



# Early Care and Education Financing

**Jeanna Capito**

[jeannacapito@gmail.com](mailto:jeannacapito@gmail.com)

630 797 5154 (o)



# Presentation Overview

- Setting the stage: defining and financing quality early care and education
- Understanding revenue structures and opportunities and program costs
- Implications for policy and financing strategies

# Defining Quality

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**Safe care**

**Healthful care**

**Developmentally appropriate stimulation**

**Positive interactions with adults**

**Encouragement of individual emotional growth**

**Promotion of positive relationships**

**Strong family and community engagement**

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***Low Teacher Child Ratios and Small Group Sizes***

# What Works?

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**Start Early and Stay With It**

**Be Intense**

**Work Directly With Children**

**Be Comprehensive and Flexible**

**Focus on the Children Who are Most Able to Benefit From What You  
Have to Offer**

**Pay Attention to the Child's Long Term Environment**

# Potential Early Childhood Funding Streams

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## Federal

- Early Head Start/Head Start
- Child Care Subsidy Program

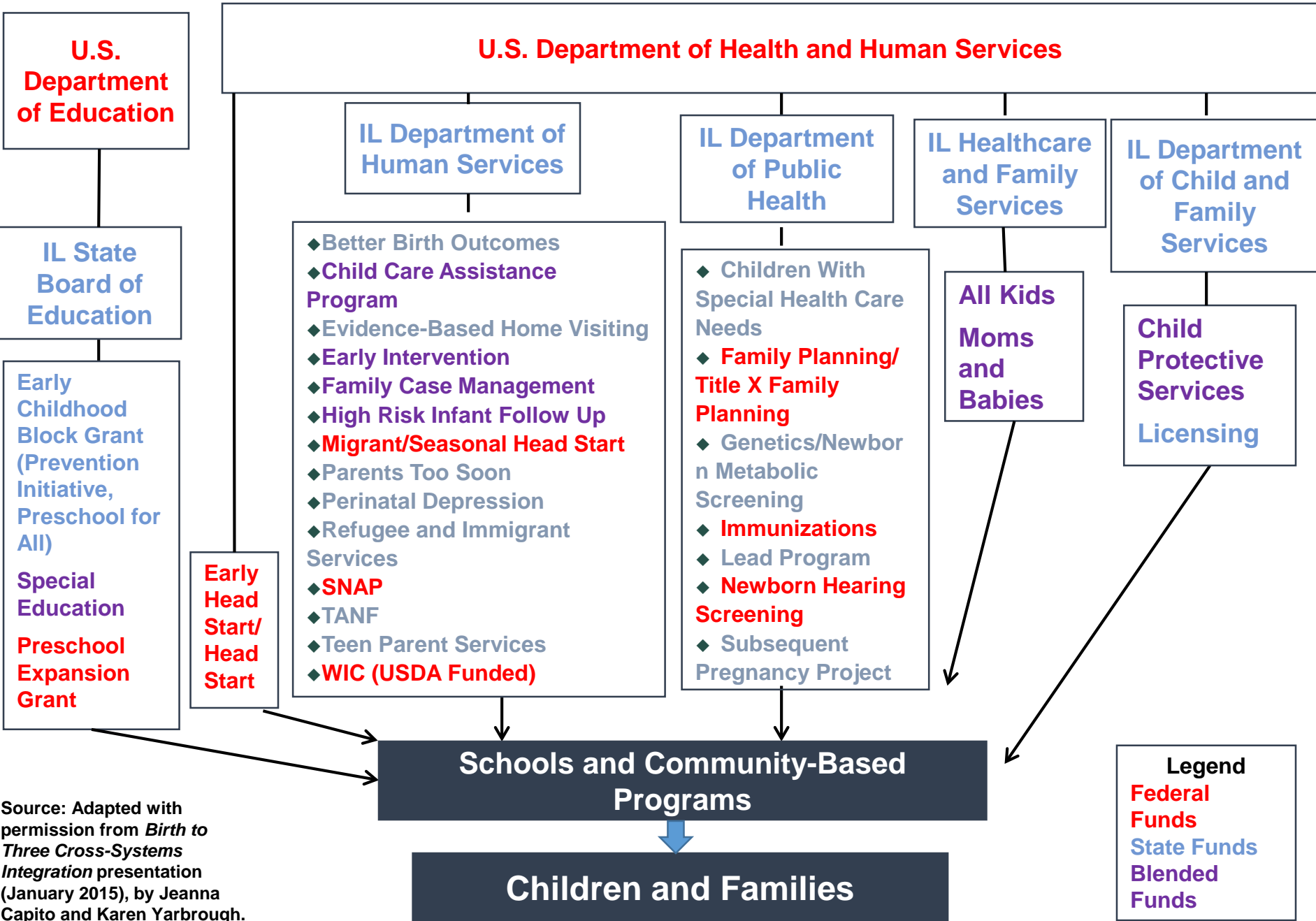
## State

- Pre Kindergarten
- Infant Toddler

## Private Pay

## Local Programming

# Illinois Birth to Five Funding Streams: Funding Drives Services and Programs



Source: Adapted with permission from *Birth to Three Cross-Systems Integration* presentation (January 2015), by Jeanna Capito and Karen Yarbrough.

**Legend**  
 Federal Funds  
 State Funds  
 Blended Funds

# Defining Terms

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**Complex** more than one source of funding is utilized to address the same issue

**Restrictive** control of:

- administration of the funding
- the population of children and families served
- the eligible providers



# Collaborative Funding - Definitions

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## Blending

- Two or more separate funding sources
- Wrapped together, paying for unified set of programming
- No cost allocation or tracking by funding source

## Braiding → Layering

- Two or more separate funding sources
- Coordinated to equal total cost of services to children
- Revenues allocated and expenditures tracked by funding source



# Collaborative Funding - Models

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## **Head Start Collaboration**

Assist in building early childhood systems

Provide access to comprehensive services and support for all low-income children

Encourage widespread collaboration between Head Start and other appropriate programs, services, and initiatives

*Ex: Head Start Pre-K Partnerships, OK*

## **Educare Schools**

Operating budgets range from \$2.8 million to \$3.4 million (150 -200 children)

Head Start and Early Head Start generally fund 50-60 percent of operational costs

Blended funding streams also drawn from the local school district (preschool) and state (child care) to support quality

# Cost Implications for Programs

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## Understanding current costs for programs

- What are the drivers?

## Understanding the impact of multiple models

- Negotiating different program requirements
- Variations across: Primary Service; Eligibility and Target Population; Length of Eligibility; Length of Program; Ratio and Group Size

## Exploring the revenue utilized by programs

- What is the administration structure programs have built?
- How do they manage the funding and reporting?
- What is the budgetary approach?

# Understanding Costs

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- **Personnel**

- **Wages**

- Child Care Workers, Lead Teacher, Preschool Teachers, Teacher Aides, Floaters, Substitutes, Assistant Teachers, Staff Supervisors
    - Administrators, Child Care Center/Program Director, and Financial Manager
    - Office and Administrative Support Workers

- **Benefits**

# Understanding Costs

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- **Non Personnel**
  - **Education Program for Children and Staff**
    - Child - food/food related, classroom/child supplies, laundry, tuition assistance, parent activities, field trips, family transportation, child assessment materials, ongoing costs of additional quality-related materials
    - Staff - professional consultants, training/professional development/conferences, staff travel
  - **Occupancy:** rent/lease or mortgage, real estate taxes, maintenance, janitorial, repairs and other occupancy-related costs
  - **Administration and Management:** office supplies, telephone, internet, insurance, legal and professional fees, permits, fundraising, memberships, administration fees

# Variations at Levels of Quality

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1. **Staff qualifications:** Increasing qualifications by level
2. **Ratios:** Reduced ratios for all, or for younger age children
3. **Time:** Staff time beyond what regulations require

# Variations at Levels of Quality

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Age	Tier 3 Cost Per Child	Tier 4 Cost Per Child	Increase
Infant	\$27,496	\$30,280	10.2%
Toddler	\$20,935	\$25,132	16.7%
Preschooler	\$17,069	\$18,719	9.7%

# Examples of State Funding Sources

## Public Funds

- ❑ IL: state general revenue, Education
- ❑ KS: tobacco settlement, Children's Cabinet and Trust Fund

## Public & Private Funds

- ❑ OK: state general revenue and private sector
- ❑ NE: Educational Lands Grant and Trust Fund, private funds

## Dedicated Taxes & Tax Credits

- ❑ LA: School Readiness Tax Credits
- ❑ CA: tobacco tax (First 5)
- ❑ AZ: tobacco tax (First Things First)
- ❑ AR: beer tax



# Approaches by “Innovative” Financing Mechanism



- Set-Aside
- Public Private Partnership Fund
- Endowment
- Tax Credits





# Types of Financing Structures

## “Block Grant” with Set-Aside

**Illinois**

**Kansas**

# Illinois Early Childhood Block Grant

- **Quality:** Range of evidence-based program models  
*Healthy Families, Parents as Teachers, Nurse Family Partnership, Baby Talk, center-based IT, Preschool for 3- and 4-year-olds*
  
- **Innovation:** Early Childhood Block Grant
  - Established in statute*
  - State Education funding supports birth to five*
  - Infant Toddler Set Aside*
  - Embedded funding for enhancements (20%) including 0-5 MH consultation*
  - Encouraged to be blended with child care subsidy and/or EHS/HS to offer full day, full year*
  - Most vulnerable children served first*
  - Big Tent*

# Kansas Early Childhood Block Grant

- **Quality:** Range of evidence-based models for at-risk children 0-5  
*EHS, HS, high-quality child care, Parents as Teachers, preschool, and mental health consultation*
  
- **Innovation:** Kansas Early Childhood Block Grant
  - Established in budget language*
  - Children's Initiative Funds/Tobacco settlement for birth to five services*
  - Administered by the Children's Cabinet & Trust Fund*
  - At least 30% must be spent on birth to three programs*
  - Must serve at-risk children birth to five, offer center-based, home-based or combination, and partner with other local and state programs*
  - Enhances quality of existing programs & expands high quality services*

# Strategic Tips: Establishing a Birth to Three Set Aside

- Link 0-3 funding to 3-5 funding
- Build on current diverse delivery system
- Specify a floor, not a ceiling

## Benefits

- Creates a 0-5 system that minimizes competition between sectors
- Protects 0-3 funding and allows for future growth



# Types of Financing Structures:

**Public Private Partnership**

**Oklahoma**

**Nebraska**

**Endowments**

# Oklahoma Pilot Early Childhood Program

## ☐ Quality:

Early Head Start performance standards + BA-level teachers

*Must also have 3-star QRIS rating, operate full day, full year, and lead teachers must hold BA degrees*

## ☐ Innovation:

Pilot Early Childhood Program

*-Complements the 4-year-old universal preschool program*

*-Supports at-risk infants, toddlers and 3-year-olds*

*-Public-private partnership leveraging state GRF & private contributions*

*-Dept of Education receives funds to administer the program. Contracts with CAP of Tulsa & WestEd to provide 0-3 training opportunities*

*-Strong evaluation component and supports to reach & maintain standards built in from the start*

*-Encouraged to blend funding with child care subsidy, as well as partner with community organizations to provide other services, educational opportunities, crisis assistance and referrals*

# Strategic Tips:

- Bring together a varied group of advisors to the PPP Fund, and ensure public-private representation in its governance
- Explore use of an intermediary organization for grants management
- Protect the fund and ensure long-term sustainability through legislation or executive order



# Types of Financing Structures: School Readiness Tax Credits

## Louisiana

- Package of 4 different refundable tax credits used to encourage ECE providers to voluntarily participate in LA's QRIS
- Credits to Providers; Credits to Directors and Teachers; Credits to Businesses for Supporting Child Care; Credits to Parents/Consumers



# LA School Readiness Tax Credits

- **Quality:** Uses tax code to provide financial incentives to meet QRIS stds
- **Innovation:** Package of 4 School Readiness Tax Credits
  - Established through tax legislation*
  - Providers receive refundable tax credit based on the # of CCAP or foster care children served (\$750-1,500)*
  - Teachers & Directors receive refundable tax credit based on attained level of education, working in participating center for at least 6 months*
  - Businesses can receive a range of tax credit, including for donations up to \$5,000 to CCR&Rs*
  - Families with children under 6 receive a refundable tax credit based upon the quality rating of the center*
  - Both for-profit and non-profit centers are eligible*

# NE School Readiness Tax Credits

- **Quality:** Bill to provide financial incentives to for quality and experience
- **Innovation:** 2 School Readiness Tax Credits
  - *Established through legislative bill, has sunset of 2021*
  - *Providers receive tax credit based on their quality rating (uses QRIS) starting at Step 3 (\$250-750 per enrolled child)*
  - *Employees receive tax credit based on education levels, training and work history (\$500 – 1,500). Use Department of Education classification levels (1-4) for ECE workforce.*
  - *Legislation involves a 2021 sunset; legislators want to gather data on the impact to guide potential renewal.*

# Strategic Tips: Establishing Tax Credits

- Gain support from Governor's Office and Department of Revenue by building consensus among business and child advocacy groups
- Gain financial support for advocacy effort
- Attach to broader tax reform efforts, if possible



# Opportunities and Alignment

## **Preschool Expansion Grants**

## **Preschool Development Grants**

- Opportunity to address K-3 alignment?
- What are structures to carry out the work?

# State Strategies

## Decision Points

- Grants: intentional approach or what is submitted
- Quality: Evidenced-based models or standards
- Expansion and/or Enhancement
- Availability and alignment with QRIS
- Infrastructure cost: embed in cost per child or percentage allocation

## Innovations

- Infrastructure costs for supports & quality improvement embedded in funding streams
- Bigger tent by including mixed delivery system or diverse settings
- Layering funding streams

# Questions, Reflections, Comments



# Resource Tools - Program

Provider Cost Quality Calculator

<https://www.ecequalitycalculator.com/Login.aspx>

The Layering Tool: A Cost Estimation Tool for Layering Early Head Start With Child Care Services

<https://eclkc.ohs.acf.hhs.gov/hslc/tta-system/ehs-ccp/cost-estimation-tool>

Community Hub Cost Model and Financial Impact of EHS-CC Partnerships

<http://www.buildinitiative.org/OurWork/StateandLocal/EarlyHeadStart-ChildCarePartnerships.aspx>

# Resource Tools – System

QRIS Cost Estimation Model

<https://cemocc.icfwebservices.com/index.cfm?do=viewLogin>

Fiscal Analysis Model for Early Childhood Services (NYS)

<http://newyork.apacostmodels.net/login.aspx?ReturnUrl=%2fMain.aspx>

Professional Development System Cost Analysis Tool

<https://earlyeducatorcentral.acf.hhs.gov/pdtool/>



# BUILD Initiative

**For more information:**  
**[www.buildinitiative.org](http://www.buildinitiative.org)**

