, policymakers might consider expanding the public education system to all older children first while relying on and supporting the private market to provide care services for younger children (ages 0-2). A comprehensive social insurance program would be primarily publicly funded, but could require contributions for families accessing these services to supplement public funds.

Such a program would entail significant costs, but would put early care and education on par with traditional public elementary and secondary education, which has been essentially universally available for more than a century. An increasing number of states and localities are already expanding their existing public education programs for preschool-aged children.

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*A universal, comprehensive early child care and education program would cover all children, regardless of parent/guardian employment status.*

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**Eligibility:** By definition, all children within the covered age range would be eligible for a universal and comprehensive ECCE program. A state might provide ECCE to all children below the age of entry into formal education, or it might limit eligibility to children of a certain age or age range. Further, a state might implement universal coverage immediately or in stages. For example, a program might first provide coverage only for four-year-olds, or for all pre-school-aged children but not infants and toddlers, with the ultimate goal of covering every child from (soon after) birth to the age of entry into formal education. It is important to note that targeting only the oldest children first may have unintended consequences for ECCE for younger children, however, as the cost of care for the youngest children is higher than for preschool-aged children and existing programs already strongly favor funding services for older children.

**Benefits:** A state could implement universal ECCE by expanding its existing universal public education programs to younger children. Alternatively, a state might combine expanded public education with a subsidy program, as described in Option 3 (see p. 50). For example, school systems and local provider collaboratives could expand their public school programs to serve preschool-aged children, and the program could rely on subsidies to serve infants and toddlers, for whom a greater proportion of parents may seek non-center care services.

**Financing:** Financing a universal, comprehensive ECCE social insurance program in a fair and efficient manner will

require nuance and thoughtful consideration. A comprehensive, universal program could be entirely state-funded, or could be designed more similarly to a standard social insurance program by requiring some form of direct contribution from families accessing the program. A substantial amount of public funding would likely be necessary to implement a universal ECCE program and to supplement any family contributions. Such funding could come from general revenues and/or dedicated funding stream(s) (e.g., earmarked surtaxes on income, property, or sales). A state program might provide comprehensive ECCE at no cost to families who are already eligible for no-cost early child care and education programs. Alternatively, a state could use general

revenues or other dedicated funding streams to fund the entire program, without requiring any family contributions, as is largely the case for K-12 public education.

Family contributions would likely be determined based on a sliding scale according to family income. Family contributions could not realistically be collected solely via payroll taxes, as some families may lack adults who have ties to traditional employment relationships. An alternative option would be to collect family contributions at the point of accessing benefits. To increase equity, family contributions might be set on a sliding scale linked to family income; alternatively, a state might select a fixed contribution rate (e.g., seven percent) applied to family income and/or assets.

### Policy Assessment — Option 1. Comprehensive universal early child care and education program

**Fiscal sustainability:** The fiscal costs of expanding access to comprehensive universal care and education for children under the age of entry into the formal education system would be substantial. However, primary and secondary public education has been financed through state and local revenue streams for roughly a century, which demonstrates a strong case for this program's long-term fiscal sustainability. Some states have already expanded access to publicly funded education for preschool-aged children, as well.

**Program stability:** A comprehensive and universal ECCE program would, in many ways, closely resemble the existing public education system, which has remained relatively stable for a substantial amount of time. Such a program

may experience challenges at the outset in terms of building up ECCE provider capacity to accommodate a likely significant increase in the number of children receiving services. States could mitigate this initial instability by phasing in the program over time, such as by offering benefits to the oldest children first and then gradually extending coverage to younger children.

**Political feasibility:** Universal public education has, by and large, stood the test of time in terms of political feasibility. The benefits of early care and education to children, families, and society at large are substantial and make a strong case for such an investment. Several states have already adopted this model in developing their universal pre-K programs for four- and, in some

cases, three-year-olds, including the District of Columbia, Oklahoma, Vermont, and West Virginia. Additionally, universal programs tend to garner more widespread political support, which in turn enhances political feasibility.

For states concerned about maintaining choice in ECCE providers, or where there are regional concerns in terms of physical access to ECCE services (e.g., in rural and/or low-income communities), policymakers might consider building in some flexibility by offering subsidies to qualified private early care and education providers. Flexibility in terms of eligible service providers would also allow for the program to build on the existing infrastructure of ECCE services without undermining the availability of care. Without this flexibility, states risk a chilling effect on the availability of services for infants and toddlers, as providers often offset the substantially higher cost of care for younger children by serving children of a variety of ages and spreading those costs more broadly.

**Administrative simplicity:** A universal comprehensive program would remove many of the administrative burdens of some other and/or existing ECCE program designs. Families would not need to be screened and monitored for program eligibility, for example, because all children who live in the jurisdiction would be eligible. If family contributions were

required for accessing benefits, however, the state would need to develop protocols and systems for determining the amount of required contributions for each individual family and for collecting those contributions. Determining qualifications of and standards for ECCE service providers and centers would also be a substantial up-front administrative task, and the state would need to continue monitoring those providers in perpetuity, as they do with public K-12 providers currently.

**Addressing inequality in access:** Since all children would be eligible for benefits under a universal comprehensive program, this design would make a substantial impact on inequity in access to early care and education. As with the K-12 public education system, however, those inequities would not be reduced to zero, as there could still be variations in program access and quality by region, challenges with provider capacity building, or other disparities. Any universal public program would need to be carefully designed so as not to replicate the failings of the existing K-12 education landscape, where stark contrasts in quality of care and education exist based on where a child lives due, in large part, to how the system is financed (i.e., relying on local property taxes for funding). A program could attempt to tackle some of these disparities by allowing families to access services from both public and private ECCE providers.



### ***Option 2. Employment-based early child care and education contributory program***

The employment-based program design would entitle all families with children under the age of primary school education to early care and education services if their parent(s)/guardian(s) are sufficiently attached to the labor force. All workers would contribute to the program, regardless of whether or not they have children. Contributions could be complemented by public funds, family copayments, or both. Benefits would most likely be provided in the form of a subsidy or voucher for qualified center- or home-based care services.

Much like other benefits tied to employment—such as temporary disability insurance, paid family leave, unemployment insurance, paid sick time, etc.—the goal of an employment-based ECCE social insurance program is to support an individual’s ability to maintain labor force attachment in the event of a temporary life event and reduce financial shock. Lack of access to and the

high cost of early child care and education can be significant barriers to parents/guardians maintaining consistent labor force attachment. An employment-based system might be an effective strategy for getting or keeping parents/guardians in the workforce.

**Eligibility:** A state might condition a child’s eligibility on either 1) parent/guardian workforce participation or 2) parent/guardian work history.

- If the program’s goal is exclusively to encourage and assist with parent/guardian workforce attachment, then eligibility should be based on current workforce participation. Working parents/guardians typically need child care regardless of their work history if they want to be able to keep their jobs. Similarly, parents/guardians who are seeking employment would also need child care.

- Social insurance programs typically limit benefit eligibility to those who have already contributed to the program. Such a requirement does not match the nature of the risk of needing ECCE, however, because the risk can arise before the parent has entered the labor market or generated a significant work and contribution history. Since the vast majority of parents/guardians will continue to pay into the social insurance program long after their children have aged out of eligibility for benefits, most parents/guardians would simply make their contributions to the program retroactively.
- Policymakers will need to consider how to handle families where the employed parent(s)/guardian(s) cross state lines for work. A payroll tax might suggest that the child would be eligible in the state of the parent's employment, depending on the taxation policies of the individual state. However, eligibility for existing ECCE programs—including CCDBG, Head Start, and state pre-K—depend on the family's residence.
- States will also need to consider whether a family would be eligible for benefits if another parent/guardian who had no current attachment to the labor force was providing full-time, at-home care for the child(ren). If so, policymakers should consider if the child would be required to attend a qualified center- or home-based provider, or if the family could instead collect benefits as a form of compensation for the stay-at-home parent/guardian's caregiving. Such a policy could encourage lower-earning spouses to stay home and provide care rather than returning to or entering the workforce. However, many caregivers are already staying home to provide care—whether by choice or necessity—without any form of compensation for their caregiving labor. Providing benefits to family caregivers for children could thus enhance the economic stability and empowerment of stay-at-home parents/guardians and their families.

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*Since the vast majority of parents/guardians will continue to pay into the social insurance program long after their children have aged out of eligibility for benefits, most parents/guardians would simply make their contributions to the program retroactively.*

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Additional eligibility questions to consider include the following:

- When designing an employment-based program for ECCE, policymakers should seriously consider how to ensure that the program covers those in nonstandard work arrangements. Particularly if the program is entirely or even partially funded by a payroll tax, policymakers will need to carefully consider how to be inclusive of parents/guardians who are self-employed, independent contractors, or otherwise participate in non-traditional work arrangements.

**Benefits:** The nature of the benefit for any ECCE social insurance program would depend on a variety of factors, but an employment-based program may be particularly suited to a cash or in-kind (subsidy-style) benefit. From an equity standpoint, creating a new contributory social insurance program for children of working parents/guardians while requiring

children with non-working parents/guardians to rely on the (limited and underfunded) existing landscape of resources raises important considerations for policymakers.

**Financing:** Employment-based social insurance programs in the United States—such as Social Security—have traditionally been financed primarily through payroll contributions made by both employees and employers, though some state-level social insurance programs (e.g., paid family leave<sup>93</sup>) are funded exclusively through payroll

contributions from workers, while others still rely entirely on employer contributions. An ECCE program financed by payroll contributions could also draw from other, complementary funding sources (e.g., general revenues, a dedicated sales tax). It is important to note that, to the extent that a social insurance program relies on payroll contributions, it relies heavily upon relatively stable sources of funding. However, such a financing system would need to be carefully structured to ensure that the program covers independent contractors and self-employed workers.

### Policy Assessment — Option 2. Employment-based early child care and education contributory program

**Fiscal sustainability:** A program funded primarily through dedicated payroll taxes has the inherent advantage of strong fiscal sustainability, since the program has access to a consistent and reliable source of income. The taxation rate and/or taxable wage base (if applicable) may need to be periodically adjusted in order to adjust to shifts in the state's birth rate amongst working families, as program costs will rise and fall with changes in the number of children being served.

**Program stability:** A contributory social insurance model offers a relatively stable option for states, as the funding and benefits are less likely to change significantly from year to year when spread across an entire state's workforce. This stability would be enhanced by ensuring that reserves are available in the program's trust fund to cushion against fluctuations in GDP and employment rates from year to year.

**Political feasibility:** Programs that prioritize and aim to incentivize participation in the labor force are often politically appealing. Many federal and state-level programs already condition access to benefits on parent/guardian employment or job search. However, a contributory program based on labor market participation could face challenges in terms of political feasibility. The patchwork of existing federal and state-level ECCE programs is already complicated and fragmented, and a program focused primarily on labor force attachment would create further fractures in terms of which families are receiving which benefits and types of services. Segregating access to benefits based on labor force participation may face particular political resistance considering that this is a program targeted at children, whose nurturing and development arguably should not depend on the workforce participation of

<sup>93</sup> The payroll taxes that fund state-level paid family leave programs are levied exclusively on employees in all but one jurisdiction (DC). For paid medical leave programs, costs are typically split between employees and employers (again, with the exception of DC).

their parents/guardians. Additionally, even for families with one or more working parents, labor force attachment can be inconsistent or unpredictable, which in turn could lead to turnover or instability for a child's attachment to early care and education. In this policy design option, families may see challenges similar to those that they currently see with consistency in access to health care, which can often also be attached to and contingent upon an individual's labor force participation.

**Administrative simplicity:** The employment-based model bears some similarity to other existing state-level programs (e.g., Unemployment Insurance), and hence its financial administration would be relatively familiar to states. In other respects, however, an employment-based model would increase administrative complexity. Unlike in Unemployment Insurance, ECCE benefits are typically much more complex than a simple cash transfer, as early care and education assistance varies tremendously across states and even regions within the same state. Unlike for a universal program, the agency administering this program would need to have systems and staff in place for determining whether or not a family is eligible to receive benefits (e.g., whether the worker has met any vesting

requirements for paying contributions into the program; incorporating both traditional and non-standard work arrangements into the program) and to what benefits they are entitled (e.g., full-day versus partial-day care). If families were required to send their child(ren) to a qualified provider, states would also need to approve and monitor child care and education providers for their eligibility to participate in the program.

**Addressing inequality in access:** A program that further divides family eligibility will not be a strong strategy for addressing inequities in access to early care and education. Many existing federal and state-level programs already have parent/guardian employment requirements, so such a program design will do little to target families whose needs are not currently being met. Additionally, if the program is funded by a flat (versus progressive) payroll tax, and particularly if the taxable wage base is capped and unearned income is excluded from taxation, the financing structure could place a disproportionate burden on lower-income families and potentially increase financial inequity. However, such a program will ultimately still likely increase the number of families receiving benefits and the amount of benefits that they receive, which is an improvement over the status quo.

### **Option 3. Universal early child care and education subsidy program**

A universal subsidy-style program could provide coverage for all children, regardless of their caregivers' employment status or income. Families would be eligible to receive some form of subsidy or voucher that would cover a portion of the cost of early care and education services for their children. Under the CCDBG, states already provide child care assistance—generally in the form of subsidies—to a fraction of low- and moderate-income families with employment-related child care needs. A universal subsidy program would essentially extend a program akin to the CCDBG model to all families, though states may opt to prioritize providing coverage for lower-income families not already receiving benefits from one of the existing federal- or state-level programs first.

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*A universal subsidy-style program could provide coverage for all children, regardless of their caregivers' employment status or income. Families would be eligible to receive some form of subsidy or voucher that would cover a portion of the cost of early care and education services for their children.*

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A subsidy-style program might appeal to a state for a variety of reasons. Such a model could be administratively simpler than a comprehensive program, particularly if the state exercises limited oversight regarding who qualifies as an eligible provider.

A subsidy-style program might enable families to access care from a diverse array of providers in a broader range of settings. This flexibility might be particularly valuable for families with irregular schedules and children with special caregiving needs, and may be more accommodating to cultural differences in child-rearing perspectives. It is also important, however, to consider the tradeoffs between administrative simplicity and the quality of care that children are receiving.

**Eligibility:** By definition, all children below the age of formal entry into public education would be eligible for access to this universal subsidy program. A state might also provide benefits to older children if they require care outside of traditional school hours, such as if their parent(s)/guardian(s) are working during evenings, early mornings, weekends, or periods of school recess (e.g., summers, holidays, etc.).

**Financing:** A subsidy-style program could be funded in a variety of ways. Social insurance programs are typically at least partially contributory, so families with some ability to pay would likely be required to make some financial contribution to their child(ren)'s early care and education. A payroll tax or earmarked income surtax could fund a subsidy program, either in part or in full. Alternative or additional funding mechanisms could draw on general revenues or another type of earmarked tax (e.g., a sales or property surtax) in order to fund the program.



**Benefits:** A subsidy-style program could provide important flexibility to families needing assistance with early child care and education. If a state permitted eligible families to continue receiving federal assistance, adding benefits from a new subsidy-style social insurance program might provide more comprehensive care to families with the greatest levels of need.

State policymakers would face important decisions regarding the amount of a state-provided subsidy. A state could provide a flat amount to each qualifying child, which would significantly reduce administrative complexity. Alternatively, the state might link subsidy amounts to parent/guardian earnings, with progressive benefit structures providing higher benefits to families with lower incomes and/or assets. A state could also opt to tie the amount of a benefit to the number of parental work hours. For example,

a child whose parent/guardian works full-time could receive higher benefits than one whose parent/guardian works part-time. Benefit amounts also could vary based on the type or quality of the ECCE program accessed (e.g., center-based versus FFN care) and/or the costs of care in the area. Varying benefit amounts based on type or quality of care, however, would likely disproportionately reduce benefit amounts for lower-income families, as they more commonly rely on lower-quality service providers and FFN care.

## Policy Assessment — Option 3. Universal early child care and education subsidy program

**Fiscal sustainability:** The fiscal sustainability of a universal subsidy program would depend in part on the financing mechanism selected to fund the program and the nature of the benefits provided. A flat benefit amount offers the stability of comparative consistency and predictability, since the amount of spending required would rise and fall based only on the number of children receiving benefits, not the level of need of the families. A progressive benefit structure could be a cost-saving measure in that higher-earning families would receive lower benefits. However, a progressive benefits structure could cause challenges for maintaining consistent and reliable program funding. If a higher proportion of the population were lower-income and therefore received higher benefits, then in turn there might also often be a smaller pool of state-level general revenues to finance those benefits. This is particularly relevant in cases of a local or national recession.

**Program stability:** A subsidy program could have mixed success in terms of program stability. On the one hand, such a program is comparatively simple to administer, and therefore may be more easily sustainable over time. However, unlike a universal comprehensive program—where families have a relatively more tangible and consistent benefit—the generosity and thus sufficiency of a subsidy program could wax and wane as state priorities and financial resources shift over time. This has been the case with other federal and state-level subsidy-style programs (e.g., housing assistance).

**Political feasibility:** A subsidy program has advantages and disadvantages in terms of political feasibility. On the one hand, the concept of offering families a greater sense of choice in their child(ren)'s ECCE provider is appealing, and a subsidy program offers that kind of flexibility. Policymakers may also view a subsidy program as more immediately achievable, since developing a more comprehensive program may be seen as financially overwhelming. However, a subsidy program may not be sufficient to meet the needs of all families, and, unless carefully designed, may not contribute to improving the availability and quality of ECCE providers, which means gaps in access will persist.

**Administrative simplicity:** A subsidy-style program benefits from relative administrative simplicity compared to other programs. Administrative complexity would modestly increase if states used a progressive benefits structure. For states that limit subsidies to state-certified providers, administrative capacity will need to be established and maintained to enroll and monitor provider quality standards.

**Addressing inequality in access:** A universal subsidy program does have the inherent advantage of universality, and therefore will undoubtedly address some of the issues families face in accessing ECCE services for their children. However, depending on the generosity and/or progressivity of benefits, a subsidy program may be insufficient for many families to fully access care, making it ineffective at reducing

inequality. In fact, if the amount of support that families receive is low enough that low-income families effectively cannot use the benefit, such a program may actually increase inequality, as many middle- and upper-income families will be able to utilize the subsidies while lower-income families will remain unable to afford the care services they require. Additionally, a subsidy program does

not inherently address regional differences in physical access to ECCE services or necessarily improve the quality of ECCE services locally available to any individual family. However, a program could be carefully crafted to achieve those goals, such as by calibrating child care payment rates based on the cost of providing quality child care and ensuring that providers are earning living wages.



*Section IV.*

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# **INTEGRATION AND IMPLEMENTATION CONSIDERATIONS**

NATIONAL  
ACADEMY  
OF SOCIAL  
INSURANCE



Once a state has selected a policy design and funding approach for its early child care and education program, several other factors must be considered. These include the integration of a new state ECCE program with existing programs and policies, implementation issues, and consideration of the complexities surrounding eligibility for benefits. While an extensive discussion of each of these issues is beyond the scope of this report, this section aims to draw attention to some of the primary issues that states will need to consider further upon deciding to implement any of the three above policy options—or any other program to expand access to affordable early child care and education.

### ***Integration with existing federal and state-level programs***

As discussed in Section II of this Chapter, the existing landscape of programs for early child

care and education is broad and complex, and states will need to plan carefully to integrate any new program with the array of existing ECCE programs. From a pragmatic perspective, it is unlikely that most states developing a new ECCE program would seek to supplant existing federal ECCE funding. Federal programs provide critical infusions of funding, and existing state programs have often used a great deal of time, money, and effort to meet specific local needs. Rather, states are more likely to be attempting to fill the many gaps that exist for families who are ineligible for existing federal and state programs, or who are eligible but either do not receive benefits due to insufficient funding or require assistance beyond the benefits that they are currently receiving.

By carefully designing and implementing programs, states can combine multiple funding sources to achieve their goals such as through “blending” and/or “braiding” funds. “Blending”

refers to combining funds from different sources into one pot without allocating and tracking expenditures by funding source. “Braiding” refers to coordinating different funding sources, allocating revenues and tracking expenditures by funding source.<sup>94</sup>

In order to achieve successful integration with existing federal and state programs, policymakers also need to carefully consider how factors such as licensing, quality standards and monitoring, data systems, and governance would be integrated across systems. Additionally, states would need to decide to what degree providers would be required to meet existing minimum federal and state quality standards, which would have both advantages and disadvantages. On the one hand, aligning a new program’s standards with existing ones would relieve some of the burden of having to develop and administer a new set of quality standards for providers, which in turn would relieve some complexity for providers, as well. On the other hand, states might have difficulty finding and recruiting sufficient qualified providers to meet demand, which could perpetuate disparities in access to services due to both the regional distribution and the aggregate supply of qualified providers.

**State-run preschool programs:** Existing state-run preschool programs would, in some ways, be the simplest to integrate with a new social insurance ECCE program. First, any of the three policy options discussed above (Section III) could simply be layered

on top of an existing state preschool program by filling in the remaining gaps in access to early child care and education for all children prior to the start of formal, mandatory public education. Second, states (or localities) with large-scale preschool programs could use existing infrastructure to make high-quality ECCE accessible to more children, either by expanding the age of eligibility or making the program closer to universally accessible for all children below school age. States or localities might also benefit from the experience of having previously implemented an existing preschool program. For example, those states likely already have experience with blending and braiding funding and would be familiar with the complexities of meeting federal quality standard requirements.

**Head Start / Early Head Start:** The Head Start / Early Head Start (HS/EHS) program will undoubtedly remain a critical program for low-income families, as well as a vital source of federal funding for ECCE programs. Because HS/EHS benefits include health, nutritional, social, and other services as well as education and child care, a state may choose different eligibility requirements for a new state-wide ECCE program.<sup>95</sup> Many children do not need the type and degree of supports provided by HS/EHS, and extending those benefits to all children may not be the most efficient use of often limited resources. In addition, or alternatively, a self-financed social insurance system providing funding for ECCE to all families could potentially enable states to use some HS/EHS funds to cover enhanced

<sup>94</sup> Child Care State Capacity Building Center, “Layering or Blending and Braiding Multiple Funding Streams,” <https://childcareta.acf.hhs.gov/systemsbuilding/systems-guides/financing-strategically/maximizing-impact-public-funding/blending-braiding-funding>.

<sup>95</sup> Congressional Research Service, “Head Start: Background and Funding,” 2014, [https://www.everycrsreport.com/files/20140102\\_RL30952\\_9de5df5a6c4debc9131eea76fb96ade27155c351.pdf](https://www.everycrsreport.com/files/20140102_RL30952_9de5df5a6c4debc9131eea76fb96ade27155c351.pdf).



benefits for a greater proportion of eligible children. Some jurisdictions, including the District of Columbia,<sup>96</sup> have already grappled with integrating HS/EHS funds into a universal pre-K program and could provide examples of successful integration strategies.

**Child Care and Development Block Grant (CCDBG):** A state could blend and braid federal CCDBG funds with funding from the new social insurance program, and potentially other resources as well. By blending substantially increased state funding with federal CCDBG funds and taking advantage of the flexibility in federal regulations, states could provide child care assistance to more low- and moderate-income families; assist more parents

looking for work or in school, as well as those employed; and increase reimbursement rates to help improve the quality of care.

A fully state-funded program might provide assistance to families ineligible for CCDBG because of their income or ECCE needs unrelated to employment. To simplify administration for states, families, and providers, states could utilize the existing CCDBG infrastructure but could allocate to the separate state program a portion of shared overhead expenses, assistance provided to families or providers ineligible for CCDBG, and administrative costs specific to the state program. While this braided approach might present complexities, many states

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<sup>96</sup> For a discussion of the District’s integration of Head Start and non-Head Start students into combined classroom settings, see: Neela Banerjee, “All in One Classroom: Blending Head Start and Non-Head Start Students,” *New America*, June 1, 2010, <https://www.newamerica.org/education-policy/early-elementary-education-policy/early-ed-watch/all-in-one-classroom-blending-head-start-and-non-head-start-students/>.

have experience with using braided funding to provide ECCE, health care, and public assistance programs (such as the Performance Partnership Pilots initiative).<sup>97,98</sup>

### ***Building up the ECCE provider workforce***

Investments in high-quality care and education for the youngest children would do more than simply meet a need for families: such investments offer an opportunity to improve the quality of ECCE. Unlike many jobs, providing early child care and education cannot be easily automated or offshored—nor would many families want it to be.

Developing ECCE workforce skills and training would improve both the quality of jobs and

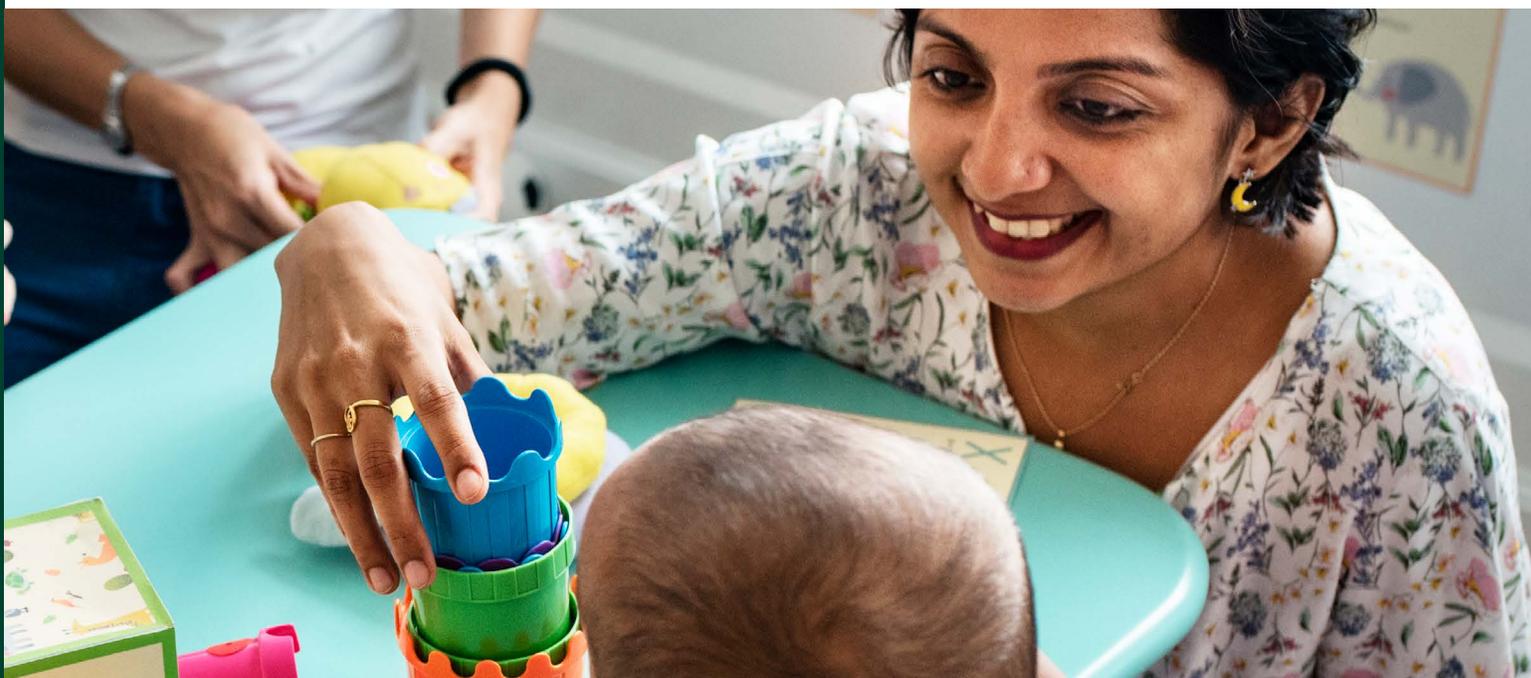
the quality of care. Current ECCE policies lack funding to expand the quantity or improve the quality of care. The infusion of new funds into this area to support a large-scale program would, with careful and intentional program design, enable the field to attract new talent to the ECCE provider workforce and improve the skills of the existing workforce. While an extensive discussion of policy strategies for developing the ECCE workforce is beyond the scope of this report, we briefly highlight a few key issues below and refer the reader to more comprehensive reports on this subject.<sup>99</sup>

**Compensation:** Low wages prevent many workers from serving and remaining in

<sup>97</sup> Child Care State Capacity Building Center, “Layering or Blending and Braiding Multiple Funding Streams,” <https://childcareta.acf.hhs.gov/systemsbuilding/systems-guides/financing-strategically/maximizing-impact-public-funding/blending-braiding-funding>; Margie Wallen and Angela Hubbard, “Blending and Braiding Early Childhood Program Funding Streams Toolkit,” QRIS National Learning Network, 2013, <https://qrisnetwork.org/resource/2013/blending-and-braiding-early-childhood-program-funding-streams-toolkit>.

<sup>98</sup> Adrienne L. Fernandes-Alcantara, “Vulnerable Youth: Background and Policies,” Congressional Research Service, 2018, <https://fas.org/sgp/crs/misc/RL33975.pdf>.

<sup>99</sup> For an extensive discussion of expanding the care workforce, see: Nina Dastur, Indivar Dutta-Gupta, Laura Tatum, Peter Edelman, Kali Grant, and Casey Goldvale, “Building the Caring Economy: Workforce Investments to Expand Access to Affordable, High-Quality Early and Long-Term Care,” Creative Commons, 2017, [http://www.georgetownpoverty.org/wp-content/uploads/2017/05/Building-the-caring-economy\\_hi-res.pdf](http://www.georgetownpoverty.org/wp-content/uploads/2017/05/Building-the-caring-economy_hi-res.pdf).



the ECCE workforce. Care providers and teachers for the youngest children are paid considerably less than primary school, kindergarten, and school-sponsored preschool teachers—even among providers with equivalent levels of education. Low compensation for demanding work can lead to economic insecurity and, often, high turnover rates for those caring for young children. A state program that links program benefits to providers’ qualifications and quality standards should also ensure that providers receive enough to pay ECCE workers adequately.

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**Training and workforce development:**

Educational attainment and ongoing training for ECCE providers can have a significant effect on the quality of care and education they provide. Quality could be substantially improved—and equalized across providers—through increased training and ongoing professional development of the current and future care workforce. However, many child care providers do not have the resources to

finance advanced educational training on their own. Requiring higher levels of educational attainment on its own is unlikely to improve the quality of care significantly, because most providers will still lack the resources needed for educational and professional development opportunities. Financial assistance, including direct state funding for pre-service training for new professionals and professional development for the current child care workforce, as well as paid time off or some other form of compensation to attend these training programs, will be critical to help improve the quality of services for early care and education. Funding education and professional development for ECCE providers could also help increase the wages of women—including women of color—because women make up a disproportionate percentage (well over 90 percent) of ECCE providers.<sup>100</sup> Collaboration with stakeholders in the care workforce community could help foster creative solutions for these challenges.

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<sup>100</sup> For a more extensive discussion of policy options to address improving care provider training and promoting workforce development, see the “Policy Recommendations” section of: Nina Dastur, Indivar Dutta-Gupta, Laura Tatum, Peter Edelman, Kali Grant, and Casey Goldvale, “Building the Caring Economy: Workforce Investments to Expand Access to Affordable, High-Quality Early and Long-Term Care,” Creative Commons, 2017, [http://www.georgetownpoverty.org/wp-content/uploads/2017/05/Building-the-caring-economy\\_hi-res.pdf](http://www.georgetownpoverty.org/wp-content/uploads/2017/05/Building-the-caring-economy_hi-res.pdf).

## Spotlight on Provider Training in Connecticut: All Our Kin

**All Our Kin**, a nationally recognized nonprofit organization, offers training, support, and other resources to family child care providers in Connecticut. Additionally, it provides an Early Head Start program as a delegate agency for the United Way of Greater New Haven.

Research has shown that All Our Kin training and supports have helped family child care providers enhance their knowledge, skills, and practice as early childhood educators; improve their business practices and earnings; and increase the supply of high-quality, affordable child care options.<sup>101</sup>

### *Improving supply of ECCE*

A policy that increases demand for early child care and education services will need to consider expansions and improvements in ECCE infrastructure, including both the physical spaces required to provide services, and the accessibility and usefulness of these spaces for families of different backgrounds and circumstances.

**Regional distribution:** Many families struggle to access ECCE because services are not equally distributed across regions within the same state, or in some cases parts of the same city. Even when resources are available, their quality may vary across regions. Additionally, without public funding, early child care and education providers rely on payments from parents. When parents can't afford the cost of quality, the care available in a neighborhood reflects that. Implementing a universal or expanded early child care and education system will require assessing gaps in access to ECCE resources and identifying strategies for closing those gaps.<sup>102</sup>

### **Diversity and cultural competence:**

The accessibility of ECCE resources is also affected by the needs of children from diverse circumstances—including (but not limited to) diversity in racial, ethnic, socioeconomic, ability status, lingual, and regional backgrounds. One solution is encouraging the recruitment and hiring of a workforce that is itself diverse. Incorporating diversity training into state quality requirements could provide another strategy to help improve cultural competence among providers of different backgrounds and experiences. States should also be mindful of inclusivity when developing strategies for educating families about and enrolling children into the program.

**Nonstandard hours:** Parents/guardians from all family types and income levels may be engaged in non-standard employment relationships and schedules. Many workers—particularly single and/or low-income mothers—have little control over their work schedules, cannot work from home in order to provide supervision for a young child, and/or do not adhere to a “standard”

<sup>101</sup> Further details on the organization may be found at [www.allourkin.org](http://www.allourkin.org).

<sup>102</sup> Rasheed Malik and Katie Hamm, “Mapping America’s Child Care Deserts,” Washington, DC: Center for American Progress, 2018, <https://www.americanprogress.org/issues/early-childhood/reports/2018/12/06/461643/americas-child-care-deserts-2018/>.



9-to-5 workday. Many ECCE programs cover only a fraction of the hours that parents/guardians might be working and require child care services. Programs with “standard” hours that provide educational benefits to children offer valuable services and hold the potential for long-term improvements in child development and outcomes. But young children require round-the-clock supervision and care, and many pre-K and other educational programs fall short of meeting the often-complex scheduling needs of working families. Policy provisions that address the availability of ECCE coverage for nonstandard hours will be a critical consideration for state policymakers, particularly those with a targeted interest in increasing labor force attachment for parents/guardians.<sup>103</sup>

### ***Improving the quality of care and education***

In any discussion of the care and education of children, it is crucial to acknowledge the value of helping families gain access not just to any resources, but rather to those with the highest possible standards of quality and safety. Particularly for preschool programs, high-quality early care and education is characterized by not just structural quality—including issues such as child safety and physical well-being—but also process quality—including robust and age-appropriate educational curricula and rich child-educator interactions.<sup>104</sup> If access to ECCE resources is expanded, and especially if a social insurance program funds those services, states will need to

<sup>103</sup> Angela Rachidi, “Child Care Assistance in the United States and Nonstandard Work Schedules,” Washington, DC: American Enterprise Institute, 2015, <https://www.aei.org/publication/child-care-assistance-in-the-united-states-and-nonstandard-work-schedules/>.

<sup>104</sup> For an extensive discussion of high-quality Pre-K programs, see Chapter 4 of: Ajay Chaudry, Taryn Morrissey, Christina Weiland, and Hirokazu Yoshikawa, *Cradle to Kindergarten: A New Plan to Combat Inequality* (New York: Russell Sage Foundation, 2017).

consider how they will establish and enforce protections for ensuring that providers are qualified and for preventing child abuse and neglect. Different program design options offer opportunities for varying levels of state oversight of child care and education providers, ranging from full regulation in a universal, state-run program to minimal (or even no) regulation in a direct cash benefit program. Policymakers should consider local needs and desires when striking the balance between administrative simplicity and regulating quality and safety standards.

One option for states interested in a relatively high level of oversight would be to align the level of a provider's quality standards with a tiered payment system. In other words, higher-quality providers would receive higher reimbursements, while payments to lower-quality providers would be smaller. Such a system design could be applied only to center-based care or could include home-based providers and FFN caregivers. This approach is complicated, however, and could lead to unintended consequences. On the one hand, the prospect of higher reimbursements could give providers incentives to make investments and improvements in their ECCE services. Tiered reimbursements also demonstrate the state's recognition of the costs of achieving and maintaining higher levels of quality, which arguably would justify higher-quality providers receiving higher reimbursement rates. On the other hand, lower-performing providers might have difficulty reaching

higher quality standards without additional resources to invest in education, training, and infrastructure improvements. Limiting payments to such programs could simply perpetuate the divide between higher- and lower-quality providers, particularly because many ECCE providers are already operating under thin margins. Additionally, there is evidence to suggest that higher Quality Rating and Improvement Scores System (QRIS) scores do not necessarily correlate to substantial improvements in educational outcomes,<sup>105</sup> suggesting a potential need for more careful consideration of how quality standards are being measured.

States should carefully consider working to help providers with improving quality and safety standards. For example, state regulatory agencies might collaborate with public higher education institutions to develop and refine programs to train ECCE specialists. Such programs would likely be more affordable for individuals looking to enter the early child care and education workforce, or to advance their existing ECCE careers. Policymakers could consider adding provisions to help prospective—and current—ECCE professionals pursue advanced degrees. Financial support for education would be particularly important if a new state policy required that ECCE providers meet higher minimum educational standards to be eligible for program funds. Alternatively, states could offer free or affordable state-level training programs to help care providers (especially home-based and FFN providers) improve the quality of their care.

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<sup>105</sup> Terri J. Sabol, Sandra L. Soliday Hong, Robert C. Pianta, and Margaret R. Burchinal, "Can Rating Pre-K Programs Predict Children's Learning?," *Science*, vol. 341, <https://science.sciencemag.org/content/341/6148/845>.

## Public-Private Partnerships in Oklahoma: Funding Quality Child Care

In 2006, Oklahoma established the Oklahoma Early Childhood Project (OECF), which distributes grants for programs serving at-risk infants and toddlers that wish to expand or enhance their quality. The State of Oklahoma allocates general revenue funds that are then matched by private philanthropic dollars, with private dollars making up a slight majority of funds. The Community Action Project of Tulsa County (CAP) administers the program, providing technical assistance to participating providers. Grant recipients are required to meet minimum standards, including staff educational levels, pay rates, and accreditation benchmarks. Children in OECF programs had higher social-emotional development scores and their classroom environments had higher child-teacher interaction scores, among other differences, than children and classrooms not in OECF programs.<sup>106</sup>

### ***Helping families and professional caregivers navigate the ECCE landscape***

A state in the process of developing a new ECCE program should consider strengthening its Child Care Resource & Referral agencies to help families and paid caregivers take full advantage of the new and existing programs.

Establishing a state ECCE program—of whatever type—involves additional considerations that are beyond the scope of this report. For example, early and intensive engagement of a diverse array of stakeholders could help secure broad community support. An extended period might be required between passage of a new ECCE program and its effective date in order to allow time to secure adequate funding, expand provider capacity, establish quality standards and contingencies for enforcement, and develop administrative capacity. These considerations are not discussed in depth here but will need to be addressed by policymakers developing any program expanding access to and affordability of ECCE.

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<sup>106</sup> Oklahoma Early Childhood Program (OECF), “Oklahoma Early Childhood Program,” 2018, <http://okecp.org/wp-content/uploads/2018/06/oecp-1-page-handout.pdf>.

*Section V.*

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# CONCLUSION



High-quality early care and education is an investment in the future of children and our society. To date, however, the United States has not funded programs to meet the developmental needs of children in the earliest years with anything near the same investment as K-12 education. At the same time, the dynamics of work and family life have shifted dramatically over the past several decades, and children are increasingly living in homes where all parents/guardians are working. Policy has been slow to adapt to the changing needs of workers and their families. As a result, many children have been left with insufficient and/or low-quality early child care and education. The policy options

and considerations outlined in this chapter reflect varied potential program scopes and goals. States interested in developing a new or expanded program for financing ECCE will need to weigh these options based on the specific needs of their constituents and their policy objectives. The costs associated with maintaining the status quo, however, should be considered when assessing whether and how much to expand investments in early child care and education. Without an investment in the care and education of our youngest children, family economic security, child development, educational outcomes, labor force attachment, economic output, and societal well-being will continue to suffer.

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