



Lesson 2

Children's Funding Project's Approach to Cost Modeling

Getting Real About the True Costs of Programs for Children and Youth

January 2024

CHILDREN' 
FUNDING PROJECT

Lesson Overview

2.1 About Children’s Funding Project.....	3
2.2 Children’s Funding Project’s Point of View	3
2.3 Key Takeaways	8
2.4 Going Deeper: Learn More About Children’s Funding Project.....	9



Learning Objectives

At the end of this lesson, you will be able to do the following:

- Understand Children’s Funding Project’s vision, mission, and approach to strategic public financing.
- Recognize Children’s Funding Project’s unique approach to cost modeling.



2.1 About Children’s Funding Project

Children’s Funding Project is a nonprofit social impact organization that helps communities, states, and Native nations expand equitable opportunities for children and youth through strategic public financing. We envision a nation where all children and youth thrive because all communities maintain equitable, coordinated, and sustainable funding for comprehensive programs and services.

Through our hands-on technical assistance, coaching, and collection of resources, we help local, state, and Native nation leaders; agency staff; and advocates identify existing revenue sources, align current funding with their goals, and explore ways to generate new and sustained funding to support programs and services for children and youth.

2.2 Children’s Funding Project’s Point of View

At Children’s Funding Project, we approach our work on strategic public financing from a specific organizational point of view. Our [values](#), goals, and strong commitment to equity shape our approach to cost modeling as well as how we engage with our clients and partners. Specifically, at Children’s Funding Project, we believe all children and youth should have equal access to opportunities and experiences that support their optimal development, learning, and overall well-being.

To achieve equitable outcomes for children and youth, we prioritize the following:

- Systems of funding that are coordinated and comprehensive
- Dedicated public funding for high-quality programs and services
- Programs, services, and communities farthest from resources and opportunity
- Capacity-building approaches that build on state and community strengths and lead to the long-term sustainability of programs and services

Now, take a closer look at Children’s Funding Project’s specific principles and how our approach to cost modeling reflects them:

Principle 1: We Strive to Expand Equitable Opportunities to Improve Outcomes for Children and Youth.

- We acknowledge that high-quality programs and services that support children’s development,

learning, and overall well-being are not equally [accessible](#) to all children and youth.

- We work with states and communities to remove funding roadblocks and create sustainable and coordinated approaches to funding high-quality programs and services for children and youth, from [cradle-to-career](#).
- We envision a funding system that allows local and state leaders to move from a [scarcity mindset](#) to an [abundance mindset](#) where communities maintain stable funding for programs and services for children, offer more options for families, and realize better outcomes for children and youth and higher quality of life for the workforce.

Our approach to cost modeling reflects this principle in several ways:

- We strive to increase access to affordable high-quality programs, so low or no-cost services are available to more young children and families. For example, when developing cost models, we explore options that could expand family, child, and youth eligibility for financial assistance and/or reduce parent contributions to make programs and services more accessible.
- We strive to increase awareness about the challenges related to creating affordable programs and services. For example, in our work we educate budget decision-makers about the reality that early education programs often are subsidized by the low compensation levels of child care providers and workers, who are primarily women of color.
- We explore staff compensation scales to ensure our cost models help build a well-qualified and appropriately compensated workforce.
- We model comprehensive systems that focus on all areas of a young person’s life— including the child’s learning and healthy development; support for the child’s family; and high-quality programs that promote trusting, secure relationships. Comprehensive cost models act as a tool to envision an ideal system and guide community investments.

Principle 2: We Strive to Increase Funding for Programs, Services, and Communities Farthest From Resources and Opportunity.

- We aim to expand access to essential programs and services by encouraging communities to increase their public investments for children and



youth and direct the largest allocation of public funding and resources to the young people and communities with the greatest needs. We strive to remove systemic barriers that continue to prevent underrepresented groups from receiving access to resources for their children and youth.

- We focus on the many contexts where children and youth develop and learn that are not yet written into state constitutions as a public good supported with dedicated funding (e.g., infant and toddler care, out-of-school time and summer programs, and support for Native nations). Our work does not focus on public school funding because, for example, K-12 education appears in many state constitutions as a public good or fundamental right with established funding formulas and leaders.
- We help states and communities develop long-term and large-scale improvements for the child and youth serving workforce through adequate and stable financing. Unlike K-12 teachers who are recognized as professionals, those who work with children birth to age 5 often are viewed and compensated as low-skilled workers. Most are paid poverty-level wages and more than half of them qualify for public benefits and/or face daily economic stress.
- Public programs and services for youth remain underfunded, even though higher-income families spend significantly more on out-of-

school time programs for their children. We explore ways to use strategic public financing to support public funding for these types of programs and services.

- Our approach to strategic public financing helps communities harness popular support for a specific age or program while providing guidance about how to structure the funding so that it ultimately scaffolds other areas of childhood and/or those farthest from resource and opportunity.

Our approach to cost modeling reflects this principle in the following ways:

- We advocate **mixed delivery** approaches for implementing early care and education programs to provide more options and ensure all families—regardless of work schedule, cultural context, or age of children—can access the services they need. For example, in Delaware we assisted state leaders in creating a child care system cost model that included additional investments for care provided during nontraditional hours. The model included increased reimbursement rates for nontraditional hour care in all types of settings, not just center-based care, to ensure parents could access the type of care they wanted, regardless of their work schedules.
- We collaborate with communities to help them identify their areas of greatest need. This often includes reviewing their strategic

plans, community needs assessments, and/or by speaking to community members. When developing a cost model, we intentionally include a community's greatest needs in the model even if they are not their highest or immediate priority. In this way, we build awareness of strengthening equity in funding programs, services, and systems. For example, the mayor's office in Richmond, VA, is pursuing [universal preschool “to prepare all children for kindergarten.”](#) While there is political will to support 3- and 4-year-olds, we created a cost model for Richmond, VA, that includes support for ages 0–5 to ensure city leaders understand the complete picture of where the city needs investments to support children and families.

- We are currently planning how to start cost modeling for programs that focus on different ways to support Native nations and expand access to culturally responsive programs and services for Native American children and youth.

Principle 3: We Advocate Funding Systems for Child and Youth Programs and Services That Are Coordinated and Comprehensive.

- We acknowledge that current funding systems for child- and youth-serving programs are not equitable.
- Current funding approaches force programs for children and youth into silos that compete with one another for funding and break the childhood experience into age brackets that fail to recognize the importance of consistent and stable support from cradle-to-career. This results in an underfunded, fragmented system that does not align with how children grow and develop. Consequently, children—and their families—face barriers as they transition between programs when their needs change.
- We align the people, data, and money to help communities provide a continuum of services for children and youth.

Our approach to cost modeling reflects this principle in the following ways:

- We create cost models as one element in a comprehensive and integrated approach to creating an equitable system of public funding for children, youth, and families.
- We include ongoing [capital investments](#) (e.g., rent/mortgage, maintenance) in our cost models to ensure system infrastructure can adequately

support programs. (Our cost models do not include one-time infrastructure costs.)

- In our cost models we explore whether organizations could build shared capacity or reduce costs by coordinating investments, such as sharing specialist staff (e.g., mental health specialists) or administrative services.

Principle 4: We Believe High-Quality Programs and Services for Infants, Toddlers, Children, and Youth Require Dedicated Public Funding.

- We believe the services that support children should be treated as [public goods](#). Through strategic plans, dedicated funding, and coordinated services, communities maintain their public goods for society's greater benefit. It is crucial to do the same for the programs and services that support children so that all children—regardless of their family's income—receive the care and support they need to thrive.
- Current funding structures rely heavily on a family's ability to pay for services, which leaves many children and youth without access to quality programs. We focus on building support for dedicated public investments to help communities expand access to high-quality programs and services for children and youth.
- We identify [revenue options](#) that are the most sustainable or politically feasible for a locality or state.

Our approach to cost modeling reflects this principle in the following ways:

- We coach policymakers on aligning existing funds with local and state priorities and implementing strategies to maximize the impact of those funds.
- We create robust and [actionable](#) plans based on community goals that help communities identify assets and needs to improve quality in their child and youth systems.
- We build public awareness about the need/ importance of investing in kids' development and learning along the developmental continuum, advocating dedicated funding as a public good that begins at the prenatal stage and includes health, mental health, and family supports.
- We have worked on projects to create cost models for community-based child care (centers and homes), school-based preschools, Head Start/Early Head Start programs, programs for

children with disabilities and English language learners, and home visiting programs.

Principle 5: We Focus on Financing Because What Gets Budgeted Gets Done.

- Effective policy implementation often hinges on money, so communities and states need a fiscal strategy to accomplish their policy goals.
- When leaders can assign a cost to their goals and policy priorities for children and youth and identify ways to cover those costs, they are more likely to achieve their goals.
- We recognize that public funding is only one approach from the range of possible funding strategies. Creating a complete system of funding requires communities to use local, state, federal, private, and philanthropic dollars to support their goals.

Our approach to cost modeling reflects this principle in the following ways:

- Cost models allow us to communicate with transparency about the big number or the true cost for a program, service, or collection of programs and services. We believe this is important to encourage communities to invest fully in a comprehensive child- and youth-serving system. For example, we worked with Delaware advocates to translate the state's narrow cost analysis into the cost of a full early childhood system. We applied the narrow costs to assumed levels of uptake of services, reduced parent contribution to make the system more affordable, and included increased costs for care and services for special populations.

Principle 6: We Focus on What Is Accessible and Immediately Actionable in Working for Change While Prioritizing Solutions That Lead to Long-Term Sustainability.

- While we strive for long-term change, we prioritize the incremental steps that local and state leaders can take toward positive change.
- We advocate for protected and/or dedicated funding with longevity (as opposed to one-time funding).

Our approach to cost modeling reflects this principle in the following ways:

- Our cost models support immediate and actionable changes as well as longer-term sustainability. For example, in [Wisconsin](#), we

created a child care cost model that provided the true cost of care with both current compensation/staffing structures and improved compensation/staffing structures. This allowed the state to make immediate changes to its child care subsidy reimbursement rates for infants and toddlers, while also working toward greater investments that will support higher quality care in the future.

- We include variables in our cost models that allow us to address both immediate needs and future plans. For example, our models include both current salary scales/compensation and increased compensation that we highlight as "recommended." We often develop scales for initiatives that community leaders can phase in over time.
- In our cost models, we always prioritize a living wage for employees that reflects their value to the development of children and youth. Doing so helps create and sustain an organizational culture of retention and improves program quality and sustainability.

Principle 7: We Ground Our Work with Communities in a Flexible Approach That Allows Us to Tailor Our Services to Each Community's Specific Needs and Priorities.

- We strive to build a set of best practices for the emerging field of cost modeling. Currently, a variety of cost model approaches, assumptions, and expertise exists, so it is essential to standardize these practices. Standardization will help us to do the following:
 - Create a common language for explaining cost modeling.
 - Encourage increased participation in the process.
 - Support self-sufficiency for state and community leaders to develop, adapt, update, and sustain their cost models.
- We balance standardization with a measure of flexibility that allows us to customize models to respond to specific community priorities and needs.

Our approach to cost modeling reflects this principle in the following ways:

- We begin with a standardized cost model process (to increase efficiency and reduce burden on communities) but we remain responsive and create time and opportunities to gather

information on local priorities and needs that we build into the cost model as demonstrated in these examples:

- **Delaware:** We created several different income eligibility threshold levels to allow the state to work toward an improved child care system in stages to avoid overwhelming policymakers with a huge overall cost.
- **Boston, MA:** We created an alternative cost model structure for programs with very small classroom sizes because the per-classroom funding formula didn't match their unusual classroom size.
- **Alaska:** We created a cost model for administrative services (rather than direct services) at the client's request to support efforts to expand a statewide quality rating system.
- All child and youth programs are unique. Our cost models highlight program diversity by capturing different age group enrollment scenarios and common sizes of programs/centers in communities. We also include the ability to view different geographic locations within the same model that can impact revenue and expenses.
- Extended hours or programming have become more popular in communities to support working families and provide additional learning opportunities for children and youth. To explore

extended programming, we include in our cost models options for the portion of the year programs would be in session (e.g., academic year, summer, and year-long) and how many hours of programming a day they would offer (e.g., part day, full day, and extended day).

Principle 8: We Help States and Communities Build on Their Existing Strengths to Sustain Programs and Services Long Term.

- We recognize that people, programs, and locations have varying levels of readiness to engage in strategic finance planning and skill building. Consequently, we work with state and community leaders wherever they are in the process of learning about strategic public financing. We help identify where strategic public financing can support or expand programs and services.
- We care about building skills and capacity to do strategic public financing work so state and community leaders can strengthen their local expertise to build public and policymaker support for child and youth services.
- We recognize that capacity building needs to reach beyond upper levels/C-suite leaders to ensure that information passes to all levels of an organization, so it is sustainable and not lost during leadership transitions.



- When we partner with communities and states, we identify what they realistically have the current capacity to do and do not ask local leaders to take on more responsibilities than they can manage. We identify ways to build their capacity to launch and sustain their strategic public financing plans. This includes helping them to strategize, think, and explain to others what they are doing and why others should support strategic public financing.

Our approach to cost modeling reflects this principle in the following ways:

- We invest time to allow for community input throughout the cost model process. Further, we identify a community's values and work to reflect those values in the cost models we build. For example, if a community's value is inclusion, we structure the cost model to reflect additional staffing needs to provide specialized care for children and youth to address special education, mental health, and other needs, or we might build in costs to create and support a culturally relevant curriculum.
- We train community-based leaders how to use and maintain their cost model to ensure the cost model remains dynamic and sustainable as demonstrated in these examples:
 - **Wisconsin:** We taught our local contacts how to use the cost model for analysis as well as how to update it. Our Wisconsin contacts continue to use their cost model to advocate for additional policy priorities
 - **Alaska:** We taught our local contact how to use the cost model and how to expand it for additional future changes to the program.
- We are actively trying to increase public interest in cost estimating/cost modeling for older youth by uplifting the importance of cradle-to-career support. Expanding the use of cost models into older youth programs builds capacity to address gaps in opportunity and funding.
- We acknowledge that our role is to enable communities to collectively design funding mechanisms to support children and youth. One key strategy to support the creation of these mechanisms is to build capacity, like teaching a community member how to collect data and build a cost model, while providing hands-on support throughout the learning process. In practice, this involves the following:
 - Training someone to design surveys that

align with a cost model's goals.

- Identifying who else in the community should participate in the cost modeling process.
- Teaching the main contact how to build a cost model that aligns with community needs.
- Providing technical assistance on building and maintaining a cost model based on the community's needs, goals, and priorities.
- We are hiring and supporting [children's funding coordinators](#) in different cities across the United States, including Austin, TX; Montgomery County, MD; and Cleveland, OH.



Reflection/Discussion Questions

- Which principles are most meaningful to you? To your partners? To other members of your community?
- Which principles will require the most effort to uphold?

2.3 Key Takeaways

Takeaway 1: At Children's Funding Project, we envision a nation where all children and youth thrive because all communities maintain equitable, coordinated, and sustainable funding for comprehensive programs and services. We help communities and states expand equitable opportunities for children and youth through strategic public financing.

Takeaway 2: We approach our work on strategic public financing from a specific organizational point of view through the following principles:

1. We strive to expand equitable opportunities to improve outcomes for children and youth.
2. We strive to increase funding for programs, services, and communities farthest from resources and opportunity.
3. We advocate funding systems for child and youth programs and services that are coordinated and comprehensive.
4. We believe high-quality programs and services for infants, toddlers, children, and youth require dedicated public funding.
5. We focus on financing because what gets budgeted gets done.

6. We focus on what is accessible and immediately actionable in working for change while prioritizing solutions that lead to long-term sustainability.
7. We ground our work with communities in a flexible approach that allows us to tailor our services to each community's specific needs and priorities.
8. We help states and communities build on their existing strengths to sustain programs and services long term.

Takeaway 3: Our [values](#), goals, and strong commitment to equity shape our approach to cost modeling as well as how we engage with our clients and partners.

2.4 Going Deeper: Learn More About Children's Funding Project

If you are interested in learning more about the topics covered in this lesson, check out these resources:

[Understanding Strategic Public Financing: Funding Our Kids 101](#) Children's Funding Project

[Understanding Cost Models: Funding Our Kids 101](#) Children's Funding Project

[State-Level Strategic Financing: Bringing It All Together for Babies](#) (Webinar; discussion of cost modeling begins at 27:44) Children's Funding Project

[How to Initiate a Cost Model in Your State or Community](#) and [How to Shape a Cost Model in Your State or Community](#) Children's Funding Project and Community Change

["Five Tips for Improving Cost Modeling for Early Childhood Education,"](#) (Blog) Children's Funding Project

[Innovative Financing to Expand Services So Children Can Thrive](#) Education Redesign Lab at Harvard Graduate School of Education and Children's Funding Project



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