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:


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**


**Blending and Braiding Funding**


**Pay for Success/Social Impact Bonds**


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


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