



Report of the Oregon Task Force on Financing Quality Child Care

Oregon Commission
for Child Care

2002

Acknowledgments

Oregon's 71st Legislative Assembly passed HB 3659 in 2001 directing the Oregon Commission for Child Care to create a Task Force on Financing Quality Child Care. This report is submitted in fulfillment of the requirements of HB 3659. It contains recommendations that require action from the Oregon Legislature, state agencies, businesses, and other community partners. The task force final recommendations provide the foundation for a strategic plan to guide the continuing development and financing of a quality child care system in Oregon.

About this Report

This report is published by the Oregon Commission for Child Care. The Commission for Child Care is located within the Oregon Employment Department to address the issues, problems and alternative solutions that are critical to the development of accessible, affordable and quality child care services. Fifteen voting members are appointed to three-year terms as volunteers by the Governor, President of the Senate and Speaker of the House. Members represent child care consumers, child care providers, business, labor, not-for-profit sector, state and local government, medical and legal professions, and the public at large. Three non-voting members are representatives of the Oregon Legislative Assembly who are appointed to two-year terms by the President of the Senate and the Speaker of the House.



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Preface

Legislative Charge of the Task Force

Oregon's 71st Legislative Assembly passed HB 3659 in 2001 directing the Oregon Commission for Child Care to create a Task Force on Financing Quality Child Care. The charge of the task force included the following:

- Gather information about the availability of quality child care in this state
- Develop recommendations about how quality child care should fit within the voluntary statewide early childhood system created under ORS 417.728, (formerly 417.748)
- Develop recommendations about how to provide financial support for quality child care
- Develop recommendations on long-term planning to provide quality child care statewide as driven by local community needs

In addition to the specific duties listed above, the task force was directed to report its findings and recommendations to the Commission for Child Care and the interim legislative committees with responsibility for matters relating to children and families.





In accordance with HB 3659, the Oregon Commission for Child Care convened a Task Force on Financing Quality Child Care. The task force consisted of thirty-one members representing the Oregon Legislature, state and local government, business, foundations, education, the child care field, and citizens.

The task force met five times during 2002: March 5, April 5, April 26, May 10, and May 29. During that time several distinguished national and state experts met with the task force to offer the most current thinking about child care quality and financing. (A brief review of expert testimony is included in Appendix A.) The history and progress of Oregon's efforts relating to all aspects of child care were reviewed, along with national literature relating to brain development, early learning, and child care systems and financing.

Fifteen recommendations were jointly developed and approved by the task force. Recommendations are represented here with respect to the availability of quality child care, child care in Oregon's early childhood system, the financing of quality child care, and long-term planning for statewide quality child care.

Preamble

The first three years of life are a crucial period in a child's life, and during this period a child is sensitive to the protective mechanisms of parental and family support. House Bill 3659, Section 2 (1)

Why Quality Child Care Matters

Child care is an issue of vital public interest. Parents of young children are in the labor force in record numbers, and children are spending large portions of their early years in the care of others besides their parents. With the explosion of knowledge about brain development in infants and young children, the relationship between the quality of child care and outcomes for children is of increasing interest to parents, researchers and policymakers.

Neuroscience research reveals that a child's early years are crucial for normal physiological, emotional, sociological, and psychological growth and development. These developmental areas are directly related to the child's preparation for a successful life.

Since many children have their first prolonged out-of-home experience in a child care setting, child care should offer opportunities for positive early brain development that are essential to the ability to learn, succeed in school, and become happy, productive adults. Just as early intervention and prevention programs are integral parts of children's education, high quality child care must be similarly acknowledged as a key component in the lives of children and families, and increasingly, as necessary for economic stability. Investment in child care is an investment in young minds and a growing economy.

Raising children has always been a critical component of the economy. Even before women became a significant part of the workforce, their generally unpaid care of children enabled men to engage in wage-producing jobs. Child care formed the essential

The developmental effects of child care depend on its safety, the opportunities it provides for nurturing and stable relationships, and its provision of a linguistically and cognitively rich environment. Yet the child care that is available in the United States today is highly fragmented and characterized by marked variation in quality, ranging from rich, growth-promoting experiences to unstimulating, highly unstable, and sometimes dangerous settings. The burden of poor quality and limited choice rests most heavily on low-income, working families whose financial resources are too high to qualify for subsidies yet too low to afford quality care.

Neurons to Neighborhoods: The Science of Early Childhood Development, National Research Council and Institute of Medicine

basis for young Americans to become productive participants in the economy. Over time, the child care sector has become a formal part of the economy. Caregivers are paid wages and, in turn, pay taxes, and significant investments are made in associated buildings and supplies. Today, child care provides an essential infrastructure which enables mothers and fathers to be employed outside the home and earn necessary income. Affordable, accessible quality child care is essential to economic prosperity.

Greater investments in early childhood would not only benefit children but also save the government money in the form of lower welfare payments, higher tax revenues, and lower criminal justice system costs.

Investing in Our Children: What We Know and Don't Know About the Costs and Benefits of Early Childhood Interventions, Karoly, Greenwood, Everingham, Houbé, Kilburn, Rydell, Sanders, Chiesa, Rand Corporation, 1998.

Currently, in the majority of families — even those with very young children — the mother is in the paid labor force. And, an increasing proportion of mothers are the sole or primary financial supporters of their children, either through divorce or never having married. For most families, staying home with their young children is not an option. Most often, both parents must work to provide food and shelter for their families. Federal and state policies mandate that parents on public assistance must work, and may require the presence of both parents in the workplace, and thus, the mandated need for child care for these families. In addition, families require respite or specialized care in order to cope with the demands of raising their children with special needs.

As a result, the majority of our children are spending large portions of their developing years in out-of-home care. The fact that care may be in short supply or not of good enough quality are concerns that impact all other sectors of our society — not just parents.

How can we ensure that our children are receiving high quality care? High quality means children are actively engaged and learning under the care and guidance of a warm and nurturing caregiver who has the knowledge and skills to support their development.

Through our child care resource and referral network and other sources for public information, we can inform and educate parents about the importance of purchasing quality child care for their children. We can develop tools to help parents identify quality care. However, the quality of care that is fundamental to the well being of children is too expensive for many families to purchase, including families who purchase care with the help of a state child care voucher.

Caring for the very young is one of our most important responsibilities. Research indicates that consistent early care by an educated teacher is fundamental to quality early education, and quality experiences lead to readiness of our youngest children.

Yet, most child care workers receive minimal training, and due to chronically low wages, many providers cannot afford to stay in the profession. Few can invest in the training needed for high quality care. Some child care providers make such low wages that they qualify for the Oregon Health Plan, and others are the working poor who cannot afford any health care coverage for themselves and their families. One of the rare exceptions in Oregon is Head Start, a program that provides high quality care for low-income families and pays its staff respectable wages. We must develop models of private/public partnerships that support increased wages and benefits for child care providers.

The time is long overdue for society to recognize the significance of out-of-home relationships for young children, to esteem those who care for them when their parents are not available, and compensate them adequately as a means of supporting stability and quality in these relationships for all children, regardless of their family's income and irrespective of their developmental needs. Neurons to Neighborhoods: The Science of Early Childhood Development, National Research Council and Institute of Medicine





The availability of quality, affordable child care impacts employers. The high attrition rate in child care employment results in loss of wages for parents who miss work to find new care. This can jeopardize their jobs and cause disruption for employers. No employers like to lose the investments they have made in training their employees.

In this report, we propose ways to support families and employers through family-friendly business practices and the reduction of unexpected absences from the worksite. We propose working with businesses to find sensible ways to support quality child care for their employees. We look to the business community for ideas that will benefit both employees and employers and invest those same business leaders in helping our children be better prepared to enter school.

The task force also found that there is an economic rationale for supporting the success of child care programs and their providers. These small- and medium-sized businesses are locally based and would invest their compensation back into the communities in which they live. Looking at the business investment perspective is worth serious economic and workforce study.

State leaders have begun to build a system of care for Oregon children. This system began with communities mapping current services, gaps and barriers, and then selecting proven strategies to improve the system. One such strategic program is Healthy Start, which provides a voluntary method of identifying at-risk families and offering them access to services to improve parenting skills and abilities. Another strategic program is the crisis relief nursery that provides an important and successful adjunct to support families that struggle with parenting. The state must make high quality child care a keystone of systems planning for services for children and their families.

The aforementioned programs are necessary supports for Oregon children and families; however, a critical link has been frequently overlooked or underrated. Between those early childhood preven-

tion and intervention programs and the beginning of the school years is another obvious opportunity, if available, to prepare children for school, but if unavailable, can keep a child unprepared for what lies ahead. This opportunity is high quality child care.

This report describes the fragmented system of child care that currently exists in Oregon. It describes how the system must be strengthened through the adoption of quality standards and the acquisition of essential data. It describes how the fragments must be coherently built into a system that is recognized and supported by our state and its public and private partners. The report proposes ways Oregon can build on current legislation to acknowledge the critical role of child care and to begin to ensure its place in the state planning processes for child wellness and early education. Finally, it proposes a number of strategies for consideration that could help finance quality child care.

The Task Force on Financing Quality Child Care concludes that the availability of high quality child care for all families is important for the future of Oregon. It is a bold vision of the direction we must take to secure a healthy future for our children and their families. We can do no less.

The Members of the Oregon Task Force on Financing Quality Child Care





I. Availability of Quality Child Care in Oregon

National studies have found that 65 percent of child care arrangements of young children are fair to poor. Although there is no reason to expect Oregon child care to be markedly better, it is essential to know the level of quality in our state, and at this time we do not.

Measuring the Quality of Available Child Care

Oregon has been measuring the affordability and availability of child care since 1990 when the Oregon Progress Board adopted child care benchmarks. According to biennial data available from the Oregon Childhood Care and Education Data Project, child care is not affordable for 65% of families who earn below the median income, and that the amount of child care available varies widely across Oregon counties. Child care is most available in counties in which family incomes and education levels are high.

The current benchmark measures tell us nothing about the quality of available slots or the types of care that are in short supply. Measuring the quality of available child care is more difficult than assessing the supply of affordable child care in a community.

There is a significant body of research literature and a high level of consensus on the characteristics of quality child care. In discussions about child care, quality is the term used to describe care that research has shown to be associated with positive child outcomes: school readiness, higher language and cognitive functioning, social skills and emotional well being. The Oregon Head Start Collaboration Project has produced a detailed description of quality, “Essential Elements of Programs for Children.” This work cites nine fundamental components that characterize high quality early learning programs.

Number of Oregonians age 13 and under	605,495
Children age 13 and under with one or both parents in the workforce	55%
Oregon children under 13 in paid care	27%
Oregon children under 5 in paid care	34%
Oregon families with children under 13 using paid care	32%
Oregon families with incomes below the median for whom child care is affordable*	35%

Fig. 1: Who uses child care in Oregon?

Source: Oregon Child Care Research Partnership 2002

**Affordability means that on the average, families spend less than one-tenth of their household income on child care.*

Task Force Recommendations

1. Develop the ability to measure and evaluate the quality of child care statewide.

The Oregon Child Care Research Partnership should be commissioned to develop and pilot the measurement and reporting of quality indicators in child care arrangements. On the basis of the pilot, a statewide system would be implemented to measure and report quality levels to parents, employers, and other decision-makers using strategies such as a star system or reports of quality indicators. The Oregon Progress Board will be asked to adopt a quality child care benchmark.

2. Use solid data to drive the planning process for child care investments.

The Oregon Child Care Research Partnership should continue to measure and report on the supply of market child care, including the child care that is exempt from state regulation. A model should be developed to determine the cost and the investment needed for broad access to a high quality child care system that prepares children for success.

Research has established that the major components of quality care are warm, nurturing teacher behavior, the richness of the environment, and age-appropriate, stimulating activities. These characteristics are also highly correlated with structural factors: group size, adult-to-child ratio, and the education level of the teacher or caregiver. Other characteristics associated with quality are low teacher turnover rate, higher compensation of teachers and providers, and the absence of substantiated complaints.

The first challenge in measuring quality is deciding what to measure. Researchers are examining such questions as how to define the elements that correspond to quality child care, how to measure those elements, and ultimately, their effects on children both in the short- and long-term. We must also consider ways in which to communicate the results of quality measurement to parents and other decision-makers.

To gather information about the availability of quality child care requires the implementation of a strategy to measure quality. We must also determine the actual cost of a high quality child care system with access for all families.

Therefore the Task Force on Financing Quality Child Care recommends piloting a quality-measurement initiative. The first step is to establish a measurable definition of quality. The next step is to implement methods of quality measurement statewide and finally, to create a quality child care benchmark.

The task force considered the role of child care regulation in the availability of quality child care. Licensing is the level of standards below which child care businesses are not allowed to operate. The Oregon Legislature sets these standards. Oregon, as does every state, exempts certain types of care from licensing. Oregon exempts centers that operate for four hours or less per day and programs that are operated by government agencies such as colleges, universities and public schools.

The issue is not that we know the quality of exempt care to be low or bad for children. Rather, the issue is that we know nothing about exempt care. Families do not have the protection provided for care in regulated facilities where the state monitors to ensure that care meets minimal standards.

Oregon's Professional Development Registry is located within Oregon Childhood Care and Education Career Development Center, Portland State University.

Just as in many other fields, some consumers and policy makers want to be able to identify a level of quality that is higher than the requirements of state licensing regulations. Centers are accredited through the National Association of Education of Young Children (NAEYC), and family home providers are accredited through the National Association of Family Child Care (NAFCC).

Both processes consist of self-study and validation by a team of professional evaluators and final approval by the accrediting body. Facilities must meet rigorous standards for physical space, curriculum content and teacher and/or administrator qualifications. Accreditation standards are considered more stringent than licensing standards.

Definitions

Family Child Care Provider:

Care is typically provided in a private home for more than one family's children. A registered family child care provider can care for up to 10 children in Oregon, including her own children.

Child Care Centers:

Programs that provide care and education for a group of young children in a formal setting outside of a home, including all for-profit or not-for-profit programs, public and private preschools, Head Start programs, religion-based programs, and child and family development programs.

Child Development Associate (CDA):

A credential equivalent to 15 hours of college credit in the field of early childhood care and education. The CDA is considered as entry level certification for professionals.

Certified Child Care Center:

A business caring for more than 14 children in a facility designed for that purpose that meets the health and safety standards set by the Child Care Division. Facilities are inspected for fire safety and sanitation, and staff-to-child ratios and administrator qualification levels must be met.

Exempt Care:

A person or organization not subject to state child care regulation that establishes staff-to-child ratios or staff training and qualifications. These include providers caring for three or fewer children or children from only one family; programs operated by school districts and colleges; care provided in the home of the child or by a relative; and limited duration programs such as summer youth camps.

Task Force Recommendations

3. Use workforce training and compensation mechanisms to develop a child care workforce that is better able to provide quality care.

- a) Apply the Workforce Investment Act to the child care workforce to improve training levels and reduce turnover.
- b) Continue outreach to the child care workforce on available insurance options including the Oregon Health Plan and state insurance pool.

4. Utilize program and tax expenditures to improve the quality of available child care:

- a) The Department of Human Services should pay higher rates for state-subsidized child care that is of documented higher quality and/or provided by accredited providers.
- b) Revise the Oregon employer dependent care tax credit to offer larger credits for expenditures on documented quality child care arrangements.
- c) Create a tax credit for members of the child care workforce based on their level within the state's professional development registry.
- d) Revise the parent tax credit so that the amounts of credits are linked to levels of quality among child care providers.
- e) Create a fund to help with child care accreditation fees.
- f) Increase the amount of care that is subject to regulation by eliminating the current exemptions of child care facilities that are operated by colleges, universities and public schools.

Forty-eight of approximately 1,400 Oregon child care centers (950 of which are state-regulated) are accredited. Fewer than 10 Oregon family child care providers are accredited. In our state there is little, if any, reward for pursuing accreditation. In states in which facilities receive public payments for being accredited, the numbers of accredited facilities is higher.

Accreditation is granted to facilities. Individuals who are teachers or caregivers have a number of ways to document competency and earn credentials. They must complete basic training required by the Child Care Division if they work in a regulated facility. They can enroll in the Professional Development Registry and document their level of competency. They can complete the Child Development Associate Credential (CDA), a nationally recognized competency-based credential. They can earn a one-year certificate, an associate, bachelor or graduate degree in Early Childhood Education or a related field from a college or university. Some family child care providers choose to earn a CDA rather than become accredited. Ninety of the estimated 7,800 Oregon family child care providers have earned their CDA.

To encourage more child care providers and facilities to voluntarily exceed basic standards of health and safety, the task force offers recommendations that address training and compensation of the child care workforce as well as ways in which existing tax credits and the child care subsidy for low-income families can be applied as greater incentives for quality improvement.

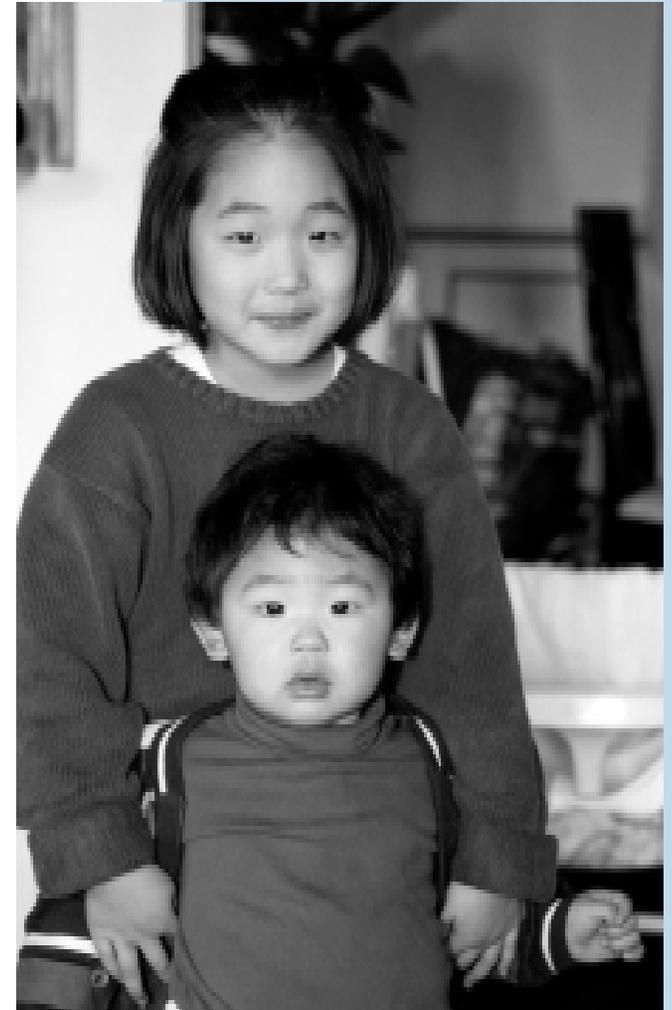
II. Improving Child Care Quality through Collaboration

It is a bold vision that puts child care at the center of community services for families to secure a future for our children. To do less is to neglect Oregon's youngest and most vulnerable citizens; to do more promises generations of healthier and more able Oregonians.

Improving Child Care Quality through Collaboration

Oregon is sometimes dubbed a laboratory of reform and maker of national trends. We're proud of our accomplishments to make Oregon a better place to live and work. Among these are the Oregon Health Plan, which affords greater access to health care by low-income Oregonians – particularly pregnant women and young children – and the Oregon Benchmarks, which quantify the state's collective goals for the health and well being of all Oregonians. In keeping with these traditions, Oregon has created a locally based system of planning for early childhood and other services for children and families.

The vast majority of families with young children voluntarily use child care while they work outside the home. Given that this system serves the majority of children on an ongoing basis, it is essential that child care is integrated within Oregon's early childhood planning. The task force offered the following recommendations to strengthen and broaden the collaboration already underway in Oregon communities.



Task Force Recommendations

5. Amend Oregon statutes to include child care as a central part of the collaborative, coordinated, comprehensive system of care for Oregon's children and families:

- a) Add quality child care [417.305 (2)] and high quality child care as defined by the Child Care Commission [417.728 (D)].
- b) Add the Employment Department as an agency that establishes the policies that shall be incorporated into the local coordinated comprehensive plan [417.728 (1)].
- c) Add the Child Care Division of the Employment Department to jointly identify the appropriate early childhood benchmarks and intermediate outcomes. [417.728 {2} (a) & (b)].
- d) Add the Employment Department as an agency that will consolidate administrative functions relating to training and technical assistance, planning and budgeting. [417.728 (4) (a) (b) (c) (f) (g) & (5)].

In addition to integrating child care into the state's early childhood planning through statutory changes, the two state Commissions can strengthen integration through increased collaboration.

- e) Add either the Chair of the Commission For Child Care or the Director of the Employment Department to the State Commission on Children and Families.
- f) Add the Child Care Division of the Employment Department as an agency that reviews the findings from the data collected by the local commissions through the local comprehensive plans.

- g) Work collaboratively with the Commission for Child Care to use the data collected by the local commissions in the development of the state's child care plan.
- h) Add the child care resource and referral network as partners in developing local comprehensive plans as well as the early childhood plan.

6. Recommend that the Commission for Child Care engage the business community, higher education and others as partners in the development of united advocacy and planning for a quality child care system:

- a) Support united advocacy for child care.
- b) Work with the county commissions on children and families to create a stronger voice for early childhood at the local level and in all levels of planning.
- c) Ensure that child care is represented all through the continuum of the early childhood system.
- d) Build a system together instead of competing for resources.
- e) Actively involve the business sector.
- f) Actively involve and link higher education with its training and knowledge of research-based programs and best practices with child care.
- g) Continue to support the prevention of child abuse throughout the child care system.
- h) Ensure mental health and public health planning are an integral part of planning the child care system.

Currently, there are significant gaps in child care services for children with special needs. Parents of children with disabilities have difficulty finding stable child care arrangements. They also report lower levels of quality in their care arrangements. To address this gap, Oregon has launched several successful programs to train providers to care for children with higher-level needs including a statewide mentoring project and some local child care consultation projects. However, family and provider access to these types of supports is limited. At this time, neither training nor consultation is available on a consistent, statewide basis.

Child care settings also provide the opportunity for the early identification of children's behavioral and mental health issues. Child care teachers and providers should be trained to fully support the development of positive assets of a child and to recognize and refer children and their families to appropriate services. This is ample reason for engaging mental health and health care professionals in child care planning. Through increased collaboration at the state and local levels, mental health and child care professionals can identify strategies to improve the availability of providers who are knowledgeable about caring for children with special needs.

In addition, cultural competency of child care providers is a growing concern. As Oregon's population becomes more diverse, the influence of language and culture within child care settings takes on greater significance. There is a growing need for well-trained child care providers who share the same language and culture of the children in their care.

Through collaboration — particularly with organizations and interests that may be considered nontraditional partners for child care professionals — the task force saw an opportunity to address these and other gaps to improve the quality of child care.





III. Child Care Financing

Ninety-five percent of public investment in education occurs after the age of five, even though 85 percent of a person's intellect, personality and social skills are developed by age five.

Strategies for Financing Quality Child Care

Child care is a market composed of providers who most often operate as small for-profit or not-for-profit businesses. Economists describe child care as a case of market failure — a market which left on its own, neither efficiently nor effectively delivers services.

Researchers consistently find that the quality of child care is not high enough to produce positive developmental outcomes for children. Yet, costs are already higher than the majority of low and middle-income families can afford. Child care is affordable for only 35% of Oregon families with below-median income.

The most recent Oregon figures indicate that families pay more than 66 percent of the cost of care. The private sector — including employers and foundations — contribute less than one percent. The rest is made up of federal, state and local government through tax credits and subsidies for low-income families. Low-income Oregon families spend about a quarter of their household income on child care. Single parents spend closer to one-third of their income on child care.

Total Oregon Child Care Expenditures
\$593,359,510

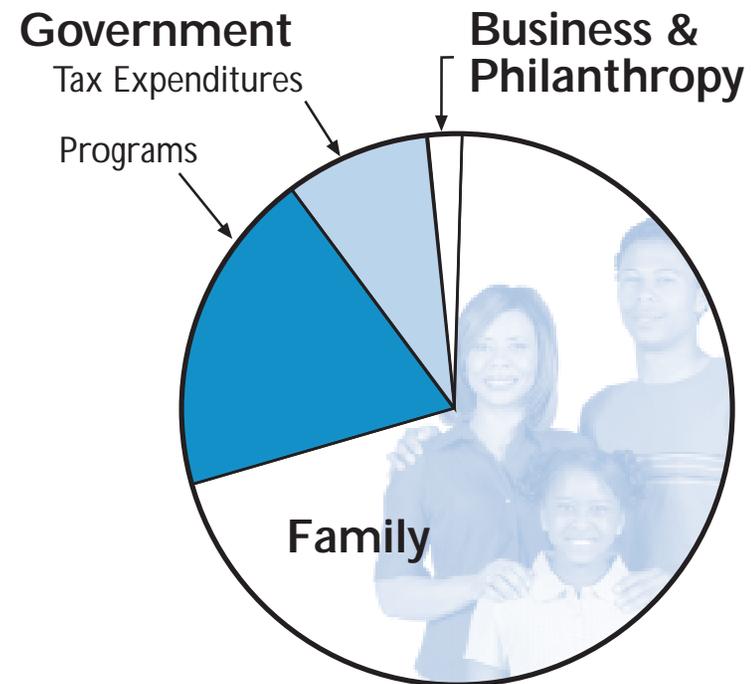


Fig 2: *Who Pays for Child Care in Oregon?* Source: Oregon Child Care Research Partnership based on state fiscal year 2001

Task Force Recommendations

7. Improve Oregonians' ability to locate and make informed decisions about quality child care:

- a) Fully fund the child care resource and referral (R&R) system. Introduce legislation to reduce the 100% match requirement.
- b) Strengthen the capacity of R&Rs to assist families, providers, employers and communities.
- c) Fully fund the child care career development system including the Professional Development Registry (PDR).

The task force found that existing tax and program expenditure options are not fully utilized.

8. Explore the full use of existing funding streams to improve the quality of care:

- a) Identify and remove barriers to full usage of existing child care tax credits by parents and employers.
- b) Allocate new Title I funds to expand early care and education.
- c) Direct that Community Reinvestment Bank Act funds be used for a micro-loan program for early care and education.
- d) Review non-child care tax credits for child care funding opportunities.

Adequate and stable funding is needed for greater access to quality care, to provide consumer education to parents, for training the child care workforce, and to encourage and assist employers in addressing child care needs of employees.

Oregon's child care affordability benchmark is based on the goal that families spend less than 10% of household income on child care. Currently, poor families spend almost the same amount for child care as their higher income counterparts. Yet, poor families spend a much greater percentage of their family income on child care.

Low-income families receiving child care subsidies and who are responsible for co-payments spend on average 15% of their household income on child care. The amount that these low-income families must spend on child care is even higher because the maximum amount paid in the subsidy program is equal to or greater than the price of only 24% of the slots in the child care market in Oregon.

Congress envisioned families having access to 75% of child care slots in their communities. In contrast, Oregon families receiving the subsidy can access only approximately one-quarter of available child care. The combination of the parents' co-payments and the voucher value falls too short to purchase most of the care that is available in their communities.

Employment is a necessity for single parents and lower-income two-parent households. Currently, in a majority of Oregon families with children — even those with very young children — the mother is in the paid labor force. And, there is an increasing proportion of mothers who are the sole or primary financial supporters of their children, either because of divorce or because they never married.

The type of child care arrangements used by families while the mother works varies depending on the age of the child, as well as the mother's work schedule (full-time or part-time), marital status and family income. Flexible and supportive workplace policies and practices by employers can positively impact the quality of care that children receive.

According to Work and Family Connection, Inc., a national clearinghouse on work-life research, during the past two decades, more employers are reporting that helping employees with child care and other work-life policies positively impact their businesses through reduced absenteeism and turnover and increased employee productivity and commitment. Despite the fact that businesses derive great benefits when employees have high quality child care for their children, relatively few employers are investing in child care as an employee benefit.

The task force acknowledged the need to better inform Oregon employers about existing tax credits that offer incentives to invest in programs to help employees with child care. Currently, a state tax credit refunds 50 percent of employers' investments (\$2,500 maximum per employee per tax year) in these programs: offering child care resource and referral services, paying a portion of child care expenses, subsidizing the operating costs of an employer-sponsored child care center, or underwriting slots in a community child care facility. In addition, a federal tax credit is available to assist employers with the costs of building a child care center for employees, offering child care resource and referral services, and a paying employees a child care subsidy.

Task Force Recommendations

9. Explore the creation of new revenue streams to pilot new ways of financing child care:

- a) Explore the feasibility of a statewide real estate transfer tax (.5 of 1% of sale) and direct revenue to address affordable living needs of low-income families: housing, food, and child care.
- b) Explore the institution of a tax on gourmet coffee and direct revenue to children.
- c) Create a marketing campaign to encourage parents and employers to use dependent care and other child care tax credits.
- d) Pilot a financial aid system for all families that is modeled on the financial aid system for higher education, using public and private dollars so that families pay less than 10% of household income on child care.

10. Improve the ability of low-income families to afford quality child care so that:

- a) Families participating in the state child care subsidy program pay less than 10% of household income as their share of their child care cost.
- b) State child care payment rates cover the full cost of 75% of the child care slots in a community so that families will not have to pay the difference between the provider's usual charge and the state payment rate.

Task Force Recommendations

11. Encourage businesses to explore the benefits of employer-supported child care and flexible and supportive workplaces:

- a) Ensure that parents have access to paid parental leave after the birth or adoption of a child.
- b) Support employer policies that meet a parent's need for flexibility.
- c) Promote manageable shifts and work schedules.
- d) Encourage flexible work schedules so employees can better meet family needs.
- e) Promote child care assistance as part of employee benefit packages.
- f) Establish part-time jobs that offer full-time benefits.

12: Expand the ability of Oregon child care resource and referral programs to respond to family and employer needs:

- a) Learn from parents what kinds of help will have the greatest impact.
- b) Assist parents with work-family issues.
- c) Help employers assess and meet the work-family needs of their employees.

13. Engage Oregon businesses as allies in supporting families and advocating for public support of child care:

- a) Support parents' ability to stay home with their child after birth or adoption.
- b) Explore the use of the Unemployment Compensation funds for paid leave of parents.
- c) Promote flexible parental leave policies including paid leave.
- d) Explore feasibility of a tax credit for employers who offer paid parental leave.

14. Develop strategies to better inform all sectors of society about the benefits of high quality child care:

- a) Ask the Child Care Information Partnership (collaboration providing public information about quality child care) to enlist the support of business leaders to help other employers understand the importance of high quality child care to prepare children for success in school.
- b) Recommend that the Commission for Child Care initiate a campaign that is ongoing, made up of task force members to continue the momentum of the finance task force.
- c) Encourage the creation of a nonprofit organization whose mission is educating Oregonians about the need for and benefits of early care and education to prepare children for success in school.
- d) Join other states in advocacy for increased federal funding of early care and education.
- e) Link the work of legislative interim committees on Women in the Workforce and the federal Birth and Adoption Unemployment Compensation Rule.

The task force recommended exploring other tax incentives for employers to encourage child care investments for employees. A recent national study indicates that on-site and near-site employer-supported child care centers are more likely to be of higher quality, maintaining greater staff-to-children ratios, accredited by NAEYC, and offering competitive salaries with benefits for child care teachers and staff.

It is unlikely that Oregon will provide high enough quality child care to meet the needs of its young children until Oregonians understand the costs and benefits of quality child care. Efforts are needed on the part of all stakeholders to ensure these outcomes are positive.

The Role of Philanthropy in Child Care Funding

Many U.S. foundations and philanthropic organizations provide important support for child care, early childhood development, preschool, and after-school programs in Oregon communities. Each organization has its own funding criteria and cycle for giving programs. Most provide grants within several categories:

- Capital for construction or renovation of child care facilities;
- Materials, supplies and curriculum purchases for early learning;
- Training scholarships for child care providers; and
- Special projects such as respite care or tuition assistance for children with special needs.

Some organizations provide start-up funds for new child care programs or child care approaches. Yet, few fund the operational needs of programs. Community-based organizations should explore the priorities of each foundation to assess the funding potential for their particular idea or initiative.





IV. Conclusion

Create a practical model of a statewide quality child care system that serves all Oregon children and is responsive to local community needs

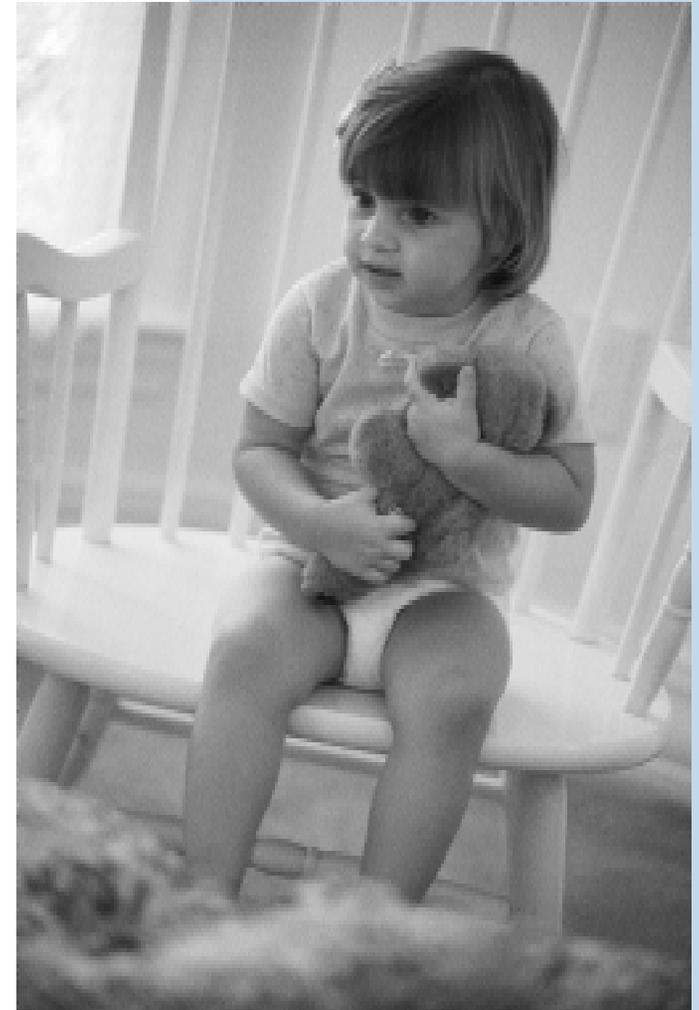
— Mission statement of the Oregon Task Force on Financing Quality Child Care

Long-Term Planning For Quality Child Care

From existing child care data, we know that the availability of affordable child care varies widely across Oregon counties. Every community must address child care needs in relation to the community's unique mix of strengths, resources, and geographic and demographic factors. And, to ensure that quality child care is available to families in every community throughout the state, child care needs must be addressed within the context of an overall system. By system we mean more than child care facilities and programs — we mean programs and the entire infrastructure that support the provision of high quality early childhood care for all children.

The challenge to finance such a system goes beyond just funding the day-to-day delivery of individual programs. There are many programs, services and funding streams that support early childhood education in addition to parents' fees. These remain largely uncoordinated and under-funded, and opportunities for investments from the private sector, to a large extent, remain untapped.

To date, most of our public expenditures go to support direct services for children in families with low incomes. Even so, large percentages of children who could benefit from publicly supported programs do not have access to them. For example, Head Start serves only about half of all eligible children, and federal child care subsidies reach less than a fifth of eligible children.



Individually, the recommendations in this report are advanced to address these specific issues and conditions. Yet, when considering these recommendations as a comprehensive body of work, the recommendations take on the elements of a long-term plan to address the building blocks — the infrastructure — of an integrated system of early learning in Oregon:

Components of a High Quality Childhood Care and Education System

Health and Safety Regulation
Minimum standards for providers.

Child Care Resource and Referral
Information for parents, providers, employers and communities.

Quality Standards
Program accreditation or other evidence of high standards. Staff credentials, degrees, or other evidence of high skill.

State and Local Child Care Planning and Policy

Quality Assessment
Objective measurement of child care quality using research-based indicators.

Low-income Subsidy
Assistance for low-income families working or preparing for employment.

Career Development
Coordinated training, education, mentoring, and professional recognition for the child care workforce.

- Quality assurance for all child care settings — standards for personnel and programs, regulation and accreditation
- Consumer information and referrals — provision of qualitative information to child care consumers for informed child care choices
- Professional development — incentives for training, continuing education and accreditation of child care providers
- Employer assistance — help for assessing and addressing the child care needs of employees
- Research — the information essential to planning, decision-making, and tracking and improving performance

All of the experts who met with the task force emphasized the importance of involving all stakeholders in long-term solutions for financing a childhood care and education system. Clearly, these components of quality early learning are beyond the ability of Oregon parents to finance on their own. And, the costs of children being in mediocre or low quality care are too high for all Oregonians.

Research studies have established the rationale for public support of early learning, and Oregon has many good early childhood programs already in place. Broad-based collaborations are at work in Oregon communities engaged in local comprehensive planning of early childhood services. Innovative business leaders are demonstrating the mutual benefits derived from employer-supported child care and flexible, supportive workplaces. Yet, considerable work remains to be done to integrate and support these efforts as a cohesive, early childhood system that provides the level of quality essential to all children's healthy development.

Therefore, the final recommendation of the task force is offered to underscore the importance of investing in a quality early childhood system. The rationale became the strong, recurrent theme throughout the work of the task force – that quality child care matters on many levels. It matters to young children in their most vulnerable years, and to their parents who want the assurance that their children are receiving the best care even when they cannot be with them. It matters to employers who must rely on the best, most productive employees the workforce has to offer, and to elected officials and other policymakers who are entrusted to make sound, cost-effective decisions. Quality child care matters to all Oregonians who want the healthiest and safest communities in which to live, work and raise our families.

The task force has identified critical issues that will need to be addressed by state and local policymakers, state and local organizations and agencies, and the business and nonprofit sectors. The Commission for Child Care with its partners will carry these recommendations forward as strategic plan to improve child care in Oregon.

Task Force Recommendations

15. That Oregonians recognize and address child care as fundamental and vital to Oregon's future.



Summary of Task Force Recommendations

- Develop the ability to measure and evaluate the quality of child care statewide.
- Use solid data on child care to drive the planning process for child care investments.
- Use program and tax expenditures to improve the quality of available child care.
- Apply workforce training and compensation mechanisms to develop a child care workforce that is better able to provide quality care.
- Amend Oregon statutes to include child care as a central part of the collaborative, coordinated, comprehensive system of care for Oregon's children and families.
- Engage the business community, higher education and others as partners in the advocacy and planning for a quality child care system.
- Improve Oregonians' ability to locate and make informed decisions about quality child care.
- Explore the full use of existing funding streams to improve the quality of care.
- Explore the creation of new revenue streams to pilot new ways of financing child care.
- Improve the ability of low-income families to afford quality child care.
- Encourage Oregon businesses to explore the benefits of employer-sponsored child care and flexible and supportive workplaces.
- Expand the ability of Oregon's child care resource and referral programs to respond to family, employer and community needs.
- Engage Oregon businesses as allies in supporting families and advocating for public support of child care.
- Develop strategies to better inform all sectors of society about the benefits of high quality child care.
- Recognize and address child care as fundamental and vital to Oregon's future.

Appendix A:

Expert Testimony Provided to Task Force on Financing Quality Child Care

The following is a brief summary of expert testimony delivered to the Task Force on Financing Quality Child Care. Full copies of testimony may be requested from the Oregon Commission for Child Care.

Helen Neville, Professor, Psychology and Neuroscience, University of Oregon. *The Effects of Experience on Human Brain Development*. April 5, 2002.

Dr. Neville reviewed current knowledge about human brain development which has led her to the following conclusions:

- The early childhood years lay a foundation that influences the effectiveness of all subsequent education efforts.
- Public expenditures for early care and education must be invested in high quality programs that promote sustained relationships with qualified personnel.
- Major investments must be made to enhance the skills and compensation of providers of early care and education.
- Tax, wage, and income-support policies should be reassessed to assure that no child supported by a working adult lives in poverty.
- Family and medical leave should be expanded to cover all working parents, and strategies should be explored to provide income replacement.
- The exemption period should be lengthened before states require parent of infants to work as part of welfare reform.





Bobbie Weber, Coordinator, Oregon Child Care Research Partnership, Oregon State University, *Childhood Care and Education in Oregon*, April 5, 2002.

Bobbie Weber described the current status of child care in Oregon including usage, affordability and initiatives to improve the quality of care available to families. She reported on research findings of the link between the level of quality and child outcomes. She concluded with an economic rationale for investment in child care.

Suzanne Helburn, Professor of Economics Emerita, University of Colorado at Denver, *Public Funding of Child Care*, April 26, 2002.

Suzanne Helburn reviewed research on quality child care. She then described an effective child care system, explored affordability, and concluded with a set of recommendations of policies which will improve market operation and provide incentives to increase quality.

Louise Stoney, Consultant, Stoney Associates, and Technical Assistance Specialist, National Child Care Information Center, New York, *It's Not Just About Money: Financing the Early Care and Education System in Oregon*, April 26, 2002.

Louise Stoney based her comments on a set of key principles. She introduced the concept of layered funding, programs operating a single budget to which multiple funders have contributed. She distinguished between portable funding (given directly to parents and used in the program of their choice) and direct financing (funding that directly supports a program). She noted that higher education and housing are models of how the two types of financing are combined. She argues that support of child care is an investment in young minds and in growing the economy. After sharing financing strategies being used in other states, Louise concluded with urging Oregonians to think outside the box.

Bobbie Weber, Coordinator, Oregon Child Care Research Partnership, Oregon State University, *Oregon Child Care Policy Overview*, April 26, 2002.

Bobbie Weber provided basic information on Oregon's child care system. She shared a brief history of child care regulation, an overview of child care subsidy policy, and a summary of child care related tax credits.

Arthur Emlen, Professor Emeritus in Social Work, Portland State University, *Balancing Supply and Demand Initiatives*, May 10, 2002.

Arthur Emlen noted that most social problems can be addressed by either a supply or a demand strategy and that there is a danger in taking an either-or position. Dr. Emlen argued that in addressing child care we are best served by focusing on supporting both supply (child care providers) and demand (parents and children). He shared examples of demand-side initiatives and concluded with cautions about trying to use public money to restrict parent choice. He argued that subsidy powers, regulatory powers, and educational programs be kept independent.

Anne Mitchell, Early Childhood Policy Research, *High Quality Early Care & Education*, May 29, 2002.

Anne Mitchell provided a graphic description of "A model for Quality Improvement" which includes quality standards, consumer engagement, provider engagement, support to providers to meet standards, infrastructure to maintain quality standards, and ongoing financial assistance. Anne shared criteria for evaluating financing strategies.



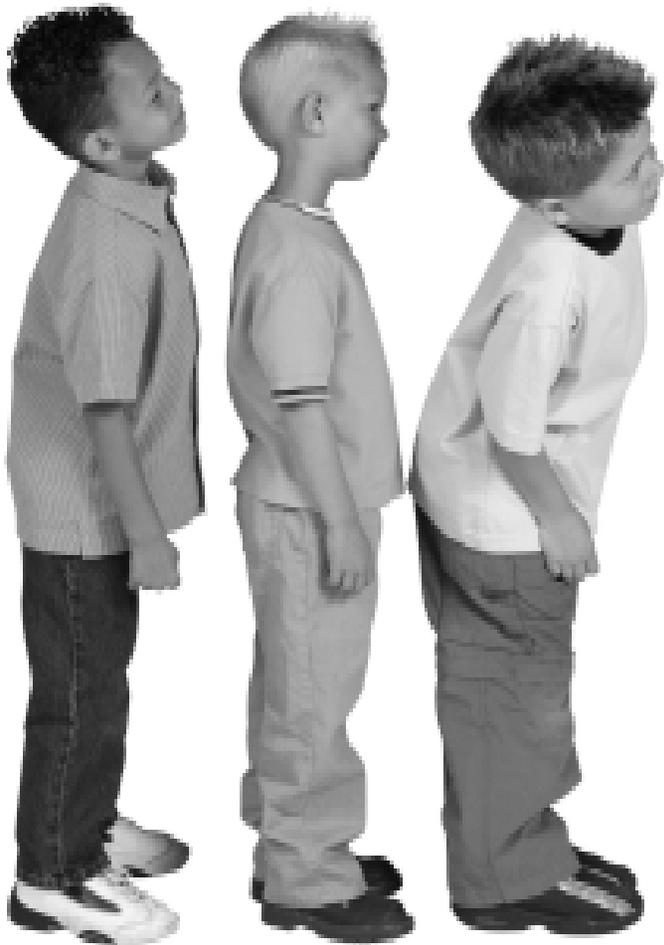
Appendix B: Citations

Oregon Head Start Collaboration Project. (1999, March). *Essential Elements of Programs for Children: Implementation Plan for Quality*. Salem, OR: Oregon Department of Education.

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National Research Council and Institute of Medicine (2000). *From Neurons to Neighborhoods: The Science of Early Childhood Development*. Committee on Integrating the Science of Early Childhood Development. Jack P. Shonoff and Deborah A. Phillips, EdS. Board of Children, Youth and Families, Commission on Behavioral and Social Sciences and Education. Washington, D.C.: National Academy Press.







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