

# EARLY CHILDHOOD *as an* ECONOMIC INVESTMENT

## *Issue Brief*

Maine's future prosperity and quality of life are important to all of us. Our state's economic success is linked to a productive workforce and secure, welcoming communities. What is not widely understood, however, is how much Maine's economy is influenced by the health and development of our youngest children who, in a matter of years, will be our workforce.

The early years are a critical time when neurological connections create the foundation for future intellectual, emotional, social and physical development. Like building a new house or office building, establishing either a strong or a fragile foundation will determine the development, learning and behavior that will follow. Getting everything right the first time is easier and less costly than trying to fix it later.

Nationally and here in Maine, our current public policy and level of investment in young children are not keeping pace with the information we have about brain development and what children need to become healthy, productive adults. Our early childhood infrastructures and public systems are informed by outdated scientific information. Public investments rarely focus on prevention, but instead address the problems that can arise when a child has adverse early experiences during key developmental periods.

While we address the immediate and difficult economic choices presently before us, we must not lose track of the need for long range strategic planning. In order to assure that our investments in young children yield the greatest benefit, we must improve the early childhood system. Focusing on early childhood is essential, if we are to achieve long term desired outcomes for Maine's children, including high school graduation and the attainment of a college degree.

### **The Need for New Investments**

Essential improvements will not be accomplished by public investments alone. Increased quality in the early childhood

system will be most successful within the context of public-private partnership efforts. The early childhood system is largely dependent on federal and state government funding. Compared to other more established systems and infrastructures, such as public education, the housing industry and higher education, our early childhood system has very little private partnership engagement. Historically, these other systems have progressed with a combination of public and private sector influences, whether due to pressure for systemic change from private sectors, or a shared investment approach that leverages both public and private dollars. We cannot afford to wait any longer to increase resources for quality early childhood systems. We must develop formal public-private partnerships in Maine now.

Recognizing the need for these partnerships, a growing number of Maine business and philanthropy leaders are becoming involved in promoting the benefits of investing early in children's education and care. They understand that investments in early childhood programs have high yields — increasing productivity and labor force skills that attract employers and reducing health, crime and special education costs.

In 2007, a group of business leaders was asked to consider the need for innovative strategies to support the evolution of a comprehensive early childhood system for Maine. This group, known as the Business Roundtable on Early Childhood Investment (BRECI), identified three priorities for immediate action. These were: the creation of a public-private partnership; enhancement of public education and parent education; and early childhood work force development. The first of these, the creation of a public-private partnership, has emerged as a promising strategy for the state.

### **What is an Early Childhood Public-Private Partnership?**

Early childhood public-private partnerships exist in various forms around the country. Often public-private partnerships



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developed at the local level are informal in nature, but focused on a shared desire to strengthen a community. Service groups, such as the local Rotary, Kiwanis or Lions Clubs may provide support to children's libraries, early childhood programs or recreation programs. These partnerships can be supported with both financial and volunteer resources. Other more formal public-private partnerships have engaged in comprehensive efforts to strengthen and improve the early childhood systems in a state.

State designed public-private partnerships draw resources from large and small businesses, philanthropic organizations, private donors and state and federal funding streams. While some states have designed these organizations from the ground up, other states have chosen to establish early childhood partnerships within an existing public-private non-profit organization.\* States that have established these partnerships have designed them to best suit the needs and culture of their communities.

According to the National Child Care Information Center (NCCIC), eleven states have formal public-private partnerships. North Carolina, for example, has a statewide organization responsible for public awareness and professional development opportunities and also provides funds to local community partnerships. Nebraska has a statewide effort focused on increasing public Pre-K. NCCIC has developed numerous information briefs about early childhood public-private partnerships in various states. While some states have created public-private partnership structures, established as 501(c)(3) charitable organizations that act as autonomous agencies independent of state government, others have created entities that are quasi-governmental and directly support the state government's implementation of early childhood systems.

For more detailed information on partnerships in other states, you can access the NCCIC website: <http://nccic.acf.hhs.gov/poptopics/public-private.html>

### Getting Things Started Here in Maine

Establishing public-private partnerships requires leadership from both the public and private sectors. In 2010, the Maine Children's Growth Council (MCGC) hosted webinars for early childhood stakeholders, providing information about public-

The Children's Growth Council was created by the Legislature in 2007. The Council is comprised of legislators, business and economic development leaders, early childhood professionals and state policy makers. It is charged with providing recommendations to the Legislature and the Governor's Office to achieve sustainable social and financial investment in the healthy development of Maine's young children and their families.

private partnerships in other states. Lessons learned from Arizona, Minnesota, Nebraska, North Carolina, and Virginia were presented. Each of these states has a different public-private partnership structure. The first webinar highlighted the operating structures, funding mechanisms and goals of each model. The second webinar focused on the implementation and programming of each model. These webinars have been recorded and can be found at the MCGC website: [www.maine-eccs.org/growth.html](http://www.maine-eccs.org/growth.html). The webinars were designed to precede a series of three special meetings of the MCGC finance committee that focused on public-private partnerships. The finance committee, comprised of public sector employees, early childhood experts, philanthropists and business leaders, met to discuss establishing a public-private partnership in Maine and to learn about the recent efforts of Educare Central Maine. Educare provides an example of how private investors can increase the value of existing public programs through "braiding," or blending, national and local private resources with established public resources.

As a result of these MCGC finance committee meetings, a series of recommendations for the structure and priorities of a formal public-private partnership for Maine were developed. The recommendations focused on the need for aligning the investment priorities and decisions with current efforts of state government, local funders and private philanthropists. The finance committee also recommended finding an existing entity to manage and support the administration of a formal public-private partnership. The top three funding priorities recommended by the finance committee are:

- Improving the quality of the early childhood workforce
- Improving the quality of early childhood programs and services
- Increasing supports to parents

The report from the finance committee to the full Children's Growth Council is posted on the MCGC website: [www.maine-eccs.org/growth.html](http://www.maine-eccs.org/growth.html).

\* *Partnering with the Philanthropic and Private Sectors: A Governor's Guide to Investing in Early Childhood*, Daily et al; National Governor's Association 2008.

### **Additional Developments**

The MCGC Communications Committee is working on an outreach and awareness campaign to increase public understanding of the impact early childhood development has on our society. Concurrently, a group of Maine-based funders is establishing a learning partnership to focus on early childhood systems. This group is interested in exploring shared opportunities for influencing the quality of early childhood services in Maine.

### **Opportunities for Private Sector Financial Investment in Early Childhood**

The Early Childhood Division of the Maine Department of Health and Human Services has worked to improve the quality of early care and education through the development of quality initiatives such as Quality for ME, Maine's quality rating system (QRS). The intent of QRS is to quantify the elements of a quality program and to assist child care programs throughout the state in assessing their progress along a continuum. This continuum starts at Step I, with basic licensing standards, and goes to Step IV, which requires accreditation from nationally recognized organizations such as the National Association for the Education of the Young Child (NAEYC). Unfortunately, today most Maine providers are at Step I or II, rather than Steps III and IV.

Various quality initiatives are currently underway to help child care providers advance to higher QRS levels. Private funding and advocacy from business leadership could have a significant impact in this area, improving the rating of programs enrolled in the QRS and increasing provider participation.

Maine's current quality infrastructure includes Workforce Development supports to early childhood professionals in the form of training, technical assistance and scholarships for degree and credential attainment. These existing programs are natural points of entry for private philanthropy to extend the opportunities for educational advancement to more early childhood professionals.

Another entry point for private funding is to attach financial incentives to programs and reward practitioners who reach quality benchmarks. These incentives would give providers direct and critical resources for quality improvements. Such efforts are best funded by a public-private partnership that has flexible resources and is not solely supported by public funding, with the restrictions that come with such resources.

The Quality for ME initiative could be expanded immediately, if existing child care tax credits were better utilized. Currently,



if a business or private individual invests in quality improvements for a child care program, they are likely to be eligible for a tax credit. Despite the fact that the current child care tax credit could be more effective with some revision, promotion of this credit that helps providers advance on the QRS continuum could be enhanced now by a public-private partnership.

### Potential Funding Mechanisms

Public-private partnerships utilize a diverse array of funding strategies including trusts, endowments, tax credits and special revenue initiatives. What all early childhood partnerships have in common is a commitment to dedicate both public and private funds toward the enhancement of early childhood systems. In addition to revising the existing tax credits, establishing ways to increase the public revenues dedicated to early childhood is essential. Possible strategies to expand Maine's financial commitment to the early childhood system include: lottery sales, license plate revenue, a time limited "health tax" or a trust fund that provides significant tax deductions for individuals and businesses. These ideas all have both pros and cons, and deserve lengthy public discussion and debate.

### Other Private Sector Contributions

Public-private partnerships work best when they do not focus exclusively on the private sector's financial capacity. The MCGC is currently creating a comprehensive public awareness campaign on the importance of early childhood development. This campaign will be designed to increase public support and political will to create an early childhood system that can transform the health of children and adults in Maine as well as the health of the Maine

economy. Often, the best messengers for this campaign are not early childhood professionals, but rather community members in the private sector who understand the powerful impact early childhood experiences have on later adult health and productivity. This will be a public-private partnership that combines both philanthropic resources and community volunteers.

### Conclusion

The examples identified in this brief are just some of the ways in which the BRECI recommendations, and the overall health of the early childhood system in Maine, can be supported through braided funding and creative tax reform. The establishment of a public-private partnership in Maine would allow such mechanisms to be explored and then used to creatively fund the ECE system. At the same time, we also must continue to pursue other non-financial partnership opportunities.

Across the nation, states are utilizing public-private partnerships to effectively improve early childhood systems. The flexibility, creativity, and financial infusion of braided funding streams have worked to strengthen these systems for children and families in other states. The time has come to do the same here in Maine, and the Business Roundtable on Early Childhood Investment has taken the first steps in making this exciting venture a reality here.

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