

**2015 CCPRC Annual Meeting
Session Summary: Workshop E-3**

Workshop E-3 – Subsidy Policies to Promote Quality and Stability of ECE 12.3.15

1. Descriptive Information

<p>Workshop E-3 (Independence F&G)</p> <p><i>Subsidy Policies to Promote Quality and Stability of ECE</i></p> <p>Description This breakout session will week to define quality and stability in ECE and how they relate to each other, before moving on to a discussion of features of the subsidy program—both as it has existed and as it will change under recent CCDBG reauthorization—that may support access to quality and stability in ECE for low-income families.</p>	<p>Facilitator</p> <p>Presenters</p> <ul style="list-style-type: none"> • Alejandra Ros Pilarz, University of Wisconsin-Madison • Rick Brandon, RND Consulting <p>Discussant</p> <ul style="list-style-type: none"> • Liz Davis, University of Minnesota <p>Scribe</p> <ul style="list-style-type: none"> • Van-Kim Lin, Child Trends
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- **Documents in Session Folder** (Please list any electronic documents or web links used during the session.)
No documents in folder

- **Brief Summary of Presentations**

- **Summary of Presentation #1: Promoting stability and quality of ECE, Alejandra Ros Pilarz**
 - Child care instability can be define in two ways: changes across and within arrangements. Instability matters because it affects the well-being and healthy development of children. The lack of stability can make it difficult for caregivers to provide sensitive care over time and to form secure attachments. Change can also be stressful to parents and children; some change is normative but many changes can have negative effects.
 - Changes across arrangements can be sequential changes over time or long-term changes (center→ FCCH or vice versa). There isn't good data about changes in arrangements, but about 40-50% of children experience at least one change by three years.
 - Children can also experience multiple concurrent arrangements (about 8-24% of children). For example, a child goes to grandma's house for a couple of weeks, then an aunt's house, and then a center. This is more common for preschoolers than infants and toddlers (about 8-21% of infants and toddlers and about one in four preschool aged children).
 - Changes within arrangements might be due to teacher turnover (about a quarter had a departure rate of 20% and only 46% of centers had no turnover) or teacher transitions throughout the day or week (1 in 5 teachers across classrooms/groups within center with 9% once in the past week and 11% more than once)
 - Relationship between stability and quality of care
 - Stability influences child's experience of quality of care.
 - Parents' perceived quality and satisfaction with care contribute to decision to keep or change arrangements (e.g., teacher turnover or discontinuity in a setting influence perception of quality parents).
 - Children may benefit less from high quality care that is unstable
 - Teacher and child turnover within classrooms/groups may make it difficult for teachers to provide HQ interactions and instruction
 - Role of subsidies in promoting child care stability and quality
 - Parent's decision-making is complicated and involves different factors. Subsidies reduce cost constraints; if higher quality is more expensive, subsidies can reduce cost constraints. Stability: subsidies can help families access high-quality care, but if they can access stable care, staying in that care depends on the stability of subsidy receipt

- Quantity and quality of arrangements in the community is important.
 - Research shows that:
 - Children with subsidies generally have higher quality care but not as much as other subsidized care
 - Subsidies may or may not promote care stability (spells are short and reentry into program is common. Families who are in and out are using more subsidized provider changes)
 - Example from IL/NY child care research partnership
 - Spells in NY are longer than in IL because of the redetermination lengths (6 months vs. 12 months). Something about redetermination shows that people will leave and policy lever to reduce subsidy exits
 - Predictors of leaving subsidized provider
 - Child care employment and subsidy-level factors
 - Hazard model shows that findings are consistent with prior research. Losing a subsidy and/or a job are important to influencing spells as well as provider characteristics.
 - Factors associated with a higher risk: early job loss, early subsidy exit, difficulty with application, payment problems, family child care vs center (although we don't give this a lot of weight), backup care available
 - Factors associated with a lower risk: having the same provider before subsidy, has nonstandard hours, and feels child is safe and secure with provider
 - Provider changes following a subsidy exit
 - 46% changed providers after exit
 - Lots of changes before and after
 - After losing subsidy, 38% went to having no provider
 - Large increase in informal care (FFN, unlicensed)
 - Many are unable to maintain formal, licensed care arrangements
 - Implications for child care subsidy program
 - Subsidies have potential to increase high-quality, more stable care, but efforts are needed (to increase stability so children have continuous experience)
 - Improve family-friendliness of program will likely contribute to subsidy and care stability
 - Increasing access to high-quality care leads to stability of care
 - With fixed set of resources, increase access to subsidies are needed for children who are eligible but who can't access program
- **Summary of Presentation #2: ECE payment systems to promote quality, stability, Rick Brandon**
 - The presentation focuses on affordability between the provider and the family perspective.
 - Alternative approaches co-exist (conceptual basis for setting the public reimbursement rate). These approaches parallel the shift from equity to adequacy. Neither are inherently better than the other, and both have constraints.
 - **Market prices:** Objective is **equity** of access for families (reimbursing at the 75th percentile), which is used for reimbursing the purchase of services (seen in the CCDBG)
 - Limitation: Constrained by parents' and states' willingness to pay
 - **Cost-based:** Objective is meeting the standards of **quality**, which is used for budgeting the provision of service (seen in Head Start, school-based PreK)
 - Limitation: Constrained by public and private budgets and external pressures
 - There are two focuses when examining the approaches
 - Input focus: Identifying the features related to turnover or estimating costs of high-quality
 - Challenge: Cost basis and market prices are both driven by the number of staff (ratios) and qualifications (compensation). There is a similar cost if there is a high or low turnover of staff. There is limited correlation between compensation and turnover (direction of causality is unclear). Often high turnover is concentrated in a minority of centers. We should investigate the characteristics of centers with high/low turnover (great opportunity in the NSECE).

- Output focus: Including stability as a component of quality ratings that maintain high-quality
 - Challenge: There is a potential to award bonuses for low turnover, but it is difficult to measure it reliably. There is a long time frame and tracking is difficult. We could discourage desirable turnover for low-performing staff. We don't want the worst schools with no turnover and the worst teachers to be there forever. There is a lot of employment stability in child care centers.
- Family affordability is a key factor to bridge between equity and quality and bridge between provider (what is charged) and what a family can afford (choice factor)
 - People forget that public reimbursement only covers a share of some kids in the center. Most have public and private funding. If key costs are ratio/compensation, unless you segregate certain programs, you will have one ratio or professional development for the whole center. If you get a higher reimbursement for some kids, how can you make up the costs for the program changes to quality for the other kids? Affordability can be the bridge.
- What criteria should we use to determine affordability?
 - 10% myth: This came from 20-30 years ago when someone analyzed Census data and found that the average share of income spent on child care was 10%, so they started to include that into the federal guideline. However, it wasn't specified what the 10% was spent on: cost or price of care? Per child or per family? Young children or school aged? Gross or net income?
 - However, since then, there have been huge changes in consumption patterns, so we need to use empirical data to determine what is now being paid and what is affordable.
 - Brandon study: They looked at a tax adjusted, median prices averaging 13-18% MFI
 - Helburn-Bergman (2003): The only piece with clear and consistent methodology was looking at the minimum living standard (20% of income), which is related to the common sense notion of affordability.
- There are also implications for copayments
 - Zero-fee (public school/merit good) approach: This approach maximizes utilization, exacerbates the budget constraint on quality (as there are lots of underfunded schools) and doesn't necessarily improve equity since it depends on the state tax system.
- What is the current situation?
 - Average price of full time, full year ECE divided by the average annual family income equals the family income net of taxes
 - Federal income tax: Subject income tax payments for the average family
 - Federal income tax: Add earned income tax credits and child care tax credits to see what share of the income they are paying or not paying
 - Federal social insurance: social security, Medicare, employment
 - State and local taxes account for
 - Center and family child care median rates are not bad
 - Infant costs are a higher share of the income than toddler and preschool. The youngest parents with the lowest incomes also have the youngest kids.
- How do you reimburse home-based ECE?
 - You face similar issues using a market rate.
 - You'll need to consider relationships among alternative modes and distribution of prices using the cost-based method.
 - There isn't a clear provider stability/continuity problem for home-based ECE.
 - Home-based ECE providers are also business managers and needs the same compensation as a center director; however it's easier to build in professional development supports in a center than for a home-based provider.
 - Also how do you deal with the fees for a home-based provider with mixed ages?
- Methods for setting a home-based provider-wage equivalent?
 - Homebased care transcends income. Families in upper income families use upper income relatives with higher proxy wages, so you'll need to shift that to a higher income.
- Conclusions
 - What are the key design elements?

- Factors affecting turnover at the program, classroom, and individual levels
 - Then address that through supports and reimbursement rates and incentives and cost-base reimbursement
 - If you know the factors, can build it into the system (coaching and mentoring; market-based approach, basic reimbursement rates; bonuses)
 - Develop a formula for affordability taking into account of living standards, number of ages of children, adults, consumer preferences; federal and state tax policies
- **Brief Summary of Discussion**
 - Comments from Liz Davis
 - There is a growing literature on instability and the relationship to subsidies and quality, but we see differences in the studies.
 - We know that families tend to leave the subsidy program around redetermination, but we don't know if they are leaving because they do not recertify or if they are no longer eligible. We don't know if they would keep using subsidies if there wasn't a redetermination.
 - It's important to use a mixed methods approach when examining the relationship between subsidies, instability, and quality. Currently, stability work uses administrative data, which is great for tracking participation and exits out of the subsidy program, but it doesn't provide information about the arrangements after leaving the subsidy program.
 - We also should examine the different types of changes of instability where we don't have administrative data (planned or intentional exits)
 - Questions from Liz
 - Looking at why the market price approach and cost approach often give us different numbers, are we assuming that one will always give a higher number? Why?
 - How do you set optimal turnover and alter payment systems accordingly? What can we do to the subsidy payment system to have quality? How can we help a child in high-quality continue to be in high-quality care?
 - Answers from the presenters
 - Alejandra: Examining concurrent arrangements, the ECLS-B asks about regular arrangements each week. Parents may have other caregivers that they use more sporadically that help with wrap-around care that we may be missing in surveys. However, a percentage of ECLS-B kids and the ones in child care (estimates of all kids and those in child is more like 20-30% across all ages). However, in the NY/IL partnership, we found close to 50% of children using multiple child care arrangements for lower-income, working families.
 - Rick: The reason we get different numbers between the market and the cost approach is that there is no reason they should be the same since they are totally different systems. There's no competition between other subsidized programs (PreK and Head Start) or zero-price programs with the subsidy program. Market prices depend on a range of factors.
 - Questions/comments from the audience
 - When comparing the market price and the cost-based approach, subsidies aren't like Head Start or PreK. Invariably, there is variability with the length of day in care, how long a child is in a center, etc. All of those complications seem to be bound up with this issue. How do you think that relates to the two approaches?
 - Rick: The amount of complexity has been glossed over in this presentation. We are trying to make a basic sense of how rates are set. We don't know about hidden subsidies or hidden costs, hourly rates or weekly rates, etc.
 - In the two studies, are there reliable patterns of increased multiple, simultaneous care in public-funded vs. subsidy vs. other arrangements?
 - Alejandra: We haven't looked at this, by our hypothesis is that there is increased use in multiple care as children get older.
 - Isabel Bradburn: Parents feel they can't do PreK because of the wrap-around component

- Liz Davis: In Minnesota, in terms of families using subsidies and those not using subsidies, there was no difference in the number of concurrent providers when on subsidy or not on subsidy. We didn't find a difference in the stability of care, controlling for type of care.
 - When we think about access, instability is an important dimension and there are several ways to measure it. However, I don't know if we know if multiple arrangements are necessarily wrong. Maybe we need to talk about the optimal arrangements for families (it may not be one provider). This gets to the re-entry with families and how we measure instability. Having one provider one month and another in another month doesn't get at continuity of care, but it may not necessarily be bad for the kid.
 - Alejandra: We looked at the relationship between multiple arrangements (having 2 or more regular providers each week) with kindergarten outcomes, and there wasn't an association with any worse outcomes. There are many questions we need to examine about stability over time. If the child is moving from a worse to better quality care, what does that mean? Is that too many changes?
 - Parents' perceptions about the importance of quality and stability is also important. Many families in poverty are living in a scarcity of time, money, and resources. There needs to be good messaging about why this is important.
 - What parents say and what they do may differ. Sometimes they say cost isn't important, but then it affects their choices. Low-income families talk about program factors, but they also need to consider hours. Number of children also makes a huge difference.
- **Summary of Key issues raised** (facilitators are encouraged to spend the last 3-5 minutes of workshops summarizing the key issues raised during the session; bullets below are prompts for capturing the kinds of issues we're looking for)
 - *Emerging findings that may be of particular interest to policy-makers and ACF?*
 - Subsidies have potential to increase high-quality, more stable care, but efforts are needed (to increase stability so children have continuous experience)
 - Improve family-friendliness of program will likely contribute to subsidy and care stability
 - Increasing access to high-quality care leads to stability of care
 - With fixed set of resources, increase access to subsidies are needed for children who are eligible but who can't access program
 - *Methodological issues including innovative methodologies that may help maximize resources available for research and evaluation?*
 - Setting up reimbursement rates
 - Average price of full time, full year ECE divided by the average annual family income equals the family income net of taxes
 - Federal income tax: Subject income tax payments for the average family
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 - *Follow-up activities suggested to address questions and gaps (e.g., secondary analyses of data, consensus meetings of experts, research synthesis or brief, webinar, etc.)?*
 - Think about new ways to measure reimbursement rates.
 - Also consider how home-based providers might have different ways to reimburse.
 - *Recommendations about future ACF child care research directions and priorities?*
 - We should investigate the characteristics of centers with high/low turnover (great opportunity in the NSECE).
 - Multiple arrangements may not be a bad option for children. We may need to rethink how we think about instability.

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