

WHAT IS A COST MODEL?

Child care cost models, also known as revenue and expense models, are tools to understand the relationship between the expense of delivering child care and the revenues available to cover these expenses. At their simplest, a child care revenue and expense model will show how much it costs to run a legally operating program and integrate current revenue sources to identify potential gaps. Models can also be used to estimate how cost varies based on program characteristics and different policy choices, illustrating the impact of proposed policies, and estimating the additional revenue needed to cover these costs.

WHY ENGAGE IN COST MODELING?

Identifying the true cost of child care is critical to addressing the underfunding of the system. The market-based approach to setting tuition and child care subsidy reimbursement has exacerbated the inequities in the system, with provider revenue limited by the amount families can afford to pay. Conducting a cost of quality study and developing a revenue and expense model can identify what it actually costs to meet state licensing standards in Nebraska, how this cost varies by age of child, geographic location, and different program level variations, and the additional costs related to increasing quality and workforce compensation. These results can be used to inform subsidy rate setting, contracting rates, financial incentives, and policy implementation decisions, as well as by advocates to illustrate the significant investment needed to support a robust child care system.

THE OPPORTUNITY FOR NEBRASKA

As part of the Nebraska Early Childhood Shared Leadership and Financing initiative, First Five Nebraska has engaged Prenatal to Five Fiscal Strategies (P5FS), national experts in cost model development, to develop a child care cost model for Nebraska. This process will result in a customized excel-based model that integrates Nebraska-specific revenue sources and reflects the current needs of Nebraska communities. This model will be used to understand the costs incurred by providers in the current system as well as estimating the true cost of care under a system that better meets the states vision and principles for the early childhood system. The model is a dynamic tool that can also be updated as needs change over time, and to model the impact of proposed policy changes.

COST MODEL DEVELOPMENT

Engagement and input from the child care community is critical to the process of developing the cost model, ensuring it reflects the state and community context and needs. Child care providers will be offered the opportunity to participate in input sessions to share feedback on the key costs associated with providing high-quality care, the compensation needed to recruit and retain educators, the barriers to providing quality child care, and solutions to address the current broken child care market. Provider voice will also inform cost variables within the model and the scenarios that illustrate the true cost of care. As a result of the cost model process, Nebraska will have a better understanding of the true cost of providing quality child care and how that cost varies based on different child and program characteristics.

PROJECT LEADERSHIP

NEBRASKA EARLY CHILDHOOD SHARED LEADERSHIP AND FINANCING

The Nebraska child care cost model is being developed as part of the Nebraska Early Childhood Shared Leadership and Financing initiative, funded in part by [Nebraska's PDG B-5 grant](#). [First Five Nebraska](#) is leading this initiative, working closely with state and community partners to achieve a fully funded and aligned system to ensure access to full-day, year-round, high-quality early care and education for children regardless of the setting and experiences parents choose. For more information, please contact Amy Bornemeier at abornemeier@firstfivenebraska.org.

PRENATAL TO FIVE FISCAL STRATEGIES (P5FS)

The study is being conducted by P5FS, which is led by Jeanna Capito and Simon Workman, national experts on early childhood finance, and supported by a team of consultants with long and diverse expertise in the early care and education field. The P5FS team has experience working with states across the country to develop cost models, study the true cost of care and support better payment rates for child care providers. In addition, the team has experience working in child care classrooms and administration.

MORE INFORMATION

To learn more about the study and ways you can get involved and share your input, please visit

www.prenatal5fiscal.org/nebraska

To contact the P5FS study team directly please email info@prenatal5fiscal.org