

Hon Steve Maharey

Minister of Education



Frequently asked questions about 20 Hours Free ECE

Why provide up to 20 hours Free ECE and what is it?

The Government is funding 20 Hours Free ECE because it believes that giving young children the best possible start in life is vitally important, and that quality ECE builds the lifelong foundations of successful learning.

20 Hours Free Early Childhood Education (ECE) will mean that the Government will fund 100% of the average cost of ECE for three and four year olds for up to 6 hours per day, up to 20 hours per week.

The state will now pay for the quality regulated standard of ECE for 20 hours a week, similar to government funding of primary and secondary school education.

Why is it up to 20 hours a week?

20 hours a week is to encourage regular and intensive participation in quality ECE, which is proven to have a positive effect on their education. Children don't benefit from quality ECE if their participation is not intensive enough.

New Zealand has high ECE participation rates but children attend for relatively few hours per week, at around 14-17 hours per week for 3 and 4 year olds. In 2006, 48 per cent of three and four year olds attended for less than 12 hours.

Who can get Free ECE?

Three and four year olds at teacher-led services offering 20 Hours Free ECE can get up to 6 hours per day, up to 20 hours per week of free early childhood education. 20 Hours Free ECE starts when a child's turns three and finishes when they turn five.

Five year olds who have special education support as part of their "transition to school plan" can continue to get up to 20 hours per week of 20 Hours Free ECE during this time. A "transition to school plan" outlines how a child with special education needs will successfully move from their ECE service to school.

What is the cost of providing 20 Hours Free ECE?

The projected cost of the 20 Hours Free ECE policy is \$313 million in 2007/08.

On 1 July, ECE services providing 20 Hours Free ECE across New Zealand are receiving an advance payment of \$178.2 million (including GST) to fund 20 Hours Free ECE and their usual ECE subsidy funding from government.

From 1 July, centres offering 20 hours free will receive an advance payment covering the next four months, worth \$105,000 (including GST) for an average centre.

Is 20 Hours Free ECE income tested?

No. 20 Hours Free ECE will be available to any three or four year old who is enrolled in a teacher-led early childhood service that is offering 20 Hours Free ECE, regardless of their parents' income, ethnicity, work status, or any other factor.

Why isn't 20 Hours Free ECE extended to children younger than three years old?

Making early childhood education free for 3 and 4 year olds involves significant changes for services and cost for government, so this policy will now be available for up to 20 hours per week for three and four year olds from July 2007. There are currently no plans to extend it to children under 3 years of age.

The government will continue to provide significant support for ECE participation by children two years old and younger. The main forms of funding are:

- ECE Funding Subsidy for all children who attend licensed early childhood services (between \$3.09 and \$6.41 per child per hour for children 2 years old and over; and between \$6.36 and \$11.64 per child per hour for children younger than two years).
- Working for Families Childcare Subsidy, between \$1.31 and \$3.40 per child per hour, for families who have incomes below certain limits.

How does the 20 Hours Free ECE policy compare to a policy of childcare tax deductions?

20 Hours Free ECE is worth up to \$4500 a year for New Zealand families. A 'childcare deduction' would not be available to families where only one parent is working, or to beneficiaries. It would be given to families up to a year after they pay for ECE, and would require them to hang on to all receipts and complete many forms.

The Labour-led government's 20 Hours Free ECE policy will lower the cost of ECE for tens of thousands of families. It is available to all parents, regardless of their income or whether they work outside the home.

For example, under 20 Hours Free ECE some parents will save \$3600 a year, which is a huge amount of extra money for a young family. The proposed 'childcare deduction' policy would halve that saving, leaving the family with a bill of \$5500 a year for ECE.

Will the Work and Income Childcare Subsidy continue to be paid to parents after 1 July 2007 if parents are accessing Free ECE?

Yes, parents and caregivers may choose between receiving the Childcare Subsidy or 20 Hours Free ECE or, in some cases, a combination of both payments.

Work and Income's Childcare Subsidy may not be claimed for 20 Hours Free ECE Hours. Parents/caregivers may be able to claim for hours of attendance not covered by 20 Hours Free ECE. For example, if a parent is entitled to 50 hours Childcare Subsidy because they are in work, and they receive 20 hours Free ECE, then they would still be entitled to Childcare Subsidy for 30 hours. If a parent is going to receive 20 hours Free ECE (and they were eligible for the 9 hours childcare subsidy) then they are no longer eligible for any Childcare Subsidy.

More information on the Childcare Subsidy can be found at www.workingforfamilies.govt.nz or by calling 0800 559 009. Studylink clients can call 0800 88 99 00.

Who offers Free ECE?

Teacher-led services and some kōhanga reo are eligible to offer 20 Hours Free ECE. A 'teacher-led service' is one that is required to have a person responsible (or home-based coordinator) who is a qualified and registered early childhood teacher.

- **Education and care centres** – run by the community or private owners, and provide full or part-time education and care.
- **Kindergartens** – run by committees and all teachers must be registered.
- **Home-based education** – involves an educator providing education and care for up to four children, under the supervision of a registered teacher (coordinator).
- **Te Kōhanga Reo** – focus of kōhanga reo is building knowledge of te reo Māori (language) and tikanga (culture), and parents and whānau are involved in their management.

Currently, the ECE Listing, provides the details for all ECE services in the New Zealand: www.teamup.co.nz/earlyyears/about/ECE_Listing/default.htm

This is being updated to show which services have applied for 20 Hours Free ECE advance funding so they can offer 20 Hours Free ECE from 1 July 2007.

Te Kōhanga Reo National Trust is currently communicating with their whānau about the eligibility criteria for kōhanga reo to offer Free ECE. The ministry is developing training with Te Kōhanga Reo National Trust. Te Kōhanga Reo National Trust will advise which of the approximately 494 kōhanga reo will offer 20 Hours Free ECE after the training is complete. There will be more information on enrolments and take up around September.

Why only teacher-led services and kōhanga reo?

Families who use teacher-led services face higher fees. Teacher-led services need to have a qualified and registered teacher present at all times, and usually employ most of their staff. The fees necessary to meet these costs can limit the time a child spends in ECE or prevent children from participating. 20 Hours Free ECE aims to reduce the cost barrier to families using ECE.

Some kōhanga reo face similar types of costs as teacher-led services, including the cost of employing several teachers.

By providing funding for 20 Hours Free ECE through these kōhanga reo we will be able to support increased participation for Maori children and help them build strong learning foundations in Te Reo setting.

Why do playcentres not qualify to offer this policy?

The government and many parents around the country value the quality service Playcentres provide for our children. The fact that parents have the option to learn alongside their children through Playcentre is important and many parents will continue to use Playcentres for this very reason.

This policy however is available for teacher-led services, which does not include Playcentres. Families who use teacher-led services face higher fees, mainly due to teacher registration requirements.

For families using parent-led services such as Playcentres, family members contribute their valuable time by educating children at the service. This means there is usually a lower cost barrier, so 20 Hours Free ECE would not necessarily increase participation in parent-led services.

If Kohanga Reo are not offering 20 Hours Free ECE from 1 July, does that mean Maori children won't benefit from this policy?

The majority, or 73 per cent of Maori children attend services other than Kohanga Reo (2006). 20 Hours Free ECE means the 35 per cent of Maori children at Education and Care Centres and 23 per cent attending kindergarten can access their free hours at participating centres.

27 per cent of Maori children are enrolled at Kohanga Reo, and many of them will have the opportunity to access 20 Hours Free ECE once kohanga come on board.

More Maori will have access to this policy in the future, as Maori enrolments are increasing steadily. Between 2002 and 2006, Maori enrolments increased by 6.8 per cent.

What is the ethnicity of children enrolled in ECE?

Of the 184,454 (this figure includes teacher-led and all other services) children enrolled as at 1 July 2006, 67.3 per cent (124,154) identified as European/Pākehā, 19 per cent (35,000) identified as Māori, 6.2 per cent (11,492) identified as Pasifika, 5.8 per cent (10,782) identified as Asian.

Since 2002, European/Pākehā enrolments have increased by 4.1 per cent (4,857), Māori enrolments have increased by 6.8 per cent (2,221), Pasifika enrolments have decreased by 0.2 per cent (27), Asian enrolments have increased by 21.2 per cent (1,883) and Other enrolments have increased by 22.6 per cent (557).

Do services have to offer Free ECE?

No, it is a voluntary policy that ECE services choose to offer.

Can ECE services offer Free ECE at a later date?

Yes, services can choose to start offering 20 Hours Free ECE at any time by completing the Free ECE funding advance claim (EC20) form. The take up rate is expected to increase gradually throughout the first year of this policy.

Why is there lower take up of 20 Hours Free ECE in some areas, for example Auckland?

20 Hours Free ECE is rolling out as planned. There has been some misinformation generated about the policy, as a result of some people vigorously trying to undermine 20 Hours Free ECE, to advance their own interests.

It is unfortunate and disappointing that their campaign against the policy could deny thousands of families the chance to save thousands of dollars a year, much needed extra cash for parents of young children.

Free ECE Funding rates

The funding rates for Free ECE available from 1 July 2007 are listed below and can be found on the MOE website www.minedu.govt.nz/goto/FreeECE .

ECE funding paid to services as a GST-inclusive rate per child per hour	ECE funding subsidy rate (age 2 and over) effective 1 July	Free ECE
<i>All-day teacher-led centre-based services</i>		
100% registered teachers	\$6.41	\$10.89
80-99% registered teachers	\$5.70	\$10.13
50-79% registered teachers	\$4.62	\$8.91
25-49% registered teachers	\$3.86	\$8.08
0-24% registered teachers	\$3.43	\$7.61
<i>Sessional teacher-led centre-based services</i>		
100% registered teachers	\$5.36	\$6.53
80-99% registered teachers	\$4.53	\$5.85
50-79% registered teachers	\$3.83	\$5.09
25-49% registered teachers	\$3.38	\$4.57
0-24% registered teachers	\$3.09	\$4.28
Protected rate (former Quality Rate)	\$3.26	\$4.41

ECE funding paid to services as a GST-inclusive rate per child per hour	ECE funding subsidy rate (age 2 and over) effective 1 July	Free ECE
<i>Teacher-led home-based early childhood services</i>		
Quality	\$3.99	\$8.45
Standard	\$3.52	\$7.98
<i>Eligible Te Kōhanga Reo (except those recognised as teacher-led for funding)</i>		
Quality	\$3.94	\$7.64
Standard	\$3.47	\$7.19

What are the rates based on?

20 Hours Free ECE rates take into account the average cost of providing the regulated standard of education and care, as recorded by services in their 2006 operating cost surveys. Examples of operating costs include educational resources, administration costs, professional services, utilities, and teachers' salaries. 20 Hours Free ECE rates also include funding for capital and property costs, such as rent and mortgage repayments and replacement of assets.

The funding rates were adjusted in Budget 2007 to take account of increases to the cost of ECE provision.

For more information on how the rates were calculated please refer to the *Analysis of Survey of Operational 2006* and *Calculation of Free ECE Rates* reports available at <http://educationcounts.edcentre.govt.nz/themes/ece/indexAlpha.html>

The Ministry of Education will monitor the roll out closely in the first year, including identifying any impacts on centres that were unforeseen. This will include a survey of a range of services' circumstances, which will inform consideration of Budget 2008.

Why are there no regional differences in the rates?

In the 2006 operating costs survey, there was no evidence that any region had consistently higher costs across the board, after taking levels of teacher registration into account.

The data showed the main differences in cost were due to the type of service and proportions of registered teachers, which are both taken into account in 20 Hours Free ECE funding rates. The cost of registered teachers affects costs more than any other factor.

Does the Ministry expect services to lower their standard of provision if the funding rates do not cover their costs?

20 Hours Free ECE rates are based on 100 percent of the average cost of ECE provision. Some services that offer additional services may ask for optional charges to cover the cost of these services over and above the 20 free hours. Free ECE has been designed to be flexible so that services in this position can choose to ask for a voluntary Optional Charge for specific services or items. Services must make it clear that the charge is optional and what it is for. ECE providers may alternatively request voluntary donations.

What is a donation?

A donation is a voluntary contribution. There is no obligation to contribute and no enforcement of payment. Parents do not have to pay donations, but may wish to do so to support their ECE service.

What is an Optional charge?

An Optional Charge is a request for a contribution that services may request from parents for services additional to the regulations. It can be requested for extra services over and above that required by regulation, or things that parents could choose to provide for themselves if they don't want to pay extra, eg. food.

Parents can choose whether or not to pay depending on whether they want the additional service. If a parent agrees to pay for an additional service, then the service can enforce payment as they do with their fees.

Will the government monitor fee increases?

The Ministry of Education will be monitoring fee levels to make sure that fees don't increase faster than costs.

If a centre breaks the 20 Hours Free ECE rules, the Ministry will follow that up and clarify what the rules are. Ultimately if a centre is not following the rules and refuses to follow the rules, they will lose their 20 Hours Free funding.

Are services offering 20 Hours Free ECE able to apply for donations/ sponsorship from external parties?

The 20 Hours Free ECE policy does not affect the ECE services ability to seek support outside of the Ministry. Services may continue to apply for grants to help operate their service and the Ministry would welcome your members continued support to ECE service providers.

What is the ministry doing to get services up and running in areas where there aren't any teacher led services?

The Ministry has staff in local areas who monitor demand for ECE, and work with local communities and ECE providers to maximise participation in ECE.

The ministry operates the following funding options available to set up and support early childhood education services:

- **Discretionary Grants** provide capital funding to support community based services build new, or extend existing services. The DGS has \$16.239 million (GST inclusive) available for building projects this financial year. Allocation Round one closed on 27 April 2007 and announcements will be made in June. Round two opens 30 July 2007 and closes 26 October 2007
- **Equity Funding** is for community-based, early childhood education services in low socio-economic communities; that may have significant numbers of children with special education needs or from non-English speaking backgrounds; in isolated areas or that are based on a language and culture other than English (including sign language).
- **Establishment Funding** helps community-based services become licensed more quickly by contributing to staffing and equipment start-up costs for either new or expanding services.