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

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

Low Teacher Child Ratios and Small Group Sizes
What Works?

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

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

U.S. Department of Education

- Early Childhood Block Grant (Prevention Initiative, Preschool for All)
- Special Education
- Preschool Expansion Grant

IL State Board of Education

- Early Head Start/Head Start

IL Department of Human Services

- Better Birth Outcomes
- Child Care Assistance Program
- Evidence-Based Home Visiting
- Early Intervention
- Family Case Management
- High Risk Infant Follow Up
- Migrant/Seasonal Head Start
- Parents Too Soon
- Perinatal Depression
- Refugee and Immigrant Services
- SNAP
- TANF
- Teen Parent Services
- WIC (USDA Funded)

IL Department of Public Health

- Children With Special Health Care Needs
  - Family Planning/Title X Family Planning
  - Genetics/Newborn Metabolic Screening
  - Immunizations
  - Lead Program
  - Newborn Hearing Screening
  - Subsequent Pregnancy Project

IL Healthcare and Family Services

- All Kids Moms and Babies

IL Department of Child and Family Services

- Child Protective Services Licensing

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

**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

**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

**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

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

- **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

- **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
Variances at Levels of Quality

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
## Variances at Levels of Quality

<table>
<thead>
<tr>
<th>Age</th>
<th>Tier 3 Cost Per Child</th>
<th>Tier 4 Cost Per Child</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infant</td>
<td>$27,496</td>
<td>$30,280</td>
<td>10.2%</td>
</tr>
<tr>
<td>Toddler</td>
<td>$20,935</td>
<td>$25,132</td>
<td>16.7%</td>
</tr>
<tr>
<td>Preschooler</td>
<td>$17,069</td>
<td>$18,719</td>
<td>9.7%</td>
</tr>
</tbody>
</table>
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

Community Hub Cost Model and Financial Impact of EHS-CC Partnerships
http://www.buildinitiative.org/OurWork/StateandLocal/EarlyHeadStart-ChildCarePartnerships.aspx
QRIS Cost Estimation Model
https://cemocc.icfwebservices.com/index.cfm?do=viewLogin

Fiscal Analysis Model for Early Childhood Services (NYS)

Professional Development System Cost Analysis Tool
https://earlyeducatorcentral.acf.hhs.gov/pdtool/
BUILD Initiative

For more information:
www.buildinitiative.org