CENTER ON ENHANCING EARLY LEARNING OUTCOMES

Estimating State Administrative Costs
for Washington's Universal Pre-K Program

CEELO Technical Assistance Memo - October 2018

Background

In 2015, Washington State passed the *Early Start Act (ESA)*, which mandated expansion of its voluntary pre-kindergarten program, the Early Childhood Education and Assistance Program (ECEAP), to all eligible children by 2023. Eligibility under ECEAP extends to 3- and 4-year-olds from low-income families (at or below 110% of the federal poverty level), or who have developmental needs.[1,2,3] At the time the ESA was passed, the per-slot funding for part-day ECEAP was $7,579. Currently the state allocates 3.2% (FY18) for administrative cost ($247/slot). Since FY02, administrative overhead has dropped (-15% adjusted for inflation) while the number of children served in ECEAP has grown (+80%).[4]

As ECEAP expands into an entitlement, it will serve far more children, including those in rural and remote pockets for which a traditional "classroom" might not be an option. Also, ECEAP is increasingly complex, including a mixed delivery system, differentiated family support, and implementation of evidence-based curricula and instructional leadership. To effectively support systems that enable this rapid expansion of a high-quality program and to provide appropriate oversight and guidance to contractors, ECEAP needs sophisticated state- and regional-level capacities to identify and prepare the potential providers, workforce, and facilities this expansion requires.

Need

Understanding the true cost of state-level administration and support is more important than its relative share of the budget suggests, because the success of ECEAP expansion will depend heavily on state agency staff and their ability to build the capacities necessary for meeting the ESA mandate. Underestimating these costs could lead to inadequate resources at the state level, missed targets, and poor quality. Further, some of the capacities required to expand quickly are new, potentially one-time costs, while others will be required only for the first years of the expansion. Since Washington State has not previously modeled costs of state administrative capacities, they approached the Center on Enhancing Early Learning Outcomes (CEELO) for support based on their prior positive experience using CEELO's Cost of Provider Quality & Revenue (CPQ&R) calculator.

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[1] https://del.wa.gov/government/Early-Start-Act
[2] https://del.wa.gov/sites/default/files/public/ECEAP/ECEAP%20Expansion%20Plan%202017-2018%20Final%2002-23-18.pdf
[3] https://del.wa.gov/sites/default/files/public/ECEAP/ECEAP%20Federal%20Poverty%20Level%20Chart.pdf
[4] DCYF internal documents 08-15-18

Approach

In May 2017, Washington State and its ECEAP Think Tank developed a list of state, regional, and local administrative functions and capacities necessary for the successful expansion of ECEAP. With this list in hand, Washington engaged CEELO to expand the 'zero-based' budgeting cost section for state-level administration and support within the CPQ&R tool. The subsequent approach can be summarized in the following steps:

1. **Defining categories for administrative functions and capacities (*September 2017*)** CEELO and Washington State collaborated on rearranging the list of functions and capacities into seven categories to reflect a continuum of state-level infrastructure and support, from initial development to continuous improvement efforts *(See side bar: 7 Categories of state Level Infrastructure and Support).*

7 Categories of State-Level Infrastructure and Support

1. Policy & Program Development
2. Forecasting and Planning
3. Child Enrollment and Attendance
4. Preschool Provider Recruitment
5. Provider Contracting & Monitoring
6. Workforce Development
7. Agency Indirect

2. **Identifying cost drivers for each function and capacity (*November 2017*)** Washington State initially suggested cost drivers for deriving annual spending levels. CEELO and Washington reviewed these cost drivers to create a common framework and develop linkages to preschool volumes, in anticipation of expanding the administrative cost section of the CPQ&R. *(See side bar: Typical Cost Drivers for Administrative Functions and Capacities)*

Typical Cost Drivers for Administrative Functions and Capacities

- % (of another cost)
- Annual $
- # FTEs (and $ per FTE)
- # of Contracts (and $ per Contract)
- # Pilots (and $ per Pilot)

$$\text{Cost} = \frac{}{}$$

- 1 [none]   • Per Contractor
- Per Year   • Per Preschool Director
- Per Regions   • Per Lead Teacher
- Per Site   • Per Assistant Teacher
- Per New Site   • Per State-Level Employee

3. **Developing a flexible interface for entering cost data (December 2017)** CEELO recognized that administrative functions and capacities could be addressed by states in multiple ways, and if an administrative cost tool were to be widely applicable it must offer states flexibility in this regard. With that in mind, CEELO developed the State Administrative Cost of Quality (SACQ) tool, a prototype stand-alone model designed to also be readily integrated into the CPQ&R. In addition to accommodating the aforementioned cost drivers, the SACQ allows users to vary the timing of cost assumptions, participation rates (among the identified volume), startup costs, and minimum and maximum annual costs. The SACQ provides for these options within a single, simple-to-use modeling environment.

4. **Gathering cost data (*July 2018*)** Washington State collected and translated data from its fiscal staff into preliminary input assumptions

Additional cost parameters:
- Starting and Ending Year
- Participation Rates (among identified volumes)
- Startup Costs
- Minimum and Maximum Annual Costs

consistent with the SACQ. The data included both spending under the current organization (i.e., "Year 0"), and projected spending as policy decisions are made and new administrative capacities are
added to the existing organizational structure (Years 1-10).

As a result of this work, Washington will be able to:

- More accurately understand the administrative capacity increment increases that will be needed to support various rates and sizes of annual expansion
- Suggest annual expansion rates that can sustain expansion and quality
- Understand and articulate the full cost of supporting the preschool program despite a portion of functions being performed in the QRIS and other agency activities

Next Steps. Having successfully populated assumptions within the SACQ tool, Washington State and CEELO intend to work with state partners to refine cost projections under the new Washington Department of Children, Youth and Families (DCYF) structure[5] to inform upcoming policy decisions regarding staff and funding to achieve the goals of ECEAP expansion by 2023. CEELO also will integrate the SACQ with the CPQ&R and disseminate this new tool nationally. Further, CEELO will be testing the application of the SACQ with other states for benchmarking purposes.

Conclusion

Ensuring capacities when/where families need them requires sophisticated state and regional capacities to identify and prepare new providers, workforce, and facilities. Underestimating state administrative costs can result in missed targets, either in the quantity of preschool slots, their quality, or both. It is believed this issue is not unique to Washington State; while not all states are at a point in their preschool development where they can devote time to this type of zero-based budgeting, it is reasonable to expect that some are—and most will be in the not-too-distant future. Therefore, Washington's experience with the SACQ serves as an example to other states, and an opportunity for them to share their administrative cost data, key learnings, and best practices for the advancement of all preschool programs around the country.

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[5] In the summer of 2018, the former Department of Early Learning which administrated ECEAP was consolidated in DCYF.