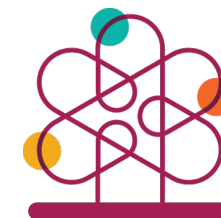


# Prenatal to Five Fiscal Modeling

A Foundation for PN-3 Efforts

Planning Grantee Meeting

September 26, 2019



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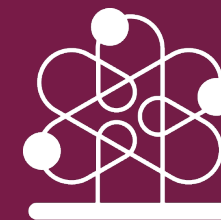
# Agenda

1. Fiscal work in the context of PCI
2. Developing a fiscal agenda
3. Components of fiscal modeling
4. Revenue and expense modeling
5. Communicating the results of your fiscal modeling
6. How PCI grantees can use this information



What work have you done in  
this area?

# Developing a fiscal agenda



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# The Why



Benefits for having a shared vision



Broader state financing decisions are already impacting birth to three programming and availability

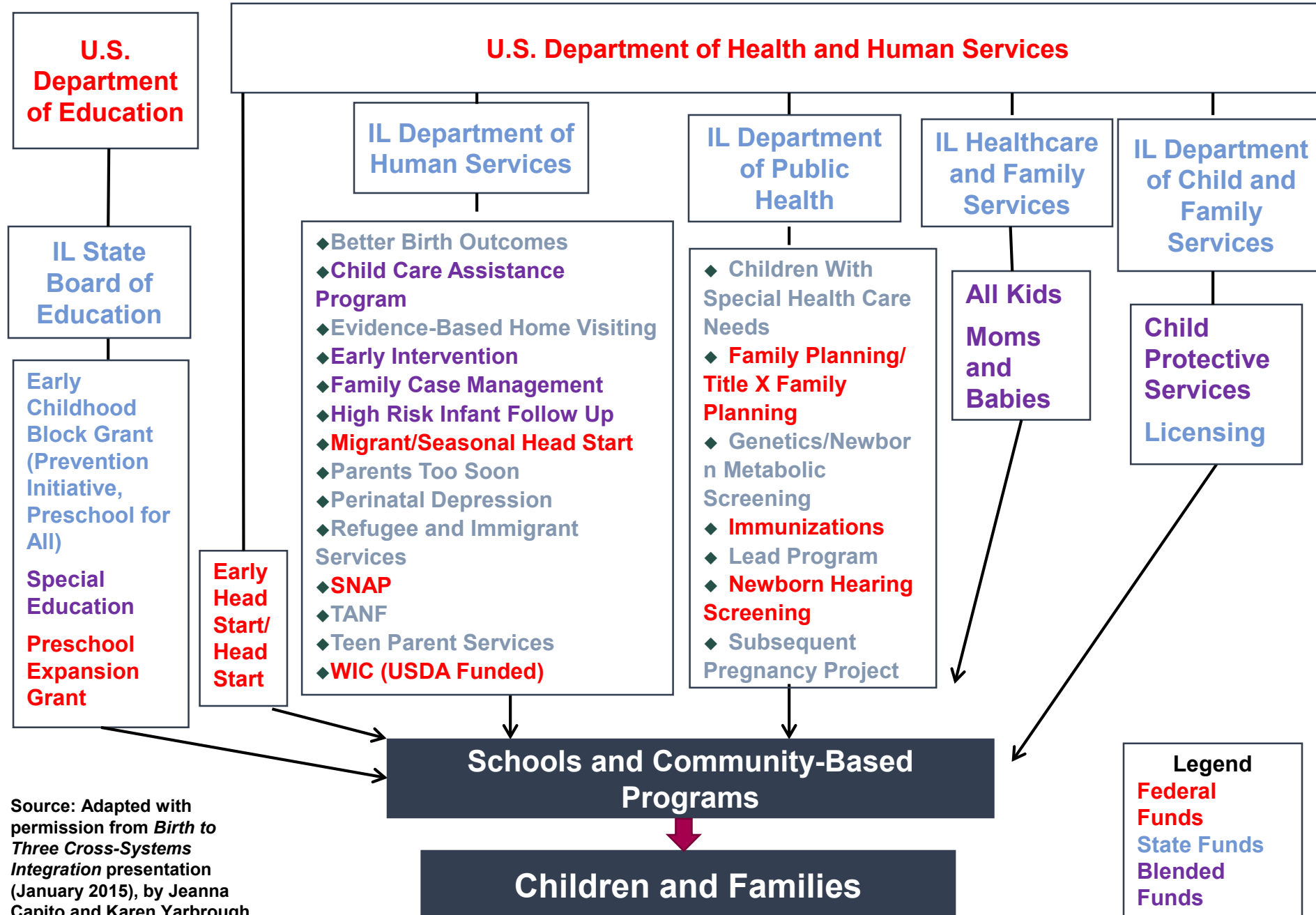


Opportunity to move toward shared standards and competencies, and maximize system supports



Decrease unproductive competition

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



# Potential Components of a Fiscal Agenda

- Scope and Scale (i.e. age ranges and sectors)
- Services and Infrastructure
- Priorities for vulnerable populations
- High Quality: “The What”
- Flexibility in “The How”

# Components of fiscal modeling



# Financing What Works

- What kinds of programs have successfully improved the odds for at-risk children?
  - *A robust fiscal agenda should support investments in what we know works*

## Key components:

- Safe care and 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*

# How much does it cost?

- Do you know the actual cost to serve infants and toddlers?
  - What is the biggest cost driver?
  - How do these costs change by program quality? By child age? By program location? By program setting?
- Complex ECE funding system makes seemingly simple questions hard to answer
  - Different programs (subsidy, PreK, EHS, HV etc.) have different requirements
  - Multiple funding streams in the same classroom
  - Burden to administer – blending and braiding across program to balance books
  - Funding may be linked restrictively to child or family characteristics, or program model (HV national models)

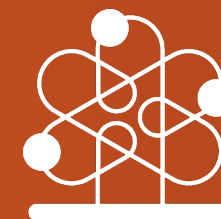
# System-wide Considerations

- Investment and Expenses at all Levels
  - Systems and structure (infrastructure to work cross system, local collaborative structures, local and state connections)
  - Quality supports for programs and providers (those supports to achieve level of quality and fidelity and maintain programs at that level)
  - Programmatic direct service

***What is the balance in investments across these components?***

***How does the relationship among investments and costs at these different levels directly/indirectly impact the quality, access and capacity of the programming?***

# Revenue and Expense Modeling



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# Revenue & Expense Modeling

- What do we mean by modeling?
  - Components and full system
  - Understand revenue and expense at different levels of system
  - Sufficiency of revenue streams
  - Modeling quality: integration with state QRIS or other quality measures

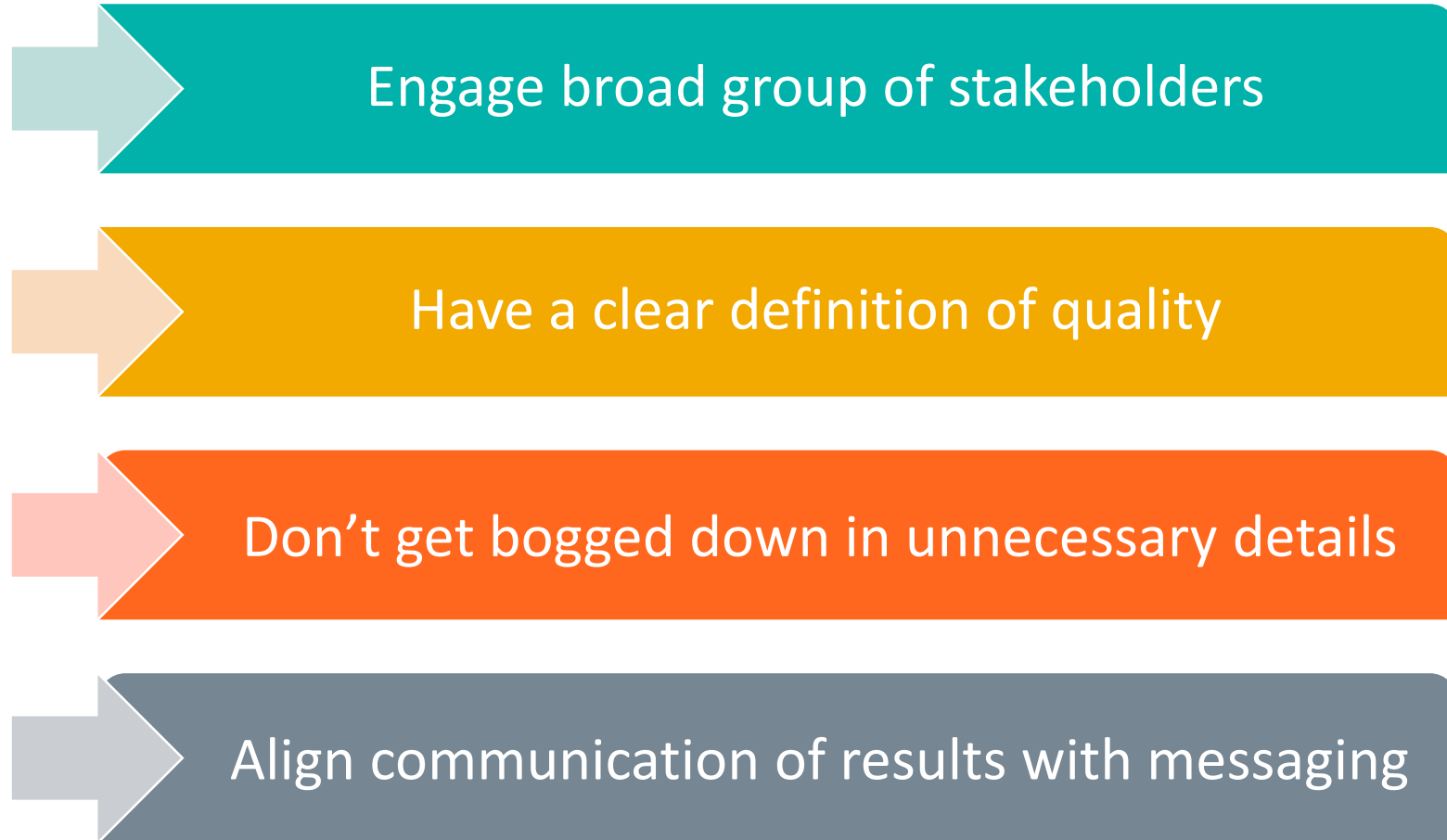
- The difference between price and cost
  - Price reflects what the market can bear, what families actually pay
  - Cost reflects the actual expenses a program incurs in order to operate

# Creating revenue & expense models

- Align approach to intended purpose
  - Advocacy
  - Rate setting or costing out initiatives
  - Quality improvement incentives



# Principles of developing a model



# Comprehensive modeling

## Child care

- Per child cost of providing center-based and family child care home-based child care
- Compare actual expenses to available revenue

## Home visiting/parent education

- Per child/family cost of main models
- Tool supporting a continuum of models delivered in a community

## Systems

- Integrate program data from child care and home visiting model
- Include data on non-direct service supports, e.g. QRIS, professional development etc.



What aspect of fiscal strategies work  
are you considering?

# Understanding Expenses

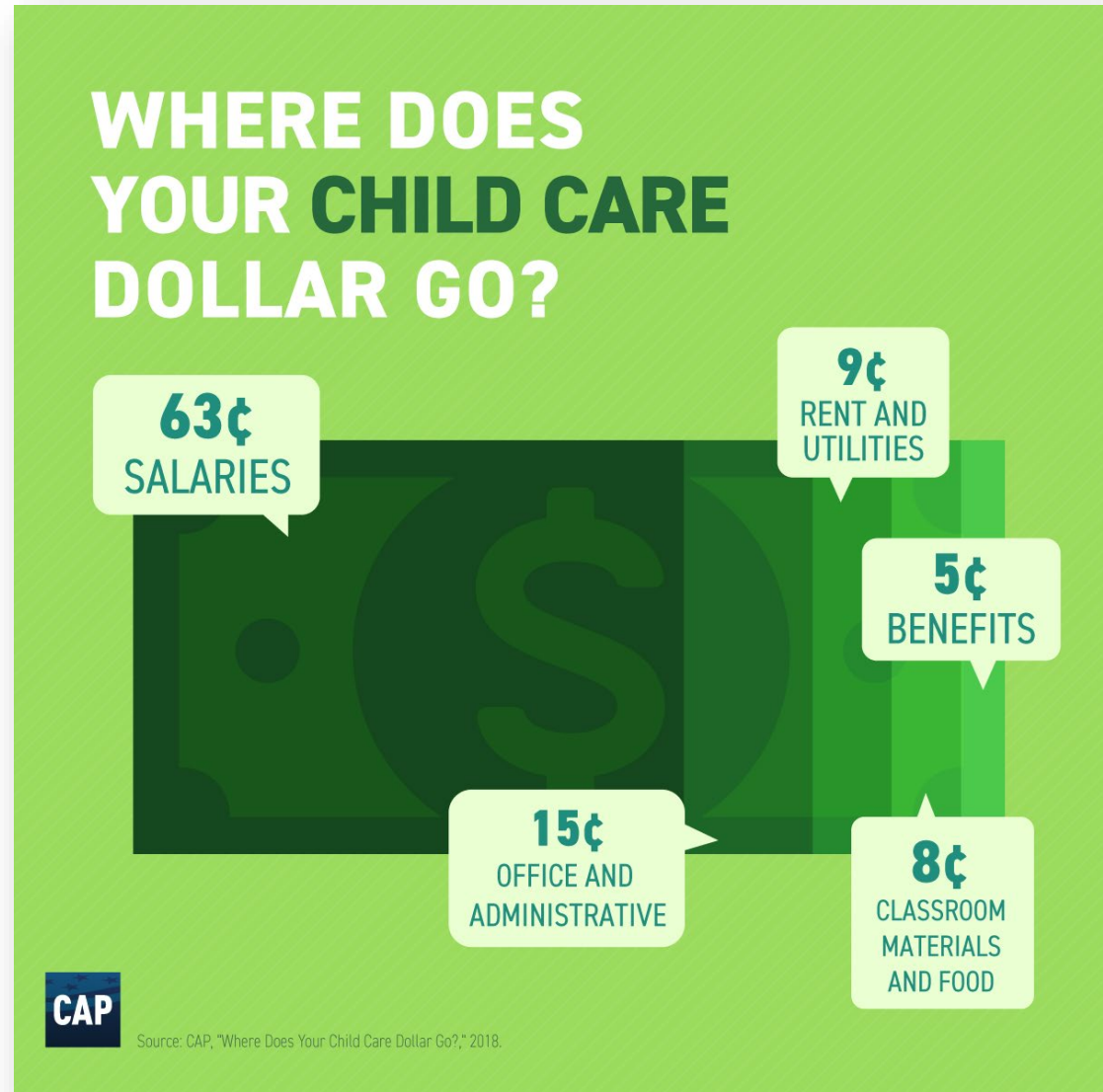
## Personnel

- Salaries and benefits
- Ratios, group size, caseload
- Additional classroom staff
- Support/administrative staff

## NonPersonnel

- Rent/lease/mortgage
- Utilities
- Classroom supplies and equipment
- Food
- Office and administrative

Child care and home visiting are labor-intensive



# How Quality Affects the Cost

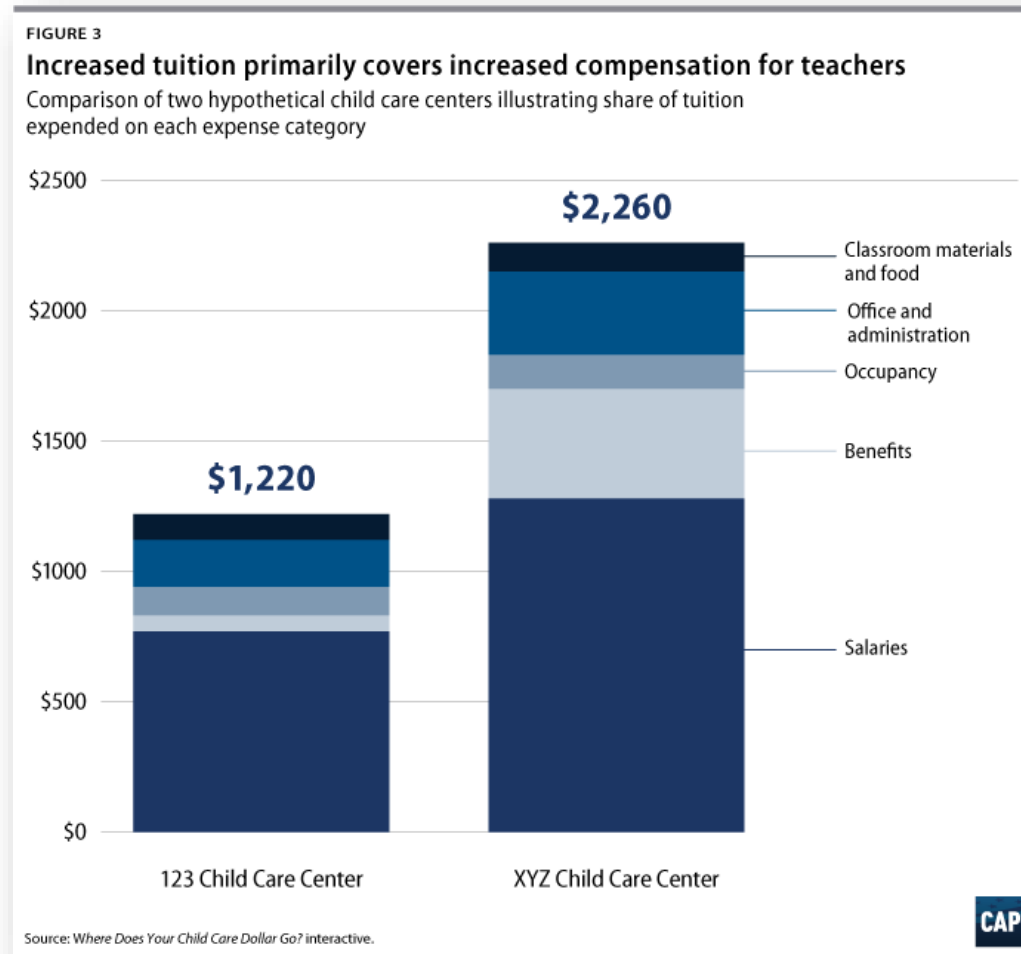
- 1. Personnel qualifications:** Increasing qualifications tied to higher compensation
- 2. Ratios/caseload:** Reduced ratios for all – or for younger age children only – and lower caseloads
- 3. Time:** Staff time beyond what licensing regulations or model requires



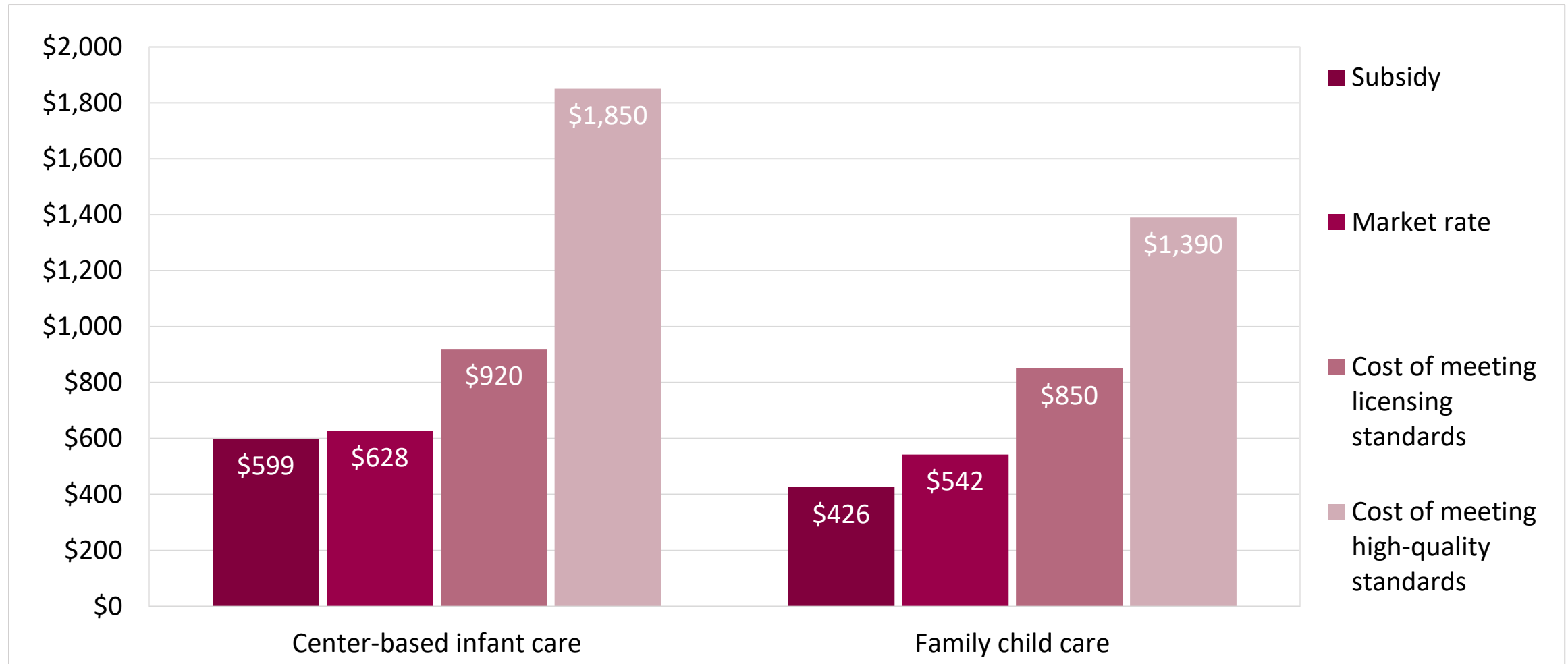
# How Program Variables Affect Cost

- Home visitor/parent educator caseload size
- Ratio of staff to supervisors
- Type of services (home visiting, parent workshops, socialization groups)
- Intensity of services
- Credentials, professional requirements of staff

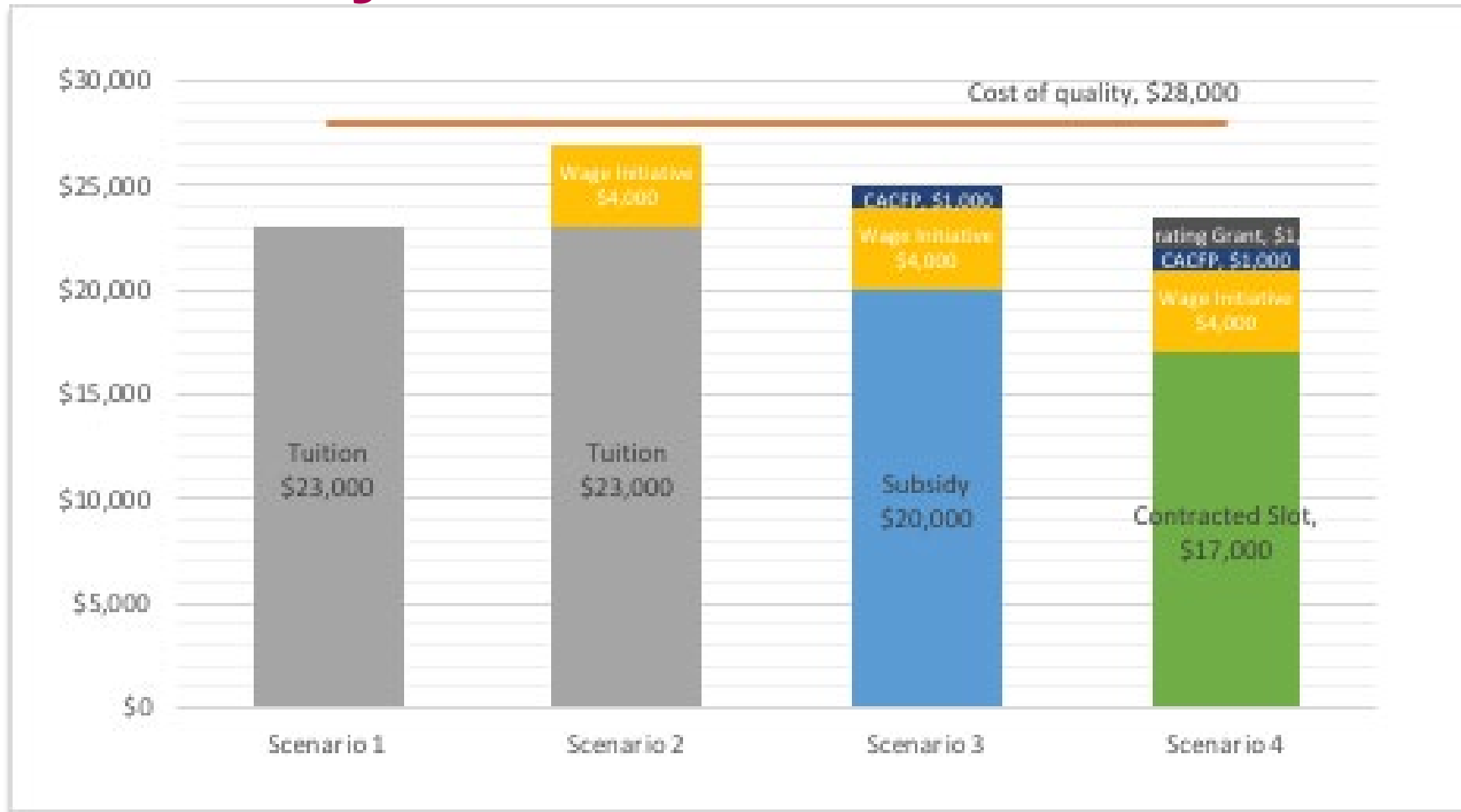
# Variances at Levels of Quality



# (In)sufficiency of revenue

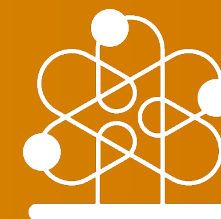


# (In)sufficiency of revenue





# Using and Communicating Results



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# Communicating model results

- Lead with value, not cost
- Tell story and build case
- Children, families, economies benefit from access to high-quality programs
  - High-quality programs need well-trained and highly skilled teachers with the time and resources to maximize every interaction
    - To recruit and retain these teachers you need to offer professional-level compensation
      - That costs \$X
        - Current revenue streams are insufficient
          - Public investment needed to achieve the goal and benefits

# Using modeling for policy and advocacy

## Policy Development

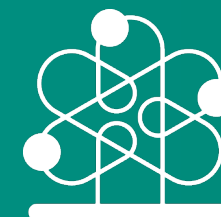
- Highlight gap between current revenue and true cost
- Set subsidy rates that align with true cost
- Align tiered reimbursement and quality incentives with true cost of higher quality
- ECE business support
- Integrate accurate cost data into broader ECE strategies

## Advocacy

- Educate policymakers, parents, and general public on finances of ECE business
  - Price vs. cost
  - Personnel as primary cost driver
- Build support for increased public investment
  - Highlight inadequacies of current funding streams
  - Demonstrate support needed for low AND middle income families

# PCI Fiscal Modeling Resources

What can you do with this information?



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# What does this mean for you as a PCI grantee?

- Importance of fiscal perspective being included in your planning
- Resources available to you
  - Through capacity-building Hub
  - CAP cost of quality toolkit
  - Tools and user guides created through NC pilot (forthcoming)
- Think about implementation grant activities and build these into planning now.

# Resources

Conducting a Child Care Cost of Quality Study

<https://www.thencit.org/sites/default/files/2019-03/Cost%20of%20Quality%20Toolkit.pdf>

Staffed Family Child Care Network Cost Estimation Tool

<https://childcareta.acf.hhs.gov/resource/staffed-family-child-care-network-cost-estimation-tool>

Provider Cost of Quality Calculator (PCQC)

[www.ecequalitycalculator.com](http://www.ecequalitycalculator.com)

Where does your child care dollar go?

[www.costofchildcare.org](http://www.costofchildcare.org)

Understanding the True Cost of Child Care for Infants and Toddlers

<https://www.americanprogress.org/issues/early-childhood/reports/2018/11/15/460970/understanding-true-cost-child-care-infants-toddlers/>

QRIS Cost Estimation Model (CEM)

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

# Contact Details

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