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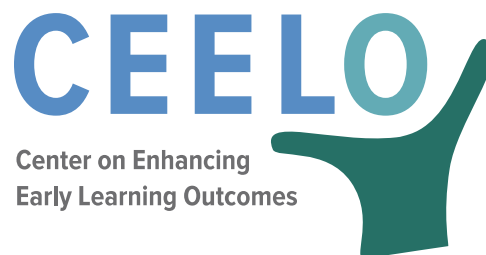
COST OF QUALITY EARLY LEARNING THINK TANK

May 2018 Meeting Summary

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illinois
action for
children



Introduction

The [Cost of Quality Early Learning Think Tank](#), held May 16-17, 2018 in Chicago provided an opportunity for state and local leaders, advocates, and national experts engaged in cost studies of early learning programs to take stock of what they are learning about collecting, analyzing and using cost data to inform and drive policy decisions about financing high-quality early learning programs. Participants gained a deeper, shared understanding of both political and strategic approaches needed to make a substantive impact on advancing the field toward adequate and stable funding of high-quality early learning programs, though many un-answered questions remain. Click [here](#) for the list of participants, agenda and resources shared at the meeting.

Goals of the meeting

- Take stock of what we know about collecting and using cost data to inform policy.
- Increase shared understanding and principles of addressing costs in evidence-based policy.
- Identify capacities, research and tools needed in the next one to three years to increase adequate and stable funding for high quality early care and education.

This paper provides highlights from the meeting, summarizes the key learnings, identifies the unanswered questions and suggests next steps. We hope this paper will spur discussion and lead to continued collaboration among attendees and others as we continue our quest for sustainable, adequate funding for high-quality early learning programs.

CEELO gratefully acknowledges support from The Alliance for Early Success which made this meeting possible.

The Center on Enhancing Early Learning Outcomes (CEELO) and Illinois Action for Children (IAFC) partnered to design and conduct the Cost of Quality Think Tank.

CEELO's mission is to build capacity of State Education Agency staff, and other state and local early childhood leaders to promote innovation and accountability leading to sustained improvements in early learning opportunities and outcomes.

Illinois Action for Children, founded in 1969, works to ensure that every child in Illinois — particularly those in need — has access to the resources necessary to succeed in school and in life.

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Rational: Why Talk About Costs, Why Now?

Increased investments have resulted from a stronger research base and strengthening political will to invest in quality early care and education programs. However, most states use an imprecise and often outdated methodology to determine allocations to programs delivering early care and education services, and methods to disperse funds differ by sector and funding stream. A few cost tools specific to high-quality early care and education exist and have been used in the last decade by states and localities, with varying degrees of success to influence policy and funding. States, national experts and others have not had the opportunity to take stock of what they know, what they are learning and what is needed to strengthen cost study methodology and to use those results to improve both adequacy and sustainability of funding for high-quality programs.

[CEELO Cost of Preschool Quality and Revenue Calculator \(CPQ&R\)](#) is a free Excel-based tool to help users project costs of funding quality early childhood programs in mixed delivery settings and catalog revenue based on funding eligibility/restrictions.

The federal Office of Child Care [Provider Cost of Quality Calculator](#) estimates annual cost and revenue for full-time child care provided through child care homes or centers at different quality levels.

The National Academies of Science, Engineering and Medicine released a national consensus report in 2018, *Transforming the Financing of Early Care and Education*,ⁱ that underscored the need to transform the financing structure for ECE to meet the needs of all children and families, and proposed a national cost methodology and shared responsibility for funding. Adapting this research to the practical realities of states and localities is the right next step. To do this, states must be able to accurately estimate *current* costs of all early care and education services and *future* costs of the changes in the quantity and quality. With a solid understanding of costs, and a clear understanding of available revenue sources, it will be possible to finance the ECE systems children and families need.

Highlights of the Meeting Presentations and Discussions

Day 1

Burning Questions. We began with an exercise to identify the burning questions that keep us up at night. Many participants acknowledged concerns that what we pay providers is not based on a sound analysis of program costs. As expected, the lack of sustainability of funding and issues of insufficient resources in the system to meet goals

and deliver quality were also common responses. Some of the fundamental questions were:

- How can funding mechanisms (slots, subsidies, program funding etc.) support better use of funds that are sustainable?
- If we highlight the actual costs of quality will the “big” number threaten our advocacy success?
- How can we capture all that families, government and others are spending on early learning?

Most programs are “making do” with what they get, without a clear understanding of what it really costs to deliver high-quality services. As a result, there has not been coherent pressure on state and local governments to reform funding models to provide adequate funding. Salaries for the early childhood workforce remain woefully inadequate even in the face of enhanced required qualifications because the connection between the needed higher salaries and the overall program costs have not been acknowledged in financing policy.

Adequate resources are not sustained over time through changing political climates or budget cycles. The group recognized that in the U.S, a lack of consensus exists about the responsibility of government for the well-being of families with children. Most programs have no mandate to serve all eligible children so when there are fiscal shortfalls, government typically reduces the budget -- especially when the funding is tied to a fluctuating funding stream such as a tobacco tax or lottery.

As Theresa Hawley noted, “To do it well and do it right, you’re layering funding. You end up with unintended consequences—financing drives access based on who qualifies for available funds. I see an unbelievable value of showing what costs are -- that’s the linchpin—you have to understand how it’s financed.”

Although a high bar, finding consensus that federal and state governments should increase funding levels as recommended in the report on *Transforming the Financing of Early Care and Education*ⁱⁱ, would allow the field to build credibility for true costs, resulting in better momentum and more effective advocacy and policy. We would have sound data and develop funding policy based on family affordability and expectations of shared responsibility. Most importantly, we would serve children who need it most, together with all children, in high-quality programs.

Anchoring Discussion in Reality: Kentucky and Chicago. A panel of leaders from both Kentucky and Chicago provided insights on what they learned from conducting costs studies to ground participants in the reality of these experiences. Kentucky

currently allocates funding for 4-year-olds from low-income families, and 3- and 4-year-olds with disabilities, to local school districts through a state appropriation, allocated by the number of 4-year-old children expected to be served by the district. Funding appropriations for the preschool program may change from year to year, causing instability in funding for districts. Stakeholders also were concerned with the adequacy of this cost methodology to meet standards of quality. The study determined costs of preschool at various levels of quality, prioritizing student-teacher interactions and specialized supports to children and families.ⁱⁱⁱ As a result, the data from the cost modeling study helped advance messaging beyond preschool access to talking about classroom quality and better informing policymakers.

Chicago has a long history of providing high-quality public preschool to 3- and 4-year-old children in a mixed-delivery model. Mayor Rahm Emanuel has pledged to implement a universal full-day preschool program for 4-year-olds^{iv}; and charged Illinois Action for Children (IAFC) with conducting a cost study to determine the additional investment that would be needed to operate a new universal program meeting all Preschool for All and Head Start program standards.^v The cost model was developed with extensive input from stakeholders, including community-based organizations (CBOs) that currently provide Preschool for All and/or Head Start. Estimates of the per-classroom cost for the program were developed for CBOs and for Chicago Public School, each analyzing the specific classroom needs and costs related to serving children in that setting.^{vi}

Highlights from the presentations and discussion include:

- ✓ *How do the purpose, goals and intended uses of cost data drive the cost modeling process?*
 - Chicago – **look universally at highest quality standards desired and fund for that.** Build for what we want, not what we have.
 - Kentucky – **place a priority on cost drivers that are important to you,** in Kentucky’s case that was supports to improve teacher-child interaction and family support.
- ✓ *What are the most effective approaches to gathering accurate data and developing buy-in?*
 - Kentucky – **Bring a cross-section of stakeholders together** and be very transparent in sharing information and communicating results.
 - Chicago – **Engage providers in analyzing results; however, providers need to be coached in thinking about “true” costs of quality** (e.g., including all in-kind and “borrowed” resources, estimating salaries that would draw and retain a highly qualified staff) rather than what they currently spend.

- ✓ *What are the “early returns” from cost modeling processes for policy/systems development?*
 - Kentucky - ***Cost modeling creates a common language across systems/funding streams*** and involvement of multiple stakeholders built stronger partnerships and shared understandings.
 - Chicago – ***Seeing the actual numbers, having real data, busted some myths*** that certain types of programs or dosages are more or less expensive than perceived.

Day 2

Taking Stock: What Do We Know About Conducting Cost Studies of Early Learning Programs?

Presentations by Kentucky and Chicago provided important insights into the challenge of understanding costs of quality given the realities of early learning systems at state and local levels. It is relatively “easy” to identify the major cost drivers, including staffing, facilities, and transportation; however local variation in compensation, rents, and needs of children and families for services, along with other factors, make determining the “true” cost of quality quite challenging. There was consensus that child care is presently a market failure since few families can afford a quality program and the current market rate approach doesn’t come anywhere close to adequate funding for quality. In essence, it could be argued most early care and education programs are *built on the backs of teachers being paid poor wages*^{vii}. The early care and education system is not sustainable and will not result in the outcomes promised for children, unless we as a field become more honest about what it truly costs, and provide policy makers with clear, concrete, and compelling data on costs of quality to achieve results.

State and local leaders and policy makers need comprehensive and valid information on the costs of implementing a high-quality preschool program to help them figure out funding allocations for preschool programs, determine the cost to schools/program administrators of implementing or expanding access to high-quality preschools, understand the trade-offs of various decisions on quality and ensure funding stability and sustainability to serve all 3- and 4-year-old children in high-quality preschool programs. A number of cost tools are available and have been used by policy makers and researchers; however the field has not discussed collectively what we are learning about using these tools. The next panel addressed what we know about conducting cost studies, both exploring current status and identifying what we need to still know.

Simon Workman summed up the consensus of the group noting, “define quality before estimating true cost. What does quality mean to you? Model after the vision we want, not after

programs that are able to operate well in spite of poor funding.”

Highlights from the presentations and discussion include:

- ✓ *Are there core principles of collecting and using cost data to inform policy?*

A few principles emerged from the discussion. Both the panel and participants felt defining quality standards before developing a cost model is critical. Most importantly, what is currently being paid is often not equal to true cost of quality (because so often costs are omitted, standards are not being met, and/or current salaries are typically inadequate).^{viii} The *true cost* reflects what we want our system to be.

- ✓ *What are the “true” costs of quality, how do we get this data?*

It is important for stakeholders to **define the purpose and use of the cost data, and then choose a cost tool or methodological approach that supports these goals.** There are a variety of cost tools that require different levels of rigor and data collection,^{ix} ranging from “back of the envelope” calculations, to use of a standardized tool, to provider surveys, and professional judgment panels. Cost tools can help to define cost ingredients and provide consistent methods to collect data, but there are significant challenges in accessing relevant data, for example about salaries or facilities, that are specific to a state or region. *Transforming the Financing of Early Care and Education* proposed a set of “national” cost assumptions that could serve as a baseline toward further benchmarking of costs at the state or local level.^x

- ✓ *How can cost studies more accurately reflect the realities of early learning systems at the state and local level?*

A few areas critical to address in determining full cost of the early care and education system include: state and local infrastructure, including costs to administer, monitor and improve programs; costs to meet the needs of special populations and those children/families needing greater support; in addition to the variations around auspice (schools, community based, home based); salaries, transportation; and facilities, to name a few.

Investments in infrastructure including supports for preparation and professionalization of the workforce, data systems required to harmonize provision and funding of public programs, and research and evaluation to support policy and program development are also needed. Building from the principle noted above to model costs based on quality and the system you want, there are still many policy decisions and trade-offs to be addressed in balancing local variation in costs. Both Chicago and Kentucky used a combination of developing a “base quality model,” then engaging stakeholders and collecting local data to make adjustments in cost projections.

What Gets in The Way?

Once cost projections are established, what gets in the way of allocating resources to programs to support sustainable and stable funding? What are the pain points in making decisions about raising and leveraging sufficient funds?

Fundamentally, the lack of sufficient funding to support high-quality early care and education for all children too often creates difficult policy choices for program leaders between access and quality, especially for low-income children.

The early care and education “market” consists of free programs such as Head Start and state funded pre-k, and tuition-based programs like child care. Ultimately this creates both inequality in access to high-quality programs and competition among market-based programs.

Steven Barnett noted, “The Transforming the Financing of Early Care and Education report calls for roughly doubling public funding, which requires either altering priorities for current public spending or increasing revenues. The primary purposes of various early childhood programs differ which is what leads to differences in eligibility, design, and funding. Harmonizing eligibility, quality standards, and funding across all of these so they can be integrated can conflict with program and agency goals and the desire to meet the specific needs of diverse children and families.”

Child care reimbursement rates are typically set with reference to what parents are paying in the private market, which, with a few exceptions, is inadequate to support quality.^{xi} State-funded preschool programs vary widely in their funding, with many states failing to provide adequate resources to sustain quality programming.^{xii} And Head Start/Early Head start grants vary tremendously in the per-child amount awarded even though all are held to the same program standards.^{xiii} To further complicate matters, each of these funding streams has different eligibility criteria, leading to a confusing maze of access to resources. Programs frequently layer funding based on resources available for different groups of children, not necessarily on what children need.

Highlights from the presentations and discussion include:

✓ *How can we increase the use of valid cost data in evidence-based policy?*

Advocates and policy makers will need to insist on using valid cost data in planning for new or expanded early childhood services. Economists consider cost to be the minimum expenditure for the desired output. The early care and education

(ECE) field needs to start with outputs. The cost burden of ECE is more easily discerned than the benefits, so the field conceals the cost burden and emphasizes the benefits to cover as many people as possible – emphasizing quantity over quality. Providers are also constituents – elected officials have incentives to create new programs and initiatives or to expand access, as this is more salient to constituents than improving quality.

- ✓ *How does a state that wants to efficiently fund quality programs do the best job of making the right choices?*

Adequate and stable funding is expected in the K-12 education system. We have not set this as an expectation for ECE. Programs funded through state education funding formulas are in some cases the exception and they tend to have been much more successful in achieving adequate, stable funding.^{xiv} ECE is often discretionary funding, thus less likely to be adequate or stable. Policymakers face strong incentives to shift costs away from “their constituents” and they have greater incentives to sponsor new things rather than improve existing programs.

Ellen Frede noted, “We need to ensure that all programs meet quality standards. It is important to challenge the idea that a little low-quality is better than nothing, and ensure that funding equals high quality.”

What Is Needed?

Strategic communications and targeted advocacy are needed to influence policy and funding. Progress on convincing funders of the value of early childhood education is too slow to benefit children now, or enough children nationally to make a significant difference.

Highlights from the presentations and discussion include:

- *Do cost studies lead to policy changes or are they purely an academic exercise?*

As we heard from both the Kentucky and Chicago panelists at the start of the meeting, having real numbers on costs was an effective communication tool for legislators, advocates, and implementers. Conducting cost studies takes the guess work out of rhetoric in policy making. However, intentional efforts to engage stakeholders in shaping the data collected and making meaning of the cost data is critical. Both Kentucky and Chicago engaged stakeholders (both holders and users of the cost data) early in their projects. Lisa Backer shared that in the [Pay for Success project, Minnesota](#) developed an extensive stakeholder engagement plan, but had to be flexible in implementing it to respond to specific needs, and wished they had involved certain stakeholders sooner.

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- *What information do policy makers need to make informed decisions, and what information do we need for advocacy? Do we confuse these two needs?*

Cost studies can collect very comprehensive data, but investors want a more simplified message. As a field, we tend to lean toward complexity, when most people do not understand the nuances of preschool funding. Dana Hepper created [a handout](#) to help Oregon legislators understand how funding for preschool differed from K-12 funding. Common among all participants was the strong belief in advocating **for quality and access at the same**.

- *How can we best leverage the communication materials created to advance individual state and national advocacy?*

Albert Wat noted, “Cost studies are helpful because advocacy and implementation have become so much more advanced, so how we communicate, through stories and data, needs to match this complexity.”

Michelle Ruess (NIEER) shared some suggestions for how best to leverage communication strategies to advance advocacy. Such as:

- Identifying your audience is first and foremost, and knowing what messages resonate with specific audiences.
- Use “real words” when talking to legislators or others as most people may not know what you know, but they may value what you value.
- Working with other partners that have an established connection with the audience you are trying to influence is a good strategy; for example, business people can do things with lobbying groups that no one else can; lobbying is within their comfort zones and legislators are comfortable being lobbied by them.
- Focus messages on outcomes for kids; start with what a child needs; “fair” better than “equal” (fair chance rather than equal chance). Effective messages take complexity out of the issue and articulate solutions that are understood by the audience.

What’s Next: Concluding the Day and Next Steps

To conclude the meeting, participants engaged in a discussion of **what’s next** to drive policy and funding decisions on financing for high-quality early learning programs, focusing on two core questions:

- What are the top **things we know**, or “shared understandings and principles” of addressing costs in evidence-based policy?
- What are the **unanswered questions** and research needed in the next one to three years to increase adequate and stable funding for high quality early care and education?

Ten Things We Know About Conducting Cost Studies in ECE

1. Model costs on the system you want based on the results you want to achieve.
2. What is currently allocated or “expended” is often not equal to true cost (because standards are not being met and/or because current salaries are typically inadequate).
3. Defining quality standards before developing a cost model is critical.
4. Define the purpose and use of the cost data, and then choose a cost tool or methodological approach that supports these goals.
5. Engaging providers in the study early is important for creating buy-in and ensuring the data meaningfully reflect local/program variation, while supporting providers to envision what the true costs really are or need to be.
6. It is relatively “easy” to identify the major cost drivers, including staffing, facilities, and transportation; however local variation in compensation, rents, and needs of children and families for services, makes determining the “true” cost of quality more challenging.
7. Critical issues to address in determining full cost of the early care and education system include: state and local infrastructure, including costs to administer, monitor and improve programs; costs to meet the needs of special populations and those children/families needing greater support; variations around auspice (schools, community based, home based); salaries, transportation; and facilities
8. Having real numbers on costs is an effective communication tool for legislators, advocates, and implementers. Conducting cost studies takes the guess work out of rhetoric in policy making.
9. Leverage communication strategies -- know your audience, avoid jargon, partner with groups the public knows and trusts, simplify the message using data and real stories
10. Focus messages on outcomes for kids; start with what a child needs. Effective messages are direct and articulate solutions that are understood by the audience.

Unanswered Questions, Capacities and Research Needed. Participants discussed the need to apply a racial equity lens to cost of quality projects, and to build capacity in communication and legislative department staff in state agencies to message these efforts. Participants were interested in case studies on political/advocacy strategies in places such as NY, WA, NJ, and AL where they have been successful in increasing investments in early childhood programs. The following were some of the unanswered questions identified by the participants.

1. Does projecting costs per child vs. cost per classroom result in more stable funding?
2. What are the right metrics for infrastructure costs (TA/monitoring), school occupancy costs and special education?
3. What is the cost of a system that ensures seats for all children?
4. What happens after we do the cost estimates? How do you sustain funding? Does more money make a difference and if so, how?
5. How do we monetize the benefits and outcomes of ECE?

In Summary, the meeting was intended to provide an opportunity for state and local leaders, advocates, and national experts engaged in cost studies of early learning programs to take stock of what we are learning about conducting and using cost data to inform and drive policy decisions on financing high-quality early learning programs. The meeting was the first step of an ongoing dialogue about costs and financing in the early care and education system. CEELO and IAFC thank [participants](#) in the Cost of Quality Think Tank for their engaging and insightful remarks. We have a lot of work ahead and we look forward to continuing this journey together.

Additional Resources: See [our CPQ&R webpage](#) for new resources and tools.

Endnotes

ⁱ National Academies of Sciences. (2018). Transforming the Financing of Early Care and Education. Retrieved from <https://www.nap.edu/catalog/24984/transforming-the-financing-of-early-care-and-education>

ⁱⁱ National Academies of Science, 2018, Consensus Study Highlights, see Recommendation 4. Retrieved from http://sites.nationalacademies.org/cs/groups/dbassessite/documents/webpage/dbasse_184857.pdf

ⁱⁱⁱ Determining Costs of Preschool in Kentucky. Retrieved from http://ceelo.org/wp-content/uploads/2018/05/R1_KY.pdf

^{iv} Chicago Universal Cost Study. Retrieved from http://ceelo.org/wp-content/uploads/2018/05/R2_Chicago.pdf

^v Illinois Preschool For All <https://www.isbe.net/pages/preschool-for-all.aspx> and Head Start's Program Performance Standards <https://eclkc.ohs.acf.hhs.gov/policy/45-cfr-chap-xiii>

^{vi} Chicago Universal Cost Study. http://ceelo.org/wp-content/uploads/2018/05/R2_Chicago.pdf

^{vii} Sarah Thomason, et al. (2018). At the Wage Floor. Retrieved from <http://cscce.berkeley.edu/at-the-wage-floor/>

^{viii} For example, some early childhood staff depend on welfare and unemployment insurance (during the summers) because their pay is so low; these costs of the system are "hidden" in other public budgets.

^{ix} National Academies of Sciences. (2018). Transforming the Financing of Early Care and Education, Appendix B. Retrieved from <https://www.nap.edu/catalog/24984/transforming-the-financing-of-early-care-and-education>

^x Estimating the Cost of High Quality Early Care and Education, Chapter 6, Retrieved from <https://www.nap.edu/download/24984>

^{xi} Nores, M. and Barnett. S. (2014). Access to High Quality Early Care and Education: Readiness and Opportunity Gaps in America. Retrieved from http://ceelo.org/wp-content/uploads/2014/05/ceelo_policy_report_access_quality_ece.pdf

^{xii} Friedman-Kraus, A. et al (2018). The State of Preschool 2017. Retrieved from <http://nieer.org/state-preschool-yearbooks/yearbook2017>

^{xiii} Barnet, S. & Friedman-Kraus, A. (2016) State(s) of Head Start. Retrieved from <http://nieer.org/headstart>

^{xiv} Barnett, S. & Kasmin, R. (2016) Funding Landscape for Preschool with a Highly Qualified Workforce. Retrieved from https://sites.nationalacademies.org/cs/groups/dbassesite/documents/webpage/dbasse_176099.pdf

About CEELO

One of 22 Comprehensive Centers funded by the U.S. Department of Education’s Office of Elementary and Secondary Education, the Center on Enhancing Early Learning Outcomes (CEELO) strengthens the capacity of State Education Agencies (SEAs) to lead sustained improvements in early learning opportunities and outcomes. CEELO works in partnership with SEAs, state and local early childhood leaders, and other federal and national technical assistance (TA) providers to promote innovation and accountability.

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