



Deep Dive into Early Childhood Funding: What's the True Cost of Care?

Early Childhood Fellows Program

Tuesday | 09.13.22



Elizabeth Gaines

Children's Funding Project

Founder and Chief Executive Officer

www.childrensfundingproject.org

Children's Funding Project

Helps identify and align existing funding, generate new revenue, and implement strategies to administer funds in ways that maximize their impact



What's the plan?

Next few months
Making sense of federal relief funds

Next 12 months
Fiscal mapping and cost modeling

1 – 2 years
Where can new money come from?

3 – 4 years
Generate sustainable revenue

We've been helping states and communities map out things they can do in the next four years to:

1. support equitable recovery,
2. increase opportunities for children and youth,
3. increase stability and sustainability, and
4. avoid...



What Is “Strategic Public Financing?”

A strategic public financing plan picks up where strategic plans often leave off. It identifies

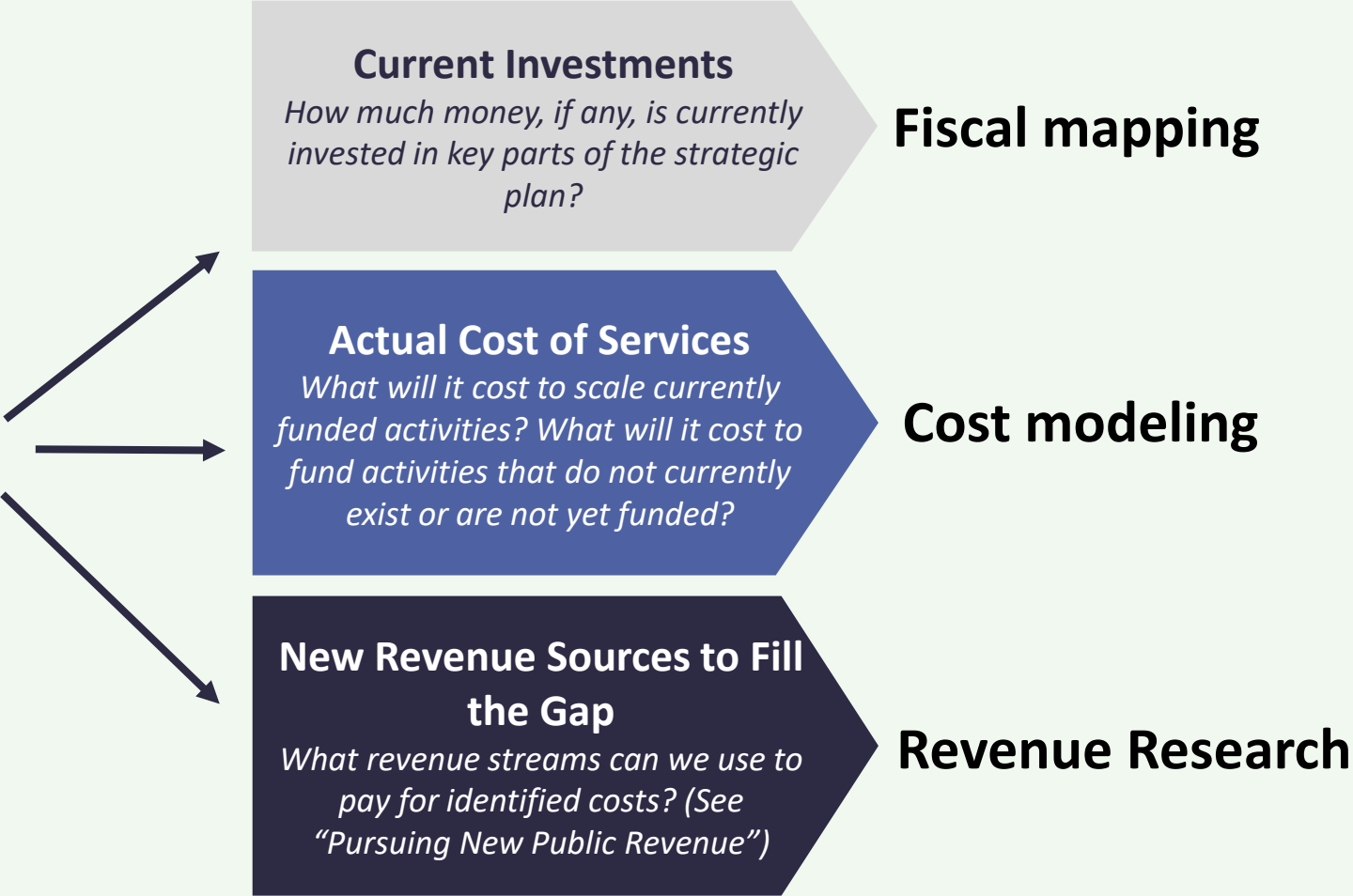


Table Discussions – where is your state in the ECE strategic financing journey?

- Making sense of federal recovery money for kids
- Fiscal mapping to understand the full flow of funding for kids
- Understanding the true cost of programs and services
- Researching/pursuing available revenue generating options



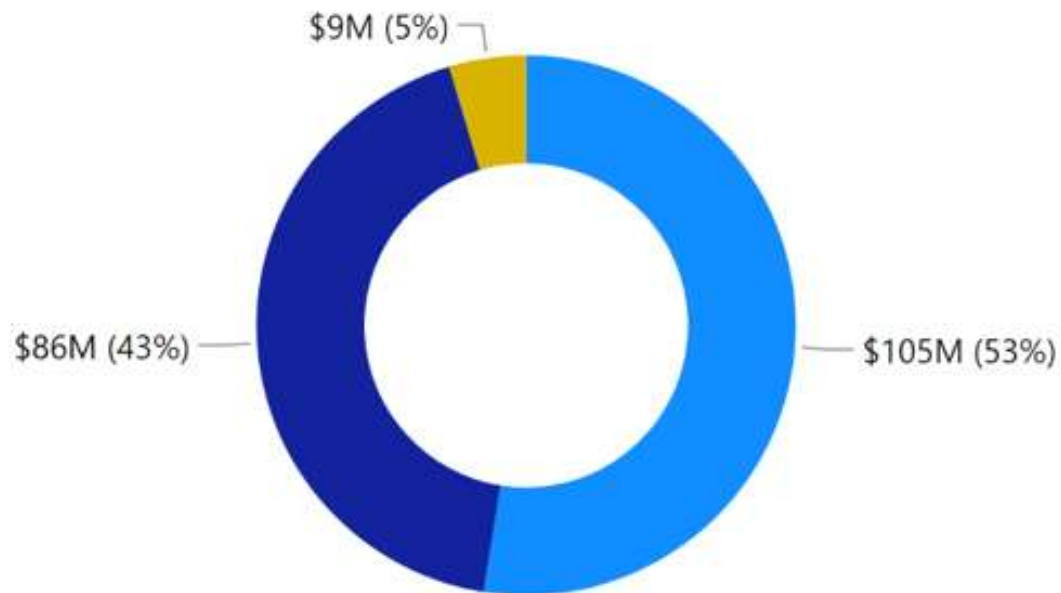
Sum of Current Investments

\$200M

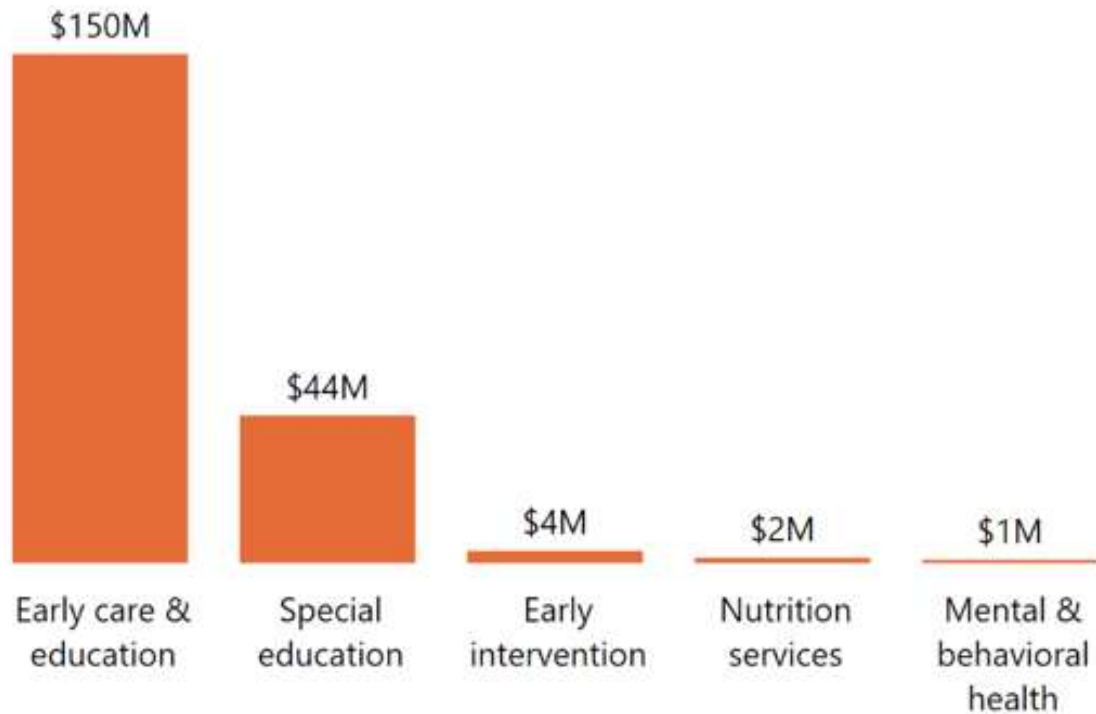
Data from 17 funding streams across 3 state agencies + public schools

Source of Funds

● State ● Federal ● Public School Districts & Charters



Intended Use of Funds



Largest funding streams include IDEA, Purchase of Care, CACFP, Head Start/ Early Head Start, ECAP, pre-k units, tiered reimbursements

\$200M in EC Spending in Context

		K-12	EC
Early Care and Education Costs More per child than K-12...	Day	7 hours	8-12 hours
	Year	9 months	12 months
	Adult: child ratio	1:16-30	1:3-18
	Consumable Costs	Food, technology, classroom materials	+ diapers, wipes, bibs, booties, cleaning costs, age specific furniture and additional manipulatives
...but the state spends much less per child and covers fewer children	Per Child	\$16K+	Today: ~\$7K Cost of Quality: \$27k+
	Access	All	~20% with public funds Parents paying 20% median income per child

Total EC vs. K-12 Investments



Total System Cost

TOTAL COST FOR FULL SYSTEM		
Type of Care	# of Children	Cost
Center (high quality)	32777	\$843,825,360
Family Child Care (high quality)	13824	\$559,208,448
Children w/Disabilities*	5595	\$229,429,788
Dual Language Learners*	9320	\$23,300,000
Non-Traditional Hour*	11654	\$74,527,459
Sub-Total		\$1,730,291,055
Infrastructure/Supports	8%	\$138,423,284
TOTAL COST FOR FULL SYSTEM	46,601	\$1,868,714,340

*These represent *additional* costs on top of the base rate.

Per child costs range of \$27,000 - \$170,000 per year (include highest per child cost with all needs built in)



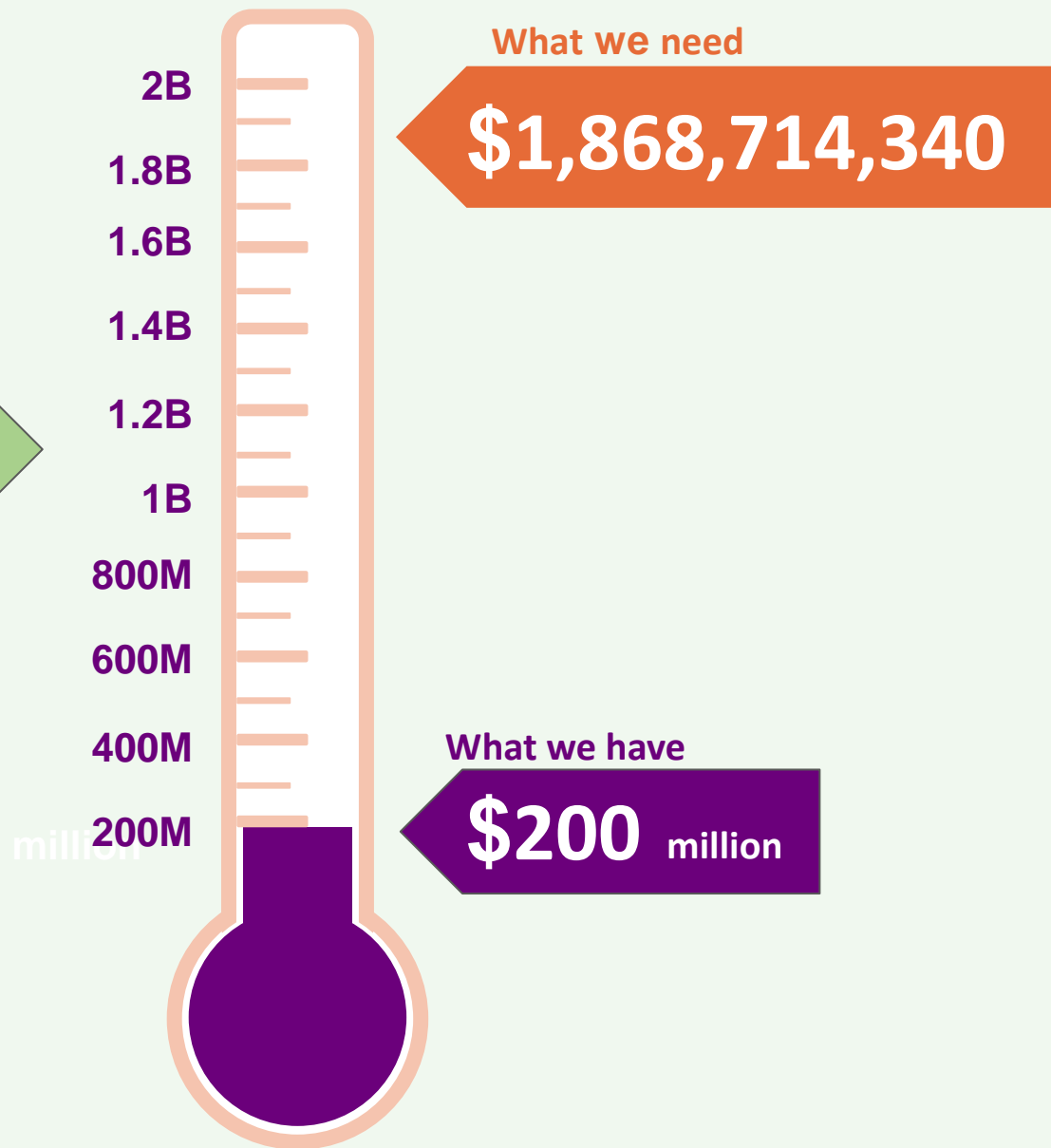
Filling the gap

\$1,668,714,340 to fill the gap

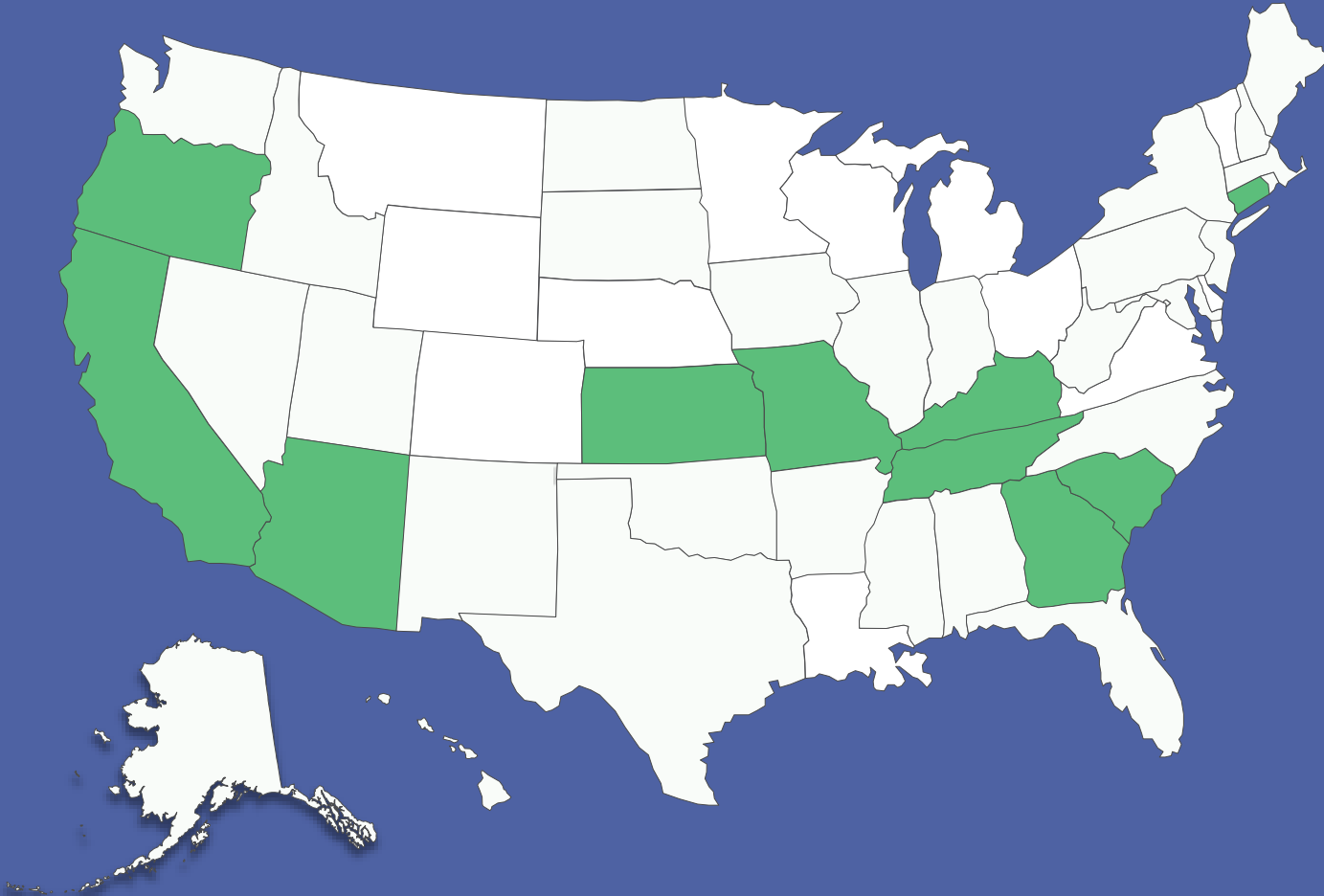
Funds may come from federal, state, and local sources

State can make choices for implementation over time, for example

- *Serving highest need kids first*
- *Sliding scale family fees at first*



State Dedicated Funding Streams for Early Childhood Prior to 2020



Tobacco Settlement Agreement (transfer or expansion)

- Connecticut (2014)
- Missouri (2013)
- Kentucky (2000)
- Kansas (1999)

Tobacco Excise Tax

- Arizona (2006) – *via ballot measure*
- California (1998) – *via ballot measure*

Corporate Activity Tax

- Oregon (2019)

Lottery

- Tennessee (2004) – *via ballot measure*
- Georgia (1993) – *via ballot measure*

Sales Tax

- South Carolina (1984)

STATES GETTING TO WORK

MARYLAND - A digital advertising tax went into effect in Maryland this year. The tax applies to revenue collected from digital advertisements displayed within the state and could raise an estimated \$250 million in its first full year for the state's education system.

COLORADO - Passed a ballot measure in 2020 to expand tobacco tax and close vaping tax loophole to fund universal, free preschool for all Colorado children. It is projected to generate \$2 billion for universal pre-k over ten years.

NEW MEXICO - A constitutional amendment to dedicate part of their Land Grant Permanent Fund to make early childhood education a public good like K-12 education.

D.C. - D.C. raised taxes for residents that make more than \$250,000 annually. It is projected this tax will reach \$175 million in 2025. By 2025, this tax will allocate approximately \$75 million for Birth-to-Three.

LOUISIANA - The Louisiana legislature approved sports betting in 2021. 25% of the funds, up to \$20 million, received by the state will be allocated to an Early Learning Incentive Fund.





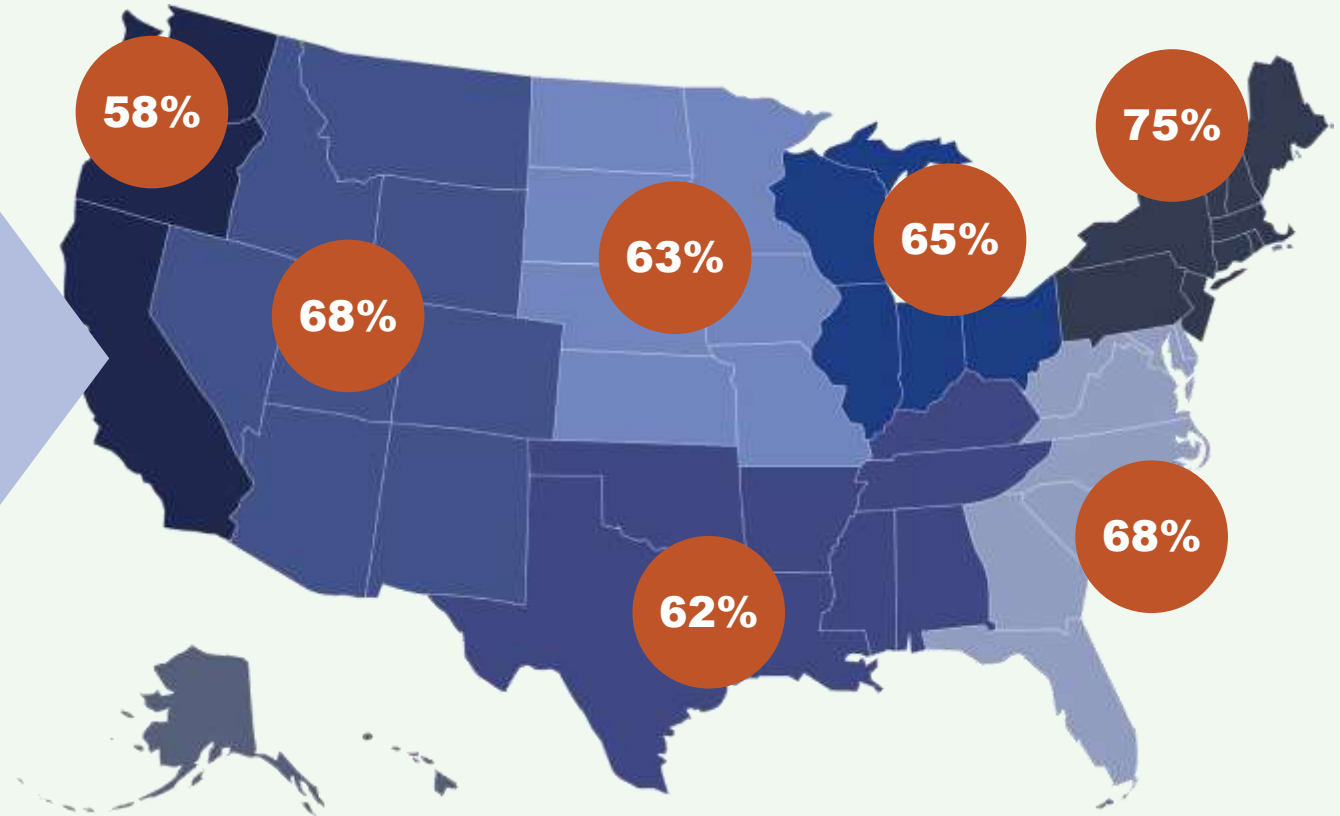
FUNDING OUR FUTURE:

Generating State and Local Tax Revenue
for Quality Early Care and Education



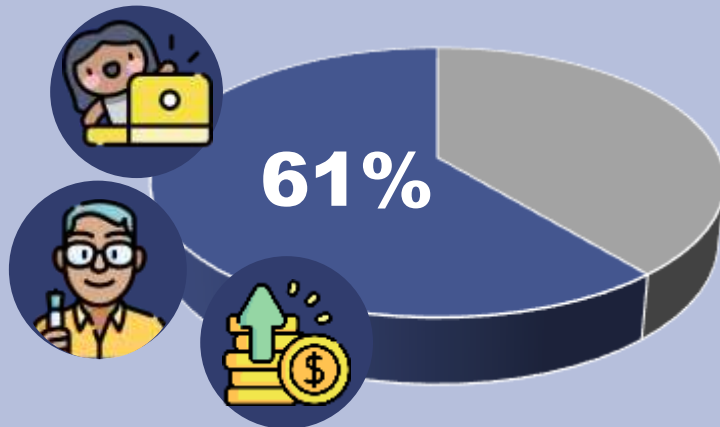
The majority of voters in every region of the country want to see their tax dollars used to give all children a strong start in life, regardless of a child’s family income, education, skin color, or where a child lives.

Percentage of voters in each region who would support a tax increase of \$100 per year to fund a strong start for all children.



Voters believe early childhood educators are key to program quality and they support using public funds to increase educator pay.

92% of voters say early childhood educators “play a critical role in helping children grow and develop” while only **23%** of voters see them as having “fairly easy jobs.”



of voters nationally say it is extremely/very important to “combat the shortage of qualified child care, preschool, and after-school staff by increasing wages.”

Support for increasing educator pay is strong in the abstract, but may also benefit from an equity comparison to teachers.

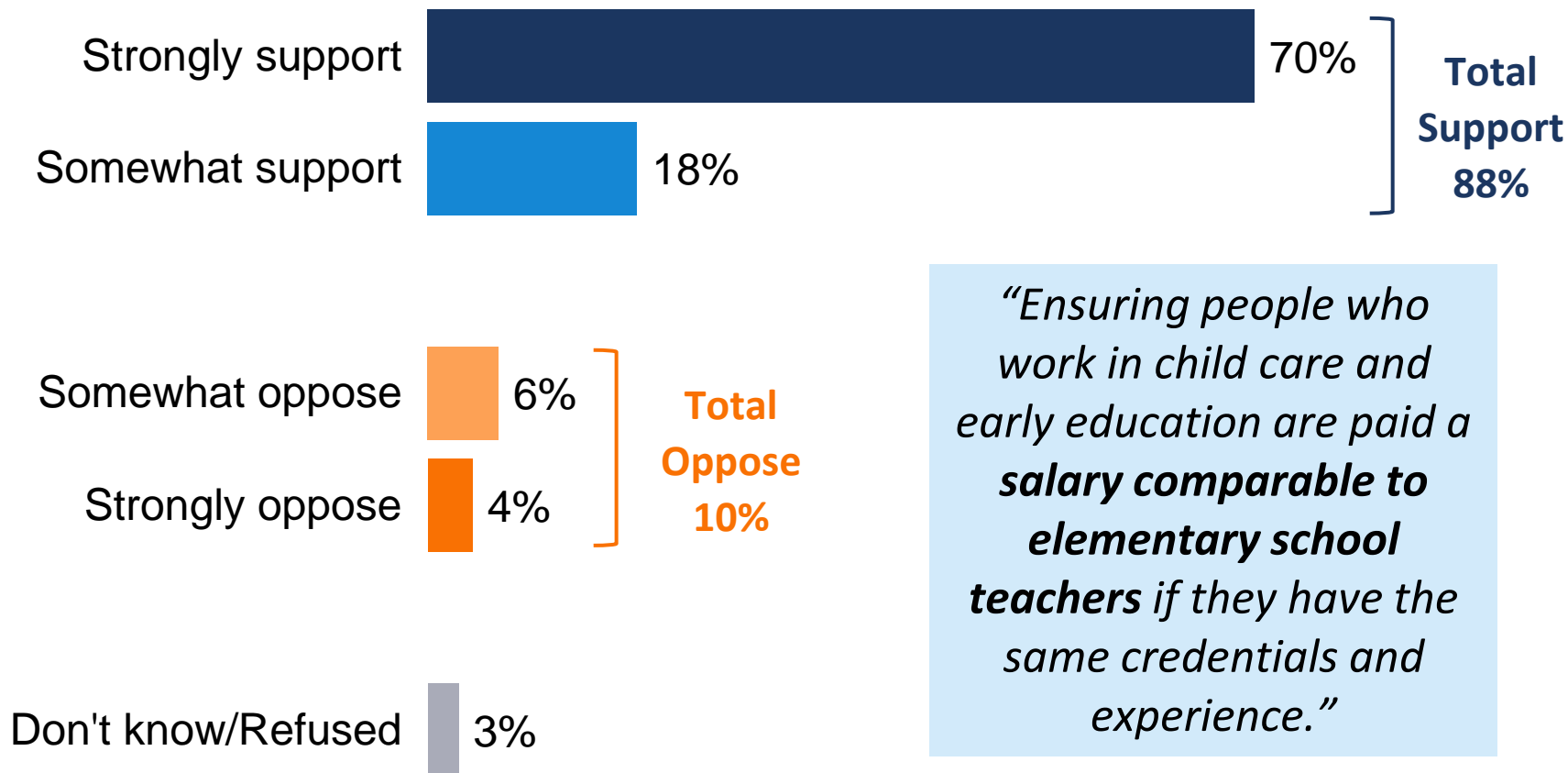


Table Discussions – where is your state in the ECE strategic financing journey?

- Making sense of federal recovery money for kids
- Fiscal mapping to understand the full flow of funding for kids
- Understanding the true cost of programs and services
- Researching/pursuing available revenue generating options



NM Land Grant Permanent Fund Distribution for Early Childhood Education Amendment

- NM Funding for Early Childhood Programs Amendment is on ballot as a legislatively referred constitutional amendment
- Measure allocates 1.25% of Land Grant Permanent Fund (LFPF) to early childhood education (60%) and public education (40%)
- In FY2023, an estimated \$126.9 million would be allocated for early childhood education
- LGPF come from leases & royalties on non-renewable natural resources (oil & gas)



COLORADO CHILDREN'S CAMPAIGN
Every Chance for Every Child

Colorado Children's Campaign – November 2020

PROPOSITION EE: An incremental tax increase on cigarettes and tobacco products, and a new tax on liquid nicotine (vaping).

Revenue:

\$176M in total revenue 2020-21, increasing to \$275M in 2027-28

Revenue will initially go to k-12 public schools, affordable housing, and tobacco education, prevention, and cessation, but starting in 2024 will be used to fund pre-k - \$168M in first year, growing to \$242M when fully implemented

Key messages:

1. **Save lives by reducing tobacco and vape** use through higher product prices and funding tobacco prevention and cessation programs.
2. Shield K-12 schools from deep budget cuts caused by COVID and provide **universal, free preschool in fall of 2023.**

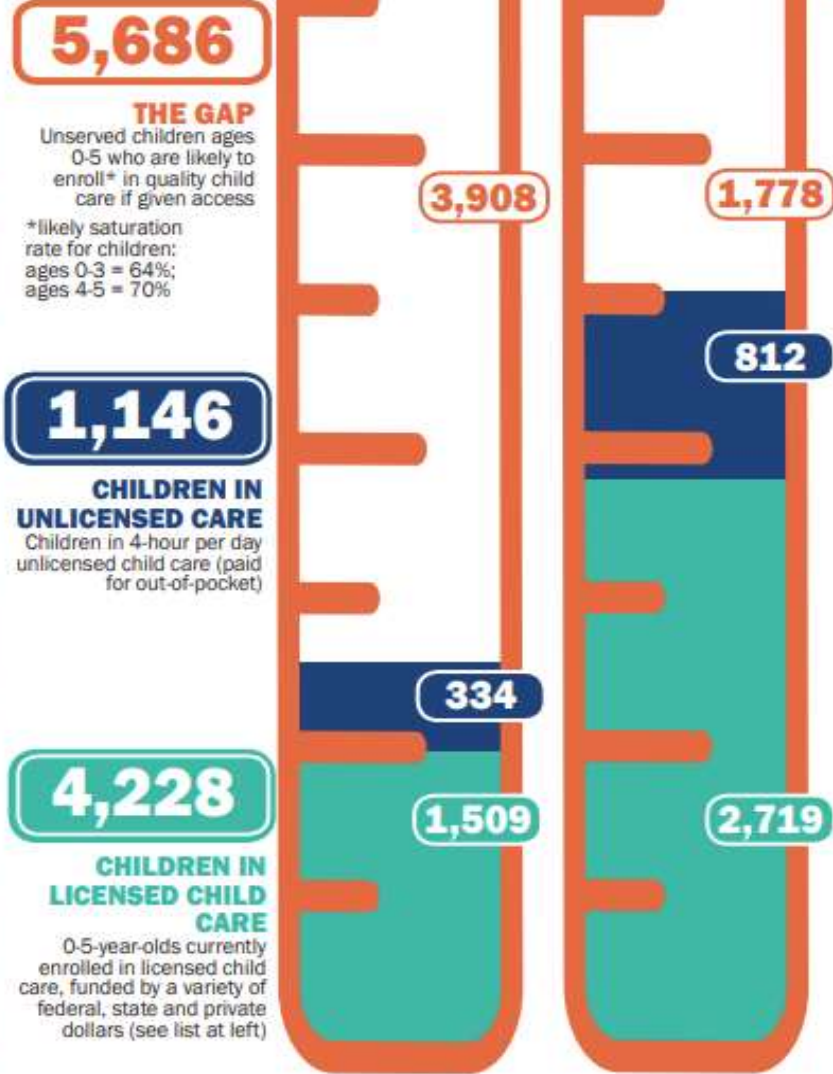


FUNDING SOURCES CURRENTLY SUPPORTING THE EARLY CHILDHOOD EDUCATION SYSTEM

- Early Head Start**
Child care for very low-income families
- Head Start**
Child care for very low-income families
- NC Pre-K**
Child care for low-income families
- Child Care Dev. Fund Block Grant**
Supports quality improvements, TEACH scholarships, Infant Toddler salary supplements
- Local public schools (Title I funds)**
Supports kindergarten readiness strategies in public schools for low-income families
- Child and Adult Care Food Program (CACFP)**
Provides facility reimbursement for food costs
- State child care subsidies**
Partially subsidizes child care for working families (vouchers)
- Developmental day licensed programs**
Provides child care for children with special needs
- Smart Start**
Child care subsidies, wage supplements, and grants to child care programs
- County funds**
Grants for system and child care operational supports
- Gifts & grants**
from private foundations, corporations, & other donors
- Out-of-pocket tuition**

CHILDREN AGES 0-2

CHILDREN AGES 3-5



Filling the Gap

What it would take for the Asheville-Buncombe Preschool Planning Collaborative to fill the high quality early care and education gap with local funds.

What would it cost to fill the gap?
(i.e. to put 5,686 0-5-year-olds in licensed, quality child care)

NUMBER OF CHILDREN x **\$ COST PER CHILD**
5,686 unserved, eligible, likely to enroll 0-5-year-olds x \$12,000 for 0-2 \$10,774 for 3-5

\$46.9 MILLION total slot cost for ages 0-2
+ \$19.2 MILLION total slot cost for ages 3-5

= \$66,052,172 total slot funding needed
+ \$25,000/NEW CLASSROOM estimated per classroom start-up cost

