

Financing Access to High Quality Early Care and Education for Ohio's Children: Analysis of Options

Richard N. Brandon
Erin J. Maher
Jutta Joesch
Guanghai Li
Human Services Policy Center
University of Washington
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Overview of Presentation

- Project background and objectives.
- HSPC market model approach.
- Ohio Policy Specifications.
- Analysis of costs and impacts.

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Project Goal

To help state policy makers understand alternative costs and impacts of financing a system of high-quality early care and education, responding to policies that they specify. Consider:

- Elements of High Quality ECE
- Hourly cost
- Budgetary cost
- Affordability for Families
- Targeting funds to most vulnerable children

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Overall Process:

Background Research:

- HSPC analysis of other US benefit programs.
- Project team starting point recommendations, based on expert working groups (Joint w/Kagan).

Policy Simulations:

- Ohio Team specified policy options, modifying expert rec's to reflect Ohio considerations.
- HSPC produced two rounds of analysis.

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HSPC Simulation Model Components

Policies specified by Ohio Team:

- Hourly costs: staffing, compensation, ratios, infrastructure
- Financing mechanisms, Eligibility standards

Features within the model:

- Reflects parental demand, participation rates

Model produces:

- Hourly and annual budget costs
- Distribution of benefits by income, age, setting.

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The Model: Costs and Impacts of Moving From Current Utilization to High Quality

For each Ohio Child/Family in Survey Data Base:

- Estimate current utilization from household survey.
- Apply hourly costs of High Quality ECE for appropriate age, type of care.
- Apply policies to assist parents afford high quality ECE; derive new prices paid by parents after assistance. Calculate cost of subsidies.
- Estimate changes in types, amounts of ECE due to new prices.

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The Model – continued

- Estimate changes in paid employment and resulting changes in state and federal tax revenues.
- Estimate amount of federal or other funds.
- Add up gross and net costs of alternative policies. Show for each income, age group.
- Show changes from current state spending, share of education budget.

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Specifications Affecting Hourly Cost of ECE:

For each age group, type of setting:

- Staff qualifications, compensation
- Child:adult ratios
- Professional development costs
- Regulation and governance incorporated

Enhanced services for children with disabilities

- Ratios, professional development
- Itinerant services

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ECE Practitioner Qualifications

Center teachers with: AA ... BA/BS or above:

41	–	31 % for infants
44	–	44 % for toddlers
25	–	59 % for preschoolers.

Family Child Care:

All ages: 19% AA degrees; 11% with BA/BS+.

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Compensation

Centers:

ECE teachers salaries linked to Ohio elementary school teacher salary and benefits, same for a starting BA/BS level teacher, less for assistant teachers, more for directors

Starting BA level teacher at \$18 per hour; assistant teacher with AA degree at \$13.50 per hour. \$15 average all staff.

- Benefits at 30 percent, per K-12 in Ohio.

FCC compensation equivalent for center staff of same qualifications – average \$12.30 per hour, plus 25% non-compensation costs. Assume 4-5 children:adult.

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Average Child:Adult Ratios

	Current Average: Survey	Recommended
Centers		
Infants	4.8	3.4
Toddlers	6.4	6.3
pre School	6.8	8.3
FCC	3.1	5.0

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Professional Development

- Annual allotment for voluntary participation
- Pay for 45 hours/year release time
- Can pay for university courses, less expensive colleges, or alternative training and development offerings.

Tuition Allotment: \$ 800

Institutional Subsidy: \$ 800

Supplemental Expenses: \$ 200

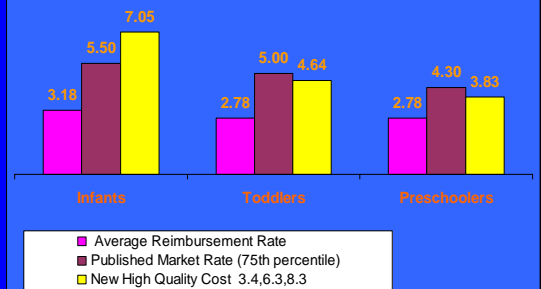
Total \$ 1,800

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Hourly Costs of High Quality ECE for Ohio

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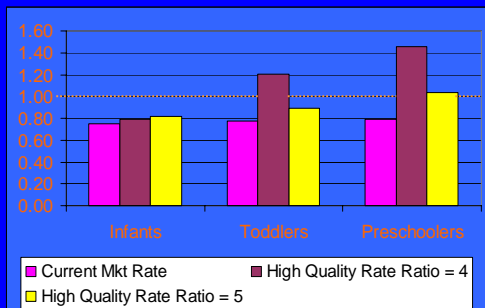
Hourly Costs of ECE For Ohio



• CWD Costs 25-35 % Above 'High Quality'

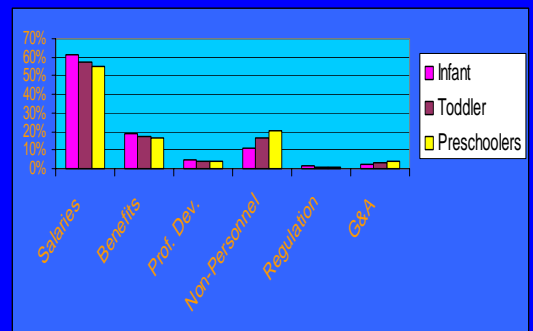
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FCC Cost as Percent of Center Cost: Ohio Current vs. High Quality



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Components of High Quality Center Costs, Ohio



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Budgetary Costs:

Specification And Analysis Of Alternative Financing Mechanisms And Eligibility Policies

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B. Budget Costs of High Quality ECE: moving from hourly costs to state budget costs.

1. Estimate current utilization from Ohio household survey.
2. Apply hourly costs of High Quality ECE to age, type.
3. Apply policies to assist parents afford high quality ECE; derive new prices paid by parents after assistance, cost of subsidies.
4. Estimate changes in types, amounts of ECE due to new prices.
5. Estimate changes in paid employment and resulting changes in state and federal tax revenues.
6. Estimate amount of federal or other sources of subsidy funds.
7. Aggregate gross and net subsidy costs of alternative policies.

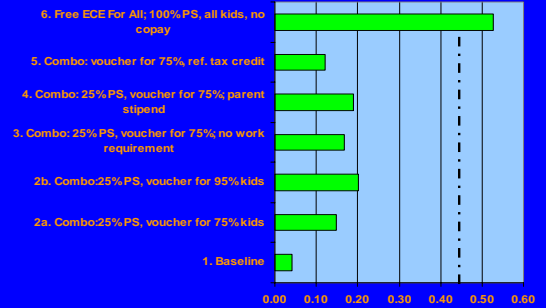
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Financing Mechanisms to Help Ohio Families Afford High Quality ECE

- A. *Baseline*: Income-related Voucher only: cover to 185% (150%) FPL.
- B. *Combination*: 25% provider subsidy - not income related; wrap-around income-related voucher for remainder; cover 75/95% of children.
- C. *Remove work requirement*; add parent stipend.
- D. *Tax Credit*: Added to Income-related voucher.
- E. *Free ECE For All*; no co-payment.

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ECE Costs as Percent Ohio K-12 Spending



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ECE Funding in Context

- Ohio K-12 public education spending = \$15 billion
- Public ECE spending = \$0.6 billion = 4% of K-12
- Ohio population B-5 = 44% pop. 6 - 18
- Options specified by Ohio Team would increase state/local ECE spending to 12-20% of K-12.

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Revenue Impacts

Increased revenues due to greater employment:

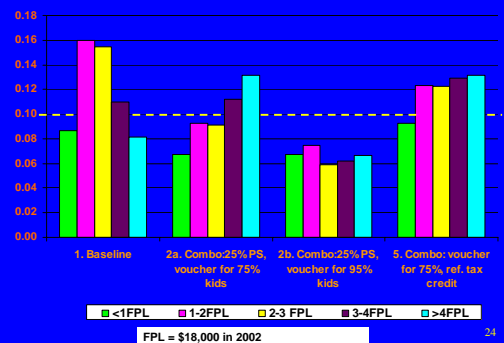
- A. *Ohio voucher and provider subsidy options increase*
 - State income tax revenues by \$10 – 17 million
 - Federal income tax revenues by \$24 – 32 million
 - Federal FICA revenues by \$103 -- 178 million
- B. *Illustrative Free ECE For All options would increase*
 - State income tax revenues by \$158 million
 - Federal income, FICA by \$376 and 1,615 million

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Impacts of Ohio Policy Options on Affordability of High Quality ECE for Families of Different Income Groups

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Average Family Payment as Percent of Income, for One Child

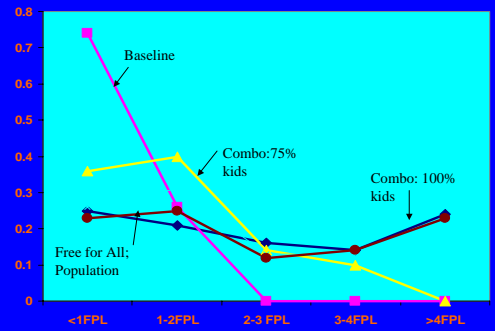


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Impacts Ohio Policy Options on Targeting of Funds to Most Vulnerable Children

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Percent Total Benefits By Income Group



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Summary:

Comparing Ohio Options:

- Budget Impact
- Affordability for Families
- Targeting to Vulnerable Children

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Ohio ECE Financing Options Compared

	Budget Impact: % K-12 Spend.	Affordability: Cost as % of Middle Income	Targeting: % to Low-Moderate Income (<30K)
Baseline Voucher	4	15	100
Combo: cover 75% of kids	15	9	76
Combo: cover 95% of kids	20	6	57
Combo, 75%: <i>no work req't.</i>	17	9	78
Combo, 75%: <i>parent stipend</i>	19	----	78
Voucher + Tax Credit	12	12	81
Free ECE For All Children	53	0	48

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Conclusions

- ❑ Universal access to high quality early learning for children birth to five could be added with a 15-20 percent increase in public school spending.
- ❑ Tradeoffs required to make high quality ECE available for children at all incomes. Issues for infants, toddlers.
- ❑ Could phase in, setting less ambitious salary goals, gradually moving ECE salaries toward elementary teacher salaries, and/or phase by age.
- ❑ Hourly costs for children with special needs would be 25-35% percent higher than overall, but only add 5-6 percent to the total budgetary cost.

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