

**United Way of Salt Lake**

serving Davis, Salt Lake, Summit, and Tooele Counties

## Frequently Asked Questions

February 3, 2014

### HB96 Utah School Readiness Initiative

*Sponsored by Representative Hughes and Senator Urquhart*

Introduction: The questions and answers below are intended to provide additional detail beyond the summary fact sheet for HB 96, which is also available on UWSL's web site.

#### Bill Details

1. What will the grants program fund?
  - The High-quality School Readiness Grant Program provides two types of grants: 1) grants to support independent evaluation to demonstrate results and to qualify for potential private investment; 2) grants to upgrade existing preschool programs to high-quality preschool programs.
2. Who is eligible to apply for these grants?
  - Eligible entities include: private providers, school districts, charter schools, and home-based education technology providers.
3. Where will the funds come from for this program?
  - There will be a \$5 million ongoing appropriation from the General Fund, which will be used to pay for a competitive grants program, and to repay contracts that have been negotiated where an independent evaluator certifies that agreed upon outcomes have been achieved.
4. Where does the appropriation “go” – to whom and for what?
  - The appropriation will go to a special revenue fund known as the School Readiness Special Revenue Fund. Money in the fund can be used to pay for the grants program, repay results-based contracts, and independent evaluation of the programs and administration of the program.
5. Which department oversees this? Who administers the grants program? Who will negotiate contracts with private providers?
  - The bill creates a School Readiness Board within the Governor's Office of Management and Budget (GOMB) composed of the director of Department of Workforce Services (DWS) or

designee, a member appointed by the Utah State Board of Education (USOE), a member appointed by the chair of the State Charter School Board, a member appointed by the Speaker of House of Representatives, and a member appointed by the President of the Senate.

- Grants will be awarded by the Board based on recommendations from USOE and DWS, to ensure all sectors are communicating and collaborating. The grants programs will be administered by the respective departments.
- Grants awarded to school districts and charter schools will be administered by the USOE and the preschool program will be run by the local school districts and schools. Grants to private childcare providers will be administered by the DWS, but the preschool program will be run by the private providers receiving the grant.
- Contracts with private investors will be negotiated by the School Readiness Board.

6. Why is it staffed by the Governor's Office of Management and Budget (GOMB)?

- GOMB will bring financial and contracting expertise to the Board. Members of the Board bring expertise in public education and private early childhood education. This will ensure that the Board is aware of high-quality programs in both the public and private sector and can help facilitate private investments as well as potential collaboration between public and private providers.

7. Where will the teachers for this program come from? Will they be degreed or certified teachers?

- Teachers currently work for or will be hired by the entities receiving money from the initiative, whether it is a school district, charter school, or private childcare provider.
- In the school district classrooms, teachers will have a child development associate certificate or a bachelor's degree in an early childhood related field. For the private providers, by the teacher's second year, he or she must obtain a child development associate certification or an associate or bachelor's degree in an early childhood related field.

8. What is the income level of children eligible for this program?

- Eligible children must qualify for free- or reduced-price school lunch (i.e. have a family income of 185% of the Federal Poverty Level or below.)

9. Is there tuition or cost for the kids/families that participate?

- School Districts and Charter Schools are not permitted to charge a parent copay in Title I funded programs.
- If Title I funding is not being used to fund a preschool program, schools can and often do charge a sliding fee scale copay.
- Children receiving childcare subsidies to attend preschool/daycare are typically charged a copay on a sliding fee scale, according to income level and eligibility.
- Under a results-based financed program, it would be left to the discretion of the providers and subject to Title I regulations.

10. Who will determine the progress of the program and what criteria will they use?

- The board will select an independent, nationally-recognized early childhood education evaluator, selected through a request for proposals process to annually evaluate performance outcome measures. The board will select a uniform assessment that:
  - is a nationally norm-based measure of age-appropriate cognitive or language skills
  - has established reliability and validity with other similar measures and with later school outcomes
- Early childhood entities participating in the program must conduct ongoing program evaluation and data collection to monitor program goal achievement and implementation of required program components.

11. What is the difference between HB96 (Hughes) and other preschool bills sponsored by Senator Osmond (SB42) or Senator Adams (SB148)?

- HB96 and SB42 are very similar – with the primary difference being that HB96 incorporates “pay for success” financing that allows the state over time to a) improve overall quality of preschool, and b) reach more children without additional appropriation because programs are funded by avoiding specific state remediation expenditures. HB96 also provides taxpayers with a “money-back guarantee” that results will be achieved.
- SB148 is focused on a particular type of home-based early education software called UpStart.
- HB96 allows for any high-quality provider with demonstrated results to potentially qualify for private investment.

12. Will state funding for private daycare centers open the door for funding private schools in k-12?  
No, for the following reasons:

- The state already puts money into childcare centers through the state Office of Childcare (OCC). OCC provides grants to providers and provides childcare subsidy payments so low-income families have a safe place for their children to go while they are at work earning money to support their family. HB96 provides funding to daycare centers to improve quality through the OCC, keeping in line with existing practice.
- The state already provides funding for the Upstart program, a private program, and this has not led to funding private schools in k-12.
- Utah has a constitutional requirement to provide a free education for every child k-12. There is an existing system of private daycare providers as well as public school and charter school preschool programs in Utah. HB96 leverages existing programs, knowing that some families need their child to be in a center all day while they are at work, and recognizing that most public and charter schools do not have the capacity to add additional classrooms. At the end of the day, children in daycare centers will attend public schools and we need to make sure they show up ready to learn.
- Pay for success contracts, where the investor funds the upfront cost of the program, will only be paid back when a child enters the public school system (not private schools) and is achieving cost avoidance in the public education budget.

## Preschool

13. Why is this program being proposed when Kindergarten it is still not required? If a child participates in the preschool program and then does not go to Kindergarten, isn't that a waste of money?

- In the proposed policy, the investor takes this risk, not the state. No state money is spent unless the following happens:
  - a child attends preschool,
  - the pre-test results show that the child is at-risk for later school failure and potentially eligible for special education in grade school, AND
  - after attending preschool, the child enters school ready to learn and does not utilize special education services in Kindergarten through 12 grade.
- This bill actually guards against spending state money on a child who does not attend school regularly since the investor is putting the upfront money for the program.

14. Who will determine the curriculum/activities for this program? Will parents have a chance to give input and/or veto issues and topics they object to?

- There is no prescribed curriculum required for this program. The bill only requires that a program meet high-quality early childhood education standards, which includes the use of evidence based curriculum.
- Since this is a voluntary program, parents will be able to choose what program they want to send their child to or whether they want to send their child to preschool.

15. Don't most studies show that early gains achieved from preschool education largely disappear by Junior High or High School? Is there now rigorous evidence of the long-term value for preschool education?

- The Utah data on which this initiative is based is currently tracking low-income students who entered preschool in 2006. Those children are now in 6<sup>th</sup> grade and continue to perform at or near the state average for language arts and math.
- In addition, there are many rigorous studies that show the long-term impact of preschool. These studies show significant impact into adulthood with respect to increases in high school graduation, college attendance and completion, increases in salaries, reductions in juvenile and adult crime, welfare dependency, and substance abuse, as well as improved health outcomes. Here are some links to a few studies:
  - <http://heckmanequation.org/content/resource/invest-early-childhood-development-reduce-deficits-strengthen-economy>
  - <http://heckmanequation.org/content/resource/case-investing-disadvantaged-young-children>
  - <http://www.ncsl.org/research/human-services/new-research-early-education-as-economic-investme.aspx>

16. How much time do kids spend in preschool?

- Most public preschool programs are half-day, four days a week, for four-year olds.

- In a daycare center, the preschool portion of the day is usually two and a half to three hours in the morning.

17. What is the definition of “high-quality”? Who determines what high-quality is?

- What constitutes high-quality has been determined by years of research into what produces positive outcomes for children and results in school readiness.
- There are several components to a high-quality program defined in the legislation.
- These include:
  - Low teacher to student ratios (1:10, or according to state childcare licensing regulations)
  - Use of an evidenced-based curriculum aligned with the all the development domains of the Utah early childhood standards (i.e. early literacy, cognitive, numeracy, motor skills, social, and emotional development, etc.) and incorporates intentional and differentiated instruction in whole groups, small groups, and child directed learning
  - Ongoing program and child development and progress assessment
  - A pre-and post-assessment that assess age appropriate literacy and numeracy skills that is aligned with the Utah Early Childhood Standards
  - Ongoing, focused, and intensive professional development
  - Strong administrative support
  - Trained teachers with a minimum of a Child Development Certificate
  - Ongoing family involvement
- In a results-based contract, high-quality preschool will also be determined by the percent of low-income children who are ready for kindergarten.

18. How does the state assure “parity” between public and private providers?

- Both a designee from the State School Board and the Director of the Department of Workforce Services sit on the School Readiness Board.
- Investors will pay the same per child regardless of the setting.
- The high-quality private daycare centers will be able to combine childcare subsidy and investor funding to increase access for low-income children to attend their centers. This could allow centers to improve teacher salaries.
- Investors only care about outcomes and are agnostic to the setting, as long as results are achieved.
- Many working parents prefer to have their child in the daycare setting for the entire day.
- Results-based financing will increase access for low-income children to high-quality private sector opportunities.

Public-Private Partnership/Results-based Financing/Pay for Success

19. How does payback to investors work?

- Performance metrics are negotiated and agreed to by the School Readiness Board on behalf of the state and investors.
- Each year, an independent evaluator hired through an RFP process measures and validates if performance has been achieved.

- If performance measures have been achieved and validated, the state pays the investors an amount agreed to in the contract. This will only be a portion of the cost avoidance, so the state will also be benefiting from the cost avoidance each year.
- Payments are likely to begin after the children finish Kindergarten and continue over a number of years, as outlined in the contract.
- Payments are subject to appropriations and funds available in the School Readiness Restricted Account.

20. How much interest do investors make?

- The amount of interest an investor makes will be defined in the contract and agreed upon by the state. Any interest earned is dependent on program performance, and is subject to a cap defined in the legislation, as well as to the availability of funds in the School Readiness Special Revenue Fund
- Neither interest nor principal is guaranteed. If performance measures are not achieved, the investor may not receive any interest or principal

21. Why should the state pay interest to investors if we know preschool works?

- Only high-quality preschool works to get kids school ready and avoid real costs in special education and other remedial services
- Currently, not all early childhood programs adequately prepare low-income children for school. In many low-income communities, 40-60 percent of kids are not kindergarten ready.
- Private sector financing provides a “money-back” guarantee that results will be achieved - something traditional public programs can’t do
- Private sector financing allows the efficiency of the private market to:
  - only invest in what has been independently verified
  - terminate funding if targets are not met
  - reach more kids quickly, potentially avoiding more remedial costs sooner, with no risk to taxpayers

22. How do we know the evaluation isn’t skewed to favor investors?

- An independent evaluator conducts the evaluation
- Performance metrics are clearly outlined and agreed to by the investor and the School Readiness Board on behalf of the state
- The negotiation process ensures a fair and mutually agreed upon metric and the independent evaluator guarantees impartiality

23. What happens if results are not achieved?

- If results are not achieved, the state will not have to pay for services rendered and the private investor will lose part or all of its investment, depending on performance outcomes

24. Does Pay for Success/results-based financing apply to all government programs? Does it undermine support for things that government should fund on its own?

- Pay for Success only works for preventative interventions that have a “big bang for the buck,” with respect to cost-benefit ratios. Early childhood interventions provide the best return on investment and are therefore good candidates for Pay for Success financing
- Pay for Success projects work best for interventions that clearly demonstrate reductions in remedial services that result from the investment in the intervention
- Many programs that are and should be funded by government are not good candidates for Pay for Success projects, and would not attract investor interest.

25. How many other Pay for Success transactions have there been? Where? How many states or municipalities are considering results-based financing?

- There are over 22 states, counties, and municipalities that are planning or evaluating Pay for Success initiatives
- Pay for Success related legislation has passed or is being introduced in 10 states
- Pay for Success contracts finalized include:
  - New York City – Riker’s Island, program to reduce recidivism
  - New York State – program to reduce recidivism
  - Utah – early education program (one cohort funded)
  - Massachusetts – recidivism program to be announced January 31
- There are 12 Pay for Success projects with a combined budget of \$100 million in the evaluation and planning phase, along with other locations in earlier stages