

1. Descriptive Information

<p>Breakout session C2 - Financing High-Quality Early Care and Education for All Children</p> <p>Despite bipartisan recognition of the importance of ECE, strategies for financing high-quality programs remain a challenge at the local, State, and Federal levels. The varied needs of children and families and the disparity in ECE options available to families demand more than a single funding solution. This roundtable will bring together experts to describe a range of approaches for financing ECE, including sources of revenue and mechanisms for making high-quality ECE more affordable for more families. Such strategies include, but are not limited to, applying K–12 school funding formulas to preK settings, public-private partnerships, encouraging blended funding streams, tax credits and vouchers for families, and incentives targeted to individual providers. This moderated discussion will explore the potential implications of different approaches for increasing quality in ECE, equity in access, improving affordability for working families, and costs to providers and public funding agencies.</p>	<p>Facilitator</p> <ul style="list-style-type: none"> • Taryn Morrissey, American University <p>Presenters</p> <ul style="list-style-type: none"> • Rick Brandon, RBN Consulting • Lori Connors-Tadros, Center for Enhancing Early Learning Outcomes, NIEER • Lynn Karoly, RAND • Elaine Maag, Urban Institute <p>Scribe</p> <ul style="list-style-type: none"> • Jennifer Wenner, Child Trends
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2. Documents in Session Folder (Please list any electronic documents or web links used during the session.)

- Connors-Tadros. [CCEEPRC Financing School Funding post.pdf](#)
- [Brandon et al.Orchestrating Access.C12-04.pdf](#)
- [Brandon.Financing Access.pdf](#)
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3. Brief Summary of Presentations

- **Summary of Presentation #1: Rick Brandon**

Two general approaches to financing Early Care and Education (ECE):

- Iterative approach: quality of care and cost are moving up together
- Hybrid approach: the system is funded partly by provider subsidies, partly by assistance to families.

The challenge is having an underlying base that reaches all families. A problem arises when non-subsidized families have to absorb cost of subsidized kids, creating an unsustainable system. An advantage of the hybrid approach is that it allows gradual development of the system.

A problem with systems targeting high-need families is that it can lead to economic segregation. A hybrid system allows a focus on low-income kids, but doesn't incentivize segregation. Another advantage is moderate cost. Not cheap, but moderate.

Dr. Brandon referenced two papers during his presentation:

- *Orchestrating Access to Affordable, High-Quality Early Care and Education for All Young Children* (Brandon, Maher, Li, & Joesch, no date available)
- *Financing Access to Early Education for Children Age Four and Below: Concepts and Costs* (Brandon, 2004)

- **Summary of Presentation #2: Lori Connors-Tadros**

Dr. Connors-Tadros displayed slides as part of her presentation.

Overall, government funding structures for ECE rely on federal and state revenue sources. By comparison, K-12 funding structures rely more heavily on state and local revenue sources. The attraction of school funding formulas that rely on local

funding for revenue is stability and growth in the revenue stream. To fully address quality and access in ECE, however, a blend of school funding formula and other revenue sources is necessary.

- **Summary of Presentation #3: Lynn Karoly**

Two basic funding mechanisms that are directed toward providers:

- Those that directly pay for ECE (e.g., vouchers parents bring to providers)
- Those that are directed to providers around quality improvement and maintenance

Efforts to boost quality raise the question: are the reimbursements sufficient to cover the cost of quality?

Strategies to support providers with the goal of boosting quality:

- One-time investments
- Technical assistance to support providers
- Strategies targeting staff
 - o Scholarships for working toward degree
 - o Rewards for degree attainment
 - o Retention bonuses to keep providers in system

These efforts require ability to understand and measure “quality.”

Trade-offs of different strategies:

- Provider-support strategies focus on the supply side and therefore assume families choose higher quality settings. However, parents tend to weigh quality with other characteristics important to them.
- Strategies focusing on contracts/grants can provide stability in the system, but it can lock in slots in a geographic region for providers
- Strategies focusing on vouchers can give families choice, but can lead to more uncertainty, instability for providers

- **Summary of Presentation #4: Elaine Maag**

Overview of how child care is subsidized in the tax code:

- Subsidies to families
- Child care tax credit
- Flexible spending accounts

Reasons subsidies tend to be seen favorably (amongst politicians, policy makers):

- View that larger families should get more benefit than smaller families
- Children are seen as good investments
- Subsidizing child care encourages/enables work by parents

Advantages of tax-code based approaches:

- Politically attractive (tax cuts rather than spending increases)
- Reaches all those who are eligible & file taxes, regardless of income

Drawbacks of tax-code based approaches:

- Less likely to benefit low income families because these approaches are based on tax refunds
- Don't increase access – quality care needs to be available to families
- Timing mismatch – low incomes families can't wait until next April to get their ECE reimbursement

Possible helps:

- Create refundable child care credit that isn't based on filing taxes; although this doesn't address the timing issue
- Increase child care credit to all dependent children
- Boost EITC

Many of Dr. Maag's comments are based on the paper [Who Benefits from President Trump's Child Care Proposals?](http://www.taxpolicycenter.org/publications/who-benefits-president-trumps-child-care-proposals) (Batchelder, Maag, Huang & Horton, 2017) available online at: <http://www.taxpolicycenter.org/publications/who-benefits-president-trumps-child-care-proposals>

4. Brief Summary of Discussion

- Rick Brandon: advocates a sliding scale that goes past \$100K; a hybrid system containing a low income component for subsidies and a tax credit component for middle and upper class
- Lori Connors-Tadros: a problem is we are not being precise about what quality is and how to measure it; we need to be able to give investors data about what additional quality they are getting for their investment; we need data on the real cost of quality
- An issue with a tax-code based system is that the IRS isn't equipped to administer anything tied to quality. *What if info comes from state QRIS?* There is the additional problem of stability, families changing providers.
- In a hybrid system, challenge arises when families transition from vouchers to tax credits; need to build smooth system to avoid "voucher cliff"
- What research and data needs are there?
 - o What do we know about how in-kind subsidies affect family behavior?
 - o How do we define "affordable"?
 - o How does one incentivize the supply and demand side?
 - o How do we build data systems?

5. Summary of Key issues raised

- Blending funding sources: complications, difficulties, in starting up and running a program
- What can the research community do to better understand effects/benefits/costs of different funding strategies?
- Data issues: how do we build data systems? Tax credit implication of this – what are we buying?