



NEPC REVIEW: OFF TRACK: AN ASSESSMENT OF WISCONSIN'S EARLY CARE AND LEARNING SYSTEM FOR YOUNG CHILDREN (BADGER INSTITUTE, SEPTEMBER 2022)



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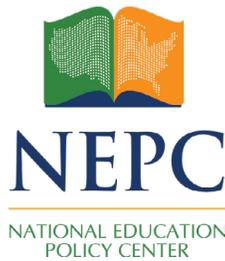
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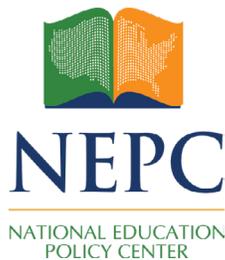
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Summary

A recent report released by the Badger Institute reviews the current early care and education (ECE) landscape generally before turning to profile the childcare system in Wisconsin. It presents data on trends in that state's system and concludes that government regulations have had the effects of limiting supply, decreasing parental choice in providers, and increasing costs. The report recommends reducing regulation, consolidating state agencies, and increasing parental control over use of government childcare subsidies. Although a case can be made for reducing regulatory burden, the report's findings and recommendations are not supported by evidence and would in fact *increase* costs while placing children and benefits to taxpayers at risk. The report should be applauded for continuing to spotlight the need for quality childcare and education. But because of significant methodological flaws and omission of important literature, its recommendations should be treated with extreme caution, if not avoided altogether.



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I. Introduction

Public investment in early care and education (ECE)¹ is warranted because of the benefits that accrue to society, including increased maternal employment and earnings, improved child well-being, learning, and development.² From an economic perspective, public funds spent on ECE—especially when focused on the most disadvantaged children and families—can yield a wide array of short- and long-term benefits. These include the direct and indirect impacts of a larger and more productive workforce for both parents and children, respectively.³

Yet it is far from guaranteed that public investments in ECE invariably lead to their potential benefits because their impacts depend on context and the specifics of policies and programs.⁴ Additionally, ECE operates in a complex system of informal and formal arrangements governed and funded by multiple local, state, and federal agencies. The pandemic has only further complicated the context in which ECE operates. For policymakers, these factors present serious challenges in developing strategic policies that maximize return on investment.

Dr. Angela Rachidi's report, *Off Track: An Assessment of Wisconsin's Early Care and Learning System for Young Children*, seeks to address these issues. It claims to identify key problems with Wisconsin's public investments in ECE and recommends policy responses.⁵

II. Findings and Conclusions of the Report

Off Track begins with a broad review of research on the impacts of early care and education

(ECE) on learning and development and concludes 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.”⁶ According to the report, the federal government has had a mixed record in funding successful programs because those it has funded have been of lower quality. Federal policymakers’ ultimate recognition of this problem—government subsidies of poor quality programs—led to a bipartisan focus on raising quality when Congress reauthorized the Child Care Development Block Grant (CCDBG) in 2014.⁷ This resulted in new regulations that shaped state childcare policy, including the development of quality rating and improvement systems, or QRIS.⁸

However, regulations aimed to improve quality had unintended consequences. The report claims that they were so overly burdensome and taxing that they caused lower-cost providers—primarily home-based providers—to go out of business to be replaced by higher cost, larger centers or not at all.⁹ As a result, the supply of affordable childcare available for disadvantaged children declined.

After reaching a general finding that regulation caused a host of problems, *Off Track* then assesses Wisconsin’s ECE situation and the impact of quality regulations there. Not surprisingly, it concludes that administrative complexity and state regulation since the 2012 introduction of YoungStar (Wisconsin’s QRIS)¹⁰ and 2014 CCDBG reauthorization dramatically reduced the availability of childcare and the number of low-income children receiving childcare subsidies in Wisconsin. It further concludes that regulations changed the composition of childcare providers by causing a large shift from family homes to centers.

Based on its findings, the report makes five recommendations as follows:

1. Reduce the number of leadership bodies that oversee ECE, including Head Start.¹¹
2. Review YoungStar and other regulations for reductions to lower the burden on providers.
3. Invest in better data infrastructure and develop an outcomes measurement system to evaluate “the effectiveness of the early care and learning system.”¹²
4. Create a new Birth to 5 strategic plan that gives more authority to parents and providers to determine quality.
5. Redirect state childcare subsidies to parent-controlled “education savings accounts,” and make these accounts available to all families for “tax-deferred” contributions that could be used for recreation activities as well as ECE.¹³

III. The Report’s Rationale for Its Findings and Conclusions

This report draws its findings from reviews of general research on early care and education (ECE) impacts, national and state data on childcare programs, and information in Wisconsin’s strategic plan for ECE birth to age 5. It finds that the supply of ECE (including subsidized childcare) has been “dramatically” reduced by overregulation, specifically YoungStar

and complex ECE administration.¹⁴ In essence, the brief offers data to suggest that the supply of affordable childcare for disadvantaged children in Wisconsin decreased when government quality control regulations intensified and, therefore, the latter was caused by the former.

Because the brief finds that overregulation and government intervention caused the problems, it concludes less regulation and oversight will solve them. At its core, the report's findings and conclusions assume that with less government regulation, the free market will self-correct the problems of supply and cost. Its five recommendations generally rely on that premise.

IV. The Report's Use of Research Literature

The report's use (or omission) of important literature in the field is problematic. For example, its review of the literature on the "evidence base for early care and learning" is superficial and omits studies that could have better informed its conclusions and recommendations. While it cites a few studies that support a conclusion that childcare subsidies lead to worse developmental outcomes for children,¹⁵ it overlooks those that lead to a more nuanced view, including research on Quebec's universal childcare policy. This research found higher rates of inadequate quality in for-profit centers and home-based care (the types of settings the report wants to expand) and suggested that low quality led to poor child outcomes.¹⁶ Other rigorous studies explaining how outcomes vary with quality, child age, and hours of childcare also were omitted. A recent international meta-analysis of the research reaches consistent conclusions about quality.¹⁷

Significantly, the report eschews important research about the impact of regulation on quality. Indeed, its general claims that overregulation (specifically related to QRIS such as YoungStar) reduced childcare supply are not rigorously documented or supported in the research. Although literature has found that regulations can reduce supply sometimes, it also has benefits. Moreover, aspects of regulation other than QRIS impact supply.¹⁸ Research indicates that the aspect of QRIS that *Off Track* specifically recommends eliminating can lead to improved quality.¹⁹

The report also neglects studies of trends in supply and demand that directly counter the claim that changes in policy caused the observed changes in supply.²⁰ It is noteworthy that the decline in home-based care predates the policy changes blamed in the report.²¹

Finally, extant research suggests that parental choice explains some of the shift from home-based childcare to center-based care.²² This contradicts the report's claim that parents were forced to enroll their children in centers because home-based providers were forced out by regulations. Put another way, an assumption in the report is that parents would prefer home-based care, if given the choice. Yet, many parents prefer centers when given the option.²³

V. Review of the Report's Methods

The report suffers from fatal methodological flaws. To begin with, and importantly, it does not adequately describe its methods. Indeed, it does not contain a methods section typically found in high-quality reports. Without a methods section, the reader can only conclude that there was no analysis beyond simple claims based on the data presented and assumptions about free markets. Further, lack of a methodological approach leaves the report subject to the claim that it was reverse engineered: that it started with its conclusion (that overregulation limits supply of childcare opportunity) and then searched for evidence to support that claim.

And, importantly, its central claim lacks any support. It states, *without citation*, at least 10 times that regulation “likely” has reduced childcare supply.²⁴ A more thorough review and detailed methods discussion would have provided information on the types of regulations likely to have negative impacts and the magnitudes of those impacts, as well as on the benefits from regulation.

At best, the report's attribution of decreases in childcare providers, enrollment, and subsidies to specific policies relies on temporal association. The report includes figures purporting to show a decline in providers and children enrolled in early care and education (ECE) over a time period that starts on or around the implementation years of federal and state quality regulations, including YoungStar.²⁵

However, some trends began before the alleged causes, and the report did not investigate the impacts of economic, demographic, and education program trends on childcare. To consider but a few: The number of children under five in Wisconsin declined by 8.8 percent from 2010 to 2020,²⁶ Wisconsin's public pre-K program expanded dramatically, and the nation experienced a historic decline in child poverty. These trends reduced the number of children needing childcare and the percentage eligible for subsidies. A more rigorous report would have used a more valid approach with an identification strategy (such as difference-in-differences or instrumental variables) and accounted for other potential impacts on demand and supply while estimating the alleged policy effects, and documented that approach in a methods section.

VI. Review of the Validity of the Findings and Conclusions

The validity of *Off Track's* findings and recommendations is in serious question. Neither the purported problems nor proffered solutions are supported by detailed, methodical analysis or the research literature. As a preliminary matter, the report does not establish that the shift toward centers and decline in the numbers of children in subsidized care are problems in need of a solution. Wisconsin has not had a waiting list for subsidized childcare.²⁷ And, the report fails to even mention the identification of substantial fraud and its subsequent reduction as a cause for declines in the numbers of children reported to receive subsidy and state spending on subsidies.²⁸

Because of the report's failings with respect to methods and literature review, each of its recommendations—discussed in turn below—cannot be considered valid.

The first recommendation—to reduce the agencies with early care and education (ECE) oversight—ignores governance issues arising from the various state and federal agencies having jurisdiction over ECE programs. ECE is offered by a mix of childcare providers, Head Start, and local public schools, often in combination and using funds from multiple public programs. Each has their own set of rules and regulations.

For instance, Head Start is under federal, not state, control.²⁹ The state has no authority over Head Start unless it is licensed as a childcare provider.³⁰ Additionally, Wisconsin's school districts offer universal pre-K at age 4 and local control over public education in Wisconsin limits the state role. Thus, simply moving oversight to one agency would not resolve complicated governance issues. Furthermore, the report offers no evidence that a single state agency could reduce bureaucratic hurdles, control cost, and expand supply.

Similarly, its recommendation to review and streamline quality regulations such as YoungStar misses the mark because it neglects evidence that regulation benefits child safety and development.³¹ The existing research suggests that, at best, there is uncertainty about the potential downside of regulation. But the report's recommendation ignores this and, thus, obscures the trade-offs policymakers face by focusing on potential costs alone. In addition, specific aspects of state administration claimed to impose costs and harm—the administrative organization, 2014 reforms, and the QRIS—may have had little or no negative impacts and are not plausibly related to the alleged problems, though subsidies likely supported parental decisions to shift from home-based to center-based care.³²

To be sure, some regulations are unnecessarily burdensome—and *those* should be carefully considered and streamlined.³³ However, *Off-Track* uses too broad a brush that seeks to eliminate the wrong regulations—those that focus on specific adult-child interactions and child experiences that support effectiveness. These are important because families (on their own) might find it difficult to assess the adult-child interactions linked to effectiveness, and continuous improvement systems (such as those emphasized under current regulations criticized) based on observation and feedback can produce desired outcomes.³⁴ Moreover, Wisconsin already has modified its YoungStar regulations to improve effectiveness, a point obscured in the report.³⁵

While appealing on the surface, a recommendation to use outcome data for accountability is impractical and ignores an array of problems that would be created. These include: high costs, limitations of the available assessments for infants and toddlers, the small numbers of children many providers serve, negative impacts on learning and teaching, corruption of the assessment process, and difficulties disentangling effects when providers and families select each other and when children enroll in more than one ECE provider at the same time.³⁶

Additionally, the recommendation to invest parents with the authority over determining the quality of a center, because “responsiveness of caregivers and their relationships with children” are intangibles better assessed by parents than by independent observation, is specious. To be sure, parents certainly should have a great say in the quality of the care their

child receives. But the idea that parents should make this assessment alone is contradicted by research.³⁷

Finally, the recommended course of action to implement “education savings accounts” for parents to direct spending is neither evidence-based nor practical and would lead to unintended consequences. It would shift public funding from ECE programs that promote public purposes to savings accounts used “to cover recreation activities” and available to “stay-at-home parents.” These would promote neither children’s development nor increased employment.³⁸

VII. Usefulness of the Report for Guidance of Policy and Practice

The report should be credited for trying to draw policymakers’ attention to early care and education (ECE) policy improvement. But, unfortunately, its methodological flaws and lack of attention to existing research leave the attending recommendations without any substantive support. Policymakers should avoid implementing its recommendations. They would impose unnecessary costs on the state and providers³⁹ and could harm children.⁴⁰ In addition, the appeal to streamline regulations and bureaucracy may distract policymakers from developing policy responses whose effectiveness has been demonstrated. Policies worth considering might include paid parental leave and increased supply-side supports for high-quality programs with strong continuous improvement systems.⁴¹

Notes and References

- 1 The report frequently uses the term “early care and learning” as well as the term “childcare.” In this review, I use the term “early care and education” (ECE), which is more commonly used in the research literature, to encompass all of the various types= of preschool education and care programs but use “childcare” only for programs that have as a primary purpose supporting parental employment and other activities.
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- 8 Although the Badger report does not use the term “quality rating improvement system” (QRIS), this is the accepted term in the field. It is used throughout this review. QRIS denotes the system employed by an agency to assess the quality and make improvements to early care and education (ECE). Wisconsin, as noted, employs a QRIS known as YoungStar.
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- 10 Wisconsin already had in place a quality rating system (YoungStar) that predates the Child Care Development Block Grant’s (CCDBG’s) emphasis on quality regulations with its reauthorization in 2014.
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