



# Making Financial Planning and Modeling Meaningful

*How to Leverage Fiscal  
Consulting for State  
Decision-making*

ECE Business Collaboratory Convening  
September 28, 2022



Afton Partners creates meaningful change in our communities by transforming public policies, systems, and practices so they provide fair access, opportunity, and advancement for all people, from birth to career.

By partnering with public agencies and nonprofits in early childhood, K-12 education, workforce development, and human services, Afton builds capacity, strengthens governance, and ensures resources are aligned and equitably distributed.

Over the last 11 years, Afton Partners has collaborated on more than 140 initiatives across 35 states.





## About Us

Children’s Funding Project is a nonprofit social impact organization that helps communities and states expand equitable opportunities for children and youth through strategic public financing. Through our hands-on technical assistance and collection of resources, we help advocates, policymakers, public agencies, and funders identify and align existing funding, generate new revenue, and implement strategies to administer funds in ways that maximize their impact.

[childrensfundingproject.org](https://childrensfundingproject.org)





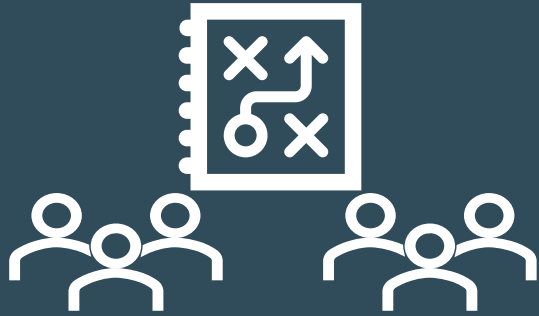
# Today we'll work to answer:

- Why does financial planning for ECE initiatives matter, and why now?
- What different types of financial modeling can you consider, how can these be used, and how are they connected?
- How can financial modeling inform action and investment decision-making?
- Which initiatives in your state team plans could benefit from support in financial planning and modeling, and what does that support look like?

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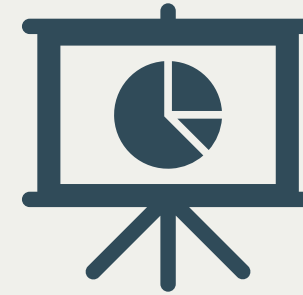
**“THE HIGHEST RATE OF RETURN IN EARLY CHILDHOOD DEVELOPMENT COMES FROM INVESTING AS EARLY AS POSSIBLE, FROM BIRTH THROUGH AGE FIVE, IN DISADVANTAGED FAMILIES.”**

**—JAMES J. HECKMAN, NOBEL MEMORIAL PRIZE WINNER IN ECONOMICS & UNIVERSITY OF CHICAGO PROFESSOR, DECEMBER 7, 2012**



## Financial planning

is an iterative, collaborative process used to ensure both the optimization of resource allocation decisions and the sustainability of a given initiative



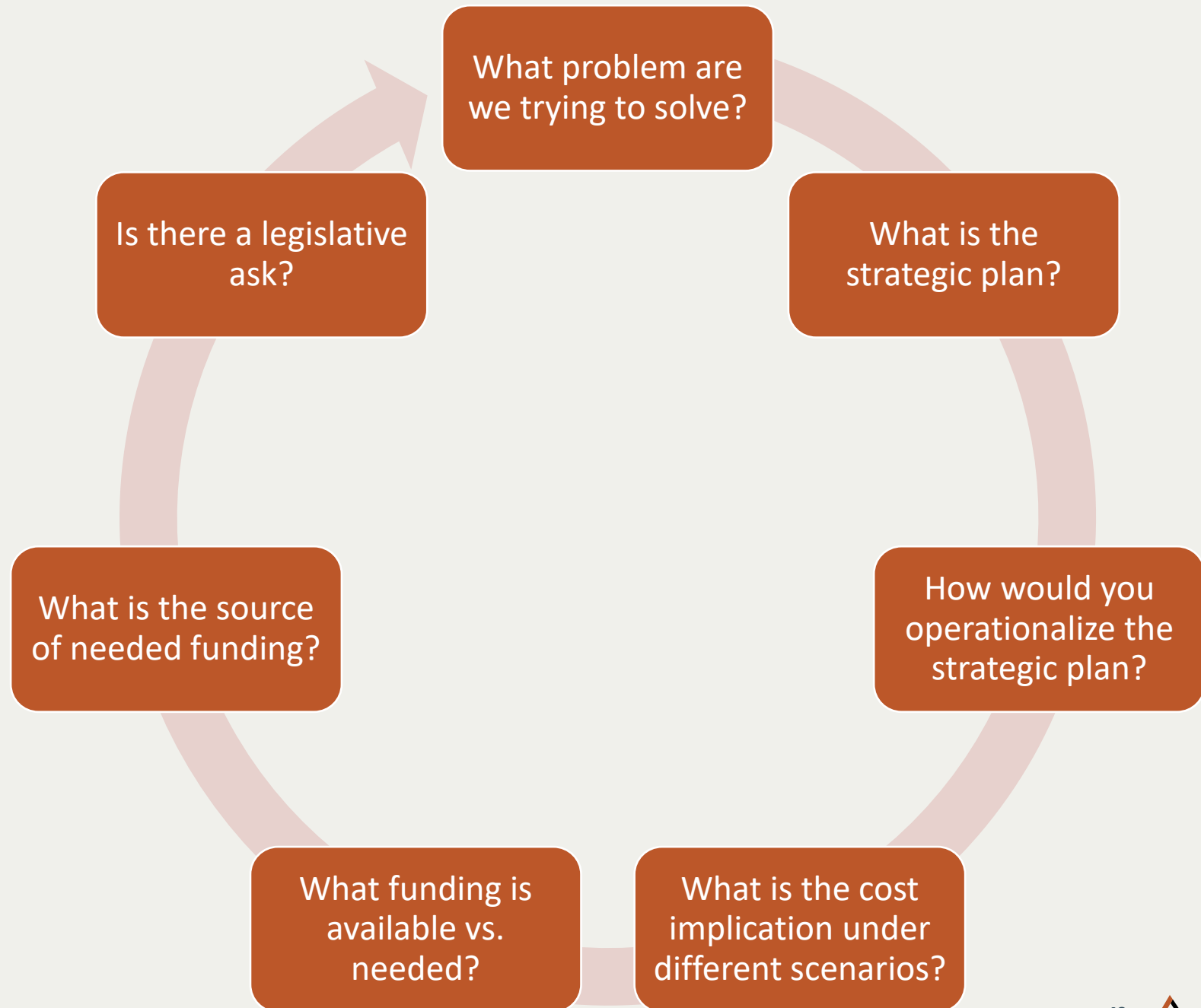
## Financial models

are customized tools used to codify, quantify, and analyze elements of the financial plan under a variety of operating scenarios

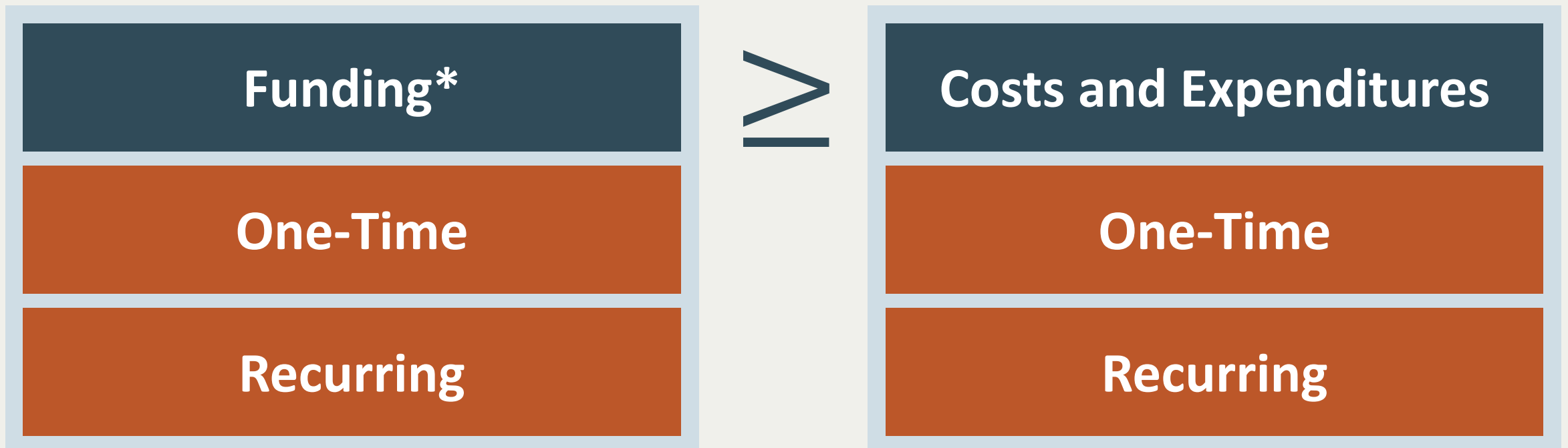
# Financial plans identify costs and resources available to execute on greater strategic plans

Can be applied at different levels in the ECE ecosystem:

- Child care business level
- Community level
- State system level



Financial plans are sustainable when total initiative expenditures and required resources do not exceed projected, available funding



\*Funding streams look different depending on the type of organization or initiative, and may include tax revenues, budgetary allocations, or repurposing of resources, among others





# Strong financial plans are sustainable, reasonable, and aligned



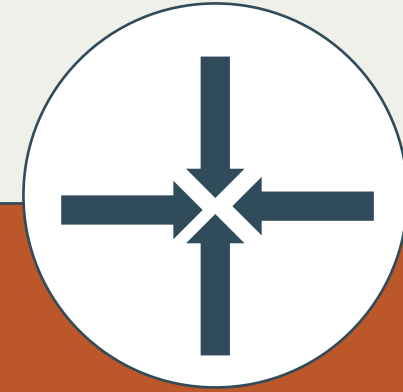
## SUSTAINABLE

*Total initiative expenditures and required resources do not exceed projected, available funding*



## REASONABLE

*Model input assumptions are well researched, documented, and achievable*



## ALIGNED

*Financial plan and resource allocation decisions reflect key design elements of the initiative and align to the strategic plan*



# Why financial planning and modeling is valuable in each stage of your initiative

## while developing programmatic plan

- Assess “affordability” or “cost” of your plan under a variety of different operating scenarios
- Evaluate fiscal impact of changing input and policy assumptions
- Inform implementation planning and identify risks

## while implementing programmatic plan

- Tool for cross-functional communications
- Track progress, inform and tweak inputs for reforecast
- Guide prioritization decisions that you will inevitably have to make

## after launch

- Perform variance analysis – what changed and why?
- Understand how your initiative compares and ranks against other initiatives
- Plan blueprint for scale and phase II



# Depending on the initiative, one or more financial models can be used to inform your financial plan

## Cost Modeling

What is the cost implication of our program strategy?

What are the primary cost drivers?

How do costs vary under a variety of key policy decision assumptions and scenarios?

What are the costs today VS. the costs under some future, desired, or “adequate” state?  
What is the “gap”?

## Budgeting and Financial Projection Modeling

Is the initiative financially sustainable? Under which operating assumptions?

What are the primary risks to the sustainability of the initiative?

What level of funding is needed for the initiative and when?

Given a specific amount of funding, how long can the initiative be administered?

## Funding Mechanism Modeling

What impact can changes to our funding mechanisms have on funding equity? On funding adequacy?

Which funding mechanism option is most effective in achieving our goals?

## Funding Equity Analyses

What is the current state of funding or resource equity for a given program or group of programs?

How can/will/has a specific initiative enhanced funding or resource equity and adequacy in my state or region?

How do initiatives compare to one another in their impact on enhancing equity?

# Example Initiative: Workforce Compensation

## Goal

Coordinate efforts to *develop* compensation scales and *work to raise* compensation across the state for early care and education providers

EARLY CHILDCARE PROFESSIONALS ARE  
SIGNIFICANTLY UNDERPAID

- A Compensation Task Force exists and is made up of a combination of state agencies and a variety of stakeholders, including families, ECE business owners, and ECE workforce participants
- The Task Force has established a group of providers to pilot a compensation program

THE STATE HAS EMBARKED FUNDING FOR THE  
PILOT, BUT IT DOES NOT YET UNDERSTAND  
THE COST OF THE PILOT OR THE PROGRAM AT  
SCALE

# Example Initiative: Workforce Compensation

## Financial Planning And Modeling Framework

### COST MODEL

Develop a cost model to identify the cost of the pilot and quantify the fiscal impact of various wage increase scenarios

#### Key Considerations

- Who bears the cost of wage increases, and what is the scale?
- Individual provider perspective vs. pilot perspective vs. state-wide perspective

#### Key Input Assumptions

- Desired wages by position type, by credential level, by geographic location, and by other levels of differentiation
- Count of providers and staff included

#### Key Output

- Cost of wage increase to group of providers

### BUDGETING & FINANCIAL PROJECTION MODELING

What level of funding is needed for the initiative, when, and what source?

#### Key Considerations

- Scale of program over time
- Available earmarked funding
- Nature of funding (one-time vs. recurring)
- Funding mechanism for providers opting into initiative

#### Key Input Assumptions

- Scenario outputs from cost model (proposed compensation scale)
- Count and type of providers opting in each year
- Available funding each year

#### Key Output

- Funding needs, by year



# How financial technical assistance works


## Consultants provide:

- Guidance on the role of financial modeling in selecting and designing strategies to increase the supply and sustainability of child care in the state;
- Expertise on developing financial model, including coaching on:
  - Setting parameters of financial model
  - Identifying existing funding streams to incorporate
  - Identifying cost drivers to consider
  - Relevant revenue/cost savings (if applicable)
  - Tool formatting and inclusion of relevant variables
- Tips, considerations, and next steps for future financial modeling to complete independently in the future

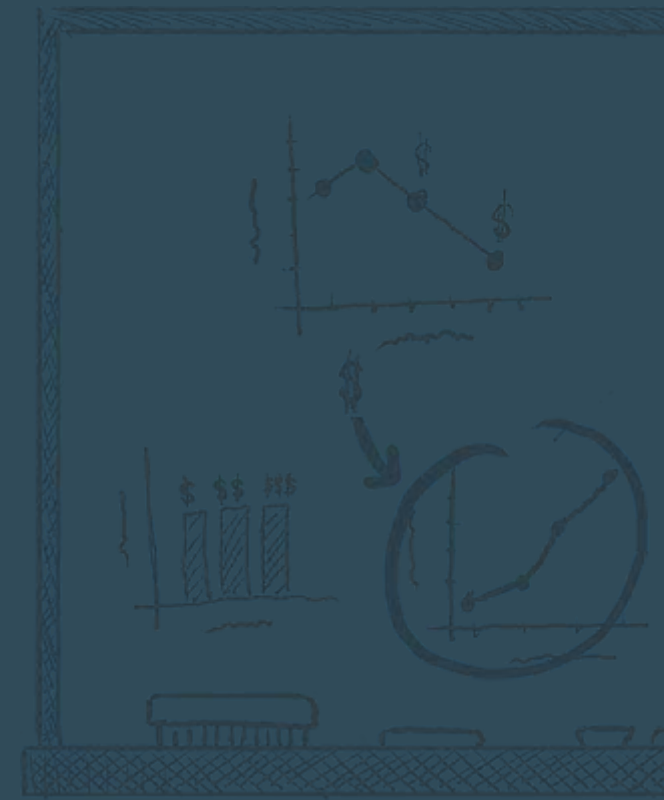


# Breakout Exercise (10 mins)

*Refer to your state plan initiatives (or discuss prospective initiatives):*

1. Which initiatives could benefit from support in financial planning and modeling?
  2. What kinds of financial planning and modeling would your initiative benefit from?
  3. What supports might your team need, and from whom?
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# Sharing Findings





**Thank You!**

