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Applying Insights from Higher Education

Bake Sales 202: Toward Full Funding of Child Care and Early Education

by David Allen

Understanding how the United States pays for higher education may help us design and realize more adequate financing of child care and early education. Advocates, researchers, and public policymakers who participated in a meeting to explore higher education financing were unanimous in this conclusion.

We are nearing the end of the political, financial, and creative value of the second major historical stage of early care and education financing. We need a new conceptual, design, and advocacy framework.

Stage 1 of child care financing had three mechanisms: parent fees, philanthropy, and bake sales. Philanthropy supported a few child care centers serving immigrant or low-income families, parent fees paid for nursery schools and the balance of work-related child care, and many programs struggled to supplement these limited resources with bake sales and similar efforts.

In Stage 2, where we have been since the 1960s, we added three new financing models:

- K-12 for *early education* funding;
- SF+QSA for *child care* funding; and
- Designer Bake Sales.

K-12 is the model of the public kindergarten-12th grade system. It is universal, 100% publicly funded, and free for families. Vocal and credible advocates have argued that this should be our model for financing and perhaps also for structuring child care and early education. Head Start and most state pre-K programs are modifications: publicly funded, and universal (in intent), and free for an entire sub-population.

SF+QSA is alphabet soup for Sliding Fee plus Quality Set Aside. This model evolved over 20 years of state-level initiatives and was formalized in 1992 federal legislation that appropriated $1 billion annually to the states for child care. Seventy-five percent of the funds was designated for child care financial assistance for families based on a sliding fee, and 25% was *set aside* for quality initiatives.

Designer Bake Sales refers to the wide range of creative public and private financing mechanisms that have generated anywhere from a few thousand to several million dollars each.

Each of these three models has made major contributions to financing child care and early education. Each has the potential to contribute far more.

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Nevertheless, I would argue that we can only realize that potential by turning to a new model, adapted from higher education. This model is broad enough to include all the financing mechanisms and models we currently use. It offers the potential to significantly increase political support and infuse more public and private resources into early care and education. And it can provoke our field to a whole new wave of creativity about financing, infrastructure, and advocacy.

The K-12 model suffers from limited choice for parents, and service limitations for working parents. The SF+QSA model, while offering choice, suffers from its association with welfare and wide inequities in quality and access.

It is difficult to imagine current providers uniting enthusiastically behind a K-12 model which threatens to replace them, or an SF+QSA model which offers little help in improving the quality of their lives or services. Neither offers a satisfactory way of breaking down the distinction between child care and early education.

We need a model that ties to something Americans value, that policymakers can grasp, and that resonates to the values and needs of our own field. A model should embrace all forms of child care and early education, speak to universal access to high quality services, bring together all segments of the field, and offer real potential for improving compensation as a necessary step to quality.

That model will take us to a new and third stage of financing policy.

I had the great privilege of participating last summer in the *Financial Aid Think Tank*. A group of 32 people from the fields of higher education and early childhood spent two and a half days exploring how higher education is financed, and how mechanisms and strategies used in that system might apply to early care and education.

The *think tank* was the brain child of Teresa Vast, a Hawaii early childhood consultant. It was sponsored by the Minnesota Partnership for Early Care and Education Finance including Child Care WORKS, the Alliance of Early Childhood Professionals, and KidsPlan. Generous funding was provided by the David and Lucile Packard Foundation with additional assistance from the Ewing Marion Kauffman Foundation. [A full report of the think tank is available by calling (612) 721-4246.]

There are eight essential elements of the higher education system that make it an exciting model for early childhood.

1 It is an **education** system. Americans value education, see it as a public responsibility, and are willing to pay for it both individually and collectively.

2 It is based on **choice** of many different types of providers, a critical element for building on the best of what our field now has to offer.

3 The **price to families** is — for most families — lower and more equitable than in child care and early education. The “expected family contribution” is calculated in exactly the same way for families across America, through a formula that gives far more consideration to the actual costs of supporting a family than any child care sliding fee co-payment schedule that we know of.

The result is that the great majority of families are expected to pay less for college than for child care. Most families’ earning history is just the reverse: lowest during the child care years, highest when children are older.

4 Higher education has learned how to thrive on **multiple funding streams** and has developed the institutions to make it work. In contrast, the multiple funding streams in child care and early education are a nightmare for families to navigate and a source of turf wars among services with shared goals.

5 There is both **family (student)** and **provider (school) funding**. Public and private funds flow directly to both public and private post-secondary schools to buy down the cost of tuition for all enrollees. Public and private funds also flow to families who need financial aid in paying the price of tuition and attendance.

6 The **financial aid office** gives families a **single point of access** to many sources of financial aid. The financial aid office combines, mixes, and matches funds with different eligiblity criteria to meet a family’s need. This makes paying for higher education simpler for families to understand, and encourages the development of new and multiple streams of funding.

7 Schools set their **tuition price** to cover the **full cost of operation** (minus public or endowment subsidies), including adequate compensation. The amount of financial aid a family can receive increases as the tuition increases.

8 **Accreditation** is an on/off switch for almost all streams of higher education funding. It is a private system designed and implemented by the field. Not everyone agrees on its impact on quality, but all agree on its power.

These eight elements are not a boilerplate to be carried over to early care and education. They are, however, powerful concepts which can offer us critical help and direction in five significant ways:

Example 1: The higher education model offers us the opportunity to tap into existing public commitment to a shared financial responsibility for education. We must link to what our country *already* values.

Higher education, like early care and education, takes place in a wide variety of settings from Ivy League colleges to vocational schools and from large lectures to independent study. The cost of a higher education includes the cost of *care* (room and board) as well as the cost of *education*.

Example 2: The higher education model has room for and gives a new meaning to all the work we have already done on financing. Head Start and pre-K programs parallel the higher education funding of state universities; the sliding fee programs parallel state and federal scholarship funds for families. *Designer Bake Sales* parallel the myriad of special funding streams that have been developed in higher education.

Seen in this light, these Stage 2 finance mechanisms become necessary parts of a complete financing system, not competing programs.

Example 3: The higher education model provides examples, inspiration, and a possible framework for important policy initiatives our field is working on. Adequate compensation is built into the price of higher education. Quality standards in the form of higher education accreditation are tied to public and much private funding.

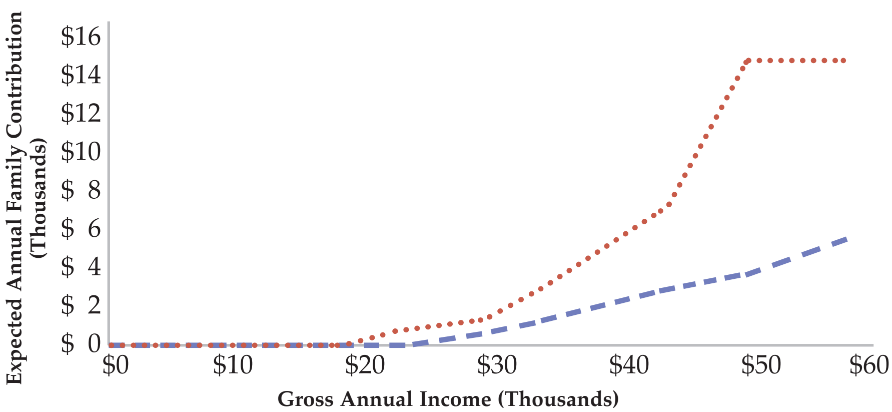
Example 4: The higher education model can stimulate endless creativity in considering new financing mechanisms and new infrastructure for early care and education:

- What if we had a national *expected family contribution* for early care and education that accounted for the low earning power of young parents?
- What if we had a community early care and education financial aid office that could package all the streams of child care and early education financial assistance so parents don't have to sort it all out?
- What if we had a community early care and education endowment in our community foundation that not only housed and managed, but actively solicited a million different types of scholarship funds, just like our college alma maters?
- What if public subsidies for low income children, like public subsidies for college tuition, were paid to providers in advance?

Example 5: The higher education finance experience offers ways for those of us in early care and education to think about a financing system that can preserve and enhance the diversity of providers, serve all children, and address compensation and quality.

And it offers parents the promise of better access to better quality choices in a more easily understood system of early care and education.

Expected Family Contribution (EFC) for Higher Education and for Early Care and Education for a Minnesota Family of Four: Two Parents and Two Children



KEY: 2 in Child Care (1) 2 in College (2)

(1) The Expected Family Contribution for Child Care is the "co-payment" from the Minnesota Child Care Sliding Fee Schedule for incomes up to $42,150. Above that, parents are ineligible for assistance and expected to pay the full market price of child care. The figures used are average prices for **one infant and one preschooler** in a licensed (not necessarily accredited) center. Both parents must be working or in job training. Actual costs will vary. Child Care Sliding Fee Funds are limited. Some eligible families do not receive assistance and must pay more than the co-payment or expected family contribution.

(2) The Expected Family Contribution for College from an unpublished analysis by Teresa Vast using estimates based on the federal financial assistance formula. This scenario is for two working parents and assumes no assets, no student income contribution, and the maximum employment allowance. The EFC if only one parent is working is slightly higher. Financial aid funds are limited, and some families must pay more than the expected family contribution to send their child to the college of choice.