

# Early Childhood Cost Modeling Technical Network Kick-Off



September 22, 2022

The **Early Childhood Cost Modeling Technical Network** brings together practitioners who build policy-focused early childhood cost models to share best practices



- 1 This is a “safe space” to share our experiences, including our challenges
- 2 We will work towards developing best practices and building a “field” of EC cost modeling
- 3 We welcome those who are new to this work and will think together about how to support new entrants to the field

# Introductions

- Your name
- Your organization
- Are you a Cost Modeler or an Observer?
- If a cost modeler, share one example of a recent project you have been working on

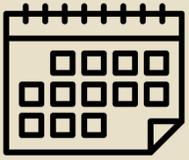




# Cost Modeling for Different Funding Mechanisms

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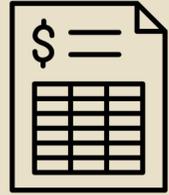
# Funding for Early Childhood Education & Care is distributed through a variety of funding mechanisms



## Rates

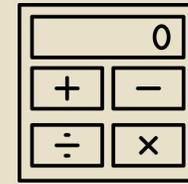
Capitated daily rates

- Example: Child care payment rates



## Grants

- Program/classroom level annual grants
- Example: Head Start grants, many state Pre-K and home visiting programs



## Formulas

- Funding formula tied to annual enrollment
- Example: K-12 state funding, some state Pre-K programs

Key question to start with:

## What are you solving for?

Daily rates?

Total cost of a classroom per year?

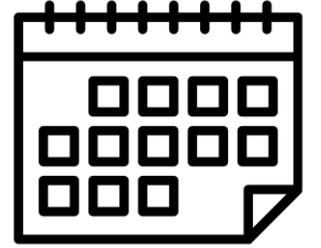
Overall system cost?

Designing a funding formula?



*Each of these requires a different design for the cost model*

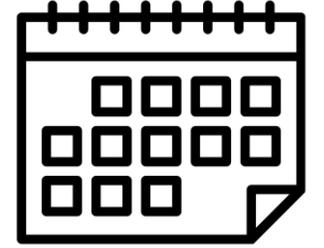
# Solving for a Daily Rate



What does it cost to provide this service (child care) per day/per child?

- This is a common focus when creating cost models for child care
- Critical steps in solving for a daily rate include:
  - Estimating overall model program costs
  - Assigning costs to age groups
  - Determining number of children per age group to divide by
  - Determining number of days per year to divide by

# Number of Children



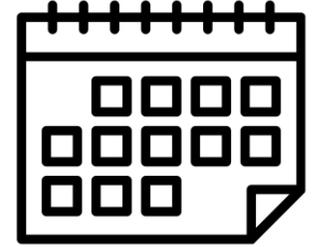
- Key “number of children” parameters that need to be set to solve for a daily rate:
  - Full capacity by age
  - Estimated average enrollment
    - Could design to allow to be different by age group (e.g., assume infant-toddler room is more full than preschool)
  - Estimated full fee collection

How are you deciding what to set these parameters at?

- 85% full?
- 95% full fee collection?
- Most models are based on assumption that classrooms will be set up to serve maximum group sizes
  - But licensing data shows that many providers are much smaller than the center we often model, and they likely serve children in either smaller groups or mixed age groups

How do you handle this in your modeling?

# Days Per Year

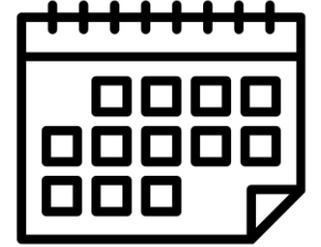


- Depending upon the rules for the funding stream, it can be very difficult to determine the best “days per year” parameter
  - If funding is only provided for days that the child care program is actually open, you need to understand operating patterns of providers
    - Some are open as little as 220 days/year but still consider themselves to be “full-year”
    - Most take at least some holidays
  - If providers are paid for holidays and professional development days, it may be simpler
    - Can use 260 or 261 days per year

How have you set days per year in your models?

- Any unusual situations you have encountered?

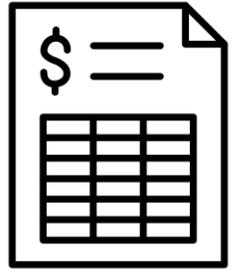
# Using Daily Rates in Policy



- Whatever methods that have been used to create the daily rate need to match the payment policies for the funding stream
- Example: If model was built using 85% full, you can't just use the results you get in your model to then pay programs based on enrollment or for a guaranteed number of slots.
- *This can be very challenging to communicate!*

**How have you dealt with potential mismatches between your model parameters and the funding stream policies? Or with changes in funding stream policies that impact how to think about “per-child, per-day”?**

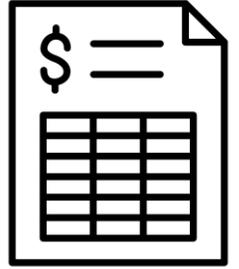
# Solving for Classroom Cost



## What does it cost to operate a classroom for a program year?

- Helpful frame for programs like Head Start, state Pre-K, etc. that are grant- or contract-based
- Critical steps:
  - Estimating overall model program costs
  - Assigning costs to classroom
- Need to decide what costs will be included in the model
  - How will program/building leadership costs be allocated to classrooms?
  - Are any things assumed to be provided in-kind?

# Classroom-Based Models



- Have you created any models that were at the classroom (or full program) model?
- How were these models used?
- What challenges did you face?

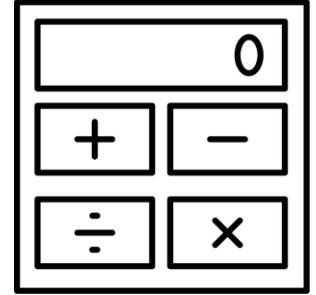
# Whole System Cost

- When costing out a universal system at scale, you can't assume full classrooms
- And you have to pay attention to geography in the estimation of how many classrooms you will need
  
- Have you created any models that estimated early childhood services at full scale?
- How did you account for the need to always have a space available for every child?



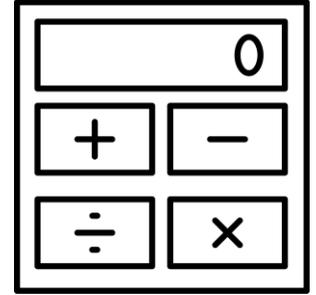
# Funding Formula

- Focused more on how to allocate funding and weight various factors in that allocation
- Most useful if the ultimate recipient of funds has a reasonable scale, such that small variations in children per classroom won't adversely impact overall funding
- Helpful frame for thinking about moving to universal publicly-funded services



# Funding Formula

- Have you created a formula for publicly-funded early childhood?
- How did this differ from the models made to solve for daily rates?



Bringing it back to the  
fundamental question:  
What are you  
solving for?

