



A Firm Footing
for Children, Schools,
Families and Communities

Policy Implications from the Provider Cost of Quality Findings

Ohio Association of Child Care Providers

February 3, 2015

Early Learning Financing Project

- Started in March 2014
- Anne Mitchell, early childhood financing expert
- Utilized the Provider Cost of Quality Calculator
- Also utilized other tools

Goals

- Use real data to determine:
 - Cost in all settings, all quality levels.
 - Start estimating one-time costs to get to quality.
- Create recommendations.

Provider Cost of Quality Calculator (PCQC)

- Counties: Auglaize, Coshocton, Hamilton, Lawrence, Lucas, and Montgomery.
- Analysis used:
 - Publicly available sources where possible
 - Feedback and validation from providers
 - Surveys to providers

Considerations for Estimating the Costs of Quality

- Expense Drivers:
 - Ratios and class size
 - Staff salary and benefits
 - Per-child costs: child assessments and family engagement activities.
 - Per-classroom costs: time for additional planning, assessment, etc.
 - Nonpersonnel (occupancy, supplies, materials, equipment, etc.)
- Revenue Drivers:
 - Parent tuition
 - Subsidy payments
 - Bad Debt (collections) and enrollment efficiency
 - Child and Adult Care Food Program (CACFP)

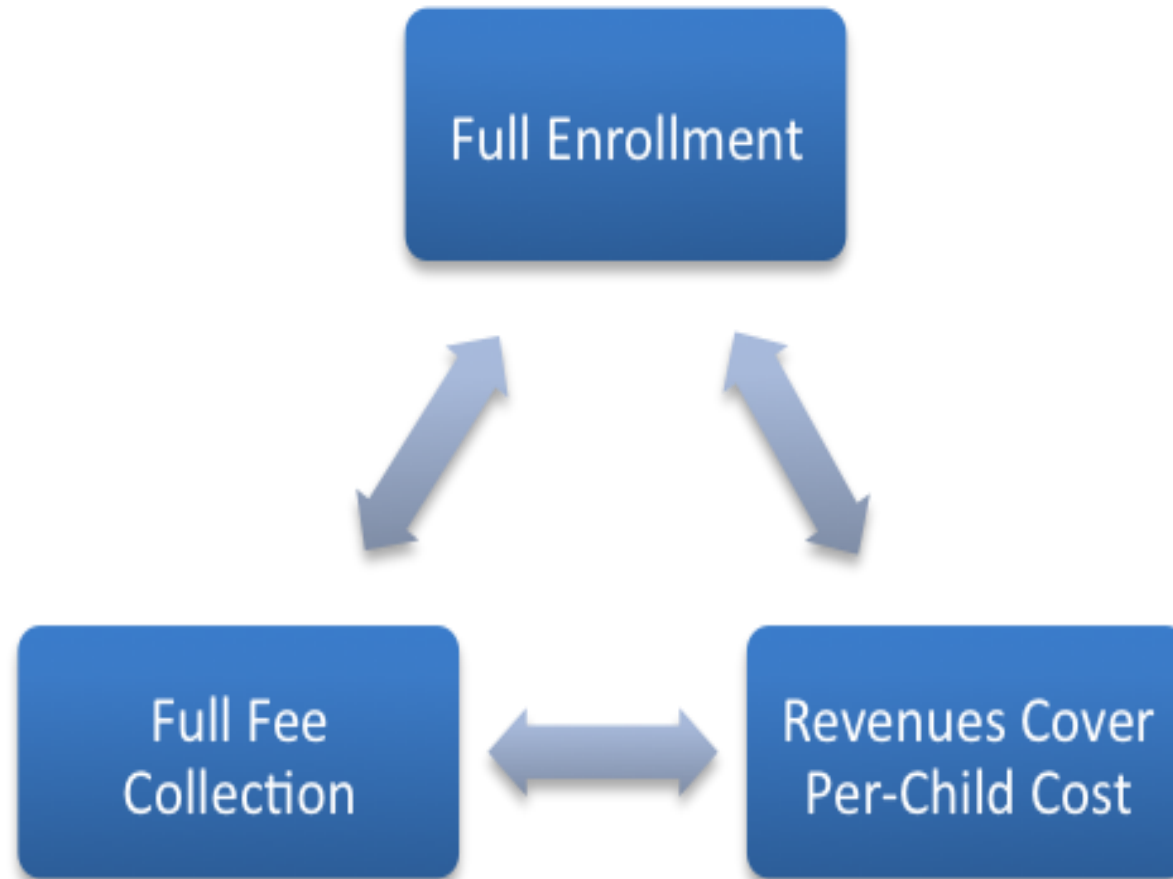
Variables in the Cost Model

- Quality Levels
- Ages of Children
- Classroom Size
- Family Income
- Efficiency (Enrollment & Bad Debt)
- Quality Achievement Awards

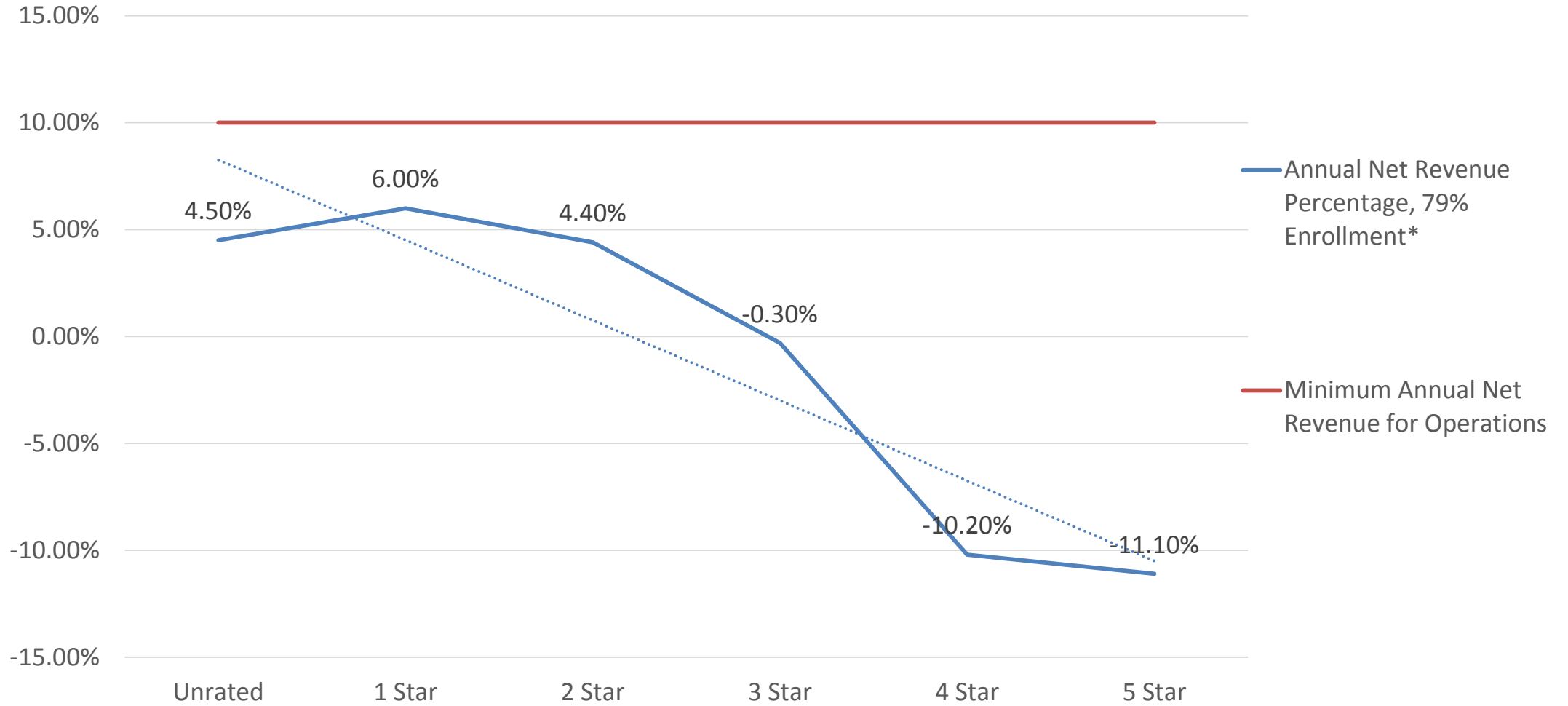
Key Assumptions in the Cost Model

- Salaries increase with education and training.
- Private tuition rates increase by quality level.
- Providers utilize CACFP.
- Optimal enrollment and timely collection of all revenue are essential to a program's financial sustainability.

Financial Stability: The Iron Triangle



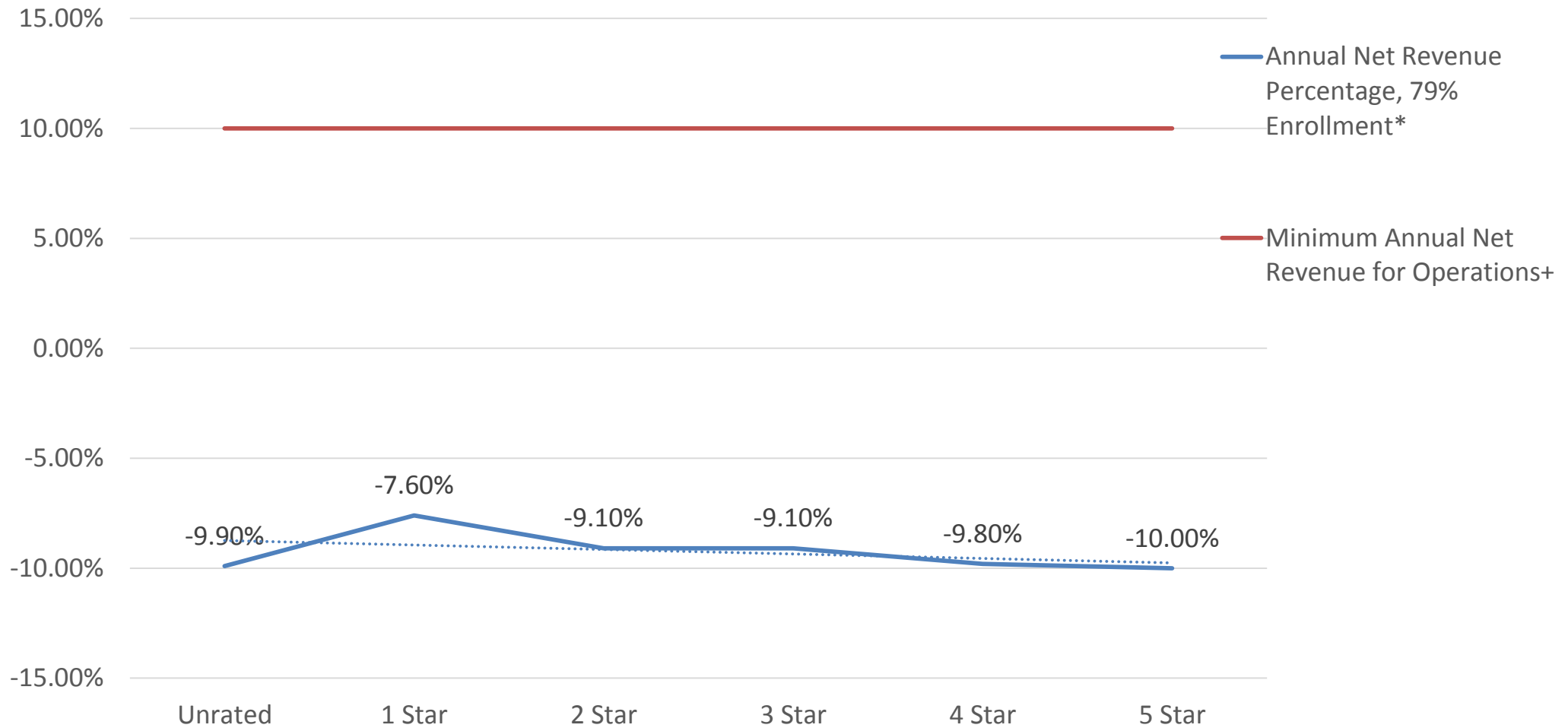
100% Subsidy, Urban



* Net revenue as a percentage of total revenue.

+ Calculated as positive annual net revenue equal to 10% of total annual revenue

100% Subsidy, Rural



* Net revenue as a percentage of total revenue.

+ Calculated as positive annual net revenue equal to 10% of total annual revenue

Policy Implications

- Consolidating market rate categories
- Increasing the base rate to support programs unrated through Five Star
- Increasing tiered reimbursement levels to incentivize providers
- Changes to enrollment and attendance policies

Next Steps

- Finalizing Public School Preschool
- Cost data for Family Child Care