

**Financing Access to High Quality Early Care and
Education for All of Illinois' Children**

Public Report of the Illinois Universal Financing Project Team

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“Forging a Brighter Future for Children and Families”

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Prepared by the Human Services Policy Center, May, 2004

Executive Summary

This project and the several rounds of HSPC analysis allowed a statewide group of policy makers and stakeholders in Illinois to explore many different policy options for making high quality early care and education financially accessible to all children in Illinois. The effort yielded a set of policies that can achieve that goal at moderate budgetary costs while targeting a majority of funds to the most vulnerable children and families in the state. Further policy refinements are possible within this overall framework.

The analysis showed that achieving high quality ECE for Illinois' children would require significant increases in hourly costs, as much as 15 to 20 percent above current 75th percentile market rate levels for infants and toddlers. These hourly costs include investing about 10 percent of total costs in quality promotion. The estimated hourly cost increases makes it clear that achieving high quality ECE would drive costs beyond what middle income parents can afford if they are not given some form of financial assistance.

The analysis also showed that it is possible to design a partially subsidized early care and education system that provides high quality at prices parents can afford, with moderate impact on the state budget.

The "Illinois Package" of a free half day of ECE combined with sliding scale assistance for the rest, successfully balances the objectives of making high quality ECE affordable for families at all income levels, keeping the majority of public funds targeted to most vulnerable children, and moderating the impact on the state budget. Parent payment schedules have been developed that would leave net parent costs affordable at low, moderate and middle income levels, as well as for more affluent families. Work incentives would be maintained, and parents of infants or children with disabilities could be assisted to remain home and care for their children. Funds for family support, health care by nurses and facilities improvements can be included for the most vulnerable children, as well as adequate funding to support quality promotion and assurance. This includes a well-staffed regulatory system, technical assistance and monitoring activities, statewide resource and referral and family child care home network systems, and sufficient support for state governance and local planning structures.

Universal access to high quality early learning for children age birth to five could be achieved with additional state spending equivalent to about a 10.3 percent point increase to total public education spending, phased in over a number of years. This would cost only one-fifth as much as a kindergarten-style, everyone-attends-for-free approach.

There are many different ways that such an approach could be phased in: gradually increasing the requirements for staff qualifications and compensation, focusing on particular age or income groups, gradually expanding outreach efforts to achieve full participation, or serving certain geographic areas of the state. If the goal is to achieve universal access to high quality ECE, then it is important to phase in broad policies that apply to the entire system, rather than adopting limited programs for small populations.

A. The Context of Early Learning

The early years of a child's development are critical to establishing a foundation for success in school and life. Recent research regarding brain development and children's early lives has revealed the importance of early relationships and experiences to building the social, emotional, intellectual and academic skills that individuals rely on throughout their lives. All babies are born learning, and their relationships with adults can encourage them to learn more effectively, or can dampen their curiosity and hamper their physical and emotional development.

Educational Disparities. In educational circles, there is a growing concern about the quality and equity of early care and learning opportunities experienced by many children and their readiness to enter kindergarten. Children who enter kindergarten behind are likely to remain behind. Multi-state studies have shown that the majority of child care settings do not provide the high quality environment and stimulation that promote learning and development (Helburn et.al., 1995). The growing emphasis on high educational standards and achievement for all students and the increasing attention to the importance of early literacy development both lead to questions of whether we are meeting the diverse needs of all of our young children in ways that adequately prepare them for academic success. Educational disparities start before kindergarten – low income children are found disproportionately in the less formal, less enriched settings, which have been found by research to yield lower school readiness and lower achievement throughout the school years. Recent research has shown that expanding early learning opportunities has the greatest positive impact on minority, low and moderate income children (Gormley and Phillips, no date). Having all children achieve our educational goals will therefore require new investments in early childhood programs and teachers, with an expected payback in the latter years of students' education.

Supporting Work. Early Care and Education (ECE) has a dual function -- promoting children's learning and development, and making it feasible for parents to work. The nature of family life for those with very young children has changed dramatically over the last 30 years. Sixty percent of Illinois children under age 6 live in either two-parent families where both parents are employed, or in employed single-parent families (US Census, 2002). These shifts have profoundly changed how pre-school age children are cared for as well as the nature of the workforce. Two thirds (68%) of Illinois parents with children age birth through five (B-5) are choosing to use at least some non-parental care; the issue for the public is the quality of that care and how it affects children now and the community later.

Return on Investment. Research has shown the importance of a child's early years to lifelong development and well-being. Controlled studies (Karoly et.al., 1998; Barnett, 1995; NICHD Early Child Care Research Network, 2003; National Research Council, 2000) have tracked children for as long as 20 years and found that higher quality ECE settings and interventions lead to better cognitive skills immediately and through the critical elementary school years, better social interaction, higher graduation and employment rates and lower rates of involvement with violence and delinquency. The

demonstrated savings to government from the reduction in special education services needed, reduction in Medicaid, welfare costs and criminal justice costs, and increased tax revenues from increased employment, have documented that the long-term benefits of high quality interventions for low income children can greatly exceed the costs of these programs (Karloly et.al., 1998; Barnett, 1995).

Current Funding for the First Step in Education

The State of Illinois has been a leader in advancing early education. It has invested in a state pre-kindergarten program serving 64,000 three- and four-year-olds at risk of academic failure, and provided funding so that all low income families eligible for child care subsidies can participate. It has recently been exploring options to make access to high quality early care and education (ECE) – in a variety of settings – more universally accessible to children and families at all income levels. This report reflects an 18-month effort to consider the costs, impacts and policy tradeoffs of different approaches to providing access to high quality ECE for all of Illinois’ children. This collaborative effort built on prior efforts to consider the costs of universal preschool and was linked to a cluster of ongoing efforts in Illinois, particularly the Task Force on Universal Access to Preschool. That Task Force was charged with developing a multi-year plan with cost estimates for ensuring access to high-quality early learning opportunities for all 3- and 4-year old children in Illinois.

Illinois child care assistance expenditures for children age birth-5 through the Department of Human Services (IDHS) in FY2001 were about \$373 million, of which \$198 million was the federal contribution and \$175 was from state funds.ⁱ Illinois also spends \$180 million for pre-kindergarten programs through the State Board of Education (ISBE).ⁱⁱ An additional \$260 million in direct federal expenditures for Head Start and Early Head Start are spent for Illinois children.ⁱⁱⁱ In 2002, the total value of these programs grew to about \$843 million.

For context, total Illinois K-12 public education spending for 2002 was about \$15.7 billion;^{iv} the total of \$843 million in state and federal spending for ECE was about 5.4% as large as total spending for K-12 education.

B. The Illinois Early Care and Education Finance Project

The Illinois Department of Human Services and a broadly representative group of stakeholders joined with teams led by Richard N. Brandon and Sharon Lynn Kagan, two nationally recognized experts on social policy and child care, to estimate what it would cost to create a system of universal access to high quality early care and education, for children age birth to five in Illinois. The Illinois Universal Finance Team was comprised of over 70 individuals representing state and city agencies, school districts, ECE providers, child care resource and referral agencies, advocacy and civic organizations and human service agencies. The project explored a variety of options for assisting low and

middle income parents to afford the cost of high quality ECE, using everything from tax credits to public subsidies to inclusion in future K-12 spending. The goal of this project is to help state policy makers understand alternative costs and potential cost savings as well as impacts of financing a system of high quality early care and education based on state-specified policy parameters. Illinois' participation in this effort provides a reasonable way to arrive at the full costs of high quality early care and education, which makes for better policies, programs and ultimately better early learning experiences for Illinois' youngest citizens. It allows policy makers and stakeholders to consider difficult tradeoffs and arrive at the most cost-effective approaches to assuring access to high quality early learning for all Illinois children. While the project has explored many potential ways to provide access to high quality early education, one approach seemed to best meet the stakeholder group's objectives of maximizing quality and affordability while minimizing the state budget impact. That approach is discussed in this report.

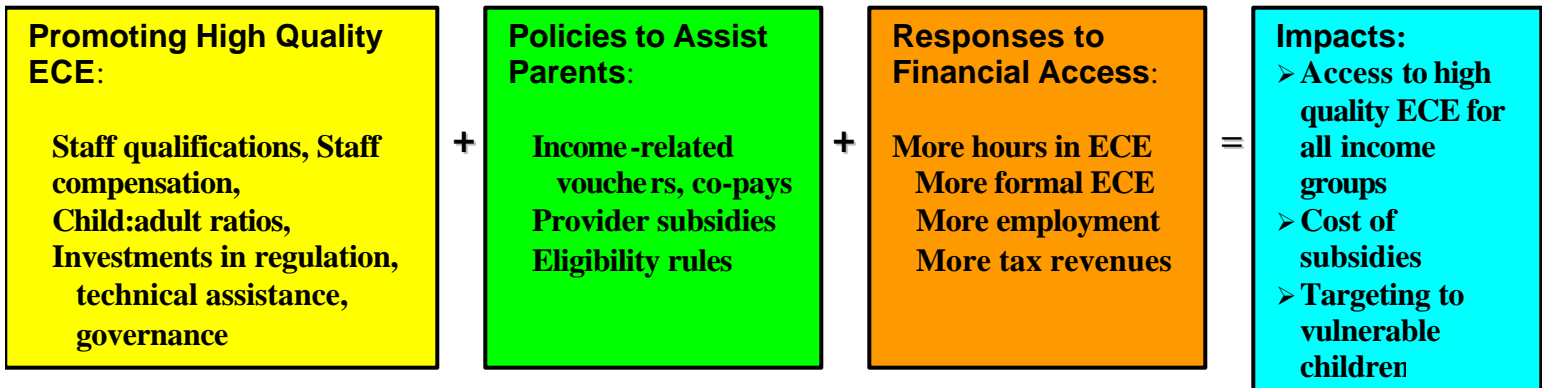
ECE Financing Project Objectives

- The overall goal is to provide financial access for all of Illinois' children to high quality early learning experiences that will help them reach their fullest potential. This requires balancing the objectives of promoting high quality service delivery, maintaining parent choice and flexibility, assuring that high quality early learning is affordable for parents at all income levels, and recognizing the limits of public budgets.

Specific objectives are:

- To specify in detail the key policies necessary to promote high quality early learning: staff qualifications and compensation, child/adult ratios, investments in professional development, and monitoring, regulatory and governance structures.
- To estimate the hourly costs per child of a high quality system of early care and education based on alternative policy specifications.
- To estimate the total costs to the state of high quality ECE by incorporating parental responses in cost estimates, including changes in type and amount of ECE used and levels of maternal employment that yield additional tax revenues.
- To compare alternative financing approaches that apply lessons from other U.S. social benefits (K-12 and higher education, health, retirement, transportation, housing) and consider the impact of these different approaches on budgetary costs, equity of funding for different population groups and affordability of high quality early learning opportunities for both lower and middle income families.

Chart 1: Flow from Policies to Impacts



C. High Quality ECE for Illinois' Children: Policy Specifications and Analysis

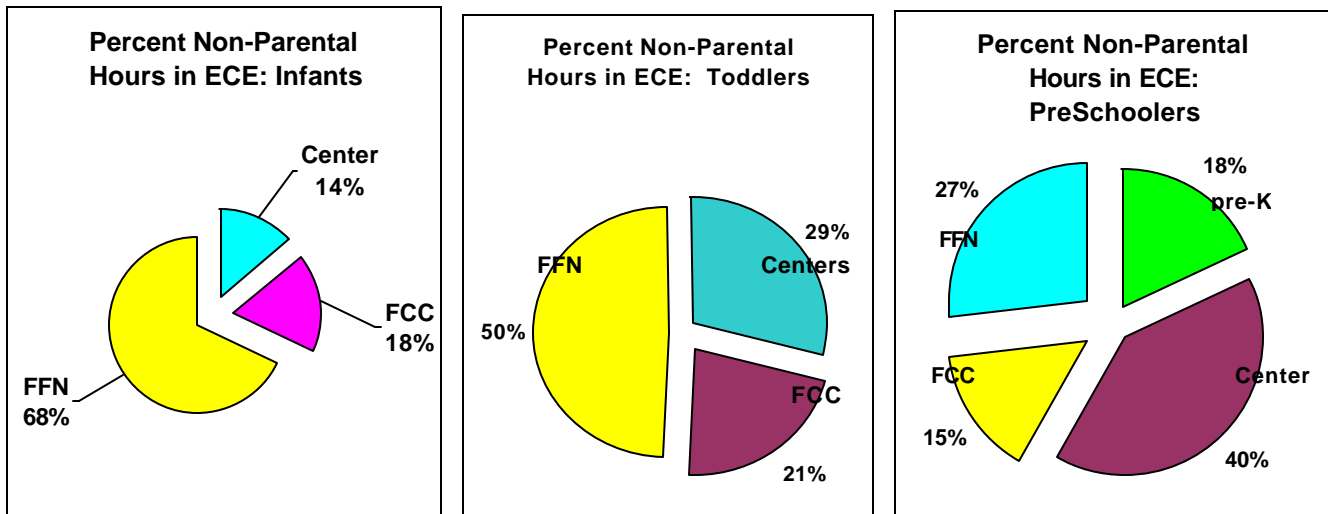
1. Key Features of the ECE Market in Illinois

The early care and education market, nationwide and in Illinois, is characterized by a high degree of parent choice among a variety of caregiving options and settings. Parents choose many different types of care for many different reasons. Infants and toddlers are more likely to be in less formal care arrangements, provided by Family, Friends or Neighbors (FFN), or licensed Family Child Care (FCC). Children age 3-5 are more likely to be in center type care, including Head Start and pre-kindergarten programs (Brandon et.al, 2002; Maher et.al, 2003, Brandon, 2003). The Human Services Policy Center (HSPC), with sponsorship from the Illinois Department of Human Services and the Chicago Department of Human Services, conducted a survey of ECE utilization patterns in Illinois (HSPC, Survey Highlights, 2002).

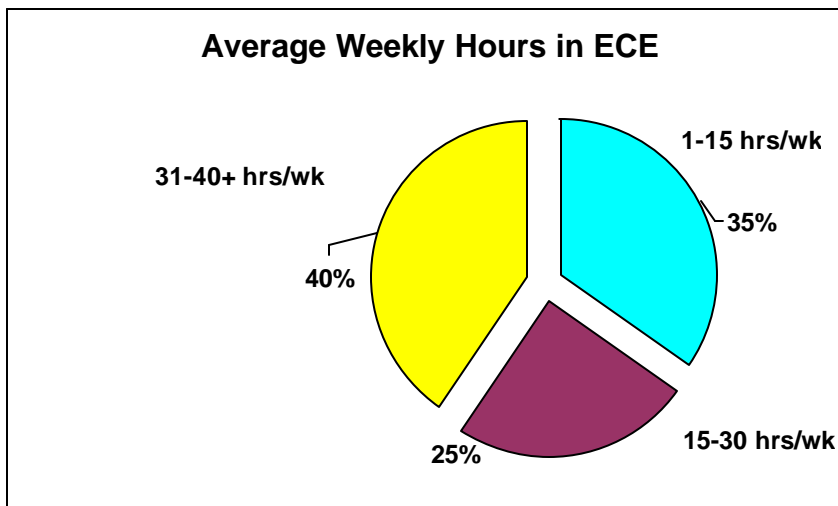
- Chart 2 shows the percent of Illinois children of each age group in each type of care.
- Chart 3 shows the percent of Illinois children age birth through five who are in non-parental ECE on a limited (1-15 hours/week), part time (15-30 hours/week) or full time (more than 30 hours/week) basis.

The importance of these charts is that center-type (including preK, nursery schools and Head Start) and licensed family child care (FCC) account for a small percent of the time very young children spend away from their parents. However, for children age 3-5, center-type care becomes dominant and children average 30 hours a week in care, with half spending more than that amount of time. Achieving good child development outcomes and the right start for educational success therefore requires policies that address the quality and affordability of each type of ECE setting. Since only about 40 percent of Illinois children are in ECE full time (31+ hours per week), it is important for both policy planning and cost estimation to take account of the full range of full and part time patterns of care.

**Chart 2: Percent ECE Hours by Setting and Age of Child
Illinois Child Care Survey (HSPC, 2003)**



**Chart 3: Hours per Week in Non-Parental ECE: Age B-5
Illinois Child Care Survey (HSPC, 2003)**



Key to Types of Care :

Centers = Center-type Care including Head Start, nursery schools and PreK.

FCC = Formal Family Child Care, usually licensed.

FFN = Family, Friend and Neighbor care, license-exempt.

2. Hourly Costs of High Quality ECE

a. *Moving the Market Toward High Quality*

A proposition central to our analysis is that high quality ECE requires sufficient compensation to recruit and retain qualified staff. Also central to our approach is a recognition that parents choose among different sectors of ECE (centers and preschools, FCC and relative care) for many reasons, and that achieving quality means making appropriate investments in each sector. The Illinois Universal Finance Team agreed with the recommendations of a nationally recognized expert panel (Kagan, Brandon et.al, 2002) that it would be desirable to move toward eventually setting ECE teacher compensation equivalent to that for elementary school teachers of comparable qualifications. However, for the initial step, it seemed reasonable to peg baccalaureate (BA/BS) level ECE teacher salaries closer to those of Head Start teachers and BA level social workers. The recommended staffing patterns also include staff with lower formal credentials than a BA/BS degree, and commensurately lower pay, particularly for younger children.

Some key policy specifications for high quality ECE agreed to by the Illinois team and considered achievable in 5-7 years are:

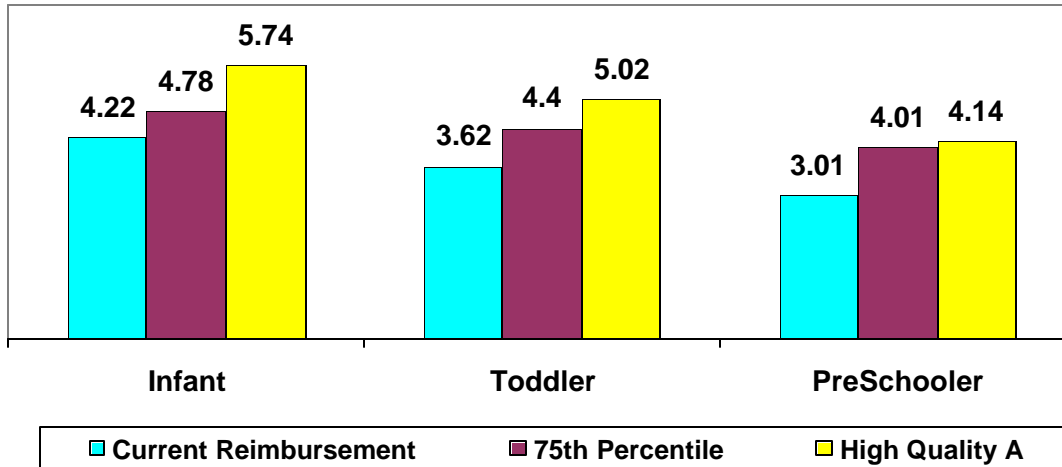
- Clearly defined roles, qualifications and career pathways for all early care and education staff, including teachers, directors, family resource coordinators and family child care providers;
- Average child-to-adult ratios in center-type care would be 6.4-to-1 for children age 3 to 5, 4.3-to-1 for toddlers (age 18-35 months), and 3.5-to-1 for infants (birth-17 months).
- For preschoolers, 50 percent of center teachers would have bachelor's degrees; for toddlers, 26 percent would have bachelor's degrees; for infants, 21 percent would have bachelor's degrees.
- Children age 3-5 would be in classrooms taught by BA-degreed teachers. Low income children considered at high risk of academic failure (40% of all Illinois children) would be in classrooms staff by BA-degreed *certified* teachers.
- Starting certified teachers with a BA would receive \$18 per hour. Other teachers with a BA/BS would receive \$13 per hour. An assistant teacher with an associate (AA) degree would start at \$10 per hour, while an assistant teacher with a Child Development Associate (CDA) or Child Care Professional (CCP) credential would be paid \$9.00. Salaries for all levels of staff would increase with years of experience and additional educational credits. All staff would receive health and retirement benefits at the rate of 26% currently used for public school teachers in Illinois.

- A professional development allotment of \$1,150 per staff member would be provided for tuition and supplemental expenses, with an additional \$2,100 per staff in institutional funding to develop and offer courses. It is assumed that three quarters of staff would use these allotments each year. Release time for professional development is factored into the costs, with reimbursement for 22.5 of 45 total hours – the amount of time necessary to complete a 3 credit course.
- About \$1,600 a year per child would be provided for non-personnel costs, such as food, supplies, equipment and insurance.
- The costs of new and rehabilitated facilities would be included, based on cost estimates provided by the Illinois Facilities Fund. We assumed that about half of the additional ECE hours in center-type care generated by greater financial access would be absorbed by current facilities and the remainder would require new facilities.

Chart 4 shows what the hourly costs for center-type care resulting from these policies would be, and compares them to current public (state maximums) and private (75th percentile market rate) payment rates in Illinois.^{iv} The cost of infant care would be 20 percent higher than the 75th percentile rate currently paid by upper middle income families, and highlights the need to craft a range of policies appropriate for assisting parents of infants. The increase for toddlers would be 14 percent above market rates. For preschool age children, the apparent increase would only be 3 percent. However, since preschool rates are often set somewhat higher than actual costs in order to cross-subsidize more expensive infant and toddler care (see Witte, 2002), the actual increases are probably somewhat higher than they appear for preschoolers, and somewhat less for infants and toddlers. It should be noted that our estimates are for actual costs, without any hidden subsidies, such as free rent, donated supplies or volunteer staff time. Obtaining such assistance could somewhat reduce the cost to parents and public agencies.

^{iv} The 75th percentile market rate is determined by an Illinois State survey that asks a representative sample of all providers what they charge for ECE. All providers are ranked from lowest to highest price in each area, and weighted for the number of slots. The 75th percentile rate is found by counting up from the bottom and reflect the price at which a family would have access to 75 percent of providers, or all but the one quarter most expensive providers in their area.

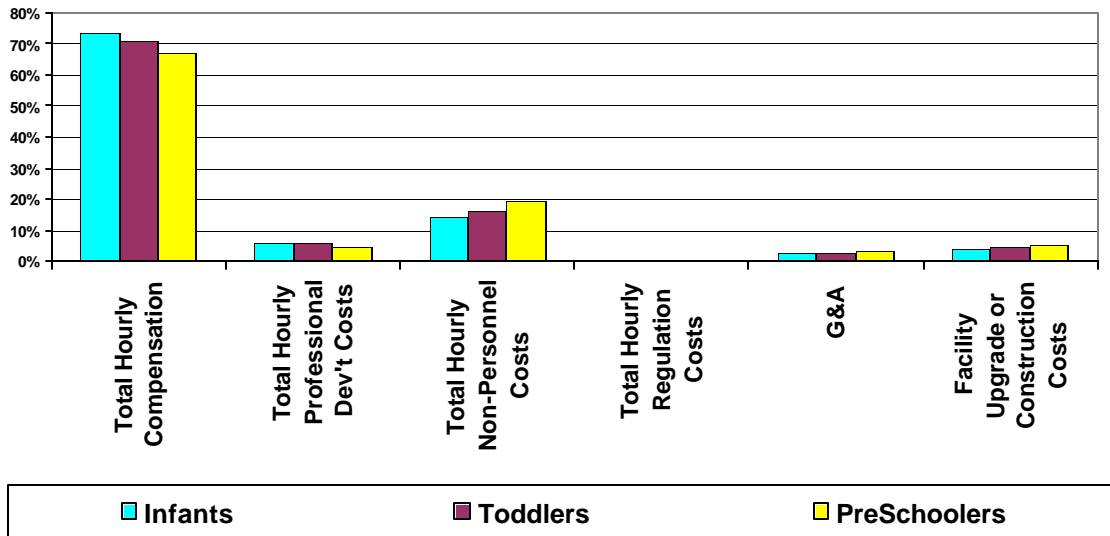
Chart 4. High Quality Hourly Center Costs vs. Current Center Rates, Illinois



b. Components of the Cost of High Quality ECE

The HSPC model builds the total cost of high quality ECE from the bottom up, including both personnel and non-personnel costs to the direct provider. We also include systems level costs for promoting and assuring quality, including professional development, regulation, governance and administration. The chart below shows that while investments in professional development, regulation and governance are essential to the effective use of funds to achieve high quality ECE, they represent only about 10 percent of the hourly costs. An important lesson from such other social benefits as K-12 education and health care is that it is important to embed quality promotion in hourly costs. Setting aside a portion of every benefit dollar for quality promotion investments can assure that they grow at the same pace as benefit payments, so that quality can be improved and maintained as the financing structure increases in size and cost. Embedding quality promotion in hourly costs also sends a message that they are integral to an effective ECE financing system, not an ‘extra’ that can be eliminated when budgets are tight.

Chart 4: Components of High Quality Center Costs, Illinois Specifications



c. Family Support Services

In addition to basic ECE costs, the Illinois Universal Financing Project Team specified that related services for vulnerable, low income children would be included in center costs. These services include family resource coordinators and nurses:

- 1 family resource coordinator per 100 infants and toddlers; 1.5 family resource coordinator per 100 preschoolers;
- 0.25 FTE nurse per 100 infants and toddlers; 0.5 FTE nurse per 100 preschoolers.

In addition, an allotment of \$2,800 was included for 5 percent of Family, Friend or Neighbor (FFN) caregivers to receive intensive home visiting services. Another 5% of FFN caregivers are estimated to participate in a training and support program at a cost of \$300 each.

d. Relationship of Family Child Care (FCC) and Center Care Rates

Since we know that parents' choice of type of care is sensitive to prices, it is important to examine what these recommended hourly costs imply for the ratio of center to FCC prices. The Illinois Universal Financing Project Team recommended equivalent salaries based on qualifications, but a lower set of qualifications for FCC providers than for center teachers. Basing FCC payments on an average child-to-adult ratio of 5-to-1 would allow adequate quality as FCC providers receive additional training. It could also stabilize the relationship between FCC and center rates close to their current relationship, where the FCC rate is about 60-80 percent of center rates.

3. Assisting Families to Afford High Quality ECE

a. The Need to Assist Middle Income Families to Afford High Quality ECE

These hourly costs of high quality ECE are beyond the ability of average working families in Illinois to afford without help. For example, if a toddler were in full time center care at a cost of \$5 per hour, the annual cost for one child would be \$10,400, equivalent to more than a fifth of the average after-tax income of Illinois families with children.

b. Policy Options for Assisting Families to Afford High Quality ECE

HSPC's exploration of other major U.S. social benefits revealed that they are all composed of combinations of certain financing mechanisms. These include strictly income related benefits, assistance offered on a non-income related basis through the provider of service, tax preferences to families or employers, and combinations of the above (see Brandon et.al, 2000). The Illinois team explored several approaches to assisting families and decided that the option described below best fulfills the objectives of improving access to high quality ECE and minimizing budgetary costs. HSPC has provided two additional scenarios for context.

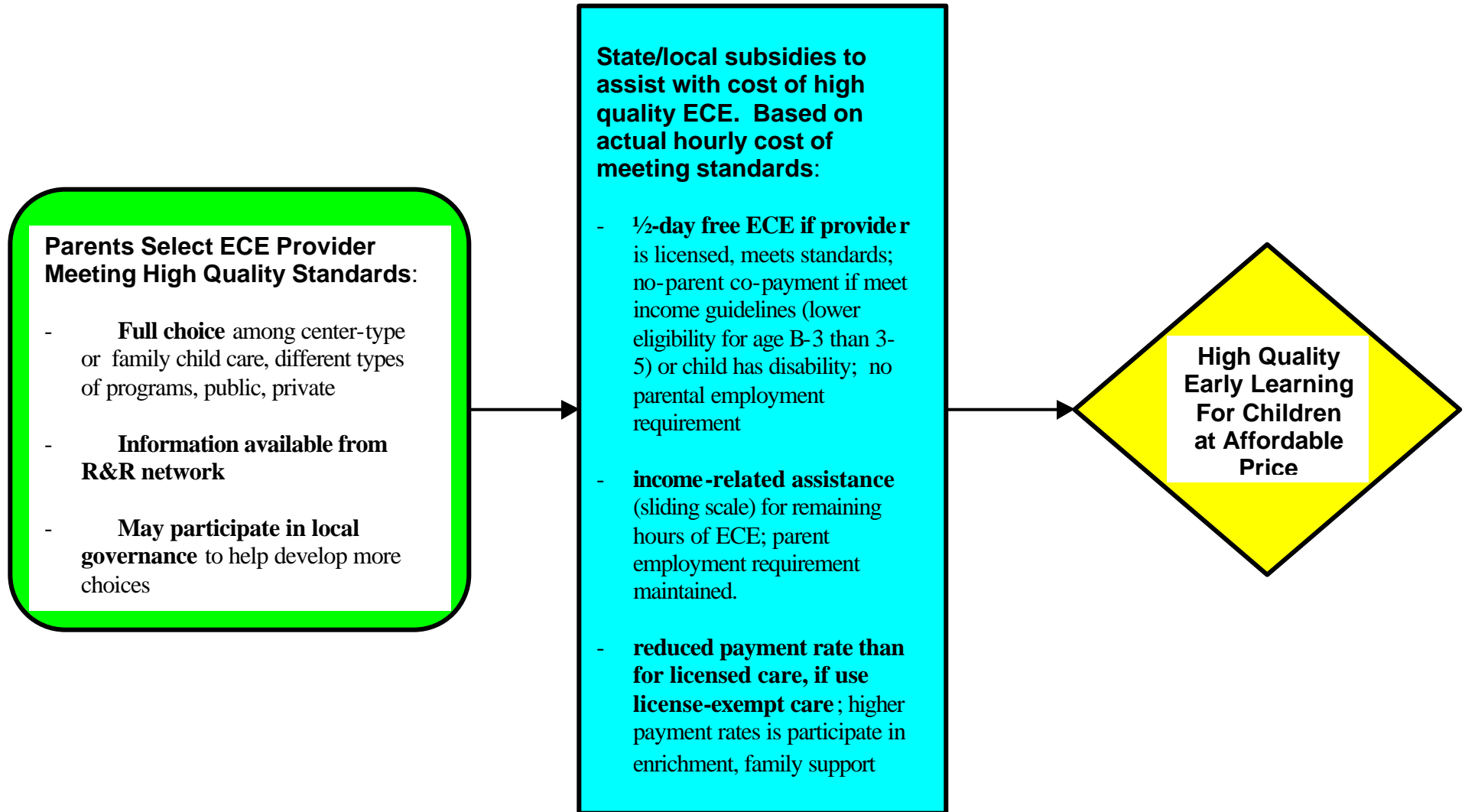
1. *Baseline:* HSPC replicated the costs to the state for services under the current set of programs available in Illinois, including IDHS certificates (vouchers) under the Child Care Development Fund (CCDF) subsidy system, the State pre-kindergarten program and the federal Head Start program. For the CCDF subsidy system, current hourly rates, eligibility criteria and co-payment rates were used. For the purposes of estimating total costs, the Illinois Universal Finance Team asked us to conduct the analysis under the assumption that all existing federal and state programs would be integrated into a single, high quality system with access for families at all income levels. Our estimates of additional state costs therefore reflect the assumption that all those funds will be made available at current levels as contributions toward the universal system. If federal contributions were to increase, state funding could be reduced accordingly.
2. *Illinois Approach:* The heart of the Illinois approach is to provide access to a free 10-15 hours a week of high quality ECE for all children age 3-5, regardless of income or mother's employment status; to low, moderate and middle income children age birth-3 regardless of mother's employment status, and to all children with disabilities age birth-5. An income-related voucher would be available to cover remaining hours of ECE and other children with employed mothers.
 - a. One component would be a 100%-of-cost subsidy for the first 10-15 hours per week in a center or licensed FCC, but only if the child attends at least 10 hours per week. The subsidy would be paid to providers, facilitating a contractual relationship to assure quality. The provider subsidy would be available for all children age 3-5 and all children with disabilities age B-5,

regardless of income. It would be available for children B-3 for families with income up to 85% of the state median (about \$58,000 for a family of 4). The provider subsidy would be offered without regard to the mother's employment status.

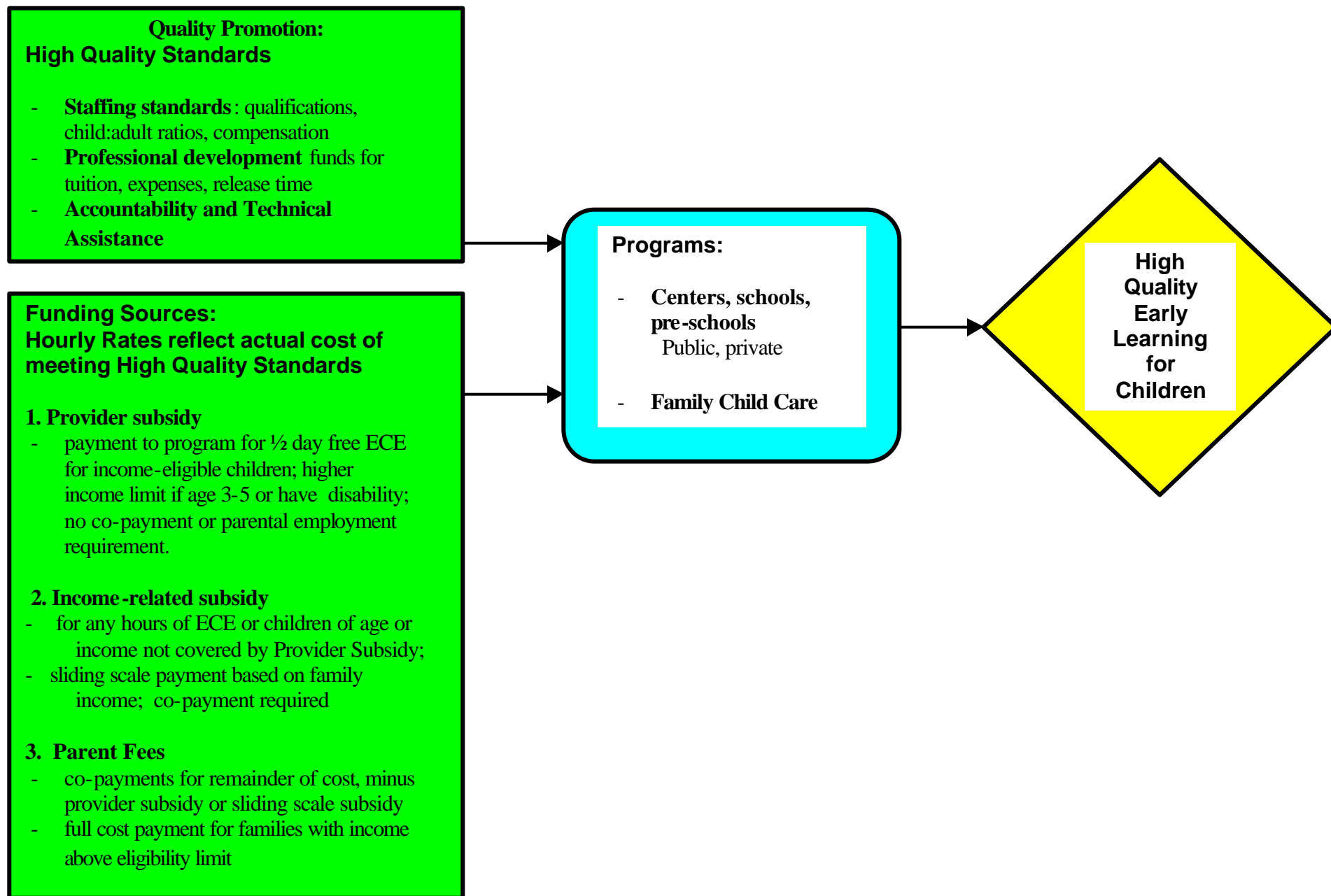
- b. The second component would be an income-related voucher available to employed parents to cover the remainder of ECE costs, for the three fourths of Illinois families with income up to 4 times the Federal Poverty Level (\$72,000 for a family of 4). The co-payment schedule was designed to minimize payments for very low income families, but increase gradually as income rises to avoid a sharp decline in benefits as income increases, which can result in work disincentives. The voucher would be available for ECE in center, FCC or FFN settings. FFN caregivers would be reimbursed at half the FCC rate, or at 75% of the FCC rate if the caregiver participated in enrichment and support activities.
 - c. Parents of infants (under age one), or of children with disabilities up to age 5, would be offered the option of an income-related stipend at half the FCC rate to stay home and care for their own child.
3. *Free ECE For All:* This is an illustrative option provided by HSPC, not recommended by the Illinois Team. It is modeled on the free kindergarten system, but with parents able to select among various types of ECE. A 100-percent-of-cost subsidy would be paid to providers, resulting in free ECE for all children in all types of care, regardless of income. Higher hourly cost rates, based on elementary school teachers salaries for ECE teachers with BA-level degrees are used for this option.

While this analysis has focused on providing access to high quality ECE on a child-by-child basis, many people are used to thinking about how ECE is provided by programs. Charts 5 and 6 therefore graphically portray the Illinois financing approach from the separate perspectives of children and families, and of programs.

Chart 5: Financing High Quality ECE in Illinois: Child/Family Perspective



Financing High Quality ECE In Illinois: Program Perspective



c. *Moving From Hourly to System-Wide Costs of High Quality ECE*

While hourly costs of ECE are a critical building block, they do not reflect the full cost to the state of a high quality system of care. The key elements HSPC used to estimate the system-wide cost impact include:

- Estimating current utilization (in hours per week) of different types of care by children in households representative of the state population on key characteristics.
- Applying the relevant hourly costs of high quality ECE for the relevant type of care and age of child to current utilization patterns;
- Specifying alternative policy options that will assist parents to afford care, and estimating the reduction in price experienced by parents under each policy scenario.
- Estimating the changes in the types and amounts of care parents are likely to use as a result of increased financial access (reduced price), and adjusting cost estimates to reflect these changes in demand, including the potential need for additional or upgraded facilities.
- Estimating the likely increases in paid work as a result of the greater financial access to high quality ECE and the amount of federal and state taxes likely to be generated by the increase in paid work.

Chart 7 shows the total costs of the various options specified by the Illinois Universal Financing Project Team, expressed as a percent of total K-12 public education spending. These are the annual cost levels to be reached after the financing policies were phased in over at least a five-year period. For this comparison, both ECE and K-12 costs include federal, state and local contributions.

The illustrative Free-ECE for All option would result in total ECE spending equivalent to a 47 percent increase in total federal and state/local education spending; the *increase in state spending* included in that amount would be equivalent to a 25% increase in K-12.

The option specified by the Illinois team is much more moderate. Its total cost would be equivalent to about 16 percent of K-12 spending. State spending would increase from 2.6% to 13% of K-12 spending, *or an increase in state spending equivalent to a 10.3 percentage point annual increase in K-12 spending, reached after at least 5 years.* This could potentially be achieved by offsetting other expenditures or phasing up an increase.

It should be noted that the birth-5 population is 53 percent as large as the population age 6-18 in Illinois, and that the ECE costs are year-round, not just nine months. Spending an amount less than 53 percent of State K-12 spending for ECE is therefore a proportionately modest investment. The costs presented here reflect both the increases in demand from greater affordability of high quality ECE and the revenue offsets due to greater employment and earnings of mothers.

Chart 7: Illinois State Spending for High Quality ECE as a Percent of State K-12 Education Spending

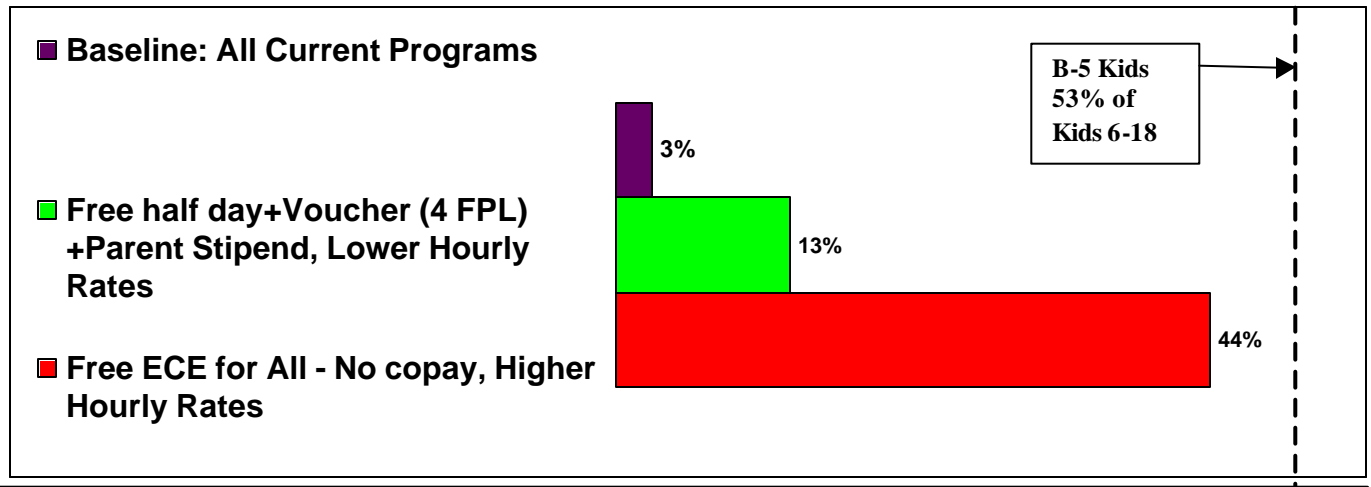
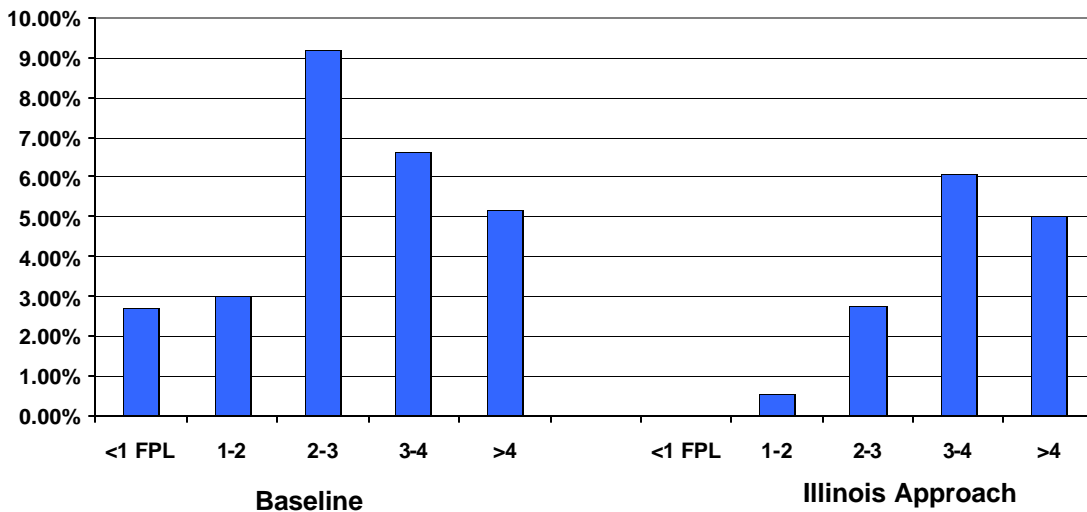


Chart 8 below shows that the Illinois combination of part-day free ECE and an income-related voucher successfully addresses the issue of middle income affordability. This financing approach would dramatically increase Illinois families' access to high quality early care and education. Under the current system, moderate and middle income families do not receive any assistance, and many cannot afford the cost of ECE at the 75th percentile market rate.

**Chart 8: Family Payments Net of Subsidy as a Percent of Family Income
Current Baseline vs. Illinois Approach**



Key FPL = Federal Poverty Level; \$18,100 for Family of Four

Chart 9 below compares the Illinois approach to the current baseline and the illustrative Free ECE for All option with regard to the three major criteria: budgetary impact, affordability for all families, and targeting funds to the most at-risk children. Note again that the costs of high quality ECE as a percent of income are based upon one child in full time care. For the one third of Illinois families with two children under age five, the percentages could be doubled.

Chart 9: Illinois ECE Financing Policy Option in Context

	Budget Impact: Increase in State Spending		Affordability: Cost as % Middle, Upper-Middle Family Income	Targeting: Percent Total ECE Spending to Low-Moderate Income (< \$36,000)
	\$ Millions	State ECE Spending as Percent K-12 Spending		
Current Programs	-0- (Base = 386)	2.6%	7.9 - 11.1 %	100%
<i>Illinois Approach: Half Day Free ECE + Voucher, Parent Stipend. 78% of Children Eligible for Assistance</i>	+1,561	+ 10.3%	2.8 – 6.1 %	69%
Free ECE for All Children; no copay. Higher salaries.	+7,870	+ 22%	-0-	48%

Key Policy Findings for Financing High Quality Early Learning in Illinois

This project and the several rounds of HSPC analysis allowed a statewide group of policy makers and stakeholders in Illinois to explore many different policy options for making high quality early care and education financially accessible to all children in Illinois. The effort yielded a set of policies that will achieve that goal at moderate budgetary costs while targeting a majority of funds to the most vulnerable children and families in the state. Further policy refinements are possible within this overall framework.

The HSPC analysis showed that achieving high quality ECE for Illinois' children would require significant increases in hourly costs, as much as 15 to 20 percent above current 75th percentile market rate levels for infants and toddlers. These hourly costs include investing about 10 percent of total costs in quality promotion. The estimate of cost increases makes it clear that achieving high quality ECE would drive costs beyond what middle income parents can afford if they are not given some form of financial assistance.

Our analysis also showed that it is possible to design a partially subsidized early care and education system that provides high quality early learning experiences at prices parents can afford, with moderate impact on the state budget.

The "Illinois Package" of a free half day of ECE combined with sliding scale assistance for the rest, successfully balances the objectives of making high quality ECE affordable for families at all income levels, keeping the majority of public funds targeted to most vulnerable children, and moderating the impact on the state budget. Parent payment schedules have been developed that would leave net parent costs affordable at low, moderate and middle income levels, as well as for more affluent families. Work incentives would be maintained, and parents of infants or children with disabilities could be assisted to remain home and care for their children. Funds for family support, health care by nurses and facilities improvements have been included for the most vulnerable children, as has adequate funding to support quality promotion and assurance. Quality promotion and assurance includes a well-staffed regulatory system, technical assistance and monitoring activities, statewide resource and referral and family child care home network systems, and sufficient support for state governance and local planning structures.

Universal access to high quality early learning for children age birth to five could be achieved with additional state spending equivalent to about a 10.3 percent increase to total public education spending, phased in over a number of years. This would cost only one-fifth as much as a kindergarten-style, everyone-attends-for-free approach.

There are many different ways that such an approach could be phased in: gradually increasing the requirements for staff qualifications and compensation, focusing on particular age or income groups, gradually expanding outreach efforts to achieve full participation, or serving certain geographic areas of the state. If the goal is to achieve universal access to high quality ECE, then it is important to phase in broad policies that apply to the entire system, rather than adopting limited programs for small populations.

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ⁱ Based on figures from IDHS, assuming 60% of child care funding is for age B-5.

ⁱⁱ From Futures for Kids: Early Care and Education Assembly Briefing Paper; September 13-14, 2000.

ⁱⁱⁱ Head Start Bureau, www.scf.hhs.gov

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