

# Child Care & Early Education

# RESEARCH CONNECTIONS

<http://www.researchconnections.org>

## Early Care and Education Financing Strategies: Research-to-Policy Resources

The recent National Academy of Sciences, Engineering and Medicine report '[Transforming the financing of early care and education](#)', cites the importance of high quality early education both for promoting child development and in terms of the long-term economic benefits to society. However, as the report notes the current financing structure of early care and education does not ensure equitable access to high-quality care for all children and does not adequately meet the needs of the early care and education workforce. The current financing structure supports children's participation in early care and education through a combination of various funding streams such as federally funded Head Start programs, state and city funded public pre-kindergarten, state child care assistance programs, and tax preferences. The result is a fragmented system which leads to gaps in coverage and quality. As the report notes transforming the financing structure of early care and education will require greater coordination among funding sources and a combination of public and private resources to ensure equitable access to high quality care for all children.

Two possible strategies for coordinating financing and developing public and private partnerships respectively are blending and braiding funding streams and 'Pay for success/Social Impact Bonds'. [Blending](#) refers to combining two or more separate funding sources within one program budget to cover a broader set of program services or extend the program day or year. Under this approach, costs are not necessarily tracked by funding source. In contrast, [braiding](#) refers to coordinating two or more funding streams to cover services and tracking expenditures by funding source. It requires cost allocation methods to ensure that each funding source is charged a fair share of the costs. [Pay for Success](#) (PFS) is an agreement between public and private entities that ties payment for services to



specific and measurable outcomes. The payor (generally the government) agrees to provide funding once certain outcomes have been achieved, as determined by an independent evaluator. These outcomes, such as increased school readiness and decreased need for special education among the population served, are expected or demonstrated to produce savings for the payor. However, given that most providers are unable to deliver the services that produce these savings over the long-term without revenue, PFS contracts are often combined with financing agreements, known as Social Impact Bonds (SIBs). In these agreements private investors provide capital to the service providers and are repaid by the payor once outcomes are achieved. PFS and SIBs are starting to be used in the early childhood field as way to generate new investment in early childhood education.

This resource list includes resources on state and local financing strategies, blending and braiding funding streams, and PFS/SIBs from 2012 to 2018. Most of the resources are descriptive as little research on impacts has yet been published. For a broader list of resources relating to financing of early care and education please see the following recent bibliographies:

- Horowitz, M. (2016). [\*Financing early care and education: Annotated bibliography of resources.\*](#) New Brunswick, NJ: Center on Enhancing Early Learning Outcomes.
- Early Learning Challenge Technical Assistance Program. (2014). [\*Summary of resources on sustaining early care and education financing.\*](#) Washington, DC: Early Learning Challenge Technical Assistance Program.

For policy tools and guidance related to the topic of blending and braiding funds please view the following resources:

- [The Cost Estimation Tool for Early Head Start-Child Care \(EHS-CC\) Partnership services](#)
- [Layering Funding \(Office of Child Care\)](#)
- [Early Head Start and Child Care Partnerships Resource List](#)
- [Combining Funding Streams to Support Prekindergarten Programs: Strategies for Administrators](#)

### **Examples of State and Local Financing Strategies**

Connors-Tadros, L. (2015). [\*Discussion guide: State financing strategies for early care and education systems.\*](#) New Brunswick, NJ: Center on Enhancing Early Learning Outcomes.

Horowitz, M., Brown, K., & Connors-Tadros, L. (2015). [\*Resources developed by states and selected cities to support financing preschool.\*](#) New Brunswick, NJ: Center on Enhancing Early Learning Outcomes.

Mathias, D., Boyd, Z., Bender, J., Mitchell, A., Jarrett, S., Bornemeier, A., Medwick, M., & et al. (2018). *State and local finance strategies.* [[Webinar](#)] [[PowerPoint](#)]. Boston, MA: Build Initiative.

Mathias, D., Dichter, H., Waxman, M., Strasser, M., Kotchian, S., & Stoney, L. (2017). *Philadelphia, Nebraska and Louisiana: "Soda" taxes and tax credits* [[Webinar](#)] [[PowerPoint](#)]. Boston, MA: Build Initiative.

Mitchell, A., & Horowitz, M. (2015). [CEELO annotated bibliography: Tax policy and quality](#). New Brunswick, NJ: Center on Enhancing Early Learning Outcomes.

New Mexico. Legislature. Finance Committee. (2015). [Special review: Early childhood services accountability report card, gap analysis and spending plan](#). (Report No. 15-01). Santa Fe: New Mexico, Legislature, Finance Committee.

O'Donnell, K. (2015). [Financing early care and education: Options for South Carolina](#). Greenville, SC: Institute for Child Success.

Parker, E., Diffey, L., & Atchison, B. (2018). [How states fund pre-k: A primer for policymakers](#). Denver, CO: Education Commission of the States.

Rhode Island Kids Count (Organization). (2016). [Investing in the future: Financing early education & care in Rhode Island](#). Providence, RI: Rhode Island Kids Count.

Stoney, L. (2017). [Quality at scale: Supporting sustainable, high-quality early care and education: Reimagining state policy](#). Boston, MA: Opportunities Exchange.

Stoney, L., Bronfin, M., & Rahim, M. (2016). [Giving credit where it's due: School Readiness Tax Credits benefit Louisiana families and communities](#). New Orleans, LA: Policy Institute for Children (Louisiana).

Weinberg, E., Muenchow, S., Manship, K., & Jones, K. (2016). [Analysis of options for funding universal preschool in Sonoma County: Updated report](#). San Mateo, CA: American Institutes for Research.

## **Blending and Braiding Funding**

Fonseca, M. (n.d.). [Braiding, blending, and layering funding sources to increase access to quality preschool](#). Washington, DC: Preschool Development and Expansion Grant Technical Assistance Program.

Justice, L. M., Johnson, A., Peterson, S., & Bowling, B. (2015). [Blending funding streams in early childhood education: Case study of the A. Sophie Rogers School for Early Learning](#). Columbus: Ohio State University, College of Education and Human Ecology.

New York State Council on Children and Families. (n.d.). [Blending & braiding funds to support early childhood education programs: A "how to" guide](#). Rensselaer, NY: New York State Council on Children and Families.

United States. Government Accountability Office. (2016). [Child care: Information on integrating early care and education funding.](#) (GAO-16-775R). Washington, DC: U.S. Government Accountability Office.

Wallen, M., & Hubbard, A. (2013). [Blending and braiding early childhood program funding streams toolkit: Enhancing financing for high-quality early learning programs.](#) (Version 2). Chicago: Ounce of Prevention Fund.

### **Pay for Success/Social Impact Bonds**

Carolan, M. E., & Boroughs, B. (2018). [Opportunities for special education and early intervention in Pay for Success.](#) Greenville, SC: Institute for Child Success.

Dubno, J. A., Dugger, R., & Smith, M. R. (2013). [Financing human capital development for economically disadvantaged children: Applying pay for success social impact finance to early child development.](#) Washington, DC: ReadyNation.

Dugger, R., & Litan, R. E. (2012). [Early childhood "pay-for-success" social impact finance: A PKSE bond example to increase school readiness and reduce special education costs.](#) Washington, DC: ReadyNation.

Gaylor, E., Kutaka, T., Ferguson, K., Williamson, C., Wei, X., & Spiker, D. (2016). [Evaluation of kindergarten readiness in five child-parent centers: Report for 2014-15.](#) Menlo Park, CA: SRI International.

Golden, M. (2014). [Climbing the Pay for Success learning curve: How a working group helped South Carolina understand and prepare for PFS financing.](#) Greenville, SC: Institute for Child Success.

Golden, M. (2013). [Using Pay for Success financing to improve outcomes for South Carolina's children: Results of a feasibility study.](#) Greenville, SC: Institute for Child Success.

Golden, M., Nagendra, B., & Mun, K. (2015). [Pay for Success in the U.S.: Summaries of financed projects: Chicago Child-Parent Center initiative.](#) Greenville, SC: Institute for Child Success.

Golden, M., Nagendra, B., & Mun, K. (2015). [Pay for Success in the U.S.: Summaries of financed projects: Utah High Quality Pre-School Initiative.](#) Greenville, SC: Institute for Child Success.

Golden, M., & Waters, J. (2014). [Pay for Success financing for early childhood programs: A path forward.](#) Greenville, SC: Institute for Child Success.

Gruendel, J. M., & Golden, M. (2014). [Pay for Success financing for child care: Challenges and opportunities.](#) Greenville, SC: Institute for Child Success.

Kreeger, A., & Massey, M. (n.d.). [Program funding and financing: Pay for Success Early Childhood](#)

[Education Toolkit report #4.](#) Washington, DC: Urban Institute.

Massey, M., Walsh, K., Milner, J., & Derrick-Mills, T. (2016). [Evaluation design: Pay for Success Early Childhood Education Toolkit report #6.](#) Washington, DC: Urban Institute.

Massey, M., Walsh, K., Milner, J., & Derrick-Mills, T. (2016). [Project and performance management: Pay for Success Early Childhood Education Toolkit report #5.](#) Washington, DC: Urban Institute.

Peterson, P., Crim, B., Higgins, G., Koenig, R., & Light, J. (2014). [State and federal Pay for Success legislation \[PowerPoint\].](#) Greenville, SC: Institute for Child Success.

Peterson, P., Crim, B., Higgins, G., Koenig, R., & Light, J. (2014). [State and federal Pay for Success legislation.](#) Greenville, SC: Institute for Child Success.

Rohacek, M., & Isaacs, J. B. (n.d.). [PFS + ECE: Outcomes measurement and pricing: Pay for Success Early Childhood Education Toolkit report #3.](#) Washington, DC: Urban Institute.

Rohacek, M., Greenberg, E., & Massey, M. (n.d.). [PFS + ECE: The state of the science on early childhood interventions: Pay for Success Early Childhood Education toolkit report #1.](#) Washington, DC: Urban Institute.

Sandstrom, H., & Greenberg, E. (n.d.). [PFS + ECE: Using data to inform decisionmaking: Pay for Success Early Childhood Education toolkit report #2.](#) Washington, DC: Urban Institute.

Tschantz, J. M., Dubno, J. A., & Spiker, D. (2016). [Introduction to Pay for Success \[PowerPoint\].](#) Menlo Park, CA: DaSy Center.

Tschantz, J. M., Dubno, J. A., & Spiker, D. (2016). [Pay for Success \(PFS\): An innovative funding structure in early childhood.](#) Menlo Park.

*Prepared by: Sharmila Lawrence*  
*Last updated: October 2018*

*Research Connections* is a partnership between the National Center for Children in Poverty at the Mailman School of Public Health, Columbia University, and the Interuniversity Consortium for Political and Social Research at the Institute for Social Research, the University of Michigan, supported by a grant from the Office of Planning, Research and Evaluation in the Administration for Children and Families, U.S. Department of Health and Human Services. Contents are solely the responsibility of the authors and do not necessarily represent the official views of the Office of Planning, Research and Evaluation, the Administration for Children and Families, or the U.S. Department of Health and Human Services.