nancing Early Childhood Workforce Strategies: Finding the Money

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ECE Workforce Strategies means…

1. Early Childhood Educator workforce development (pursuit of qualifications to prepare and improve the workforce)
2. Appropriate compensation for EC Educators (to recruit and retain a highly qualified workforce)

Inter-related, can't have one without the other…

Longstanding challenge in ECE, we've made some progress

Historically, we've been strong on defining the problem…many different ways, to call attention to our plight, frame solutions

We've invented several brilliant (modest) solutions:
CARES, T.E.A.C.H. , Child Care WAGE$, REWARD and others

Some combine PD with compensation, others focus directly on compensation (in relation to qualifications). Effective impact but modest compared to the size of the problem.

Established devoted research centers: Center for the Study of Child Care Employment and regular state-by-state reports (EC WF Index)

How we understand a problem, influences the solutions we create

Step 1. Clearly define the problem

- Why do you think pay is so low for early childhood educators?

- What's your analysis of this problem?

(*talk among yourselves for a few minutes*)

Your analysis…?

[1990s] Analysis: QCA

Quality-Compensation-Affordability is a trilemma (picture a 3-legged stool…)

1. ***Quality*** – for children (# and quality of teachers, low ratios)
2. ***Compensation*** – for ECE educators
3. ***Affordability*** – for families paying tuition, and public subsidy based on tuition rates

C is essential to **Q**, so maybe it's a dilemma... Or the legs on the stool need to be a LOT longer!

QUALITY IS TIED TO *compensation*

Voters agree: Early childhood educators are paid too little and their wages should be raised.

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Analysis (2000s): Market Failure

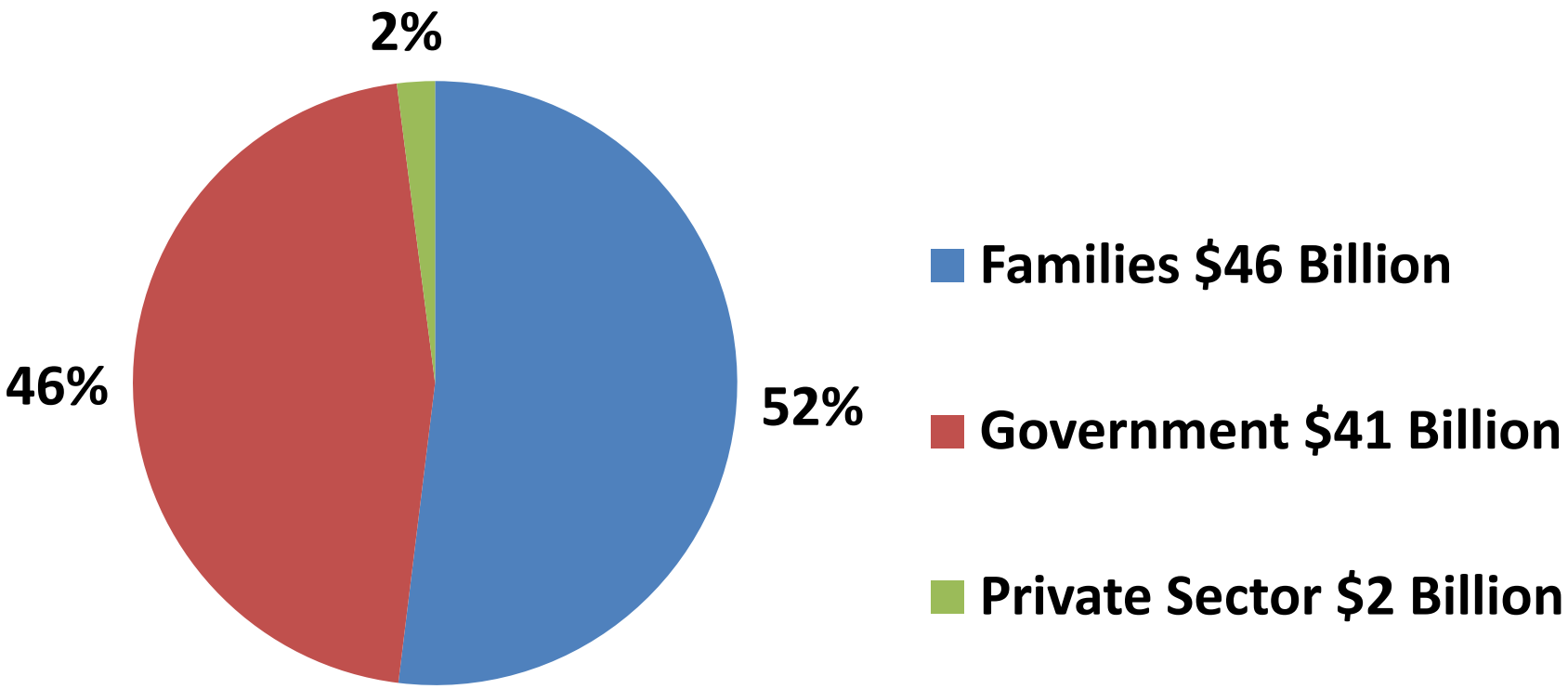
1. Families are biggest buyers of ECE, price-sensitive consumers
2. Higher quality ECE costs more than low, most families can't afford, which lowers consumer **demand** for quality
3. ECE market encourages price competition – low tuition fees – which discourages **supplier** investment in quality (e.g., compensation)

Step 2. Quantify

- How big is this problem?
- How much money is being spent now?
- How much [more] money do we need?

Who pays for EC&E now?

Shares of Funding in U.S. EC&E Market
(in billions, FY2015)



How much more $$ do we need?

A highly simplified speculation….

- $90 Billion industry now
- Assume personnel costs are about 50% of that total: 50% x $90B = $45B
- Current ECE compensation is roughly about 50% of what it should be (child care workers compared with K-3 teachers) – need to double the current $45B -- so need is another $45B

What do we need?

More Public Money -- and lots of it!

Step 3. Solutions at scale

To increase public investment, we need:

- Clear rationale for systemic intervention
- Quality assurance (for the investment)
  - EC Program quality: QRIS
  - EC Educator quality: like any other profession, a required credential /license to practice based on common set of progressive qualifications (CDA to advanced degrees)
- Solutions that match the size of the problem
- Durable, easy to administer and easy to comply
- Data to track progress (reported regularly)

Systemic intervention rationales

1. ECE is a **public good*** like public safety, firefighters, public education with benefits for the whole community, fully publicly funded.
2. ECE is a **merit good*** like higher education, transportation– largely publicly funded with consumer share
   - Higher education – IHE directly, and via financial aid. Private & religious IHE receive federal & state financial aid for students.
   - Public transportation – public funds for roads & public transportation system plus consumer fees (gas taxes, tolls, subway/bus fares)

- Public good = *benefits society as a whole*
- Merit good = *benefit society beyond direct consumers, benefits outweigh costs, cannot function as private market alone*

Quality Assurance

- Quality Rating and Improvement Systems are market interventions
- QRIS are means to deliver funding based on quality measured, independent of parent fees
- Quality measures include WF qualifications, QRIS can fund compensation
- WF Registries track educator's qualifications

How “public revenue” is generated

1. What you earn (income taxes)
2. What you own (property taxes)
3. What you buy (sales & excise taxes)
4. What you use (fees)

Needed: a set of solutions…

- **Suppliers:** more public money per classroom into the system
- **Consumers:** more public money to help families afford tuition (current and higher rates)
- **The EC Workforce**: more public money directly for compensation
- **Employers**: more public money to incentivize employers via DCAPs, etc.

Solutions Scaled to Need

We need many sources

- Triple the overall CCDF investment - Not just higher rates but funding to reach more than the current 17% of eligible families served
- Fully fund Head Start/Early Head Start
- Universal pre-K in every state – For all preschoolers, diverse delivery, with sufficient $/child to support compensation parity with public schools
- Robust refundable tax credits in every jurisdiction that taxes income - Index for inflation, cover significant share of the family cost, increase EC educator pay, link benefits to quality, greater benefit to lower-income taxpayers


Solutions…can be messy

State and Local Public Revenue

Expand your revenue generating portfolio and always link to QRIS and ECEducator qualifications

- Local property taxes, Seattle & San Francisco (C-Wages)
- Sales taxes, Philadelphia Beverage Tax
- State and local income taxes, Dayton Preschool
- State income tax credits, Louisiana & Nebraska School Readiness Tax Credits linked to QRIS and **support compensation**

None of these alone can fill the gap. Putting local, state and federal together with family contributions, we can fully fund quality EC system.

State/Local: Taxing "sin"

- Tobacco products tax – CA, AZ
- Sugary Soda tax (CA cities)
- Beverage distribution tax for Preschool in Philadelphia

Considerations

- Ability to generate revenue to match need
- Declining revenue, since expect use to decline

Income Tax Credits

Robust well-designed tax credit can:

- Help families afford tuition, incent use of higher quality programs
- Raise EC Educator pay, incent pursuit of higher qualifications
- Increase public funds to programs based on quality
- Encourage employers to contribute to programs and to their own employees

INVEST IN *early childhood*

83% of voters would support a public investment in early childhood education that is used to **increase educators' wages.**

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Your thoughts?

Resource links

Revenue pie chart – see Finance and QRIS paper (Appendix explains chart sources)

http://buildinitiative.org/Portals/0/Uploads/Documents/Resources/QRIS%203/FinanceQRIS.pdf

For revenue generation methods, see:

http://financingtools.buildthefoundation.org/

and

http://www.earlychildhoodfinance.org/finance/finance-strategies

Extra slides…

Tax credit design

- Credit amounts match cost for families, generate significant pay increase for WF
- Credit amounts indexed for inflation
- Refundable
- Greater benefit amounts (%ages) to lower income taxpayers

Frames we use: ECE is a great investment, 7:1 returns at least!

The ROI argument is based on….**GREAT SALARIES!**

“The High/Scope Perry Preschool program paid teachers public school salaries and added a 10% bonus because the program was a special one.”

Frames we use: Child care costs more than tuition at a public university

Child care prices <u>are</u> higher than tuition at a public university – So why is that?

- Public funding – state, local and federal $$ makes that possible.
- Direct funding to colleges
- Financial aid to students/their families

Targeted Compensation Approaches

- Pay employer
  - *Direct award* (e.g., Pennsylvania Education & Retention Awards, Washington's [former] Wage Ladder
- Pay employee
  - *Direct award* (WAGE$, REWARD)
  - *Indirect award* (refundable tax credits, e.g., Louisiana and Nebraska School Readiness Tax Credits)

Worthy Wage Campaign Jingle, 1992

Parents can’t afford to pay,

Teachers can’t afford to stay,

Help us find a better way.