



## **Accountable Investments in Early Learning to Improve Student Performance in Washington**

**Report for the Washington Early Learning Council, WA Learns  
Human Services Policy Center**

**Evans School of Public Affairs, University of Washington**

**Executive Summary [Full Report Available at [www.hspc.org](http://www.hspc.org)]**

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### **Purpose of the Study**

Success or failure in school and life begins with the quality of learning experiences children encounter in their first years of life. Disparities in achievement by children from disadvantaged groups begin with disparities in access to high-quality early learning. The lack of access to high quality early learning for most Washington children ages birth to 5 (and not in school) is the result of market failure on three dimensions. There is an *inadequate supply* of high quality services, and an insufficient number of qualified staff; there is *inadequate parental demand*, due to lack of knowledge of quality of different providers and inability to afford the price of high quality services; and there is *no accountability system* that tracks the quality of providers and the developmental outcomes of children. The cost of this market failure is a high percentage of students entering kindergarten unprepared. This is the first step in lifelong gaps in achievement for disadvantaged children, who have the least access to early learning opportunities. This study assisted the Early Learning Council (ELC) and Washington Learns to explore a variety of research-based solutions to these market failures. A central feature specified in the legislative mandate for the ELC was development of a Quality Rating and Improvement System (QRIS) as a unifying approach to improving quality and accountability. The mandate also included a “tiered reimbursement” system to offer financial incentives and link state payments to the quality of early learning services. Our analysis considered the costs to providers, to different groups of parents, and to public and private entities of achieving high quality early learning in a variety of settings. Participants in the study process drew upon the advice and perspectives of many academic experts and practitioners to develop the policies specified, and deliberated in an open, public process; the full report summarizes key research findings that informed the process.

## **Background: The Current Early Care and Education Market**

Parents currently use a variety of settings for early child care and education: center-based; licensed family child care homes (FCC); and family, friend, or neighbor care (FFN). In contrast to the rest of the educational enterprise, most of the cost of early learning is borne by parents. In Washington, there are three public programs that provide substantial assistance to low-income families:

- *Vouchers for purchase of child care* are provided on a sliding scale related to parents' income, with most assistance going to low-income families. To be eligible for assistance, parents must be employed or enrolled in training or education.
- The *state Early Childhood Educational Assistance Program (ECEAP)* and the *federal Head Start program* provide a half-day, school-year preschool experience, plus comprehensive health and family support services for low-income children ages 4–5. Early Head Start also offers such programs to a limited number of younger children. There is no parental employment requirement, and no fee is charged to parents for either program.

## **The ELC Preferred Policy Option: Policy Specifications**

The ELC developed a coherent strategy containing several elements, all of which are necessary to provide access to high quality early learning for all Washington children. These include (a) a QRIS that incorporates standards for individuals and programs in both center-based and family child care settings; (b) supports to help them achieve higher quality standards; (c) compensation sufficient to recruit and retain qualified teachers; (d) scholarships for families to afford high quality settings; (e) an incentive structure to promote steady improvement over time; and (f) a governance and accountability structure to monitor progress of all the components.

### *a. Standards for Individuals and Programs in Both Center-Based and Family Child Care Settings for Basic Early Learning (Quality Rating and Improvement System)*

At the core of the approach is moving from a set of minimum licensing regulations to a set of standards, based on research and professional practice, that indicate the quality level of a provider of early learning services. The recommended standards vary across QRIS levels, reflecting the fact that it will take time for different providers to achieve high quality. In a market-based system, families may have different levels of preferred investment in early learning versus alternative investments in their children's development, leading them to select different levels of quality. Several components of these standards would entail substantial costs to providers: the child-adult ratio and group size; educational qualifications of staff occupying different positions; and professional development and support provided to staff, including release time. Other program features, such as choice of curriculum, are important to quality early learning but do not entail substantial cost.

*b. Supports to Programs and Teachers to Achieve Standards*

The ELC developed a balanced approach of pre-service requirements and in-service professional development. Professional development would include tuition support for staff and assistance to higher education institutions to cover the cost of one course per year, plus up to 50 hours per year of paid release time for staff, and supplemental expenses including child care, books, and transportation. The percentage of teachers with college degrees would increase by QRIS level, and be phased in over a number of years. The specifications for college degrees took into account the operational feasibility of making large-scale changes in a short time frame, and the need to maintain cultural diversity—moving rapidly to a college-educated ECE workforce could inadvertently pressure many staff from minority or immigrant backgrounds to leave the field.

*c. Compensation Sufficient to Recruit and Retain Qualified Teachers*

A central reality of a market-based approach is that to recruit and retain well-qualified staff, early learning providers will have to compete in the labor market with other employers seeking to hire individuals with these qualifications. The higher the qualifications, the greater the competition. Current average ECE staff wages of \$9–13 per hour are clearly not competitive. The ELC explored various levels of compensation, and selected an annual compensation for BA-level early learning teachers at the average annual starting salary of elementary school teachers, equivalent to about \$15.73 an hour, plus benefits close to those of public school teachers. Staff with less responsibility and lower qualifications would be paid less; directors would be paid more.

*d. Scholarships for Families to Afford High-Quality Settings*

If providers could not charge fees sufficient to cover the costs of compensation necessary to recruit qualified staff, then the overall system of quality improvement would fail. Even at moderate compensation levels, the costs of full-time, full-year, high-quality early learning would be unaffordable for average Washington families without assistance. HSPC found that the cost per child of full-time, full-year high-quality early learning would be about 16% of take-home pay for the average Washington worker. For the one in three families with a second child under age 5, the cost would be almost a third of take-home pay. The ELC recommendations include scholarships to families related to their income. These are designed to minimize costs for low-income families, with middle-income families paying as much as they presently pay, but for higher-quality settings.

*e. Supports to Parents and Family, Friend, or Neighbor (FFN) Caregivers*

The ELC recognized the critical role of parents and families as children’s first teachers and their critical ongoing role in children’s development, and includes a component of parent education, resources, and support. These include an advisory board charged with conducting a needs assessment for family support; enhanced support for the resource and

referral hotline; expansion of Child Profiles; expansion of home visiting programs for high-risk parents; and parent education workshops for low-income families.

It also recognized that many parents prefer family, friend, or neighbor (FFN) caregivers, and this is the dominant form of non-parental care for infants and caregivers. The ELC preferred option therefore recommended a package of programs based on those being experimented with in King County, including Play and Learn groups, sets of learning materials and booklets, and development of an infrastructure to coordinate and monitor such services and improve public awareness.

*f. Governance and Accountability Structure to Monitor Progress*

The first step in creating an effective governance and accountability structure was creation of the Department of Early Learning (DEL), which the ELC recommended, and the establishment of the Thrive by Five public-private partnership. The critical next step is implementation of the QRIS system, which includes progressively higher methods of accountability, increasing from meeting staffing standards to conducting a structured self-assessment to having quality ranked by external observers of staff interacting with children. The legislature enacted a pilot QRIS, and DEL is in the process of implementing and evaluating the pilot. Ongoing support for an advisory board to the DEL was also recommended.

## **Financial Implications of the ELC Preferred Policy Option**

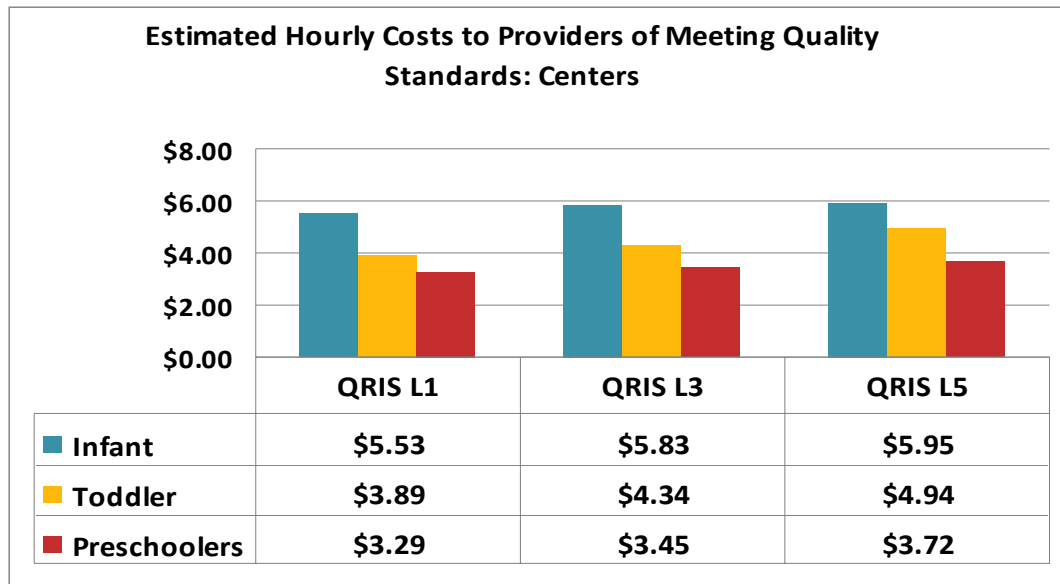
HSPC applied a relatively sophisticated financial model employing several unique features, including developing hourly costs to providers for all settings; building utilization estimates from a survey of representative households; adjusting utilization estimates to reflect likely responses to having better-quality ECE available at lower prices for many families; and applying multiple eligibility criteria and family payment schedules. The focus was on children ages birth through 5 and not in kindergarten.

*a. Costs: Hourly Costs to Providers by Age, Quality Levels 1–3–5*

Figure E-1 shows our estimate of the cost to center-based providers of meeting the standards for different levels of quality for children of different age groups. Costs are higher for the youngest children, due to the lower ratios specified for infants.

These costs have been updated to 2007 levels using an adjustment based on average child care wages, and are thus higher than the estimates we provided to the ELC.

*Figure E-1: Estimated Hourly Cost of High-Quality Early Learning—Center-Based*



We compared the estimated costs of high quality, center-based early learning to current state reimbursement rates and market prices. To simplify this comparison, we averaged hourly costs across age groups and quality ranking levels. QRIS Level 1 costs (\$3.68/hour) are close to the current average (50th percentile), which is expected since Level 1 is based on current licensing requirements. However, Level 1 costs are substantially higher than the current state reimbursement rate (\$3.24). The estimated high quality cost is lower than the 75th percentile market price (\$4.20). That is, upper-middle-income families are already paying more than this amount for early learning opportunities for their children.

HSPC also estimated the cost to family child care (FCC) providers of meeting the staffing and other standards at different levels of quality. FCC normally serves children in mixed age groups. Because the suggested QRIS standards emphasize provider development and performance, rather than educational qualifications, there are much smaller estimated cost differences across quality levels. The hourly costs would increase modestly from \$3.93 for Level 1 to \$4.08 for Level 3 and \$4.19 for Level 5. At all quality levels, these costs would be considerably higher than the current \$3.05 per hour state reimbursement rate for FCC and substantially above the current average market price of about \$3.17 per hour. Under the policies specified, the costs of FCC would 15-20% lower than those of center-based ECE. FCC would continue to be a somewhat lower-priced alternative and would be used by families preferring that type of setting, as well as those seeking to save money.

*b. Percent Change Across Quality Levels*

- The cost increases to center-based providers of meeting QRIS Level 3 standards versus Level 1, or Level 5 versus Level 3, range from 6% to 14%.

- The increases across levels are highest for toddlers, where ratios are still relatively low but educational qualifications increase significantly over those for infants.
- For FCC, the cost of Level 3 is about 4% higher than Level 1; the cost of Level 5 is about 3% higher than Level 3.

*c. Affordability of High-Quality Early Learning by Family Income Group*

To test the affordability of higher-quality early learning without scholarship assistance, HSPC estimated the costs of paying for full-time, full-year early learning as a percentage of after-tax income for families at different income levels.

Without scholarships, high quality early learning would clearly not be affordable for low- and moderate-income families. Median income for Washington families of four was about \$72,000 in 2007, which was about 3.4 times the federal poverty line (FPL).

- *Low-income families* (below the FPL) would have to pay 75–86% of net income per child. *Moderate-income families* (1–2 FPL) would have to pay 27–31%. These groups are currently eligible for assistance on a sliding scale reducing their payments to no more than 10% of income.
- *Lower-middle-income families* (2–3 FPL) would have to pay 17–19%, or almost one-fifth of their take-home pay, per child. This would be almost twice the federal guideline of 10% of income, so they clearly need partial assistance. These families are currently not eligible for Washington state assistance, but may claim the federal child care tax credit, which is accounted for in our affordability analysis.
- *Middle-income families* (3–4 FPL) would pay about 14–17% of after-tax income per child. This is slightly higher than the 14% of net income which the median-priced ECE costs in Washington.
- *Affluent families* (above 4 FPL) could pay about 12%, which is close to the share of net income represented by current ECE prices at the 75th percentile. They would thus continue to have access to higher-quality early learning at close to their current payment.

As noted above, family child care (FCC) costs would be similar to the cost of center-based ECE; the affordability picture for families and need for family assistance would therefore be quite similar. Thus, families who currently reduce costs by utilizing FCC would no longer have that option.

*d. Costs of the ELC Preferred Option*

Effecting major changes to a large system that responds to a variety of market pressures cannot occur instantly. The ELC preferred option therefore contains some elements that would immediately establish the statewide infrastructure to guide the process and ensure that it can reach maturity; other elements would be phased in. Table E-1 below presents our estimate of the initial costs of phasing in the policies specified by the ELC for children birth through 5. The costs shown are increases over current public investment levels for early care and education in Washington. These costs could be shared in different ways among state, local, and private funders. We assumed no increase in federal contributions; if they increase, the estimates below could be decreased. The first column shows what the costs would be if the preferred option were implemented fully statewide. The second column shows the cost of the infrastructure plus implementing QRIS and scholarships in areas containing 15% of children in the first year. The third column shows the cost of adding coverage to reach a total of 25% of young children in the second year. The final column shows the costs for the full biennium.

When considered as the first step in successful elementary and secondary education, the costs depicted in Table E-1 would represent a small increase in K–12 spending, which is about \$8.1 billion. As a percentage of K–12 spending, the initial annual costs would be less than 1% and the second-year costs about 1.2%. These are high-end estimates, since they are comparing 2007–09 early learning costs to 2005–06 K–12 costs. Since 1994–95, K–12 general fund expenditures have increased about 4.3% a year. It should also be noted that the population ages birth through 5 is 46% as large as the school-age population.

*Table E-1. Increased Public/Private Costs for ELC Preferred Option (\$2007 Millions)*

<b>Cost Category</b>	<b>Statewide (2006 Millions)</b>	<b>Inflation- Adjusted Phase-in Cost 2007–08 (15% of Children)</b>	<b>Inflation- Adjusted Phase- in Cost 2008–09 (15+10=25% of Children)</b>	<b>Biennium Costs</b>
Early Learning Including FFN Support, Governance and Implementation, Administration of Benefits	292	44	73	<b>117</b>
Parent Support and Education w/ Statewide Infrastructure	40	6	10	<b>16</b>
ECEAP/CC Partnerships	46	7	12	<b>19</b>
Raise child care subsidy reimbursement rates to 50th percentile for remainder of state	N/A	(13)	(11)	<b>(25)</b>
<b>TOTAL</b>	<b>378</b>	<b>54</b>	<b>95</b>	<b>149</b>

e. *Number of Children and Families to Be Served*

Approximately 67,000 children would receive full or partial scholarships for high-quality early learning in the various settings. About 7,000 families would receive home visiting services, and 33,000 families would receive parent education. Family, friend, and neighbor caregiving support would engage 9,800 children and 15,000 caregivers. Almost 200,000 more caregivers would receive helpful materials.

f. *Scholarships by Income Group*

The bulk of scholarship assistance would be directed to the most vulnerable children in low- and moderate-income families, with 86% of aid going to the 43% of children whose families are below twice the federal poverty line (the limit for Medicaid and federal low-income tax credits).

## Conclusion

Lack of access to high quality early learning experiences keeps young children in Washington state from meeting their full potential to make the first step on the ladder of learning that leads to success in school and life. The mixed public-private market for early care and education is failing to provide this access. There is an *inadequate supply* of high-quality services, with an insufficient number of qualified staff; there is *inadequate parental demand*, due to lack of knowledge of quality of different providers and inability to afford the price of high quality services; and there is *no accountability system* to track the quality of providers and the developmental outcomes of children. Children from low-income families and disadvantaged cultural groups experience these lacks disproportionately, laying the foundation for disparities in educational achievement. This study assisted the Early Learning Council (ELC) and Washington Learns to explore a variety of research-based policy solutions to these market failures. Our analysis considered the costs to providers, to parents of different income groups, and to public and private entities of ensuring access to high quality early learning in a variety of settings. These included center-based; licensed family child care homes (FCC); and family, friend, or neighbor care (FFN). Participants kept in mind that achieving large changes in the structure and quality of an early learning enterprise that involves tens of thousands of children, parents, and staff will require a sustained effort and cannot be achieved in a year or two, and strove to minimize costs.

The many individuals who participated in a public deliberation process drew upon the advice and perspectives of many academic experts and practitioners to develop the policies specified. HSPC believes that as a result, the set of policy specifications developed by the Early Learning Council incorporate a broad understanding of how the current market is failing to meet the needs of children and families; reflect a comprehensive, systematic approach to meeting those needs; and represent a fiscally feasible approach that would provide the first critical steps toward creating a structure of organizations, financing, and accountability that can promote successful student outcomes.

The ELC worked to keep costs to a minimum level while achieving access to high quality early learning opportunities. In the other states we have worked with, estimated cost increases have ranged from about 10% to 50% of current elementary and secondary education costs. Thus, the estimated 4.6% of elementary-secondary cost for the ELC preferred option is quite modest. This total cost could be shared among state, local district, and private funders. It should be noted that current state early learning expenditures by Washington are about 1.5% of those for elementary and secondary education, while the population ages birth through 5 is 46% as large as the population ages 6 to 18.

Achieving success for our children will require making initial investments and creating such structures as a QRIS implementation team and an ongoing Advisory Board to promote the ongoing development of an effective early learning enterprise, while holding services and the community accountable for success.