

Good Start, Grow Smart



**Program Coordination and
Financing Strategies for
Early Care and Education**



Investments in Early Care and Education: What have been our National and State Goals?

- Support to help low-income families
- Protection of children
- Support and services for children with disabilities
- School readiness





Implementation of Goals

Different goals and outcomes have resulted in separate funding streams and programs that often do not meet the needs of working families:

- **Now more than 60% of young children have parents in the workforce.**
- **Many of the programs fund traditional part-time preschool.**
- **Parents often have to weave together care and transportation arrangements.**



Early Education Funding

Head Start Federal funding quadruples to \$6.5 billion

Child Care and Development Fund (CCDF) triples to \$4.8 billion

TANF Transfer to CCDF: \$1.7 billion

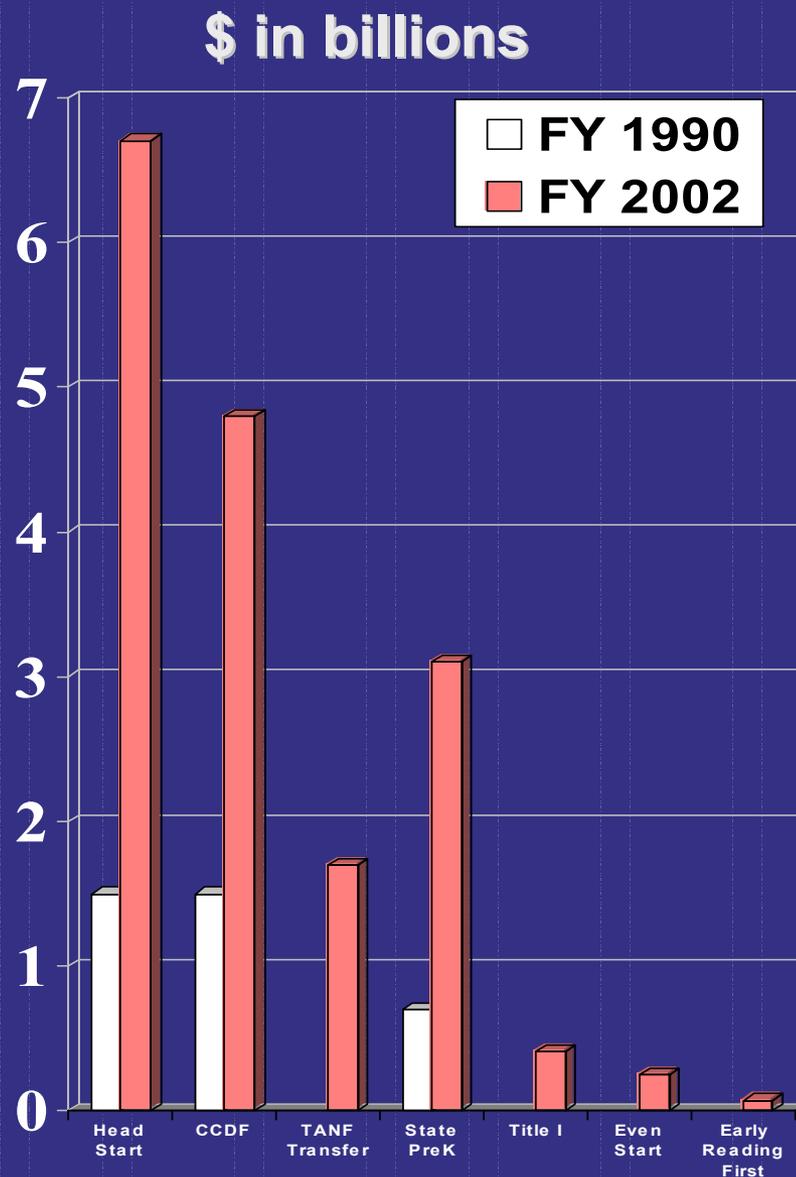
State Prekindergarten (Pre-K) funding more than quadruples to \$3.1 billion

Title I: \$417 million

Even Start: \$250 million

Early Reading First: \$75 million

Sources: **Head Start 2002 Appropriation**—2002 Head Start Fact Sheet and Report on Preschool Programs (January 2, 2002), Head Start Bureau; **CCDF FY02 Appropriation**—Fiscal Year 2002 Federal Child Care Appropriations (2002), Child Care Bureau (CCB); **TANF Transfer**—CCDF State Information Chart (May 15, 2002), CCB; **PreK**—Report on Preschool Programs (October 10, 2001), the Wilson Marketing Group; **Title I figure**—MayJean LeTendre, Nov 14, 2000 videoconference; **Even Start**—Department of Education FY02 Congressional Action (January 23, 2002), www.ed.gov/offices/OUS/budnews.html; **Early Reading First**—Department of Education FY02 Congressional Action (January 23, 2002), www.ed.gov/offices/OUS/budnews.html.





Other Funding Sources

- **21st Century Schools**
- **Funding for children with disabilities**
 - special education for children ages 3 to 5
 - early intervention for children birth to age 3
- **Social Services Block Grant**
- **Community Services Block Grant**
- **SSI**



What Are States Facing Now?

- **Economic downturn**
- **Tight budgets at State and Federal levels**
- **No significant increases in Federal or State early care and education funding**
- **Growing demand for child care subsidies**
- **Growing demand for high-quality early care and education**



Is this a time to be talking about financing?

- **YES. This is a time to:**
 - **Look at how to maximize existing resources; and**
 - **Determine new strategies.**



Financing for Other Sectors

- **Child care can learn from other sectors about financing infrastructure:**
 - **Higher education**
 - **Housing**
 - **Medical bills**



Five Key Strategies for Financing Child and Family Initiatives

- 1. Make better use of existing resources.**
- 2. Maximize Federal and State revenue.**
- 3. Create more flexibility in existing categories.**
- 4. Build public-private partnerships.**
- 5. Create new dedicated revenue streams.**



Financing Strategies

- **Layered Funding**
- **Combine Portable and Direct Funding**
- **Tax Credits**
- **Public Private Initiatives**
- **Local Taxing Districts**
- **Unexpected Sources**
- **Coordinated State and Local Planning and Funding**



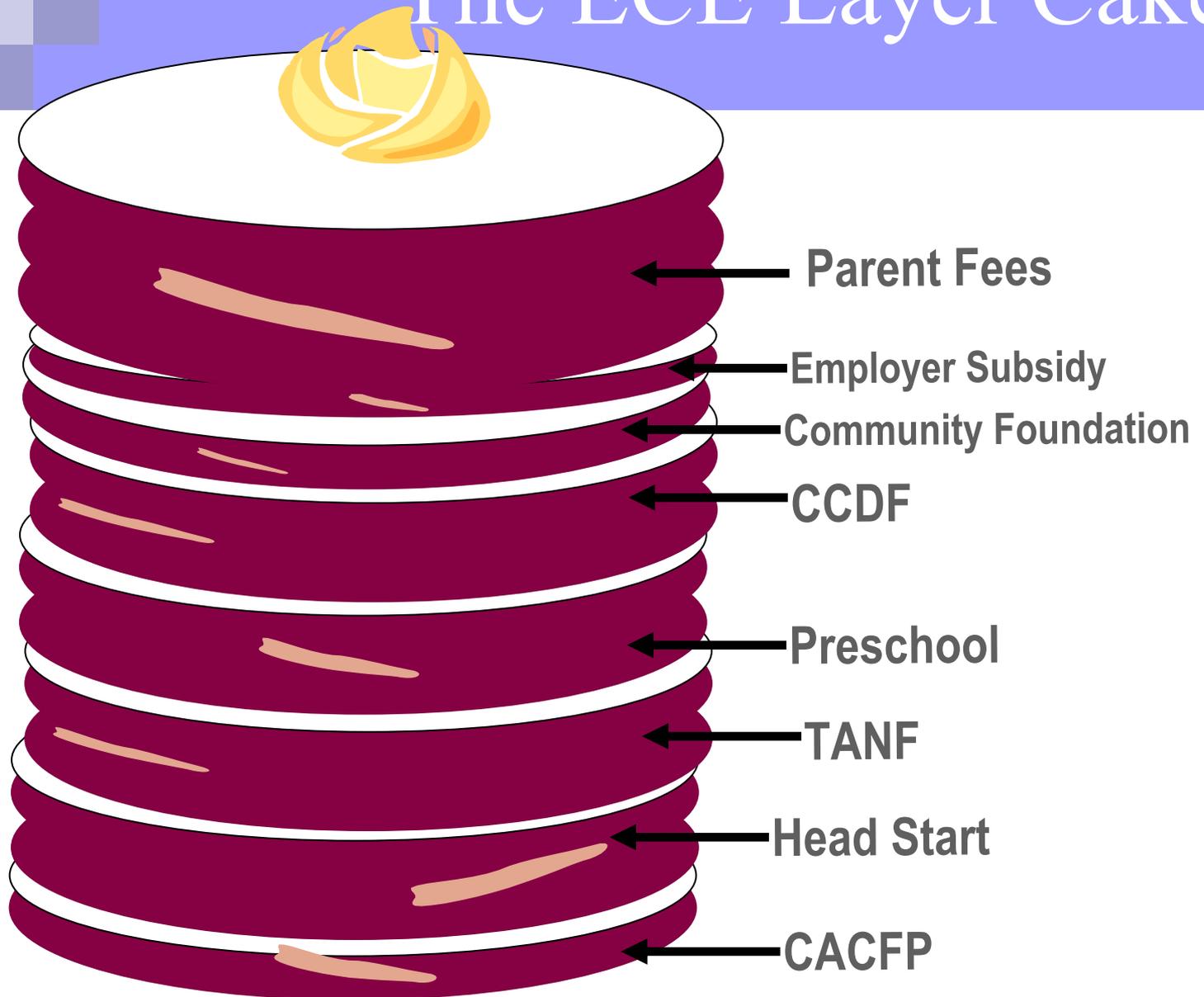
Assume Layered

Layered Layered Layered Layered Funding





The ECE Layer Cake





What can States do to encourage and support layered funding?

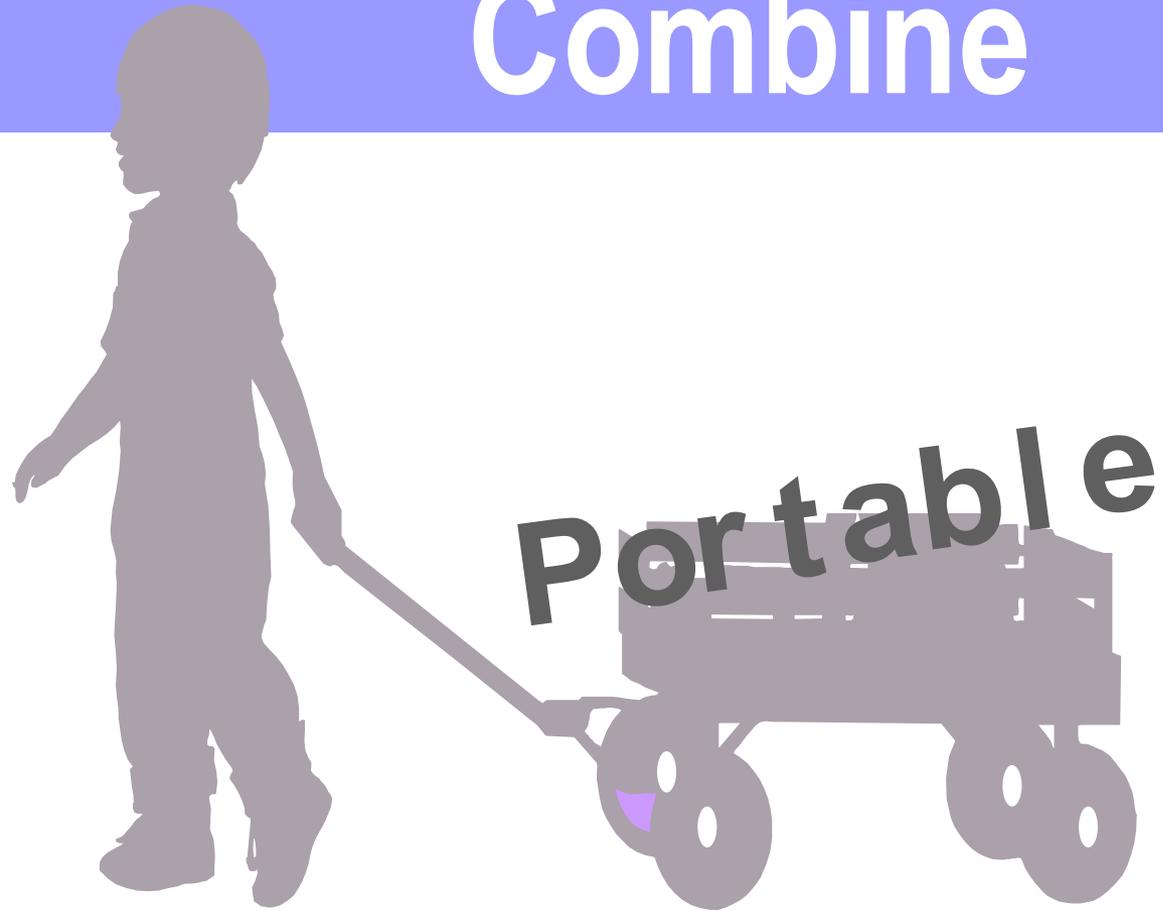
Establish common program and funding standards, monitoring practices, and quality assurance across all ECE funding streams;

Coordinate or consolidate Requests for Proposals and reporting requirements;

Assume that a program will have a single budget to which multiple funders will contribute, a single/coordinated audit, etc.



Combine



and direct financing.



Definitions for “Portable” and “Direct” subsidies:

- **“Direct” subsidy:** funding that directly supports an institution or industry.
- **“Portable” subsidy:** funding that is tied to a specific child or family and follows them to the program/service they select.



What is a direct subsidy?

*Funding that directly supports
an institution or industry*

- **Higher Education** - government appropriations to public and private colleges; grants for research and special projects; endowment/investment income; revenues from auxiliary services (food, housing, bookstore, sports..)



What is a portable subsidy?

Funding that is tied to a specific child or family and follows them to the program/services they select.

- **Higher Education -**
government grants to students (Pell, BEOG) scholarships, subsidized loans, tax credits.



Direct and portable subsidies work in tandem

In other industries, direct and portable subsidies are designed to work in tandem....

....but, this is not the case in early childhood care and education.

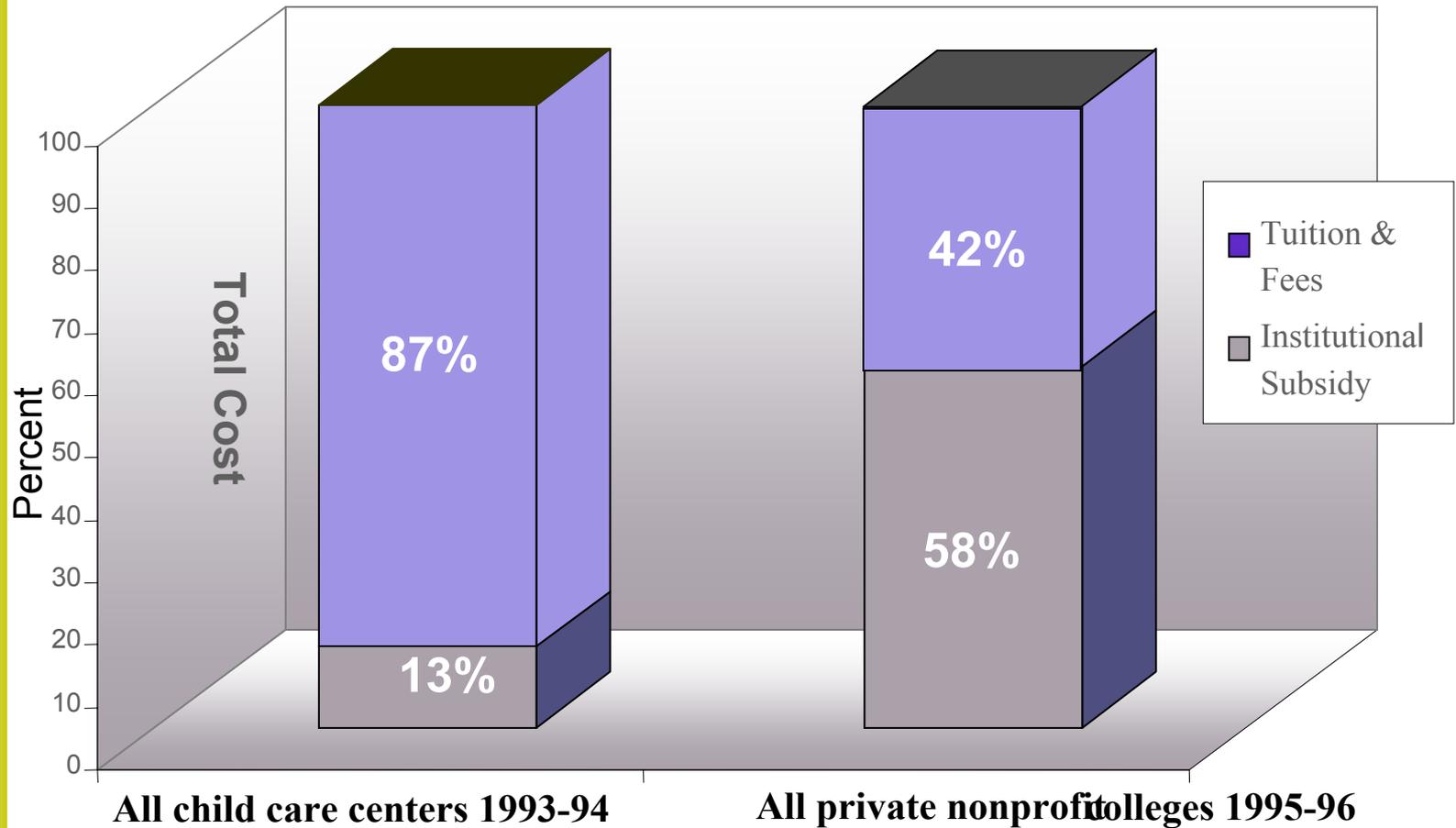


In early care and education:

- **Direct Subsidies** - Head Start, State pre-K/school readiness grants, subsidy contracts, a few private sector grants, CACFP.
- **Portable Subsidies** - child care certificates, the dependent care tax credit, private scholarships.



Cost/price analysis in child care and higher education





Tax Benefits

- Colorado School Readiness Tax Credit (proposed)
- Oregon Child Care Investment Tax Credit (modeled on LIHTC)
- Child and Dependent Care Credit (Maine et al.)
- Additional industry-related tax benefits (new ideas)



Public/private Initiatives

- **Florida's Child Care Partnership Act**
- **Accreditation Projects in Chicago and New Jersey**
- **Educare Colorado**



Other Funding Sources

- **Florida's local taxing districts for children's services**
- **Crime prevention funding**
- **Lotteries**
- **"Sin" taxes**



Coordinated State and Local Planning

- **Examine “silo” funding and programs**
- **Determine better use of resources**
- **Focus on customers, not bureaucratic turf**
- **Convene stakeholders**
- **Establish planning body with high level policy-makers**



Conclusion

- **Policy-makers are being asked to do more with less. The public wants lower taxes and more services.**
- **Demand for quality early care and education services is likely to grow.**
- **Creative financing strategies may be needed if States are to continue progress already made.**