

# Increasing Federal Investment in Children's Early Care and Education to Raise Quality, Access, and Affordability

In a Hamilton Project proposal, authors Elizabeth E. Davis and Aaron Sojourner of the University of Minnesota propose an ambitious vision to increase federal funding for Early Childhood Care and Education (ECE) to ensure every American family and child has access to high-quality affordable child care during the first five years of life. Specifically, Davis and Sojourner's proposal would:

- Establish automatic funding of ECE services to guarantee every child has access.
- Implement an income-based cap on the amount any family pays for early childhood care and education.
- Put in place policies to increase competition and provide additional resources, which would ensure care is of high quality and high value to the public.

## Issue Overview

**Children younger than five in the United States do not have equal or equitable opportunities.** Geography, race, and parental income have too much influence on the resources that are available to them. Differences in access to high-quality affordable ECE create disparities in outcomes in childhood and into adulthood.

**The ECE system is fragmented and underfunded.** Despite research showing the positive returns to public investment in ECE, the U.S. invests more money in its older population than its younger population.

## The Challenge

Creating an equal and equitable ECE system is integral in the fight against the reproduction of intergenerational inequities. The cost of ECE puts a burden on parents at a time in their lives when they are least able to bear it. That fact, along with other failures in the market for ECE, means the U.S. invests too little in ECE. At the same time, the lack of funding for ECE leads to chronically low compensation and high turnover for caregivers. While providers need sufficient and stable funding, the ECE system also needs to ensure that funding is well spent on high-quality care.

## The Path Forward

Davis and Sojourner's proposal offers the following reforms to improve access to ECE services.

### **Ensure every family has access to affordable, high-quality ECE services.**

- Families would have multiple child-care provider options with families' costs capped at specified maximums that rise with income.
- Placing a cap on the total family financial payment for child care would ensure no family goes deeper into poverty to pay for care for their young children.
- Services would also be open to all children regardless of parental time use, ensuring children's access to high-quality care.

### **Create two stable funding streams for ECE and ensure those funds are efficiently spent.**

- The first funding stream would expand the Head Start and Early Head Start Programs, while the second would combine and expand the Child Care Development Fund and the Preschool Development Grant program.
- All providers funded through those streams would share unified quality standards and funding levels to cover the cost of care adequately.
- Eligible providers may be home-, center- or school-based and would be paid through contracts with providers and scholarships to families.
- A contracting and bidding process among some providers would reveal information about local costs of production, which would then help set the value of scholarships. Competition between providers to serve families' varying needs creates incentives for providers to be responsive and efficient. As a result, federal payments to providers would differ based on local conditions and services provided.

### **Significantly increase federal support for the ECE system to increase compensation among caregivers, thereby reducing turnover and increasing care quality.**

- Average compensation levels would be pegged to overall local earnings so that the sector remains competitive with workers' alternative earning options.
- ECE employers would have: sufficient resources to compensate well; incentives to compete with one another to use resources efficiently; and the financial resources to compete with employers in other sectors to attract, motivate, and retain top talent.

## About the Authors

Elizabeth E. Davis is a Professor of Applied Economics at the University of Minnesota. Davis served on two recent consensus study committees for the National Academies of Sciences, Engineering, and Medicine that produced reports on financing of early care and education and connecting the science of early childhood development and lifelong health outcomes.

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