

## Key Findings

- **Nearly 3 out of 4 families depend on child care in order to work because both parents (71%) are in the labor force (Census, 2012).**
- **There are 457 licensed child care programs in the county, of which 93 (20%) are considered high quality.<sup>1</sup> Together they serve an estimated 3022 children under age 5 (OCDEL, 2013).**
- **Only 7% of all children under age five attend a highly rated private child care program.**
- **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.<sup>3</sup>**
- **Nearly 1 in 6 children lives in a family that is poor or low-income.<sup>4</sup>**
- **With a median cost of \$23,816 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.<sup>5</sup>**

## The Bottom Line Is Children Early Care and Education In Montgomery County



Montgomery County is home to slightly more than 45,992 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 lifelong success. In Montgomery County only 20% 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 six Montgomery County children under the age of five is living in a family that is poor or low-income.<sup>4</sup> 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 Montgomery 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 16,000 students are still not able 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 Montgomery County**

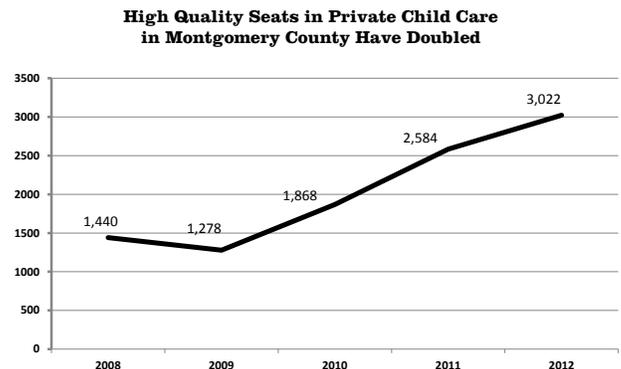
Families with child care subsidy have trended away from using unlicensed, relative/neighbor care. Since 1997, the use of such unlicensed care in the county has declined sharply from about one in four to only 7% today. This is good news, since care by relatives and neighbors is unregulated, and the quality 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 Quickly 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 Montgomery County is mixed. The good news is the impressive momentum that has more than 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.)

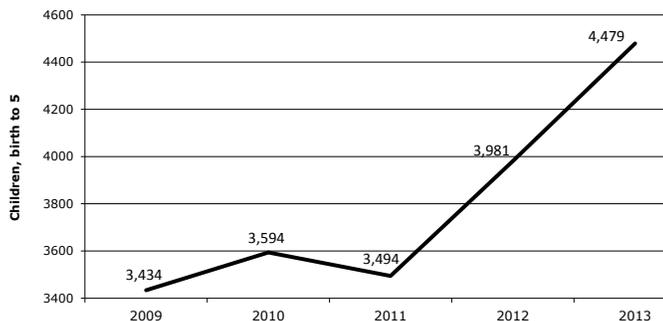


As the graph above shows, Montgomery County saw a jump from 1440 high quality seats in 2008 to 3022 by June of 2012. After a decrease from 2008 to 2009, there have been four years of steady progress, with a net increase of 110% over five years. While one-fifth (20%) of the licensed programs account for these seats -- the highest rate in the 5-county area -- it still means that fewer than 7% of Montgomery County children under five would be able to enroll in a high quality child care program.

One reason for such limited 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 Montgomery County**



Growth in Montgomery County’s Early Intervention Program is another positive trend, one which must continue if all children are to get the help they need to maximize their potential. Research shows that when children with developmental 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 Montgomery County, more young children with developmental delays and disabilities are getting help through these programs. In FY 2012-13 the programs served 4,479 children

under five, comprising 9.7% of that population, an increase of 500 children or 35% over five years. Although the current rate is below 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 Montgomery County families with children was \$103,692 in 2012, up 3.1% from \$100,638 in 2008 (“2012 American Community Survey 1-year estimates,” n.d.).

Meanwhile the cost of child care is prohibitive for many working families, often costing more than college tuition. A family with two young children typically pays \$23,816 per year in child care costs, among the highest in the state. 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 67% to 71% in only five years, adding to demand.

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

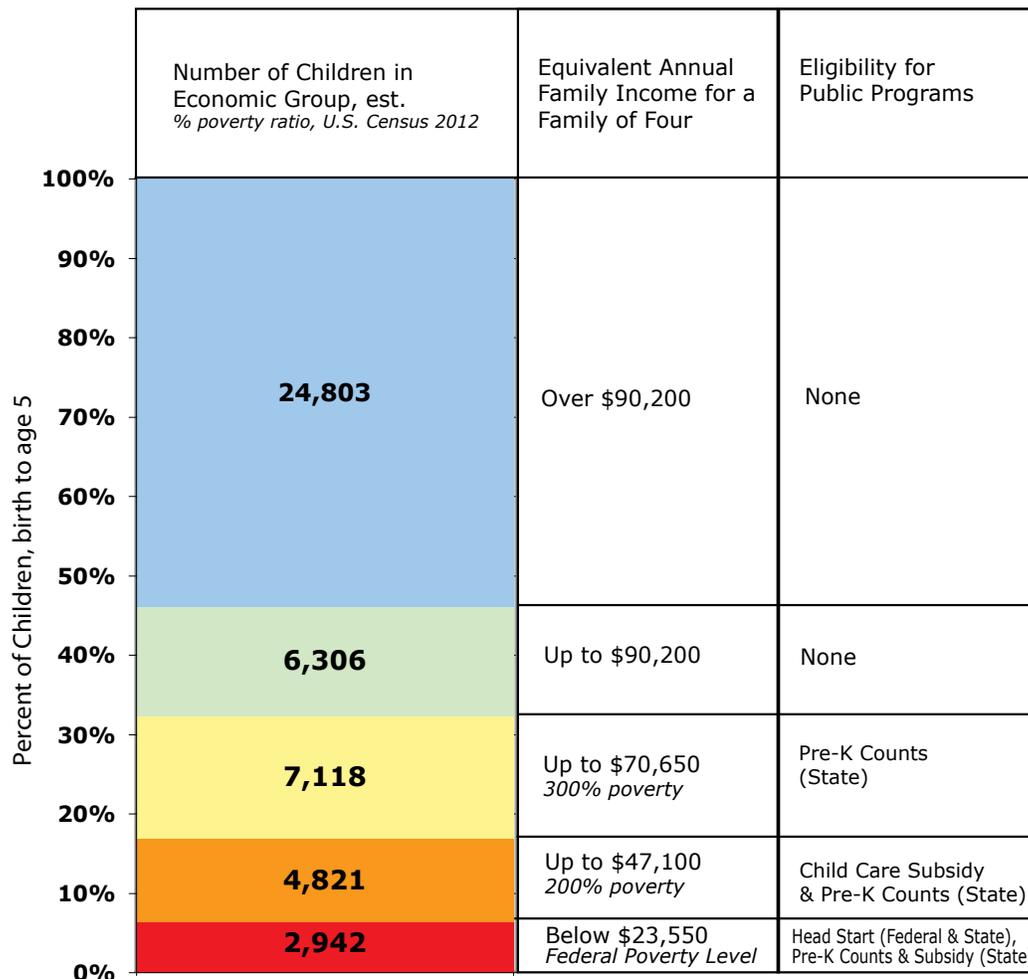
Despite the county’s relative affluence, over the past five years, poverty has increased. The number of poor children under five increased by 18%, or 442 children. During the same period, the number that were growing up “working poor” or “low-income” fell by over 2,000, indicating that a number of these families may have fallen deeper into poverty since the recession hit in 2008. Others may have left the county because of the high cost of living (the number of young children decreased 4% between 2008 and 2012). Despite the county’s affluence, one in fifteen children under the age of five is officially poor; for families with single mothers, nearly one in six is poor.

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

families find it difficult to get by without government subsidies. The basic “self-sufficiency” level – that is, the minimum needed to live frugally without government supports or subsidies – is \$76,187 for a family of four with a preschooler and an infant – that is nearly \$4,000 more than in neighboring Bucks County (Pearce, 2012). About one in five families falls 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.

### One third of Montgomery 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 Montgomery County families are receiving a child care subsidy than in 2008. State budget cuts since 2010 have reduced the number of young children with subsidy by 253, or 10% overall. Today, only an estimated 4 in 10 eligible families are receiving any financial aid. This shortage adds to the county's waiting list.

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. Montgomery 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, 412 children had been waiting up to seven 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 arrangements 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.

On the positive side, Montgomery county has taken a meaningful first step to help fill funding gaps that prevent certain groups of high-risk children from receiving high quality care. Through a partnership with its Department of Housing, the county will now provide free emergency child care to families in homeless shelters/transitional housing for up to 60 days. With regard to other children in families that do not meet the state's eligibility requirements for subsidized child care – those being raised by grandparents, children whose parents unable to work because of disabilities, or whose parents are incarcerated – the county hopes in the future to secure outside funding so they can be enrolled in high quality child care settings.

### **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 subsidized slots for private care has declined by 15% since 2008, greater than the 1% decline for preschoolers. The reason may be an overall reduction in infant seats,

<b>Few Infants and Toddlers Can Access Care <sup>6</sup></b>			
Programs	# of Seats	# Seats Needed	% Unmet Need
Early Head Start (center-based) (<100% Poverty)	56	1,765	97%
Child Care Subsidy (<200% poverty, parents in workforce)	951	3,321	71%
Total estimated unduplicated count, children birth through age 2 in poor and low-income working families	1,007	3,827	74%

<b>Programs Serving Preschoolers (Age 3-4) Are Severely Underfunded <sup>6</sup></b>			
Programs	# of Seats	# Seats Needed	% Unmet Need
Head Start (<100% Poverty)	478	1,175	56%
Child Care Subsidy (<200% poverty, parents in workforce)	1,269	2,212	43%
Pre-K Counts and School-Based Pre-K (<300% Poverty)	207	5,947	97%
Total estimated unduplicated count, 3 and 4-year olds in poor to moderate-income families	1,946	5,947	67%

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 care for three and four year olds. Because few moderate-income families can afford licensed care, seats are diminishing despite the increased need. Though the reimbursement rates are higher than for older children, 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. Montgomery County has 56 Early Head Start seats, though more than 1,700 children from birth to three who are currently in poverty are actually eligible.

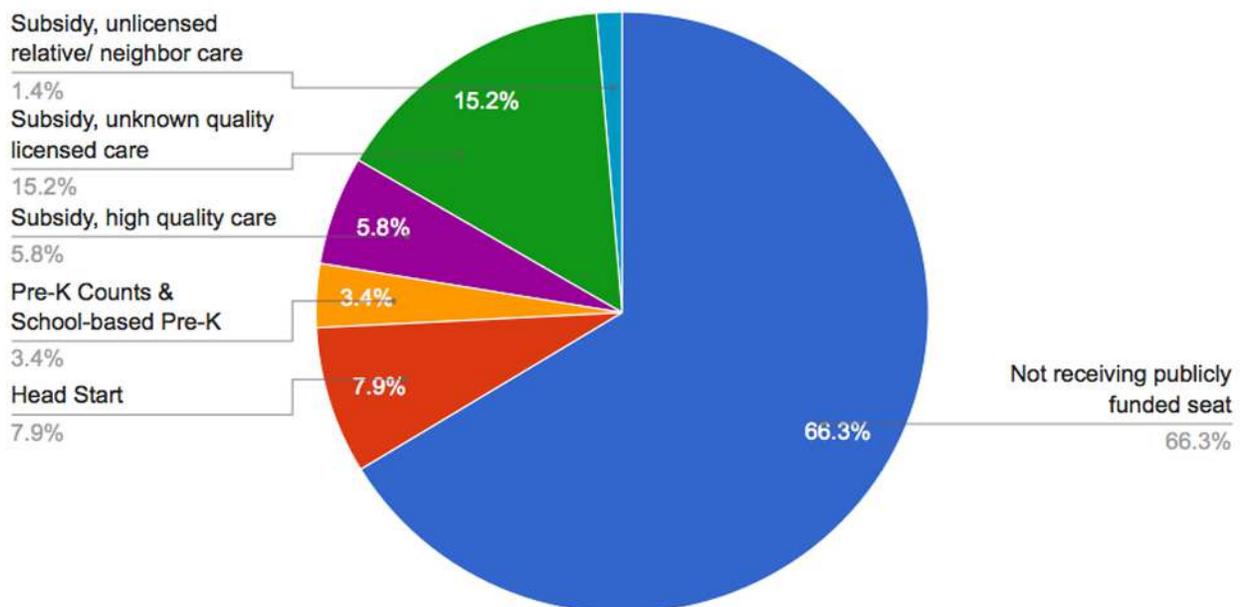
While the need for good-quality, publicly funded pre-k programs has increased since the recession, the number of seats has not kept

pace. Federal funds for Head Start were cut 5% for the 2013-14 school year. Currently six in ten children eligible for Head Start cannot enroll because all 478 slots are filled.

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 Montgomery 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 are only 144 seats in the county in the current school year, leaving nearly 6,000 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. This chart shows that for preschool-age children who are eligible for publicly funded programs, the majority are in care of unknown quality. Only 18% are in one of the programs considered high quality: private childcare rated Star 3 or 4; Pre-K Counts or Head Start.

**Public Investment in Early Learning Leaves Out Two-thirds of 5,947 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 Montgomery 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 half of all students having access to full day kindergarten, school districts are missing an opportunity to close the school readiness gap and address the disparities in the education system.

To make matters worse, Montgomery County has seen a dramatic increase in the number of low income children in the last five years, with a 45% 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 15,700 students are not able to read or do math at grade level. 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 is greatly increased. For this reason, concerned citizens, local leaders and elected officials in Montgomery 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 the 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 \$13,000 for an infant and \$10,816 for a preschooler for center-based care in Montgomery County, according to PA's Market Rate Survey of 2012. For family-based care the median cost is \$9,976 and \$8,580 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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