

Key Findings

- **Nearly 2 out of 3 families depend on child care in order to work because both parents (69%) are in the labor force (Census, 2012).**
- **There are 285 licensed child care programs in the county, of which 42 (15%) are considered high quality.¹ (OCDEL, 2013).**
- **Only 6.5% of all children under age five attend a highly rated private child care program.**
- **Of 2,007 children with a child care subsidy, only 623 or 31% attend a high quality program.²**
- **Only one third of eligible families (income under 200% of poverty and all adults are working) are getting assistance to help pay for child care.³**
- **Nearly 1 in 5 children lives in a family that is poor or low-income.⁴**
- **With a median cost of \$24,700 per year, child care is out of reach for a typical family of four with two young children, an infant and a preschooler. A high quality center usually costs more.⁵**

The Bottom Line Is Children Early Care and Education In Chester County



Chester County is home to 31,200 children under five years old. In less than twenty years, these pre-school age children will be the future employers and workers in the county – and hopefully many will grow up to take the reins of leadership. Given that the future of the county is linked to the success of its next generation, much more must be done to prepare these children for the future. In a global economy that will demand high skills and critical thinking, every community is under pressure to up the ante on the quality of its academic and family supports. What we do today will determine whether all young children thrive, are

prepared to earn a living and have a good life in the global economy they will soon inherit.

Economists of all stripes point to the need to invest in the human capital of our country. Examples include conservative Harvard economists who found that human capital investments had three times the positive effect on economic growth as did physical investment (Mankiw, 1992-05-01). Nobel-winning economist James Heckman found that the return on investment from early childhood programs is higher than for virtually any class of investments over time. (Heckman, March 2000).

But investments in just any sort of early childhood program or child care don't produce the desired results. Only those investments in programs that meet standards of high quality are shown to produce the lasting results, helping children develop the full suite of fundamental early skills that prepare them for school and life-long success. In Chester County only 15% of all licensed, private child care programs are rated as meeting the standards of high quality.

One reason that so few programs meet the high quality bar is because these sorts of programs cost more to operate. Even in this affluent county, many families struggle to pay the cost of care – which averages \$23,816 for a preschooler and an infant – and often must choose a more affordable program over one that could maximize their child's development at this crucial phase of the child's life.

Low and moderate income children can benefit the most from high quality early learning programs, and one in five Chester County children under the age of five is living in a family that is poor or low-income. Research shows that these children are most at risk for starting school a year or more behind their more affluent peers on measures of school readiness, but their parents are least able to afford the quality care that can get them ready for school. Even where state and federal funds are being used to increase access to early learning programs or child care, only a small share of the children are in programs considered high quality. As a result, the potential to boost their school readiness by attending an early care program is undermined.

The recently released report, *The Bottom Line is Children: Public Education in Chester County* highlights the troubling trend that the number of children at risk of school failure has increased over the last five years (PCCY, 2013) and nearly 10,000 students are still unable to read or do math at grade level. A key strategy that should be employed to reverse the declining academic performance

in the County is the expansion of affordable high quality early learning programs. Why is this the case? Again, Heckman's research is telling: he and colleague Pedro Carneiro find that the reason investment in early childhood development and education packs such a strong economic punch is because "early learning is far more productive and cost-effective than later, remedial education, as the social and behavioral skills that children learn in their early years set a pattern for acquiring positive life skills later in life." (Carneiro, 2003).

In this report PCCY identifies the progress made in the county with respect to access to affordable high quality early childhood education programs. In contrast to the good news, we also examine where progress is stalled and where the early education system is losing ground. We also offer suggestions for steps the county can take to improve access to high quality early education, which in turn can attract new families, talent and good jobs to the county. A vibrant early learning sector that offers parents quality at an affordable price can improve school performance dramatically – and as a result reduce local safety net costs and improve the quality of life of every citizen.

Why Early Childhood Investments Matter

Everyone benefits when children start school ready to learn. A half-century of research has demonstrated that at-risk children who participate in high quality early childhood education are more likely to graduate from high school, hold jobs, and earn more than their peers. Recent research shows that middle-class children benefit as well. That is because the first five years of life are crucial to brain development, and the child's early learning experiences will set her or him on a course that will heavily influence her/his future.

Early learning is also entwined with smart community economic development. Timothy Bartik, an economist and expert on state and local labor market policies, argues that a comprehensive economic development strategy must include early learning programs, as they cultivate and retain high-paying businesses, increase the quality and productivity of the workforce, attract highly skilled workers and produce a competitive workforce for the future (Bartik, 2011).

Communities are affected in several ways:

- Every dollar invested in high quality early childhood education saves the public \$8-17 in special education, grade retention, criminal justice and welfare costs. (Schaefer, 2011).
- Every dollar invested in quality early care creates \$2.06 in stimulus for the local economy, by creating jobs and economic demand at higher levels than other sectors, such as retail, construction and energy.
- Employers value formal child care because it increases employees' productivity and reduces time lost from work.

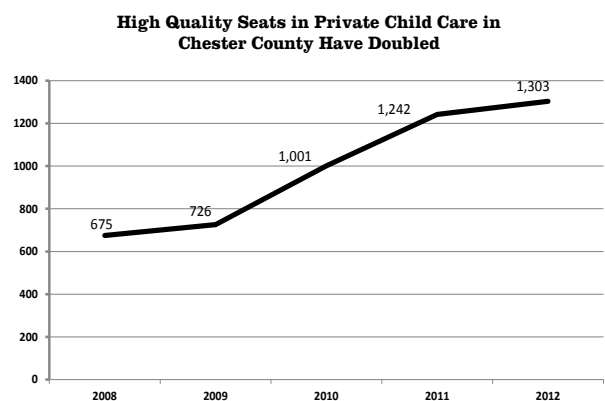
Good News for Chester County

Families with child care subsidy have trended away from using unlicensed, relative/neighbor care. Since 1997, the use of such unlicensed care in the County has declined sharply from a high of about one in four to 11% in 2008 and to only 5% today. This is good news, since care by relatives and neighbors is unregulated, and the quality is unknown. It also demonstrates the maturing of an increasingly strong early learning sector that is gaining stability and capacity. There are still families who choose this option, often because they work non-traditional hours and cannot find a center that can accommodate their work schedules.

Key Quality Improvements Not Moving Forward Quick Enough

Quality matters enormously in early education, especially for children from low-income families, those with developmental delays, those whose families do not speak English at home, or those with other risk factors. Research shows that quality also matters in terms of cost-effectiveness for taxpayers. In other words, higher quality programs have higher returns on investment.

The news on quality early learning opportunities in Chester County is mixed. The good news is the impressive momentum that has nearly doubled the number of seats in private child care settings are in programs considered high quality – that is, they are rated 3 or 4 in the Keystone Stars quality rating system. (Other good quality seats may be found in centers accredited by the National Association for the Education of Young Children (NAEYC) or in private nursery schools accredited by the Department of Education, but many or most of these seats are also DPW licensed and rated Star 3 or 4. At this time we do not have the capacity to provide unduplicated numbers, so this report uses the Star 3 or 4 figure as a proxy for high quality.)

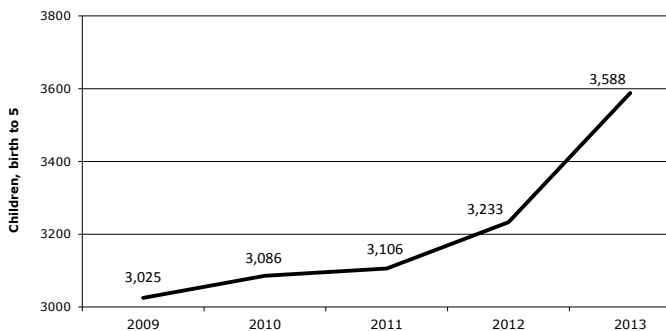


As the graph above shows, Chester County saw a healthy jump from only 675 high quality seats in 2008 to 1303 by June of 2012, increasing by 93%. While 15% of the licensed programs provide these seats, it still means that barely 4.2% of Chester County children under five would be able to enroll in a high quality private child care setting.

One reason for such limited movement in expanding access to high quality programs is the lack of funding. Funding for Keystone STARS, the state’s voluntary quality improvement program, has not been adequate to help most programs boost or sustain overall quality, much of which depends on staff credentials. The program provides professional development and incentives for programs to move up the quality ladder, but funds have not been significantly increased in recent years and grants run out before all the eligible programs can receive the incentives.

Many programs at the lower rungs have also found it difficult to hire and retain the better qualified staff, which they need to climb the quality ratings ladder. This is especially true of programs that serve a large number of low-income children, whose tuition is paid by the state at levels that have not increased since 2007. Thus, the system’s capacity to continue to grow the number of higher quality seats has been limited by the failure to address the inadequate state reimbursement levels.

Early Intervention is Serving More Children with Delays and Disabilities in Chester County



Growth in Chester County’s Early Intervention Program is another positive trend, but one which must continue if all children are to get the help they need to maximize their potential. Research shows that when children with development delays are given access to Early Intervention (EI) programs, the benefits are immediate and long-term. About half of all children who receive EI as infants or toddlers are able to start kindergarten without the need for special education (Hebbeler, 2007) Fortunately for children in Chester County,

more young children with developmental delays and disabilities are getting help through these programs. In FY 2012-13 the programs served 3,588 children under five, comprising 11.5% of that population, an increase of more than 500 children or 22% over five years. Although the current rate of 11.5% is over the state average (10.4%) – and the county is considered low-risk – national studies suggest that one in eight children (13%) are likely eligible and would benefit from the services provided by Early Intervention (Center, 2011).

Going In The Wrong Direction

Costs Exceed Capacity of Many Families

The median income for Chester County families with children was \$108,107 in 2012, down 0.7% from \$108,903 in 2008 (“2012 American Community Survey 1-year estimates,” n.d.). But the real story is about families below the median.

The cost of child care is prohibitive for many working families, often costing more than housing or college tuition. A family with two young children typically pays \$24,700 per year in child care costs, the highest in the region. What’s more, a higher-quality center can cost significantly more than the median. The share of households with both parents working has increased from 65% to 69% in only five years, adding to demand.

Poor, Low-Income and Middle-Income Families Especially Struggle to Pay

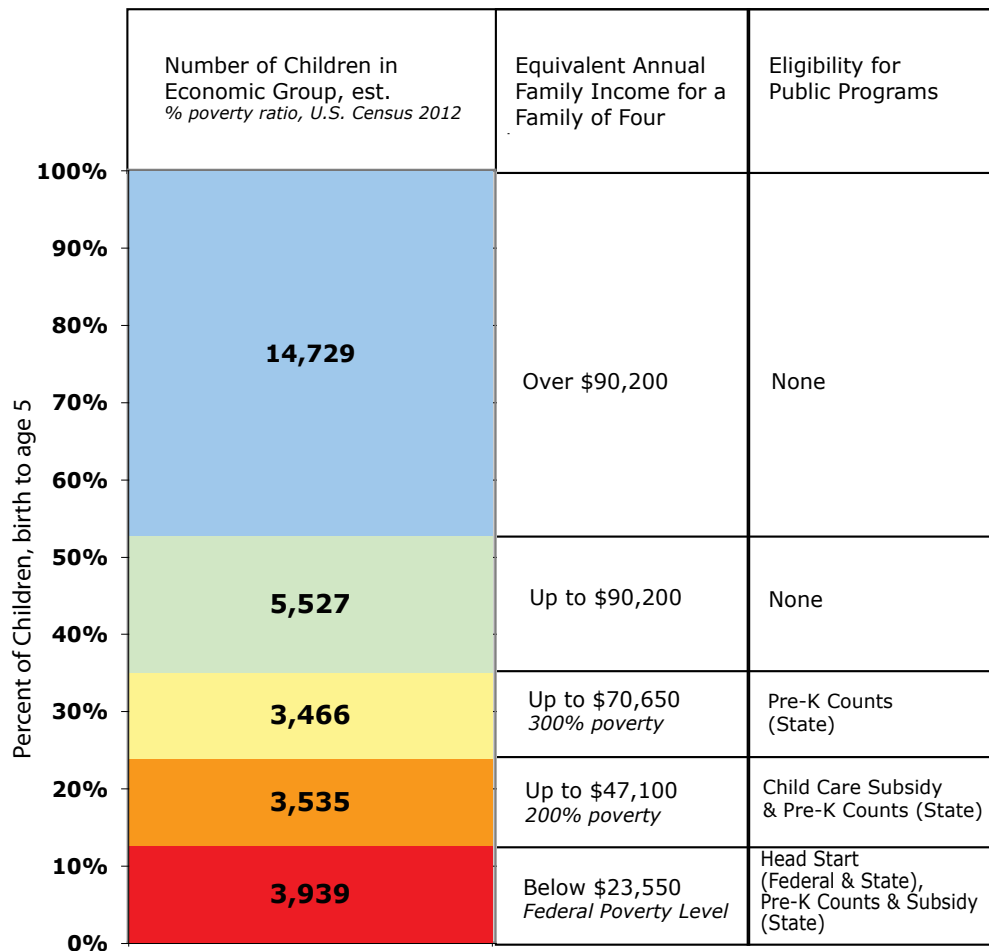
Despite the county’s affluence, poverty has increased over the past five years. The number of poor children under five increased 62%, bringing the percentage to 12.6 %, or one in eight. During the same period, the number of young children that are growing up “working poor” or “low-income” also increased by 41%, indicating that a number of moderate-income families fell into poverty and near-poverty since the recession hit in 2008.

Because the cost of living is relatively high in Chester County, even moderate-income families

find it difficult to get by without government help. The basic “self-sufficiency” level – that is, the minimum needed to live frugally without government supports or subsidies – is \$77,251 for a family of four with a preschooler and an infant – the highest in the region and more than \$1,000 higher than neighboring Montgomery County (Pearce, 2012). More than one third of young children are in a family below “self-sufficiency” and needs government subsidies to get by.

For example, take the case of a family of four with two young children and an annual income of \$50,000. Unfortunately, this exceeds the maximum income threshold for eligibility for child care subsidy, set at 200% of the federal poverty level (or \$47,100 for a family of four). As a result, this family would have to pay nearly half their gross income for center-based child care, or 40% of it for family-based care.

More than a third of Chester County children, birth to 5, are eligible for one or more early learning programs



The Local Impact of Budget Cuts

As a result of this gap between the cost of care and families’ ability to pay, the child care and preschool needs of the majority of currently eligible, moderate- and low-income families – comprising one-third of the county’s under-

five-year olds – are not being met. For the families who are living on incomes under 200% of the federal poverty level, state budget cuts since 2010 have made matters worse. Fewer Chester County families are receiving a child care sub-

sidy than in 2008, but as a percent of need the drop has been even more dramatic.

State budget cuts since 2010 have reduced the number of young children with subsidy by 152, or 10% overall. Coupled with a greater number of eligible children – and the fastest increase in rates of poverty and working poverty in the five counties – today only an estimated one fourth of eligible families are receiving a child care subsidy, down dramatically from five years ago, when about half of all eligible families were able to get financial assistance.

Related cuts have also caused the parents who do have a child care subsidy to have to pay a larger share of the cost of care. Co-pay costs have increased – sometimes doubling – for those working poor families who are fortunate enough to have their children enrolled in subsidized care.

Not surprisingly, state budget cuts caused the waiting list for subsidized child care to grow. Chester County has consistently had among the longest wait times in the state; in recent years they have ranged up to a year for families that are certified to meet all the program’s income and work requirements. In March 2013, 247 children had been waiting up to six months. In practical terms, this places parents in a catch-22: they must have a job or job offer in order to be deemed eligible and be placed on the wait list, but if they cannot make arrange-

ments while they wait, they may have to leave a job or turn down an offer.

State funding cuts have also taken a toll on quality. A major impediment to improving the quality of child care and pre-school programs is the inadequate reimbursement rate to programs that take children with public subsidies. Although the state provides higher rates for higher quality, neither the basic rate nor the high-quality rate is enough to cover a program’s cost of investing in improvements or staff with better credentials.

Young Children Lose Access

Public investments in programs for infants and toddlers remain extremely limited, and the unmet need for quality care for infants and toddlers is even greater than it is for preschool-age children. The number of infants and toddlers with subsidy in private care has declined by 14% since 2008, twice as fast as the 7% decline for preschoolers. The reason may be an overall reduction in infant seats, based on providers’ inability to provide care at an affordable cost.

Because of strong safety rules in Pennsylvania, the staff-to-child ratio for the youngest children is one-to-four, making infant care far more expensive than for three and four-year olds. Because few moderate-income families can afford licensed care, seats are diminishing despite

Few Infants and Toddlers Can Access Care⁶			
Programs	# of Seats	# Seats Needed	% Unmet Need
Early Head Start (<100% Poverty)	0	2,364	100%
Child Care Subsidy (<200% poverty, parents in workforce)	611	3,076	80%
Total estimated unduplicated count, children birth through age 2 in poor and low-income families	611	3,819	84%

Programs Serving Preschoolers (Age 3-4) Are Severely Underfunded⁶			
Programs	# of Seats	# Seats Needed	% Unmet Need
Head Start (<100% Poverty)	566	1,574	64%
Child Care Subsidy (<200% poverty, parents in workforce)	727	2,049	65%
Pre-K Counts (<300% Poverty)	68	4,372	98%
Total estimated unduplicated count, 3 and 4-year olds in poor to moderate-income families	1,356	4,372	69%

the increased need. For child care programs that take infants and toddlers with public subsidies, the reimbursement rates are higher than for older children, but providers say the level still does not cover the true cost of infant care. For all these reasons, programs that serve infants and toddlers are even less likely to be rated good quality than those that serve preschoolers.

Another avenue for improving infant and toddler care is the federal Early Head Start program, a holistic program for children in poverty that can include home visiting and center-based care. Chester County has no Early Head Start seats, though more than 1,700 children from birth to three who are currently in poverty are eligible.

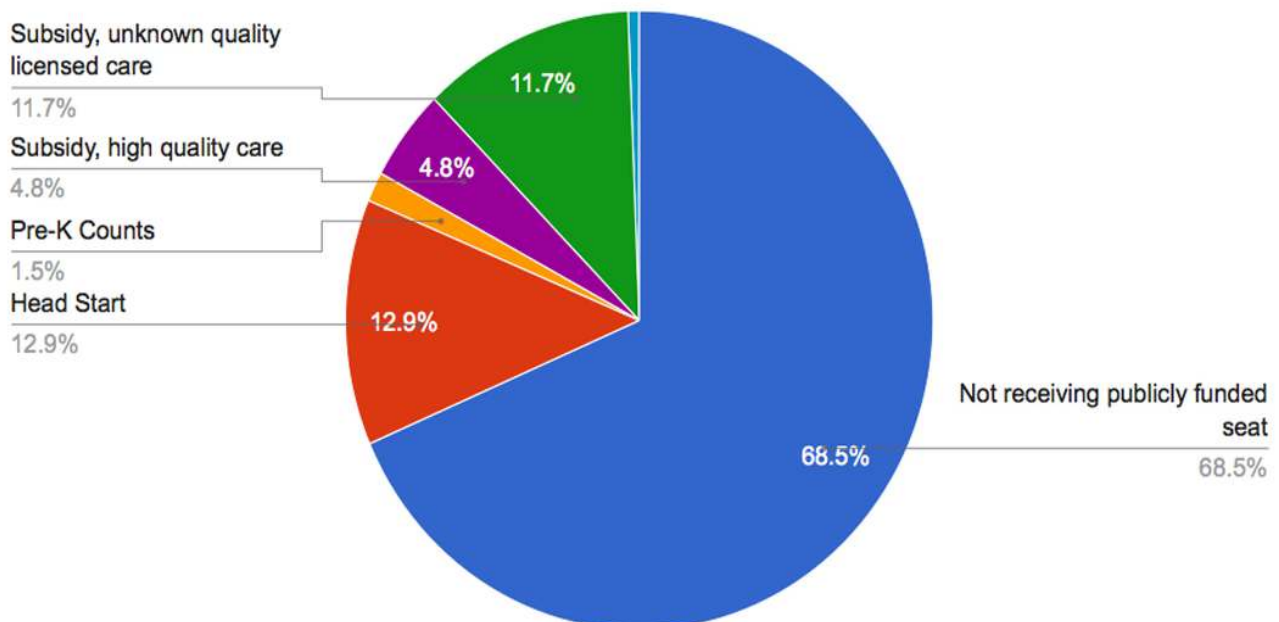
While the need for good-quality, publicly funded pre-k programs has increased since the recession, the number of seats has not kept pace. Federal funds for Head Start were cut 5% for the 2013-14 school year. Currently seven in ten children eligible for Head Start cannot enroll because all slots are filled. Also because of the increased number of poor families, the county's Head Start program used to be able to enroll 75% of all eligible children, but since the recession this rate has fallen to 31%.

Investments in the state's Pre-K Counts program are still quite small in number and have failed to expand, despite research demonstrating impressive effectiveness at preparing children for kindergarten. About one third of Chester County preschoolers are eligible for Pre-K Counts, which has an income ceiling of 300% of the poverty level, or \$70,650 for a family of four. However, there were only 66 seats in the county in the current school year, leaving more than 4,000 eligible children unserved.

As a result of the cuts to Head Start and child care subsidy, and the anemic growth in pre-k funding, low and moderate-income families who need to enroll their young children in high quality early learning programs have little support to do so.

The chart below shows that for moderate and low-income preschool-age children who are eligible for publicly funded programs, more than two thirds have no access to a publicly supported program. Only 19% are enrolled in one of the publicly supported programs considered high quality: private childcare rated Star 3 or 4; Pre-K Counts, or Head Start.

Public Investment in Early Learning Leaves Out Most of 4,372 Income-eligible 3- and 4-Year Olds (under 300% of poverty)



Conclusion and Recommendations

Since Governor Ridge was in office, Pennsylvania has been hard at work creating a model early learning system that for many years was the envy of other states. Unfortunately, due to cutbacks in the state and strong progress in other states, we no longer rank among the nation's brightest spots for early learning.

The stagnation of progress in Pennsylvania does not bode well for young families and young children in Chester County. Despite the overall high quality of its public schools, not all children enter school ready to learn and the cost of care is making high quality programs less accessible to the families who need them most. With only one in three students having access to full day kindergarten, school districts in the county are missing an opportunity to close the school readiness gap and address the widening disparities in the education system.

To make matters worse, Chester County has seen a dramatic increase in the number of low income children in the last five years, with a 33% increase in the number of students from families with incomes low enough to qualify the students for reduced price school meals. (Public Citizens for Children and Youth (PCCY), 2013). Although school districts across the County are nearly all high-performing, results from state educational assessments indicate that 10,000 students are not able to read or do math at grade level, and the disparities for minority or economically disadvantaged students is significant in every district. Sadly, the fact that children are not entering kindergarten ready to learn contributes to the share of students failing overall. Research – and the example of neighboring Maryland – demonstrates that when high-quality preschool is made available

to all families without economic barriers, school performance school performance is greatly increased. For this reason, concerned citizens, local leaders and elected officials in Chester County can cause some substantive improvements in access and quality so that many more children in the county start school ready to learn, and so that working parents and employers can reap the benefits of this early care and life long success.

Specifically, PCCY recommends:

- Support the PreK for PA campaign, with the end goal of providing high quality preschool for every 3- and 4-year old in Pennsylvania by 2018.
- Create a countywide campaign to boost program quality that helps providers meet the one time and long term costs of quality improvements, and encourages parents to be “quality” consumers of early learning options.
- Incentivize community colleges and other training programs to boost offerings for adults working in child-serving fields to increase program quality.
- Create a grant/loan pool from the county economic development resources to assist child care facilities with capital expenses that would help them advance up quality ladder.
- Forge a partnership with other counties to advocate for the state to boost the child care subsidy for all eligible working families and reduce wait times to a maximum of 30 days.

Endnotes

1. Pennsylvania's Office of Child Development and Early Learning (OCDEL) is the source of all data on quality programs and child care subsidy. Most subsidy data is from March 2013; quality program data was from November 2013.
2. Includes children in after school programs. Quality breakdown by children's ages was not yet available for FY'13.
3. Estimate derived by multiplying number of children in income-eligible homes by the fraction where all parents are in the workforce.
4. For the purposes of this report, "poor" refers to the federal poverty level set in 2013 and "low-income" refers to income between 100% and 200% of the federal poverty level. "Working poor" refers to low-income working families. All family income figures in this report come from US Census American Community Survey, 1-year estimates, 2012 (released in 2013).
5. Median annual cost of full-time, year-round care is \$13,520 for an infant and \$11,180 for a preschooler for center-based care in Chester County, according to PA's Market Rate Survey of 2012. For family-based care the median cost is \$9,880 and \$9,360 respectively; very few family-based providers are enrolled in Keystone STARS.
6. We have assumed a 100% demand for Head Start and Pre-K Counts enrollment, but have reduced the estimated need for subsidized seats according to the US Census estimate for the percent of families with children under 6 with all parents in the workforce. It is likely that this overestimates the need for out-of-home care for infants and underestimates the need for care for preschoolers, but a more accurate breakdown of demand by children's ages was not available.

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