



Estimating the Cost of A High Quality Early Care and Education System for A State or Local Area: Simplified Approach

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Background: The Human Services Policy Center (HSPC) has developed a Policy Simulation Model (PSM) for estimating the costs of providing financial access to high quality Early Care and Education (ECE) services. Reports describing the project and estimates developed for four states on our website, www.hspc.org. We conduct this analysis in close partnership with a group of policy leaders and stakeholders who want to explore the costs and impacts of different policy specifications. Our approach allows partners to specify a wide range of policies affecting both the services to be delivered and the mechanisms by which families of different income levels are to be assisted in affording those services. The approach builds on surveys of current ECE utilization, encompassing all sectors (center-based care, formal family child care, and paid family, friend or neighbor care. This is more realistic than assuming that all working parents will use full time center-based care. It also takes account of the fact that one-third of non-employed parents use paid ECE, and access for these children is important for educational or developmental reasons. A year-long process is required for HSPC to conduct a demand survey and work with a group of policy makers and stakeholders to specify many different options, analyze the results and provide additional rounds of the simulation to reach a consensus. However, based on our work with four diverse states, we have been able to develop a simplified approach to provide two sets ballpark cost estimates. One set of estimates is based on a kindergarten or pre-K model, where service is offered for 4, 6 or 8 hours a day during the school year, and eligible children attend for free. The second set of estimates comes from our consistent finding that a partially means-tested approach best balances the objectives of assuring access to all income groups, targeting funds to the most vulnerable children, and minimizing budgetary impact. This approach, which we call a Parent-Provider Assistance Package (PPAP), is somewhat akin to higher education financing, where close to half of costs are covered in institutional subsidies (mostly state appropriations), and the remaining costs are charged in tuition, with families eligible for sliding-scale assistance. Our simplified approach takes our findings of the per-population cost of either the kindergarten or PPAP approach and applies it to a population of interest, such as a state, county, city or cluster of census tracts. We adjust the estimates to reflect the new area of interest according to two key variables: the income distribution (which affects how many children are likely to be eligible for assistance), and wage rates (which affect the cost of recruiting and retaining qualified ECE staff). Partners can specify higher or lower salary standards (or compare the two), but cannot change additional policy variables without requiring a re-run of the simulation model, which would require a greater investment of time and money.

Tasks for HSPC in Consultation with Partner Group

1. *PPAP approach: per-population estimate*
 - a. Decide whether to base estimates on the average of two or more of the pilot states, or on one selected state whose policy preferences seem closest to what the partner group considers desirable.
 - b. Decide whether to use higher or lower salary standards, or to compare the two
 - c. Adjust PPAP estimate to reflect the income distribution of the partner jurisdiction.
 - d. Adjust PPAP estimate costs by ratio of average salaries of relevant professionals in the jurisdiction to comparable salaries in the state(s) on which PPAP estimate is based.
2. *No-fee program cost approach*
 - a. Specify hours per day, days/week, weeks/year for program
 - b. Decide whether to base estimates on the average of two or more of the pilot states, or on one selected state whose policy preferences seem closest to what the partner group is contemplating. Determine hourly costs by age group from appropriate state(s).
 - c. Decide whether to use higher or lower salary standards, or to compare the two
 - d. Adjust hourly costs to reflect relevant salaries in new jurisdiction.
 - e. Derive total program costs for either low income or total population.
3. *Estimate net cost increases for new jurisdiction.*
 - a. Obtain state CCDF agency data on current subsidy costs (may require special runs if doing smaller areas within state)
 - b. Obtain estimates for state expenditures for public preK programs, including state Head Start type programs.
 - c. Head Start (Federal) – may be included or excluded from PPAP costs, depending on pilot state(s) selected. If included, obtain from ACF.
 - d. Estimate current local costs if performing analysis for sub-state jurisdiction: obtain data on local programs or family subsidies – e.g., county, municipality, school district, United Way.

Time and Cost for Producing Estimates

The project duration and costs will vary depending upon:

1. The amount of travel to the partner jurisdiction and consultation with partnership group to determine pilot states(s) on which estimates are to be based, and discussing the findings.
2. Whether the analysis is to be performed at the state or sub-state level,
3. How readily available current spending estimates are.

Based on our initial experience, the project duration is likely to be close to 3 months, and minimum costs to range from \$25,000 to \$35,000.

An illustrative timeline for a state or one major metropolitan area would be:

Weeks 1-3:

- Consultation with partner group concerning policy specifications and costs of the four pilot states and which seem most applicable to the partner jurisdiction (in person or on conference call).
- Determine accessibility of data regarding current expenditure levels (data is usually more readily available if state agency or governor's staff are part of partner group).

Weeks 4-6:

- Develop initial gross cost estimates and net increases over current. Compare to current K-12 spending level for the jurisdiction. Will require more time/cost if current ECE cost data not readily available.

Weeks 7-8:

- Write preliminary report; discuss findings with partner group (in person or on conference call).

Weeks 9-10:

- Prepare final report responding to discussion with partner group.

References [available at www.hspc.org]

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