

PDG B-5 Early Childhood Cost Modeling Tools and Resources

A core goal of the PDG B-5 grant is to more efficiently use resources to increase access to high-quality services for all children and families. To do this well, states will want to engage in cost modeling in the needs assessment phase to produce data that accurately accounts for and projects the actual (true) costs to implement, monitor and improve high-quality programs, over time.

What is Cost Modeling in the Context of Early Childhood? The preferred method of cost modeling in education is called “the ingredient method” which defines the parameters of program services, including dosage, number of children served, and quality standards and, assigns a standard cost to each ingredient in order to determine the total program cost (including costs to administer the program at the system level) and average cost per child/family.¹

Rationale for Cost Modeling: The National Academies of Science, Engineering and Medicine *Transforming the Financing of Early Care and Education*² underscored the need to transform the financing structure for ECE to meet the needs of all children and families. To do this, states must be able to accurately estimate current costs of all early care and education services and project future costs associated with the changes in the quantity and quality. High-quality early care and education programs cost more than most families can afford. Thus, financing strategies tied to current market-based prices will fail to fund the true costs of quality.

Cost and fiscal data is critical to developing a strategic plan, identifying best practices and building local capacity that will result in stable and equitable financing in your state’s early childhood system. Cost Modeling tools help states make decisions informed by data to understand the:

- Overall cost of quality (compared to current spending or available resources)
- Cost to ensure all children experience high quality, including teachers that are well-qualified
- Balance between providing access and providing quality

Best Practices in Cost Estimation. The National Academies of Science, Engineering and Medicine report, “Advancing the Power of Economic Evidence to Inform Investments in Children, Youth and Families”³ describes recommendations and a roadmap for conducting high quality cost

¹ The Critical Importance of Costs for Education Decisions. Retrieved from https://ies.ed.gov/ncee/pubs/REL_2017274/pdf/REL_2017274.pdf

² 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>

³ *Advancing the Power of Economic Evidence to Inform Investments in Children, Youth and Families*. Retrieved from <https://www.nap.edu/download/23481>

analyses to inform strategic planning. See particularly a checklist of best practices for producing high quality economic evidence on page 11 of the Summary Chapter found [here](#).

Cost Modeling Tools: Several free, interactive tools have been developed allowing users to input state level data to calculate costs associated with implementing various levels of quality in both child care and/or early childhood settings. These tools include⁴:

- The [Provider Cost of Quality Calculator](#) (PCQC) estimates annual cost and revenue for full-time child care provided in child care homes or centers at different quality levels. Also see the [Cost Estimation Model, Quality Rating and Information Systems](#)
- The [Cost of Preschool Quality and Revenue Calculator \(CPQ&R\)](#) help users project costs of funding quality early childhood programs in mixed delivery settings and catalog revenue based on funding eligibility/restrictions.
- The [State Administrative Cost of Quality](#) (SACQ) tool helps states generate additional data for estimating state- and regional-level administrative costs in seven categories (e.g. enrollment, policy and planning, provider recruitment and retention) to understand costs related to expansion and continuous improvement of early childhood programs.
- [Where Does Your Child Care Dollar Go](#) is an interactive tool that estimates the cost of high-quality child care in each state. In addition to calculating the monthly cost per child in a center-based program, the tool includes a breakdown of the main expenses that contribute to that cost.
- [Professional Development System Cost Analysis](#) tool helps states/territories understand current investments and target resources for PD systems and initiatives that result in a well-qualified early childhood and school-age workforce
- The Staffed [Family Child Care Network Cost Estimation Tool](#) is designed to assist State, regional and local organizations in better understanding the costs associated with operating a staffed FCC network.

Selected State Resources: The following resources are suggested as examples of approaches to cost modeling. The list is not exhaustive, but offers some guidance to states.

- **California** Early Learning Needs assessment, Recommendation, Cost study, <https://learningpolicyinstitute.org/topic/early-childhood-learning>
- Kentucky Early Childhood Cost of Quality Study, <http://prichardcommittee.org/report-building-blocks-the-kentucky-early-childhood-cost-of-quality-study>
- **Minnesota** Early Childhood Legislative Report, <https://www.auditor.leg.state.mn.us/ped/2018/earlychildhood.htm>

⁴ See the National Academies of Sciences. (2018). Transforming the Financing of Early Care and Education, Appendix B. Cost Estimation Models for additional cost tools. Retrieved from <https://www.nap.edu/catalog/24984/transforming-the-financing-of-early-care-and-education>

- **New Jersey:** Advocates for Children of New Jersey (2017). *Quality Costs How Much? Estimating the Cost of Quality Child Care in New Jersey*. Retrieved from http://acnj.org/downloads/2017_04_25_Quality%20Costs%20How%20Much_reduced.pdf

Possible Consultants to Conduct Cost Studies (these are not an endorsements, just suggestions)

- [APA Consulting](#) - Mark Fermanich, mlf@apaconsulting.net
- Center for American Progress, Simon Workman
<https://www.americanprogress.org/about/staff/workman-simon/bio/>
- [Third Sector Intelligence](#), George Rickus grickus@team3si.com
- National Institute for Early Education Research, [Center on Enhancing Early Learning Outcomes](#), Lori Connors-Tadros ltadros@nieer.org
- Rand Corporation, Lyn Karoly, Senior Economist, karoly@rand.org,
http://www.rand.org/about/people/k/karoly_lynn_a.html

Range of Costs: Depending on the approach and scope, cost modeling could range from \$25,000. To \$150,000.