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Off Track: An Assessment of Wisconsin's Early Care and Learning System for Young Children

By Angela Rachidi, Ph.D.

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A PREFACE TO

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Raising children, as can be fully appreciated only after you've done it, takes place in real time. They eat, sleep and grow whether you're ready or not. So as parents supply children with the most crucial material treasure they ever will receive — a stable, loving home — many rely on some outside help in caring for their children while earning a living. Wisconsin long ago decided to assist low-income parents in finding good help.

How is Wisconsin doing at this? Not so well.

Here, an eminent Wisconsin-based scholar and Badger Institute visiting fellow, Angela Rachidi, examines the current landscape, looking at how Wisconsin spends about $400 million a year in federal and state taxpayer money to subsidize childcare and early learning. Crucially, she looks at how the government's efforts to improve the quality of childcare has increased costs, diminished parents' options and resulted in fewer children accessing the help that taxpayers offer.

And Rachidi lays out steps that Wisconsin policymakers can take to fix things — specifically how they can reduce the deadening weight of the state's hand and, instead, give more authority to parents and childcare providers.

Her recommendations are urgent: Wisconsin's future adults are growing and learning in real time, whether their parents — and the state's assistance — are ready or not.

— Badger Institute

Off Track: An Assessment of Wisconsin's Early Care and Learning System for Young Children

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Introduction

A recent report by a bipartisan group of experts on economic and family policy stated, "The research evidence indicates that, on average, children who have a) two parents who are committed to one another, b) a stable home life, c) more economic resources, and d) the advantage of being intended or welcomed by their parents are more likely to flourish."[1] This underscores the conventional wisdom that parents and family form the foundation for early childhood development.

Fortunately, the majority of young children in the United States grow up in an environment that lends itself to healthy development, mainly through their relationship with their parents and other loving adults. However, not all children have the same advantages. Certain circumstances, often outside the control of parents, can make healthy development more challenging — circumstances such as poverty, stressful work schedules and other home and life challenges.

The government can play an important role in early childhood development by helping children and families when they face instability and economic insecurity. The government has a long history of providing resources to help close the development gap between low-income and other young children, with programs dating back to the Great Depression.[2] However, it was not until 1965, with the implementation of Head Start, that the federal government began to assume greater responsibility for assisting disadvantaged children.[3]

By 1990, the federal government created the Child Care and Development Block Grant (CCDBG) to help low-income families afford childcare so that parents could work.[4] Welfare reform in 1996 transformed the provision of childcare assistance to low-income families even more by consolidating funding streams into the Child Care and Development Fund (CCDF), and expansions to the Child Tax Credit (CTC) and Earned Income Tax Credit (EITC) also helped low-income families offset childcare expenses.

Scientists have consistently shown that healthy brain development in the first few years of life profoundly improves future outcomes for children.[5] The Center on the Developing Child describes the importance of early brain development in this way: "Healthy development in the early years provides the building blocks for educational achievement, economic productivity, responsible citizenship, lifelong health, strong communities and successful parenting of the next generation." Scientists also recognize that adverse experiences or trauma early in life can impede brain development in ways that make the achievement of positive outcomes more challenging. For this reason, childhood experts argue in favor of publicly supporting early care and learning to ensure that all children have similar opportunities for healthy development.

Early care and learning is a general term that incorporates childcare with education and development activities and typically refers to programs involving children before they enter kindergarten. Most commonly, we think of children attending an outside facility with other children, supervised by unrelated adults. However, early care and learning can encompass a wide variety of settings where young children (birth to age 5) spend their time when they are not with their parents. It includes children cared for by relatives or friends, family childcare (sometimes called in-home childcare because it takes place in the provider's home) or church-based nursery schools.

While not unique to Wisconsin, the structure of early care and learning and childcare programs within the state creates a disjointed system that can be challenging to coordinate.

In recent decades, arguments in favor of publicly supported early care and learning opportunities for young children have merged with the desire for policies that help parents find safe and affordable childcare while they work. Today, early care and learning is largely synonymous with childcare, and government policies seek to both support the development of children at an early age and support the employment of parents. Additionally, some policymakers have moved beyond advocating for public support to close the development gap or to support employment for low-income parents — instead favoring universal publicly funded programs.

This report explains the current early care and learning policy landscape at the federal level and in Wisconsin and assesses the effectiveness of the system. The evidence suggests that an overemphasis on quality regulation likely has driven some childcare providers out of the market, resulting in fewer low-income children served by Wisconsin Shares (the state's subsidized childcare program) and less overall parental choice and higher costs, without measurable improvements in outcomes.

Recommendations include consolidating leadership and organization for early care and learning at the state level, reforming the regulatory framework for early care and learning, improving the data infrastructure, developing a new "Birth to Age 5" strategic plan for Wisconsin and exploring education savings accounts to help families offset child-related costs.

Evidence Base for Early Care and Learning

The emphasis on early care and learning in U.S. policymaking stems from the proliferation of brain science in the past several decades pointing to the outsize importance of the early years for cognitive development.[6] Nobel laureate and economist James Heckman has spent the bulk of his career researching early childhood education programs, and he argues for focusing public policy on early childhood development:

> *"A critical time to shape productivity is from birth to age five, when the brain develops rapidly to build the foundation of cognitive and character skills necessary for success in school, health, career and life. Early childhood education fosters cognitive skills along with attentiveness, motivation, self-control and sociability — the character skills that turn knowledge into know-how and people into productive citizens."*[7]

The results point to a highly regulated system, likely overburdening providers, while serving a declining number of families and limiting childcare choice for families, with very little evidence of effectiveness for children.

However, Heckman's work is often misunderstood, and people mistakenly use it to argue for placing every child away from their parents into a childcare setting at an early age. In truth, Heckman believes strong families are crucial for positive child development, though he also acknowledges the importance of early childhood investments for vulnerable children when their family life places them at a disadvantage, arguing:

> *"Every child needs effective early childhood supports — and at-risk children from disadvantaged environments are least likely to get them. They come from families who lack the education, social and economic resources to provide the early developmental stimulation that is so helpful for success in school, college, career and life. Poor health, dropout rates, poverty and crime — we can address these problems and substantially reduce their costs to taxpayers by investing in developmental opportunities for at-risk children."*

One question is whether the government should be involved in the early care and education of young children at all. State and local governments play a large role in K-12 public education, and some people believe that responsibility should extend to younger children. However, the care of young children rightfully falls primarily to the family, with questions around the government's role largely falling to the licensing and regulating of childcare providers and assisting families in paying for it. Although debate remains over the proper role for government in the early care and learning of children, the preponderance of evidence suggests that an important role for the government is to help disadvantaged children with targeted public investments at an early age.[8]

Research also shows that children do better when they experience environments conducive to healthy development. Most important is the time that young children spend with their parents and families, but when children must be away from their parents, settings should be conducive to early childhood development and make children better off. Regrettably, the record of achievement for large-scale, government-funded pre-kindergarten programs in this regard is lacking.

Children who participate in universal pre-kindergarten programs may be more kindergarten-ready than children who do not participate, but academic gains quickly fade after entering kindergarten.[9] Yet, the research also shows that these programs can be effective when they target disadvantaged children, operate on a small scale and offer children stable and consistent interactions with caring adults. When programs do not meet these criteria, they often produce weak or negative results.

When referring to the evidence in 2014, the former head of the Institute of Education Sciences in the U.S. Department of Education, Grover J. (Russ) Whitehurst, expressed skepticism about universal government programs, stating, "I conclude that the best available evidence raises serious doubts that a large public investment in the expansion of pre-K for four-year-olds will have the long-term effects that advocates tout."[10]

One of the best examples, and perhaps the most rigorously studied statewide pre-kindergarten program, comes from Tennessee. That program actually showed that participants in pre-K did worse on academic outcomes over time than those in the control group.[11] Relying on the results from Tennessee and other statewide pre-K programs, authors of a consensus report wrote:

> *"There is persuasive evidence from earlier small-scale programs like the Perry Preschool and Abecedarian programs that long-term impacts are possible under some circumstances. But the evidence that contemporary scaled up state or district pre-K programs can produce such impacts is not conclusive. The path ahead must combine well-documented program innovations at the state and district level with evaluation research of broader scope and greater rigor."*[12]

One notable exception is for children from disadvantaged backgrounds who participate in early care and learning programs. A 2017 report from a group of early childhood experts stated, "Researchers who study pre-K education often find that children who have had early experiences of economic scarcity and insecurity gain more from these programs than their more advantaged peers." The authors posited that the positive effects of early care and learning programs for children facing adversity stem from brain science — that is, the programs make up for challenges to their cognitive development in the home.[13]

There is ample evidence to support the claim that early care and learning programs benefit disadvantaged children the most. For example, in the 1960s and '70s, two evaluations of service-intense early education programs have provided researchers with a wealth of information on the advantages of early education for disadvantaged children. Research using data from the Perry Preschool Project found that positive changes to behaviors resulting from the program led to better lifelong outcomes for participating children.[14] Evidence from the Abecedarian Project in Chapel Hill, North Carolina, found similar long-term benefits for children who participated. Both programs, however, targeted children from disadvantaged backgrounds, were very well-resourced and offered intense full-day programs.

However, few programs since then have been able to replicate their results, whether it be for disadvantaged children or those from more affluent families. Attempts to implement universal childcare programs without attention to the intensity and quality of the program largely have failed. A government-funded universal childcare program in Quebec that was started in the 1990s, for example, resulted in worse behavioral and health outcomes for participating children.[15] Another study exploring longitudinal survey data found that being in nonrelative childcare resulted in worse externalizing behaviors for children, such as acting out or harming oneself or others.[16]

There has always been a flaw in the belief that states, with support from the federal government, could regulate childcare into high quality. Although the YoungStar rating system is well-intentioned, it likely has had a negative effect on the number of children receiving childcare subsidies in Wisconsin by pushing providers out of the subsidy system altogether.

This leads to the conclusion that in order for publicly funded early care and learning to work, it should target the least advantaged children and replicate aspects of successful programs. Though the scientific literature is still progressing, development science describes the importance of "serve and return" interactions that occur between caregivers and children — for example, a caregiver making eye contact, smiling or cooing and enticing a response from the child. According to the Center on the Developing Child, "When caregivers are sensitive and responsive to a young child's signals and needs, they provide an environment rich in serve and return experiences."[17] The question is how does government regulate early care and learning programs to maximize these serve and return experiences?

Regrettably, many states answer this question by imposing excessive regulations in an attempt to improve quality of care. Though well-intentioned, this often reduces childcare supply and drives up costs, making it harder for low-income families to access high-quality care in the end. One reason for this unintended consequence is the government is not well-equipped to regulate "quality" early care and learning opportunities for children. Even the early childhood experts who summarized the scientific knowledge on pre-kindergarten effects in 2017 struggled to offer concrete actionable guidance, instead identifying:

> *"several factors that together seem to be 'good bets' for supporting strong early care and learning in pre-K and other settings: the use of 1) curricula that are known to build foundational skills and knowledge, coupled with 2) professional development and coaching that enable teachers 3) to create organized and engaging classrooms."*[18]

A summary of the evidence from my American Enterprise Institute colleague Max Eden suggests that the federal government's record in trying to produce quality early care and learning programming is not good. He notes the mixed evidence on Head Start, acknowledging that while research showed that an early cohort of Head Start participants experienced positive results, later cohorts did not.[19] Eden also notes the mixed evidence on the federal government's childcare assistance program for low-income families. Research has shown that childcare subsidies for low-income families increase maternal employment, but the outcomes for children who receive a subsidy appeared worse than those who do not receive a subsidy.[20]

One potential reason for the poor outcomes associated with certain early care and learning programs involves the poor quality of childcare it funded. This became a particular concern during the early 2010s when policymakers perceived the childcare funded by CCDBG to be poor quality.[21] Coupled with the push to expand early care and learning opportunities during President George W. Bush's and President Barack Obama's administrations, this led to a bipartisan compromise and focus on quality during the reauthorization of the CCDBG in 2014, including increased funding to achieve higher-quality childcare.

Childcare markets are still feeling the implications of decisions around CCDBG reauthorization. While the push for higher-quality childcare for low-income families in the subsidy program was consistent with the evidence showing that low-income children could benefit, states had to figure out how to implement quality requirements. How were states supposed to regulate individual childcare programs to ensure quality curricula, professional development and organized classrooms? The answer has become clear. Many states chose overly burdensome regulation and procedures that pushed many childcare providers out of the market, replaced by higher-cost center-based care.

In the next section, I provide background on early care and learning at the federal level and in Wisconsin, followed by a review of the data for Wisconsin over the past several years to illustrate trends in the overall childcare market and the subsidy program, Wisconsin Shares. The results point to a highly regulated system, likely overburdening providers, while serving a declining number of families and limiting childcare choice for families, with very little evidence of effectiveness for children.

Background on Early Care and Learning

Federal and State Financial Assistance for Early Care and Learning

The federal government provides funding across several programs to help states offer early care and learning opportunities. These programs generally target low-income children, with the exception of the federal child and dependent care tax credit, which is available to families higher up the income scale. Combined federal and state funding for Head Start, childcare subsidies and home visiting programs alone totaled almost $400 million for Wisconsin families in federal fiscal year 2019. The federal government provides millions more in tax credits and tax preferences for families with childcare expenses.

Table 1 details the major federally funded childcare and early care and learning programs.

Table 1

Major federally funded early care learning programs

Program	Description	FY 2019 expenditures in Wisconsin
Head Start	• Provides early childhood education and development activities for low-income children to promote school readiness. • Operates through grants from the federal government to the local level. • Serves children ages 3-4 and younger through Early Head Start. • Federal funds flow directly to Head Start programs, with the Wisconsin Department of Public Instruction and the Wisconsin Head Start Association offering support to local community programs. • The Wisconsin Department of Children and Families regulates Head Start programs similar to other childcare/preschool programs.	Federal funding[22] $155,322,531
Child Care and Development Block Grant (CCDBG) / Child Care and Development Fund (CCDF)	• Federally funded childcare subsidies (with state matching requirements) to low-income families. Funded with discretionary funds through the CCDBG and mandatory funds through the Social Security Act — funds pooled together in the CCDF. • States administer the subsidy program with guidance from the federal Office of Child Care in the Administration for Children and Families. States must submit a CCDF state plan every three years. • Families must meet income eligibility criteria and participate in an approved childcare setting. They receive funds to help pay for childcare but must pay a co-payment and be reassessed for eligibility periodically.	Federal and state funding[23] $224,971,577
Maternal, Infant and Early Childhood Home Visiting (MIECHV)	• Supports home visiting services by health professionals for families with young children who reside in communities with concentrations of poor child health and other risk indicators. • Provides federal grants to states to operate programs, supplemented by state funding. Provides regular in-home visits to participating families using evidence-based curriculum. • Wisconsin's MIECHV program operates in collaboration between the Department of Children and Families and the Department of Health Services.	Federal funding[24] $8,587,993 (FY 2020 award)

Preschool Development Grant (PDG)	• Federal funding available to "build state capacity to develop, enhance or expand high-quality preschool programs, including comprehensive services and family engagement, for preschool-aged children from families at or below 200% of the federal poverty line." Guidance later expanded to children birth to age 5. • Wisconsin received an initial Planning Grant and a Renewal Grant through the PDG. The PDG helped develop the Birth to 5 Statewide Strategic Plan for 2021-2023.	Approximately $10 million ($30 million over three years)[25]
Child and Dependent Care Credit	• Non-refundable federal tax credit ranging from 20% to 35% of childcare expenses up to $3,000 for one child and $6,000 for two or more children.	N/A[26]
Dependent Care Assistance Program (DCAP)	• Taxpayers can exclude from their income $5,000 to cover childcare expenses. The DCAP operates through the employer. • DCAP lowers taxable income and is not a tax credit. It must be used for qualified employment and childcare expenses. Participants must select an annual amount during an open enrollment period and use it or lose it.	N/A[27]

Source: Congressional Research Service, Early Childhood Care and Education Programs: Background and Funding, May 2016

State Licensing, Regulation and Quality Ratings

State governments are responsible for licensing and regulating early care and learning providers. In Wisconsin, the Department of Children and Families serves this function and publishes licensing rules and manuals to assist early care and learning providers with the process.[28] Different licensing rules apply to family childcare providers (when the provider cares for four to eight children, usually in the provider's home) and group childcare providers (when the provider cares for more than eight children, usually in a childcare center).

In general, rules cover things such as supervision, staff, operations, physical settings, programming and transportation. Providers must apply for a license and pass an inspection, with licenses renewed every two years. Providers caring for fewer than four children can receive a certification, which is similar but with slightly fewer requirements than licensing.[29]

In Wisconsin, early care and learning providers that accept subsidies are also required to participate in YoungStar, the childcare quality rating system.[30] YoungStar involves a self-assessment and a one- to five-star rating system operated by contracted observers. Providers must renew their YoungStar rating every other year. Payments through the federal subsidy program depend on the quality rating, and parents can review quality ratings when making decisions about placements.

What are the Implications for Wisconsin?

While not unique to Wisconsin, the structure of early care and learning and childcare programs within the state creates a disjointed system that can be challenging to coordinate. This administrative complexity, combined with a desire to regulate quality at the state level, has led to dramatic changes in the availability of childcare slots in Wisconsin and the number of low-income children receiving a childcare subsidies.

State officials are well aware of the deficiencies in the current early care and learning environment. Wisconsin conducted a statewide needs assessment on early care and learning in 2020 using funding from a federal Preschool Development Grant (PDG), followed by a more in-depth needs assessment in 2021. The report paints a concerning picture for families with young children in Wisconsin. According to the report, Wisconsin parents of young children struggle to access and afford quality childcare, while the early care and learning workforce perceives a lack of professional respect, adequate pay, benefits and diversity.[31]

One of the most glaring issues for Wisconsin leaders is the negative impact that state-level quality regulation has on the composition of childcare providers in the state and the availability of childcare slots. An analysis of total childcare slot capacity across Wisconsin's 72 counties by the University of Wisconsin-Madison Institute for Research on Poverty (IRP) showed that overall capacity in Wisconsin was largely unchanged from 2005 to 2019, but licensed and certified family childcare slots declined by 38% (i.e., care provided to children usually in the home of the provider).[32]

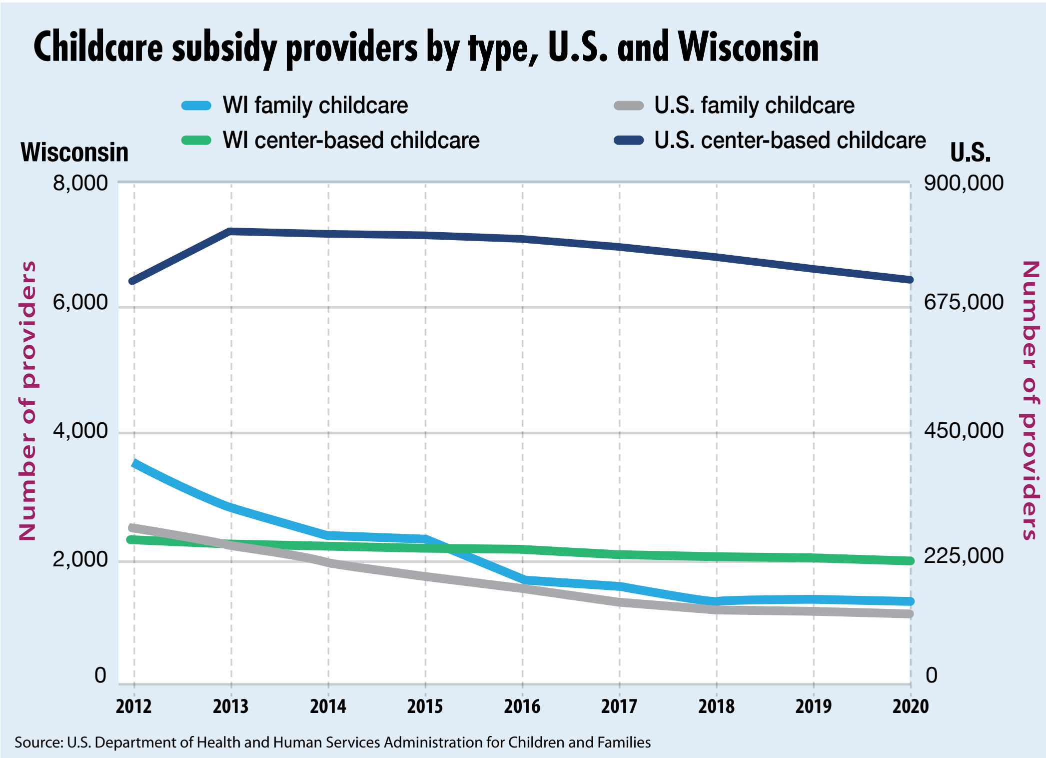
The reasons behind such a large decline in family childcare slots are likely many, and family childcare providers who were unable to provide a safe and developmentally appropriate childcare setting should have exited the system. However, overregulation and excessive government interference likely explains some of this decline, suggesting that an overhaul of the regulatory environment could help bring more family childcare providers back into the system.

The shift in the composition of available childcare slots from family childcare slots to center-based childcare slots also affects average cost because family childcare is generally more affordable than center-based childcare. Notably, the IRP analysis was unable to assess childcare slot capacity by age of child, although it is highly likely that the decline in family childcare has affected the availability of childcare slots for infants and rural families, given that family childcare is generally more flexible than group childcare.

The decline in family childcare slots overall corresponds to a similar decline in family childcare providers who accept vouchers from Wisconsin's childcare subsidy program, Wisconsin Shares. According to federal data, family childcare providers that accept subsidies declined by 63% from 2012 to 2019, compared to 14% for center-based providers (Figure 1). The trend was similar for CCDF providers at the national level, suggesting that the shift away from family childcare providers in the subsidy program is a nationwide issue, not unique to Wisconsin, although Wisconsin's decline has been somewhat more pronounced.

This trend in declining CCDF providers also corresponded with a decline in the total

Figure 1



number of low-income children served by Wisconsin Shares. According to an analysis by IRP, the number of children served by Wisconsin Shares declined by 35.4% between 2008 and 2018 (Figure 2). IRP found that the decline was steepest for children under age 2 and those in family childcare.[33] The reasons behind such a large decline are unclear, although

Figure 2

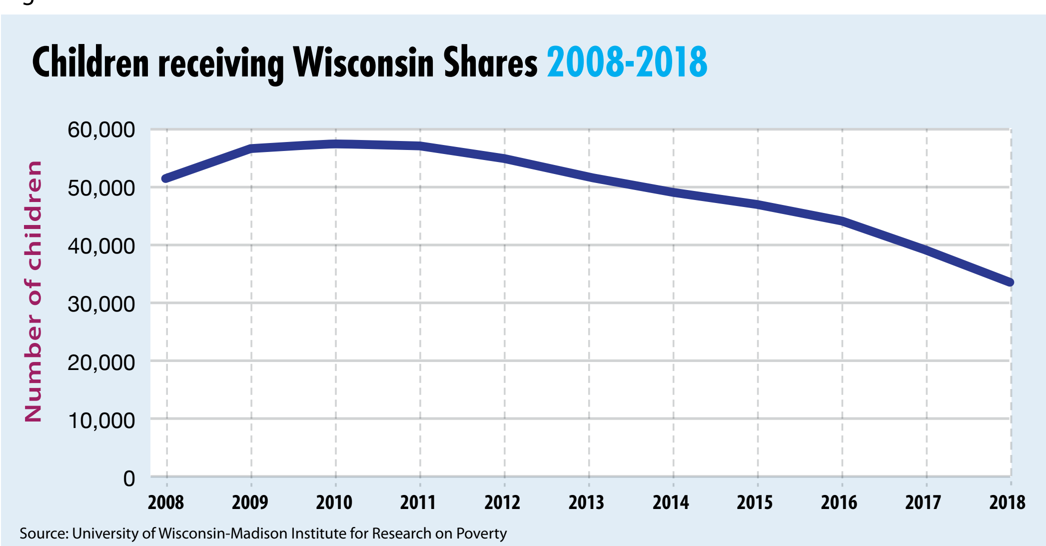
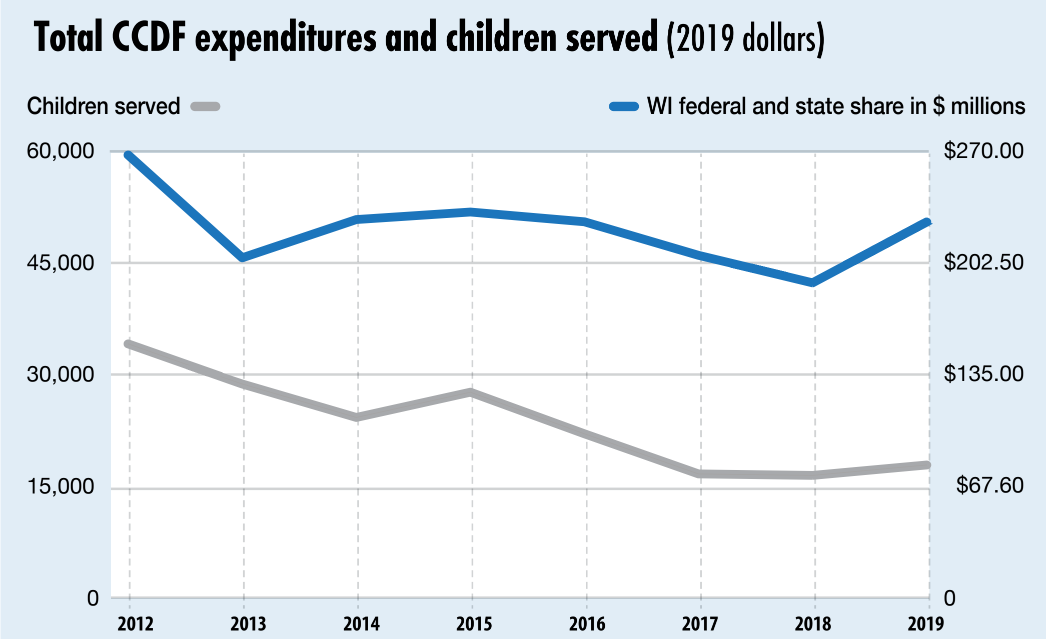


Figure 3



Source: U.S. Department of Health and Human Services Administration for Children and Families

the IRP report concludes, "It is very unlikely that they could be explained by changes in poverty rates or family income, childcare capacity or demographic changes in the state."

While changes in parental employment, income and the population of young children in Wisconsin likely explain some of the fluctuations in total children receiving Wisconsin Shares, the consistent downward trend corresponds to changes in the administration of the program, including the introduction of YoungStar in 2012 and rule changes resulting from CCDBG reauthorization in 2014. More research and better data are needed to draw concrete conclusions, but the push toward higher-quality childcare through regulation likely has played a role in fewer low-income children receiving a childcare subsidy in Wisconsin over time.

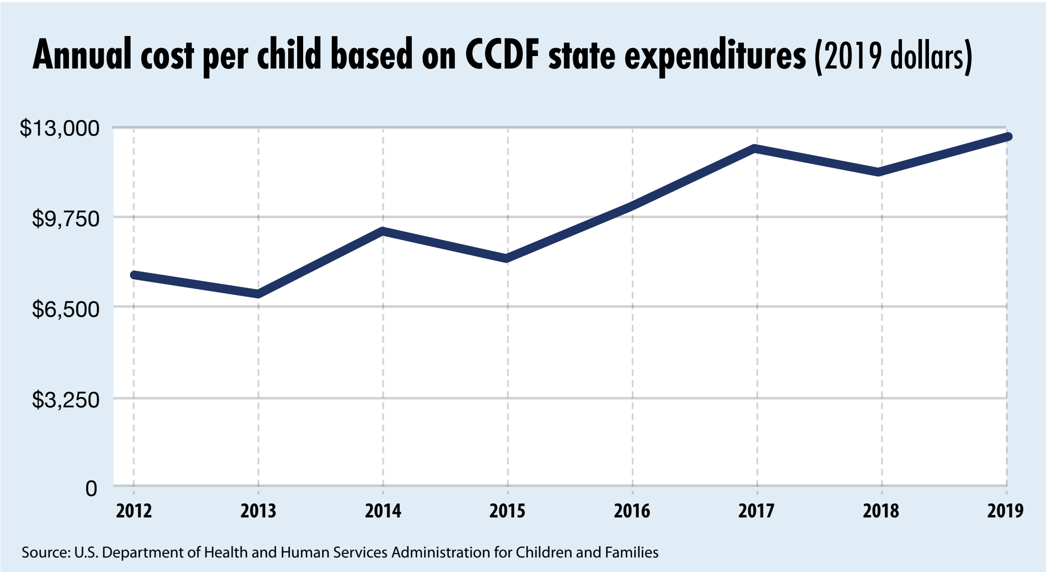
Total CCDF expenditures for Wisconsin, including the federal and state share, have remained relatively consistent since 2012 even though the number of children served has declined (Figure 3).

Although it is somewhat difficult to determine the precise cost per child served due to a lack of data on hours of care, these trends suggest the cost of care per child has increased (Figure 4). The increasing cost per child is consistent with reports from parents about the increasing cost of childcare through Wisconsin's 2021 PDG needs assessments.[34]

What is Driving These Trends?

Two major policy changes likely have affected the type of providers who participate in

Figure 4



Wisconsin's childcare market as well as the number of children participating in Wisconsin Shares: the implementation of YoungStar and the 2014 reauthorization of CCDBG. These policy decisions were motivated by the desire to improve the quality of childcare, driven by the evidence that high-quality childcare is more effective than lower-quality care for child development. However, as in many states, officials in Wisconsin have overregulated childcare providers under the belief that it would result in better outcomes for children. Regrettably, there is no evidence that it has positively affected child outcomes, and it likely has harmed them by restricting the availability of childcare and driving up costs.

The decline in children receiving Wisconsin Shares subsidies coincides with the 2012 implementation of the YoungStar rating system for childcare providers in the state. YoungStar requires providers that accept Wisconsin Shares subsidies to participate in the program, which creates a disincentive to participate. This is evidenced by the declining trend of children served in Wisconsin Shares beginning in 2012 and accelerating after the reauthorization of CCDBG in 2014. This likely stems from the focus of CCDBG reauthorization on quality and a push at the state level to enroll children in high-quality childcare.

A review of the rating criteria reveals why a family provider might not want to participate in YoungStar and might choose to leave the childcare business entirely.[35] Providers must do a self-assessment and develop a quality improvement plan. They must develop a registry program profile and have their operations observed by raters. Raters give higher scores to providers with higher levels of education, even though research shows a weak relationship between education level and childcare quality. In addition, providers must verify their education level, adding another layer of administrative burden. The list of requirements and evaluation criteria rate every aspect of the childcare provider's operation, including but not limited to the number of books, specific time requirements for free play and parental communication requirements.[36] It is unsurprising that childcare providers might want to exit the system entirely.

There has always been a flaw in the belief that states, with support from the federal government, could regulate childcare into high quality. Although the YoungStar rating system is well-intentioned, it likely has had a negative effect on the number of children receiving childcare subsidies in Wisconsin by pushing providers out of the subsidy system altogether. All children receiving a Wisconsin Shares subsidy must use it at a YoungStar-rated provider. If a family does not have access to a YoungStar-rated provider, that family cannot use a subsidy.

If the YoungStar system was producing positive results for children, the burden it places on providers might be justified. However, state officials acknowledge that they have little evidence that children are doing better after the implementation of YoungStar. In a 2021 needs assessment, state officials acknowledged that Wisconsin does not have data on kindergarten readiness, making the assessment of the effectiveness of YoungStar impossible. Additionally, UW-Madison's IRP conducted an analysis and validation of YoungStar in 2016, finding that the tiered rating system did not translate into better outcomes for children. Specifically, "analyses of the data did not support the conclusion that children in more highly rated YoungStar programs, whether measured by star level or total rating points, predicted children's school readiness in the spring of the study year."[37]

A New Approach to Support Early Care and Learning

Research shows that public investments in high-quality childcare for disadvantaged children can have positive long-term effects. It also shows that childcare assistance to low-income families increases employment, which offers poor families a path out of poverty. However, Wisconsin leaders have misapplied these two important research findings to the state's early care and learning infrastructure, resulting in higher-cost childcare, less parental choice and fewer children participating in Wisconsin Shares.

Regrettably, state leaders have reinforced this misguided approach issuing a Birth to 5 strategic plan in 2020 that doubles down on government regulation and seeks to increase childcare labor costs while illogically also promising to reduce the percentage of families' income spent on early care and learning.[38]

There are several missing pieces from the state's approach to early care and learning, mainly the importance of the role of parents, as both caregivers and decision-makers. Instead of more regulation and higher costs, the answer to Wisconsin's early care and learning problems is to reduce government regulations and place more authority into the hands of parents and childcare providers.

Here is how Wisconsin can get its early care and learning system back on track.

1. Streamline Wisconsin's early care and learning program oversight to ensure accountability.

Wisconsin has a number of leadership bodies that oversee early care and learning programs at the state level, though childcare providers are scattered across the state. Additionally, Head Start programs operate at the local level but are licensed and regulated by the state Department of Children and Families. The DCF operates the YoungStar quality rating system through a contractor, and the state Department of Public Instruction oversees early care and learning model standards.

This complex governing structure lacks a formal accountability system and needs reform. As a starting point, a governor-appointed workgroup should review the existing structure, assess how other states organize their early care and learning programs, and suggest improvements to state policymakers. The goal of the workgroup would be to inform legislative and executive action to streamline Wisconsin's early care and learning program, including an emphasis on oversight and accountability.

2. Reduce the regulatory burden on childcare providers.
A 2016 assessment of YoungStar suggested that the tiered rating system had not resulted in better outcomes for children. Additionally, YoungStar likely has contributed to a decline in family childcare providers that has limited parental choice and driven up costs. A quality rating system can be worthwhile to help parents make decisions about early care and learning programs, but officials should not use it to drive providers out of the market entirely, especially when the result is less childcare availability and minimal impact on child outcomes. Additionally, the evaluation criteria for YoungStar ratings are overly prescriptive and limit autonomy among childcare providers. A governor-appointed workgroup with public and private stakeholders should review YoungStar and the evaluation criteria.

To diversify the early care and learning options for families, Wisconsin must reduce the regulatory burden on childcare providers. A review of YoungStar and the state's overall childcare regulatory framework should identify key steps to reduce the burden on childcare providers while still ensuring the proper health, safety and development standards are in place. The goal should be to help Wisconsin children flourish while keeping flexibility for families.

3. Develop a performance evaluation system and data infrastructure that measures key outcomes related to early care and learning effectiveness.
One of the most glaring deficiencies in Wisconsin's system is the lack of data. There is no Head Start data at the state level, no consistent data on childcare capacity or enrollment by type of provider and age of child, no pre-kindergarten data at the state level and no statewide kindergarten readiness data.[39] These limitations make any efforts by state leaders to operate an effective system impossible. Some efforts already have begun within the state bureaucracy to address these deficiencies, but state leaders must invest in a data infrastructure and develop a performance measurement system that assesses the effectiveness of the early care and learning system. The governor should appoint a data infrastructure workgroup to assess the technology and make recommendations to bring the system into compliance with 21st century expectations for data.

4. Develop a new Birth to 5 strategic plan that focuses on parents and providers.
The current system in Wisconsin follows a pattern seen across the country — parents and education professionals desire high-quality childcare, so states try to regulate childcare

toward quality. The problem is that quality is difficult to measure and often involves intangible factors such as the responsiveness of caregivers and their relationships with children. The evidence that YoungStar-defined quality does not lead to better school readiness for children supports this view. Because the evidence suggests that increased regulation has driven up costs and reduced the availability of childcare, especially subsidized childcare, the state needs a new approach.

One solution is to return more authority to parents and childcare providers to determine quality. Granted, state officials need to regulate certain health, safety and development requirements. However, parents are better equipped to determine quality than government officials who visit once per year or less. By improving competition among providers, parents will have more childcare options, lower costs and the ability to demand better quality.

A new Birth to 5 strategic plan for Wisconsin should incorporate the work mentioned above, including plans to streamline administration of the system, reducing the regulatory burden on providers and improving the data infrastructure. Generation of the strategic plan should stem from the governor's office or the leader of a newly created early care and learning governing structure rather than relegating it to the existing state bureaucracy. The intention is to avoid problems between state agencies around budget, authority and strategic direction.

5. Explore the creation of early education savings accounts to facilitate Head Start and Wisconsin Shares.
As part of a new Birth to 5 strategic plan, state officials should explore the creation of education savings accounts. Policymakers can model these after Pell Grants for low-income families or other flexible savings accounts for health and education expenses. The government could fund the accounts for low-income families and phase out assistance at higher income levels. All parents could contribute to the accounts in a state income tax-deferred way. Parents could use the accounts for early care and learning opportunities or other development or recreation activities.

Savings accounts also could give parents more flexibility to determine the right program mix for their children as well as the right employment level for their family. For example, the availability of some financial assistance to cover recreation activities for young children might give parents the flexibility they need to pursue less than full-time employment opportunities. Availability of savings accounts would not necessarily be linked to parental employment, meaning that stay-at-home parents could also benefit from the accounts. However, the program would link government assistance to employment to avoid work disincentives.

Conclusion

Birth to age 5 are crucial years for child development. Research shows that public resources can effectively help low-income parents work by providing childcare assistance and help close the development gap between disadvantaged children and their higher-income peers. However, a push in the past several years toward high-quality early care and learning in Wisconsin and across the country, although well-intentioned, likely has overburdened many providers, driving family childcare providers out of business, reducing access and increasing costs.

Throwing more money at an inefficient and ineffective system is not the answer. Instead, Wisconsin's leaders should revisit and consider reforming a few key areas, including the state's governance structure, regulatory framework, data infrastructure and strategic plan. Policymakers should think outside the box and organize the state's support for early care and learning to meet the demands of today's parents.

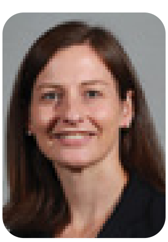
Rigid government programs and oversight cannot provide families the flexibility and help that they need when they need it. Policymakers could consider alternative ways to structure assistance for early care and learning programs through mechanisms such as education savings accounts or flexible spending plans.

Badger Institute takeaways

A push to regulate our way to higher-quality childcare has resulted in fewer options and higher costs. Simply spending more will not be effective. Wisconsin should:

- **Streamline Wisconsin's oversight of childcare and early learning, enabling now-absent accountability.**
- **Reform YoungStar to reduce the deterrent regulatory burden on providers.**
- **Begin collecting data on early childhood enrollment and outcomes.**
- **Reorient the state's strategy around granting more authority to parents and childcare providers to choose options they find best.**
- **Channel state subsidies through a parent-controlled mechanism such as education savings accounts. Allow unsubsidized parents to access such tax-deferred accounts, and make them independent of employment status to enable stay-at-home parents to benefit.**

About the Author



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