Two Sides of the Coin: Costs and Financing High Quality Early Learning

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- Cost Modeling: understanding the full cost of quality + Table Talk
- Financing strategies—getting the money where it needs to go to support quality + Table Talk
- Share: good ideas, resources, questions



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Poll ~ What is your most pressing question about costs?

- Increasing access
- Increasing dosage
- Increasing compensation



Ensuring adequate/stable resources
 Projecting funds for the next 5 years
 Other questions

How Can Cost Studies Help Ensure Equity?

- Design for success first, then estimate cost per child
- Find out how cost varies by child characteristics and location
- Create a fair funding formula
- Determine how many children can be served at quality within a given budget
- Examine impacts on costs of alternative policy decisions (for example, pay parity)
- Determine local share and what happens to blending and braiding as enrollment expands
 - Different eligibility rules for Head Start & child care subsidies
 - Fixed Head Start and Child Care dollars, only so much classroom space and shared administration available

Illustrative Example: What functions drive costs?



Source: CPQ&R

*Not all preschool programs will match the illustrative example, which is based on 1,000 hypothetical slots in Alabama located within private Child Care Centers. The slot count is held constant for Years 0-3 and no inflation is assumed. 100% participation is assumed for Professional Learning and Support (training, coaching, and PD plans), CQIS (classroom observations), Curriculum (Curriculum selection and materials support is assumed to ramp from 0% to 100% in Year 3), and Screening/Referrals (vision, hearing, and health). All other default assumptions are left unchanged.

Note: in the example above, coaching and training costs related to ELDS, CQIS, and Curriculum are assumed to be zero, as are capacity building costs. Assuming non-zero costs in these areas would raise their profile in a rank order of cost categories.

Funding for System Infrastructure is Typically Not Fully Accounted

System Element Funding as a % of Total QRIS Funding



* Funding categories provided do not equal total funding numbers provided

Source: Finance and Quality Rating and Improvement Systems, QRIS 3.0 Tools & Resources

Cost of Preschool Quality & Revenue (CPQR)

Free, excel-based tool to project costs and revenue to expand access/enhance quality of preschool programs
Fully accounts for state and local administrative costs



- Projects costs based on quality standards
- Includes a comprehensive revenue section
- Allows users to compare alternate policy options



*Non-Personnel Costs include per-child costs (e.g., food and food prep), per-classroom costs (e.g., rent and utilities allocations), per-staff costs (e.g., consultants and training incremental to NIEER Quality Standards assumptions), and per-site costs (e.g., audit and legal expense).

CPQ&R Revenue Components



- Head Start (HS) Federal Funding
- Early Head Start (EHS) Federal Funding
- CCDF Child Care Development Fund Funding
- TANF Temporary Funding for Needy Families Funding
- Child Care Tax Credits
- Title I Funding
- Title IX Preschool Development Grant Funding
- IDEA Part B Funding
- IDEA Part C Funding
- CACFP Children and Adult Food Care Program Funding
- MIECHV (Home Visiting) Funding
- State Pre-K Funding
- State Preschool Special Education Funding
- Other Federal Funding
- Other State Funding
- Other Local Funding
- Private Funding Philanthropic Grants and Donations
- Private Funding Tuition/Parent Co-Pay
- Other Private Funding





Challenge

Lack of information about the actual costs of providing quality early care and education in Kentucky.



Goal

Inform sound budget decisions by state and local leaders.



Objective

Develop and validate estimates that reflect the cost of providing preschool and child care across Kentucky at various levels of quality.



Key Assumptions:

	Minimum	Intermediate	Target
Maximum class size	20	18	16
Assistants per classroom	1.5	2	2
Instructional assistant salary	\$15,000	\$16,500	\$18,000
Family coordinator	None	Part time	Full time
Specialists (nurses, PT, OT, speech, interpreters)	0.2 FTE	0.3 FTE	0.4 FTE

Cost Estimates – Kentucky Preschool Program



Indiana was launching a new program and needed to know costs in mixed delivery and understand state infrastructure costs

- Coordination of data between state agencies and our nonprofit partner
- Identification of the need for investment in state infrastructure
- Consider how you will use the information with key stakeholders with intentionality





Universal Preschool Cost Model for Chicago



Project Goal: explore the cost of universal full-day* preschool for four-year-olds while maintaining commitment to sustaining the availability and quality of birth-three programs.

*Full day = school day of 7.5 hours, or up to 10-12 hours/day in community based setting



+ Methods: Data Gathering

- Reached out to Community Based Organizations (CBOs) and Chicago Public Schools (CPS) to learn more about their about their true costs for operating early childhood programs.
 - Collected financial information from 47 CBOs through surveys
 - Met with CPS to understand their cost model, received detailed budgets
- Held a meeting with over 75 providers, whose agencies completed the financial survey, to build consensus around the salaries and staffing structures to include in the model
- Took data for other costs (e.g., materials, insurance, etc.) from national estimates used in Provider Cost of Quality Calculator
- Estimates for rent and utility costs was informed by IFF



+ Decisions: Salary and Staffing

CLASSROOM MODEL DATA POINTS

Salaries	Staffing Pattern (CBOs)	CBO Salary	CPS Salary
Site Director/Principal	1 per site	\$80,000	\$110,168
Additional Professional Staff (out of			
classroom)/Assistant Principal	1 per 4 classrooms	\$55 <i>,</i> 000	\$84,661
PreK Lead Teachers	1 per classroom	\$53,000	\$78,820
Birth - 3 Lead Teachers	1 per classroom	\$43,000	N/A
Teacher Assistants	1 per classroom	\$35,000	\$37,755
Classroom Aides	1 per classroom	\$29,250	N/A
Special Education Teacher		N/A	\$73,448
Special Education Assistant		N/A	\$20,074
Lead Floater teacher/sub	1 per 5 classrooms	\$50,000	
Assistant floater teacher/sub	1 per 5 classrooms	\$32,000	
Family Support Specialist	1 per 35 children	\$40,000	\$53,000
Cook/Food Service	1 per site	\$28,000	



+ Things to note

- Salary doesn't quite make parity with CPS for a few reasons:
 - Salary schedules at the parent organizations of a lot of preschool programs can't easily accommodate much higher salaries for the teachers (e.g., execs in these agencies may not make as much as CPS teachers)
 - Surrounding districts have much lower salaries than CPS on average.
 - We set salary for teachers & assistants based on consensus of the group. They are close to the average for surrounding district, even when adjusted for days/year worked.
- School-day vs Full-work-day programs have similar costs
 - CBOs strongly argued that their staffing pattern would not change much if they went to a 7.5 hour program day vs 10-12 hour day.
 - Cutting down to .5 FTE aide in each classroom would only reduce cost by around 5%





Type of Center	Infant/Toddler	Two Year Olds	Preschool
Large Mixed-Age Center (11 rooms)	\$235,920	\$263,226	\$291,017
Small Mixed-Age Center (6 Rooms)	\$239,198	\$307,296	\$311,702
Two-yr-old & PreK Center (6 rooms)		\$257,473	\$325,425
CPS PFA Classroom			\$203,640
CPS CPC Classroom (4 PFA Classrooms)			\$314,804
Weighted Average Cost of Preschool Classroom in CBO:			\$309,679



+ Estimating Need

With a maximum of 20 per classroom in mind, used average18 on average per classroom to build the model (90% enrollment)

- Maintained current number of 3 year olds being served in CBO and CPS classrooms.
- Cost built on serving all 4 year olds under 200% FPL and enough 4 year olds over 200% FPL to reach 75% overall
- Used American Community Survey to determine number of 4 year olds in each category



Estimates of cost

To build out system to serve all 4 yr olds

- 70% of all 4s in city participate (similar to % of kindergarteners in CPS)
- Hold constant # of 4s served in CBOs (focus on those needing full-day, year-round care)
- Hold constant # of 3s served in CBOs and schools
- Will require approximately \$175-200 Million more per year
- To build system to serve all low-income (under 200% FPL) 4s
 - Some reductions to 3s in CPS
 - Will require approximately \$65-75 Million more per year





TABLE TALK



Challenges in EC Financing





+ A "broken market"

Higher quality ECE services cost more than most families can afford

The ECE market is split between 'free' programs like PreK, Head Start, special education and 'tuition-based' programs like child care, nursery schools,

 Tuition-based ECE encourages price competition – to keep tuition fees low – which discourages investment in quality

Financing strategies tied to current market-based prices will fail to fund the true costs of quality programs



+ Limited resources = Difficult choices

- Recent National Academies report showed that the system receives about 1/3 of the public funding it needs to fund equitable access to high quality early education and care
- The lack of resources creates dilemmas:
 - Fund more intensive (and potentially more effective) services, or fund more children with less intensive services (e.g., full-day vs part-day)
 - Implement policies requiring higher salaries (and fund programs to provide these salaries) or serve more children in programs that continue low salaries
 - Concentrate limited child care subsidy funding on high-quality services, or allow them to be used to access more custodial care



Ways to fund for quality -- PROGRAM LEVEL + SYSTEM

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- "Tiered reimbursement" or other types of rate add-ons for subsidized care; But must actually be enough to fund differential cost
- Quality grants and/or tax credits to support programs providing higher quality care
- Wage subsidies and/or tax credits to support better compensation
- Layered funding streams to support particular aspects of quality
- SYSTEM INFRASTRUCTURE- need to account for funding to implement, monitor and improve quality



+ Following all of the money

- Programs on the ground are using funding from many different funding streams
 - Head Start/Early Head Start
 - State preschool
 - Other education funding (e.g., Title I)
 - Child care subsidy
 - Scholarships/vouchers
 - Parent fees

You have to account for all of these as you think about each of these!





Louisiana's School Readiness Tax Credits: A Strategy for Compensation through Professionalization





This presentation will provide information about Louisiana's approach to compensate early childhood teachers and directors through annual tax credits.

- Overview of Louisiana's School Readiness Tax Credits (SRTC)
- Overview of Louisiana's Unified Early Childhood System
- Using SRTC for Teachers, Directors, and Providers to incent professionalization and improvement
- Q&A



Overview of Louisiana's SRTC

School Readiness Tax Credits Achieving Statewide Kindergarten Readiness

Only half of children in Louisiana enter kindergarten ready. Since the passage of Act 3, 2012, Louisiana has made great progress in unifying the system to prepare all children for success.

- Louisiana requires early childhood programs that take public funding to meet universal standards regardless of
 program type with a focus on learning outcomes rather than inputs. Louisiana also seeks to increase access and
 informed choice so families can choose the best option for their children.
- Historically Louisiana's School Readiness Tax Credits (SRTC) have helped the child care sector improve quality and access for at-risk children. Now Louisiana has aligned these innovative tax credits with the universal rating system and new child care teacher credential in order to increase kindergarten readiness.

These tax credits play a vital role in supporting the Louisiana child care industry, which has an \$830 million impact on the Louisiana economy.

School Readiness Tax Credits How Tax Credits Work

School Readiness Tax Credits are a \$16 million investment annually in quality child care.

This package of five tax credits, which were made law in 2007, have served as an important incentive for:

- 1. Families to choose quality rated centers;
- 2. Providers to serve vulnerable, at-risk children whose parents could not otherwise afford quality care;
- 3. Directors and staff to pursue additional education or credentials;
- 4. Businesses to donate to child care centers to help improve quality; and
- 5. Businesses or individuals to donate to resource and referral centers in order to help improve child care quality within a region.

Tax credit funding helps secure more than \$80 million in federal funds (CCDF). Today, we are going to focus our discussion on credits for providers, directors, and staff.

Louisiana Believes

School Readiness Tax Credits Why Tax Credits Matter

School Readiness Tax Credits are essential to Louisiana's early childhood sector.

- 1. They help maximize funding.
 - They help Louisiana bring in \$80 million in federal funds and encourage local investment.

2. They encourage centers to serve CCAP children.

- Centers have become or have stayed Type III and are serving low-income Louisiana children enrolled in higher-qualityrated settings.
- 3. They help drive improvement.
 - Centers are rewarded for improving quality while thousands of child care directors and staff are rewarded for earning credentials.
- 4. Child care directors and teachers depend on these tax credits.
 - Child care directors and teachers indicate that they rely on the credits to make essential purchases, retain teachers and invest in quality improvement, which is especially important with the 2019 requirement that lead teachers have an ancillary certificate.

5. They increase local support and investment in child care.

• Businesses and resource and referral agencies use credits to support child care quality.

Louisiana Believes

Performance Rating Approach Focus on Interactions with Children

Louisiana uses CLASSTM to measure, provide information on and support improvement on the core elements needed for quality: adult-child interactions and instruction.

As a research-based, nationally regarded early childhood quality measure for all young children, CLASS[™]:

• Assesses how well teachers interact with children, including how well they:

Description	PreK Domain	Toddler Domain	
Create a warm, positive environment and build trusting relationships with children	Emotional Support	Emotional & Behavioral Support	
Organize daily routines and minimize disruptions	Classroom Organization		
Help children learn concepts and connect ideas through dialogue and play	Instructional Support	Engaged Support for Learning	

- Correlates with child outcomes
 - Programs that perform better on CLASS[™] have better child outcomes (i.e., kindergarten readiness)
- Supports teacher growth by providing useful information for coaching

Performance Profile Overview How Publicly-Funded Sites are Rated

Performance Profiles provide information about the quality of publicly-funded sites to families to inform choice and to communities to guide improvement.

In 2015, Louisiana launched a unified rating system to:

- Measure core elements needed for positive child outcomes;
- Provide a clear and focused path to improvement; and
- Give families an easy way to compare choices in their community.

Louisiana's unified rating system has two components, featured on Performance Profiles:

- 1. Ratings that relate to positive child outcomes
- Adult-child interactions and instructions, as measured by CLASS[™]; and
- 2. Information on classroom best practices
- E.g., using curriculum, assessing children for learning, credentialing of teachers

Louisiana's rating system features a performance score between 1-7, and a rating of Excellent, Proficient, Approaching Proficient, and Unsatisfactory.
Performance Profile Overall Site Rating and Score

EXAMPLE EARLY LEARNING CENTER

EARLY EDUCATION PERFORMANCE

Approaching Proficient

ABOUT OUR SCHOOL

ACADEMIC PERFORMANCE

OVERALL PERFORMANCE

WHAT IS THIS SITE'S RATING FOR CLASSROOM QUALITY? 2016-2017 RATING

Approaching Proficient

HOW IS THIS MEASURED?

2016-2017 SITE SCORE

4.49 out of 7

Unsatisfactory	Approaching Proficient	Proficient	Excellent	
1-2.99	3-4.49	4.5-5.99	6-7	

These are scores based on classroom observations of teacher-child interactions. Classrooms with high-quality teacher-child interactions are supportive, organized, and promote children's learning and development.

> Watch a video on how this is measured

Performance Profile Teacher Degree and Certification

HOW PREPARED ARE THE TEACHERS AT THIS SITE?

WHAT IS THE HIGHEST DEGREEE EARNED BY	NO DEGREE		5%
TEACHERS?	CHILD DEVELOPMENT ASSOCIATES		15%
	ASSOCIATES		10%
	BACHELORS		50%
	MASTERS +	-	20%
WHAT IS THE HIGHEST DEGREE EARNED BY TEACHERS?	TOTAL CERTIFIED	65%	

Early Childhood Ancillary Certificate Professionalizing the Early Childhood Workforce

Louisiana is providing supports and resources to child care centers to support improvement and provide quality training and preparation for teachers.

- **1.** Credential Requirement:
- Beginning in July 2019, all lead teachers working in publicly-funded child care centers will be expected to have the <u>Early</u> <u>Childhood Ancillary Certificate</u> as a minimum credential.
- The certificate can be earned at <u>no cost</u> by presenting a qualifying credential (over 50% earn through a CDA or equivalent)
- Qualifying credentials earned prior to July 2018 can be completed at any provider.

2. Innovative Preparation Experiences:

- Louisiana has developed high-quality <u>child care teacher preparation programs</u> to prepare child care teachers to meet this requirement.
- Beginning in July 2018, teachers are required to attend a child care teacher preparation program that has been approved by the state board.
- Approved programs integrate extensive applied practice, mentoring, and coaching within *CLASS* aligned coursework that results in a CDA or technical diploma.

School Readiness Tax Credits Approach on Aligning Tax Credits to the Unified System

Louisiana has built a unified system to prepare all children for kindergarten. This year, the state aligned SRTC to reward performance and preparation under unified system.

If Louisiana:

- Redefines star ratings to recognize sites that provide quality interactions and instruction to Louisiana children under unified rating system;
- Rewards performance and improvement via tax credits and bonus payments;
- Offers new options for directors to reward site performance instead of credentials;
- Offers new options to help attract and retain certified child care teachers by increasing compensation based on ancillary teaching certificate and years of service; and

• Maintains incentives for families, private individuals and businesses to support child care improvement; Then more Louisiana children, especially those under age 4, will have access to quality programs that help prepare them for kindergarten.

By aligning the SRTC package to the unified rating system, Louisiana is focusing efforts and incentives for improvement on the things that matter most for child outcomes.

2018 Star Levels Aligning Star Levels to Performance Profile Ratings

Tax credits and bonuses for providers and directors are aligned to site's performance score, in order to reward performance and improvement.

CLASS TM Score Range	Performance Rating	Star Rating for Tax Credit and Bonus Payments
6.00 - 7.00	Excellent	5 Stars
5.25 - 5.99	Proficient	4 Stars
4.50 - 5.24	Proficient	3 Stars
3.75 - 4.49	Approaching Proficient	2 Stars
3.00 - 3.74	Approaching Proficient	1 Star
1.00 - 2.99	Unsatisfactory	0 Stars

The 2016-2017 Performance Profile rating is used to determine the star ratings for centers for tax year 2018. These star ratings were released at the same time as profiles.

Aligning SRTC Policy with Unified System Strengthening School Readiness Tax Credits

Louisiana revised tax credits to align with unified rating system and reward teachers and directors for their dedication to the field.

Credit Type	Summary
For Teachers	 In addition to earning credits based on advanced degrees, teachers with an ancillary certificate can earn up to ~\$3,300 annually for working at a publicly-funded center and receiving tax credits for more than 2 years. No staff will lose their current credit; changes only add options.
For Directors	 Directors can earn credits based on their own qualifications or based on site performance. No director will lose their current credit; changes only add options.
For Providers	 As of January 1, 2018, sites were issued stars based on unified rating system. This rating is being used for the 2018 tax year are is posted on the <u>Louisiana School or Center Finder</u> website. Providers can earn credits based on their star rating and amount of children funded through CCAP that they serve. Quarterly CCAP bonus payments are also based on star rating and amount received via CCAP.

School Readiness Tax Credits Deeper Dive Teacher SRTC

State now rewards teachers for earning their Early Childhood Ancillary Certificate and for staying in the child care field.

There are different combinations of credentials that allow directors to reach each level. To see the full breakdown of pathways, please consult the <u>SRTC Guidance</u>. A high level summary is provided here.

	Examples of Qualifying Credentials	New for 2018	Credit
Level 1	CDA or early childhood diploma		\$1,680
Level 2	 CDA/early childhood diploma and additional CEU's Related associate degree 	Early Childhood Ancillary Certificate	\$2,239
Level 3	 Associate degree in early childhood, or related with additional CEU's Bachelor degree in early childhood 	Early Childhood Ancillary Certificate and earned SRTC <u>once</u> before	\$2,798
Level 4	 Bachelor degree in early childhood with additional focus on infant/toddler Graduate degree in early childhood 	Early Childhood Ancillary Certificate and earned SRTC <u>twice</u> before	\$3,358

six months for an average of 30 hours/week.

School Readiness Tax Credits Deeper Dive Director SRTC

State now offers new options to reward directors based on performance, by providing them the ability to move up levels without attaining expensive credentials

There are different combinations of credentials that allow directors to reach each level. To see the full breakdown of pathways, please consult the <u>SRTC Guidance</u>. A high level summary is provided here.

	Examples of Qualifying Credentials	New: Performance	Credit
Level 1	 CDA or Equivalent and 30 administrative training clock hours 		\$1,680
Level 2	 Associate's degree in ECE Bachelor's degree in related field with courses in ECE 	Rating = 4.5 – 5.24 (3 Stars)	\$2,239
Level 3	 Bachelor's degree in ECE Associates degree in ECE/Bachelor's degree in related field with an administrator certificate 	Rating = 5.25 – 5.99 (4 Stars)	\$2,798
Level 4	 Master's degree in ECE Master's degree in related field with courses in ECE 	Rating = 6 – 7 (5 Stars)	\$3,358

Note: Directors must also meet service to the profession requirements, including membership in an early childhood professional organization.

School Readiness Tax Credits Deeper Dive Provider SRTC and Bonus Payments

Providers receive SRTC based on their quality rating and eligible children served. These credits are used in many ways, including as bonuses to staff and investments in quality.

Star Rating of the Center	Center Performance Score	Tax Credit per Eligible Child	Quarterly Bonus Percent of CCAP Payments
5 Star	6.00-7.00	\$1,500	23%
4 Star	5.25-5.99	\$1,200	16.5%
3 Star	4.50-5.24	\$1,000	11%
2 Star	3.75-4.49	\$750	6%
1 Star	3.00-3.74	\$0	0%

Example: If ABC child care has earned 3 stars and serves 10 eligible children, then that provider is eligible for refundable Provider SRTC of up to 10 children x \$1,000 per child = \$10,000. That center would receive 11% of their CCAP payments as a bonus each quarter.

Additional Resources

The resources linked below may be helpful in understanding the Louisiana SRTC.

- The Department has released an <u>SRTC Guidebook</u> that provides information about the SRTC for 2018 and beyond.
- The Department has released a set of FAQs for different SRTC audiences:
 - <u>SRTC 2017 FAQs for Staff and Directors</u>
 - <u>SRTC 2017 FAQS for Businesses</u>
 - <u>SRTC 2017 FAQs for Child Care Providers</u>
 - SRTC 2017 FAQs for Parents



TABLE TALK





WRAP UP: Good ideas, Resources, Questions

- Resources:
 - CEELO- Cost of Quality Preschool and Revenue Calculator Webpage
 - <u>http://ceelo.org/cost-of-preschool-quality-tool/</u>
 - Cost of Quality Early Learning Think Tank
 - <u>http://ceelo.org/may-2018-cpqr-thinktank/</u>
 - Illinois Action for Children
 - <u>https://www.actforchildren.org/</u>
 - BUILD Initiative, Finance and Quality Rating and Improvement System
 - <u>http://www.buildinitiative.org/Portals/0/Uploads/Documents/Resources/QRI</u> <u>S%203/FinanceQRIS.pdf</u>



How to Talk About Costs

<u>CPQR Communications Toolkit</u> includes:

- Sample social media templates
- Press Release Templates
- Quotes from experts
- How to create graphics with your cost data
- Printable 1 page handouts on 8 key cost/quality topics



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