

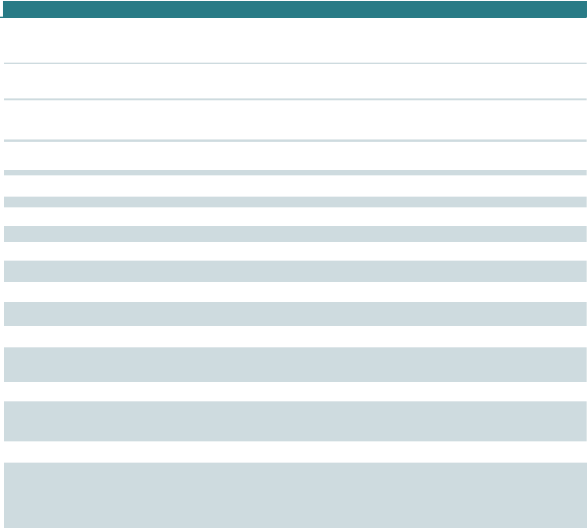
Executive Summary

CENTER FOR THE FUTURE OF CHILDREN • THE DAVID and LUCILE PACKARD FOUNDATION

The Future of Children

VOLUME 6 • NUMBER 2 – SUMMER/FALL 1996

FINANCING
CHILD
CARE



Financing Child Care



ANALYSIS

- ◆ Parents; local, state, and federal governments; and the private sector together spend nearly \$40 billion each year to purchase or subsidize the cost of child care and early education services for children of all ages.
- ◆ In 1994, some 60% of women with children under the age of six were in the paid labor force. Over 12 million children under the age of five, including more than half of all infants, spend at least some time on a regular basis in the care of someone other than their parents.
- ◆ In 1993, families that paid for child care spent about \$64 per week for each child under the age of five, although experts believe twice as much is needed to create the stable child care programs that will prepare children cognitively and socially for school and will enable parents to find and keep jobs.
- ◆ The low level of child care funding creates spot scarcities of child care services, lack of affordable care, mediocre quality care, and a poorly paid child care work force with high turnover rates.
- ◆ A universal system of support for child care and child rearing for all families with children under the age of five will require a national investment of nearly \$120 billion annually

or about \$6,000 per child per year, a little more than the \$5,583 spent per child in the K–12 public education system.

- ◆ Some of these dollars must be earmarked to provide for training of child care staff and licensing officials, for resource and referral agencies or public education to help parents learn to choose quality child care, and for child care facilities.
- ◆ Reform of child care financing is needed. Approaches for reform include (1) a single block grant consolidating existing federal child care subsidies, (2) reliance on the public education system to finance and deliver child care services, (3) a paid parental leave, and (4) child allowances.
- ◆ Each of the above proposals has substantial strengths and weaknesses. The preferred system of financing will meet the following standards:
 - ◆ Public support for child care or child rearing should be available to all families, but should offer more assistance to low-income families.
 - ◆ Parents should be able to choose either to care for their own children or to purchase child care in a broad range of settings.
 - ◆ The financing system should bring together both child care and early education policies and both tax-based and direct-subsidy financing mechanisms.
 - ◆ The financing system should consider the needs of children of all ages, include regulatory requirements, and ensure accountability.

RECOMMENDATIONS

RECOMMENDATION 1

Additional funding is needed to change and improve the child care system.

RECOMMENDATION 2

Families, business, and government all benefit from child care services and should therefore support them, but the role of government in financing child care should be expanded.

RECOMMENDATION 3

The primary goal of government support for child care should be to enhance the healthy development of all children, so efforts to extend child care benefits to many families should not outweigh considerations of the quality of that care.

RECOMMENDATION 4

Economic modeling of the consequences of any proposal for financing reform is needed. Such modeling would link the reform proposal with a mechanism for raising necessary funds, specify the services to be delivered so that accurate estimates of cost can be made, and estimate the flow of new revenues that would offset the cost of the program.

RECOMMENDATION 5

Short-term actions are needed while comprehensive reform is being planned:

- ◆ Efforts to bring together the child care and early education sectors (e.g., Head Start, state prekindergarten and preschool programs) and to unify the tax and subsidy financing systems should begin immediately. This may imply modifying legislative committee structures as well as changing the structure and responsibilities of the agencies that administer the relevant funding streams.
- ◆ Existing dollars for child care services or child rearing should be protected and expanded.
- ◆ New dollars should be allocated first for low-income families but with a clear goal of moving toward universal support for all families.

ARTICLE SUMMARIES

A Brief History of Federal Funding for Child Care in the United States

Abby J. Cohen, J.D.

This article examines how the values of American society, including ambivalence toward maternal employment, and beliefs in (1) the freedom of parents to rear children without government interference, (2) equality of opportunity, and (3) gender equity, have shaped federal funding for child care and early education services. The author concludes that, over the past 60 years, the federal government has funded these services in fits and starts, yielding a confused collection of funding streams, with inconsistent goals, standards, and administrative structures.

Child Care in the United States Today

Sandra L. Hofferth, Ph.D.

Using nationally representative data gathered from the late 1960s through 1995, the author compares the affordability, availability, and quality of child care today with years past. Results suggest that (1) the use of early care and education programs for children continues to grow; (2) enrollment of children in center-based programs, in particular, is climbing; (3) children from higher-income families and preschoolers are more likely to be enrolled in centers than are children from lower-income families or infants and toddlers; (4) although parents are paying more for child care, the quality of care appears to have declined; and (6) families with infants and toddlers, those living in low-income communities, and those with nontraditional work hours have fewer child care alternatives.

Child Care Cost and Quality

Suzanne W. Helburn, Ph.D., and Carollee Howes, Ph.D.

This article summarizes what is known about the cost and quality of full-time child care in centers and family child care homes, and about parents' attention to quality in making child care choices. The authors report that mediocre quality is the rule, and that parents often do not choose quality settings for their children. At the present time, child care quality is only modestly related to cost of provision of services. The authors recommend future actions: (1) launch consumer education efforts; (2) implement higher state standards for child care; (3) avoid public policies that encourage people to become child care providers if they have no interest in such a career; (4) increase public and private investments in child care; and (5) compensate child care workers appropriately for their training, experience, and responsibility.

The Financing of Child Care: Current and Emerging Trends

Louise Stone, M.S.W., and Mark H. Greenberg, J.D.

Early care and education services in the United States are financed by a complex mix of public and private funds totaling about \$40 billion annually. Parents pay the primary share, followed by funds from the federal government and those state expenditures that are required to match federal funding. The authors detail a fragmented and underfunded system of finance that is the product of unresolved conflicts between child care policy and early education policy, and between tax policy and expenditure (direct subsidy) policy. Policy conflicts and insufficient resources create fragmentation in service delivery and inequities in allocation of subsidies.

The authors consider how federal welfare reforms may affect child care funding streams and identify key policy choices that will determine the eventual effect of these reforms: Will funds for child care be open-ended or entitled? Will state matches for funding be required? What services will be provided and which families will receive priority?

Continued...

ALTERNATIVE VISIONS FOR FINANCING CHILD CARE

Several proposals for alternative ways of financing child care services and child rearing by families are presented, followed by commentaries from the perspectives of tax policy reform, education policy, and state child care administration, and by the authors' rebuttals.

Funding Child Care and Public Education

Edward F. Zigler, Ph.D., and Matia Finn-Stevenson, Ph. D.

The authors propose that a comprehensive financing and service delivery system capable of offering high quality, affordable child care to all families who need it should be grounded in an existing institution that is present in every community — the public school. One example, the School of the 21st Century, is already implemented in 400 schools across 13 states. School districts have employed a mix of parent fees, and local, state, and federal dollars to deliver a comprehensive mix of child care and other social services to three- and four-year-olds. The authors suggest that national implementation of the model would require a per-pupil expenditure of about \$9,000 per year. Initial start-up could be funded by reallocating existing dollars, especially those for state prekindergarten programs, but new dollars would be needed to support ongoing operations.

Funding Child Rearing: Child Allowance and Parental Leave

James R. Walker, Ph.D.

This article proposes two approaches to help parents balance work and family obligations and protect their freedom of choice over the care and upbringing of their children: (1) a child allowance to assist poor and near-poor families; and (2) a program of voluntary paid parental leave, available to all parents.

The child allowance plan would cover the first three children in families up to 175% of the poverty level (more than 22 million children) at an annual cost of \$45 billion. The plan could be financed by redirecting funds from existing income support, tax credit, and tax deduction programs. Financing the parental leave program would require new revenues that could be generated by an employee-paid increase in payroll tax totaling 3.5% and by low-interest federal loans.

Three Commentaries on the Proposals

Lenny Goldberg, M.A.

A tax reform advocate, Goldberg suggests that both proposals run counter to current political ideology. He suggests that child allowances be seen as extensions of existing tax-based subsidies for families with young children and recommends that new supports for child care and child rearing be integrated with the Earned Income Tax Credit and the tax exemption for dependents. He notes that the financing of the proposed parental leave plan may penalize young families that need help the most, and he sees problems in securing ongoing funding for the school-based system.

Thomas W. Schultz, Ed.D.

An expert on educational policy, Schultz, like Goldberg, sees difficulties in securing ongoing funding for the Schools of the 21st Century. In addition, Schultz suggests that the quality of a school-linked child care system may be as uneven as that of the existing public school system, and that the plan may be opposed by existing child care providers. He notes that a child allowance is unlikely to improve the child care system, as families will be able to use those dollars for any purpose, and he argues that the parental leave proposal would not address problems of older children or the larger problems in the child care system.

Michele Piel

As the administrator of child care for Illinois' welfare department, Piel focuses on the child care concerns of low-income families. For example, she notes that school districts in low-income communities might be unable to afford a school-based child care system and that child care services delivered in schools or other center-based settings may not

fit the schedules or preferences of many low-income families. She suggests that low-income families may be unwilling to encumber themselves with government loans in order to take advantage of the proposed parental leave.

The Authors Respond

The authors provide brief responses to the points raised in the commentaries on their proposals.

Appendices

Three appendices address other financing issues related to child care, including (1) the funding of child care resource and referral services across the country, (2) the financing of renovation and construction of child care facilities, and (3) innovative child care financing approaches being explored in several states.

IN EVERY ISSUE

CHILD INDICATORS: Homeless Families and Children

Eugene M. Lewit, Ph.D., and Linda Schuurmann Baker, M.P.H.

Estimating the size, composition, and characteristics of the population of homeless children and families is a challenging task. This article reviews different definitions of homelessness and methods used to estimate the size of the homeless population. The General Accounting Office estimated that between 80,000 and 400,000 children were homeless or doubled-up with friends and extended family on any given night in 1988. Many more children were doubled-up (186,000) than living in shelters or other community settings provided for homeless families (68,000). The mean length of homelessness for families is less than three months, although a small group of families is homeless for years. Data on trends in actual homelessness are not available, but trends in the number of single-parent families in extreme poverty, conditions that tend to precede homelessness for families, suggest a large increase in the population of potentially homeless families since 1975.

REVISITING THE ISSUES: Prevalence of Drug-Exposed Children

Patricia H. Shiono, Ph.D.

National data from 1984 to 1992 indicate that each year approximately 1% to 2%, or 35,000 to 70,000 infants, were born cocaine-exposed. Rates were much higher in particular cities or hospitals (for example, 18% in Boston in 1984 to 1987). As many as 2% to 3%, or 70,000 to 105,000 infants, were born marijuana-exposed. Statewide surveys of drug use indicate that women who receive no prenatal care are the ones most likely to use illicit drugs during pregnancy. Tobacco continues to be the most commonly abused drug during pregnancy, causing up to 20% of all low birth weight infants. The author concludes that the high rate of use and large impact on the fetus make cigarette smoking the single largest modifiable cause of low birth weight and infant mortality. ♦

A SELECTED BIBLIOGRAPHY

See back cover for information on ordering additional Executive Summaries or issues of the Journal.

The Future of Children (ISSN 1054-8289) © copyright 1996 by the Center for the Future of Children, The David and Lucile Packard Foundation, 300 Second Street, Suite 102, Los Altos, California 94022, all rights reserved. Printed in the United States of America. ♻️ Printed on recycled paper with soy ink. (The electronic edition of this issue can be found at <http://www.futureofchildren.org> on the World Wide Web.)

The primary purpose of *The Future of Children* is to disseminate timely information on major issues related to children's well-being, with special emphasis on providing objective analysis and evaluation, translating existing knowledge into effective programs and policies, and promoting constructive institutional change. This publication is intended to complement, not duplicate, the kind of technical analysis found in academic journals and in the general coverage of children's issues by the popular press and special interest groups.

BACK ISSUES

- School-Linked Services (Spring 1992)
- U.S. Health Care for Children (Winter 1992)
- Adoption (Spring 1993)
- Health Care Reform (Summer/Fall 1993)
- Home Visiting (Winter 1993)
- Children and Divorce (Spring 1994)
- Sexual Abuse of Children (Summer/Fall 1994)
- Critical Health Issues for Children and Youths (Winter 1994)
- Low Birth Weight (Spring 1995)
- Critical Issues for Children and Youths (Summer/Fall 1995)
- Long-Term Outcomes of Early Childhood Programs (Winter 1995)

- Special Education for Students with Disabilities (Spring 1996)*

CURRENT ISSUE

- Financing Child Care (Summer/Fall 1996)*

UPCOMING ISSUES

- The Juvenile Court (Winter 1996)*
- From Welfare to Work (Spring 1997)*
- Children in Poverty (Summer/Fall 1997)*
- Financing Schools (Winter 1997)*
- Protecting Children in High-Risk Families (Spring 1998)*
- Managed Health Care (Summer/Fall 1998)*

* Executive Summaries available for these issues only.

To order free JOURNALS or EXECUTIVE SUMMARIES, please send requests to: Circulation Department,
Center for the Future of Children, The David and Lucile Packard Foundation, 300 Second Street, Suite 102, Los Altos, CA 94022
E-mail circulation@futureofchildren.org or FAX (415) 948-6498. Please allow 6 to 8 weeks for delivery.
Journal and Executive Summary now also available on-line.

Visit *The Future of Children's*
Home Page
on the World Wide Web

<http://www.futureofchildren.org>