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Private Pre-K Feels Heat From Public Providers

Competition from free preschool can siphon off coveted clients

By **Christina A. Samuels**

Every year, Pearlie Harris hustles to keep 4-year-olds enrolled in the child care center she runs in the Hollygrove neighborhood of New Orleans.

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Louisiana regulations require one caregiver for every five children under 12 months old in center-based care, such as Ms. Harris' Royal Castle Child Development Center. For 4-year-olds, regulations allow one teacher for every 16 children. Ms. Harris' center uses a more labor-intensive formula: one caregiver for four infants and one teacher for 10 4-year-olds. The tuition for the 4-year-olds subsidizes the more expensive care for the younger children.

But Royal Castle, which charges \$165 a week for infants through 4-year-olds, is in competition with Louisiana's publicly funded preschool program for at-risk children, which is free to qualified families. And the center, which is certified by the National Association for the Education of Young Children and highly ranked under the state's rating system for child-care programs, sometimes finds itself on the losing end of such competition.

The pressure on private child-care providers can be an unintended consequence of the expansion of publicly funded preschool programs for 4-year-olds. Centers rarely earn much money on infant care, because the caregiver-to-child ratios have to be kept low. But when 4-year-olds, with their more favorable ratios, leave for a publicly funded program, some private programs falter.

Research into this situation is nuanced. A [study of universal preschool programs in Georgia and Oklahoma](#) has found that so-called preschool "crowdout" isn't always a given.

But some early-education advocates have seen evidence of the strain, and they say it puts them in a quandary. None of them want to discourage public funding for early-childhood programs, but when private providers disappear, fewer high-quality slots are available for parents of babies and younger toddlers.

"Seventy percent of children in Louisiana ages 0 to 5 have all parents in the workforce. So we know

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they're somewhere when their parents are working," said Melanie Bronfin, the policy director for the Louisiana Partnership for Children and Families. "Our fear is they're in unregulated, unlicensed settings."

Louise Stoney, the co-founder of the **Alliance for Early Childhood Finance**, an information and advocacy group, said that she "fully supports expansion of preschool. I am 100 percent supportive. I will take any money you give me, in any way it comes."

But, she said, "it's really easy for well-meaning initiatives to have unintended consequences."

Ms. Stoney described what she calls the "iron triangle" of finance for early-care providers: full enrollment, full collection of fees from parents, and revenues that cover the cost of caring for children.

The triangle is often quite shaky for the small businesses that comprise most day-care centers, Ms. Stoney said: They may be underenrolled, have a hard time collecting fees from parents, or charge fees that barely cover their costs for fear of losing customers.

Once an outside player enters the market—such as a publicly funded program—the whole system for a private provider can collapse.

That's what happened to some providers in St. Louis, where the school system used money from the settlement of a long-running desegregation case to add 700 tuition-free preschool slots three years ago, bringing the district-run program to about 2,000 seats in all. The program offers free before and after care, and has waiting lists at almost every school where it is offered.

Financial Strain

But in the wake of the expansion, the Nursery Foundation, founded in 1946 as a rare racially-integrated child-care program in the city, shut down last year. Cuts to federal Head Start funding through budget sequestration, along with state cuts and dwindling enrollment, doomed the center, executive director Terri Olack **told the St. Louis Beacon newspaper**.

"We've had a lot of competition from the free program," she told the paper in March, before the center closed. The program charged parents from \$5 to \$70 a week, per child. "When you're a single parent trying to put food on the table, a free program outweighs a quality program."

Paula Knight, who as associate superintendent of the 27,000-student district manages the early-childhood program, said that she was aware of the discontent among some private providers when she assumed oversight of the program last July.

She said she has visited day-care providers around the city to get a better idea of their offerings. If parents find that they are wait-listed at a school, they can be steered to one of the prescreened providers.

"I knew this was something worth mending," Ms. Knight said, as did the superintendent, Kelvin Adams. "We don't want people to think we're just grabbing at kids."



Pearlle Harris, the director of the Royal Castle Child Development Center, works with children at the school in New Orleans. The private early-childhood center, which serves children up to age 4, finds itself in competition with Louisiana's free preschool program, especially for older enrollees.
—Ted Jackson for Education Week

For Ms. Harris, at Royal Castle, the competition is not just for students, but for teachers. To meet state rules and Head Start regulations, teachers of 4-year-olds at Royal Castle have to have college degrees. But she is not able to pay her staff more than \$13 an hour, and employees—including Ms. Harris—receive no benefits.

"Degreed teachers want to get paid for their education. That is always the issue for me," Ms. Harris said. "I can't pay them what they're worth." After employees gain experience working at Royal Castle, they are often snapped up by local charter schools and placed in positions where they can earn nearly twice as much, and receive health-care and retirement benefits, she said.

The feared impacts of publicly funded programs aren't always a given, however. Researchers Daphna Bassok, Maria Fitzpatrick, and Susanna Loeb explored the phenomenon of private preschool crowdout in a paper published in 2012 for the National Bureau of Economic Research. They studied Oklahoma and Georgia—two states with universal preschool programs for 4-year-olds.

In Oklahoma, preschool is provided through the public school system, and about 40,000 students were enrolled in the 2012-13 school year. In Georgia, the program is a more voucher-like subsidy, which parents can use at public and private providers. About 82,000 children were enrolled in the 2012-13 school year.

The researchers found a complex series of effects.

In Georgia, the number of private programs expanded with the advent of the publicly-funded program, which might be expected, the researchers said, because parents were able to use the subsidy at either a public or a private preschool. In Oklahoma, the public program did not lead to a significant contraction in the private child-care market, the study found. The researchers hypothesized that existing private programs got smaller but were able to stay in business, or they were able to provide services to children enrolled in half-day public preschool programs.

The best situation for private providers, said Ms. Stoney, of the Alliance for Early Childhood Finance, would be a situation where they could also have access to the public dollars. "States need to get much more sophisticated about enabling diverse delivery," she said.

Creating Partnerships

Allowing a multitude of high-quality providers undergirded West Virginia's universal preschool program, said Clayton Burch, the executive director of the state's [office of early learning](#). The lawmakers who voted for universal preschool back in 2002 also required that jurisdictions provide at least half of their slots for 4-year-olds through collaboration with private providers, Head Start programs, or child-care centers. Currently, about 74 percent of 4-year-old preschool slots are operated in collaboration with community partners, Mr. Burch said.

Burch said such work is best done when a state or city is in the earliest stages of expanding preschool programs. "It's really difficult if you've already got a system, and you've already put these places out of business," he said.

Such a partnership is something Ms. Harris dreams of in New Orleans. She has already reached out to a local charter school to see if she can forge a connection where children from her center matriculate to that school. Her employees might be

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able to share in the benefits package offered by the charter.

Until then, she works to keep her program afloat.

"I really try to push our program," she said. "I tell parents, we do have a degreed teacher working in the classroom, we are the same program that they have at the Catholic schools. We are required to make sure the kids are prepared for kindergarten." She also provides a Head Start program, which brings in federal dollars.



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Some parents, however, are drawn to the state-funded program for their 4-year-olds, or to a program based at a school that feels more academically oriented than her center, she said.

"We need to think about how to still provide care for the zero to threes," she said. "We have to get these kids ready. They're important too."

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