

COSTING OUT THE SYSTEM

How can we develop a comprehensive, cross-system approach to determining a per-child cost for early care and education?

Background

A critical question about any system of early childhood care and education is: what does it cost? Overall? Per child? The answer is: it depends. It depends on what elements are included in the system, what standards each element is expected to meet, how many consumers are expected to use the services, and what supports are needed to ensure the services are available.

The first step is to specify the elements in the system: what direct services will be offered? Family support, parent education, preschool, child care, etc. Second, what standards will these services have to meet? Third, how many children/families are expected to use the services that are being offered? All children, i.e., universal or limited access? The expected use of a universally accessible service (i.e., take-up rate) is never 100%, that is, not all families will choose to partake of family support or to enroll their child in preschool. Estimating participation rates accurately is important, or costs will be overestimated. Fourth, what supports are needed to make the system work? Support might include workforce development, quality assurance, technical assistance, data collection and analysis, consumer engagement, facility development, governance, etc. While the majority (95%) of the overall cost is attributable to the direct services to children and families, the supports that make the services work are essential and have costs.

Take the simplest case of a discrete program, for example, preschool. A key characteristic that will affect cost is teacher qualifications. Presumably costs increase in direct relation to the qualifications expected: teachers with degrees cost more to hire and retain. The intensity of the program also matters. How many hours per day, days per week, weeks per year will preschool services be provided? Full-day, full-year certainly costs more than part-day school year. Other features have cost implications – class size, staff-to-child ratios, staffing patterns (teachers versus aides and assistants), and whether there are other support staff like family resource coordinators, health workers, etc. The system must ensure a supply of qualified workers, and account for these associated costs. If all or a large proportion of teachers will be required to have early childhood credentials, the cost of workforce development will depend on knowing about the current supply of qualified teachers and the status of workforce preparation programs, especially in higher education.

Each issue brief in this series has been written by Anne Mitchell and Louise Stoney, Alliance on Early Childhood Finance, on behalf of Smart Start's National Technical Assistance Center.

How many in the current workforce have Child Development Associate Credentials, Bachelor's Degrees in early childhood education and child development, Master's Degrees, etc.? How many colleges offer degrees in early care and education, degree programs leading to teacher certification in early care and education? Are there accessible pathways for students from the 2-year to the 4-year colleges? How many early care and education teachers are produced annually now?

Essentially, the child outcomes that are desired drive the decisions about system elements and program features that in turn drive costs.

And finally, no cost estimate is complete without an accounting of what is already being spent. In every state, funds are being spent on child care and preschool and on some of the supports needed to make the system work.

Current Cost Estimating Efforts

Several organizations have taken steps to estimate the cost of early care and education. These efforts are summarized below.

The Institute for Women's Policy Research, through its work on early care and education issues in several states, including Illinois, Massachusetts and California, has created a model to estimate the cost of universally accessible, state-based preschool services and infrastructure. The model uses a set of Excel spreadsheets that can be customized with state data. The full report is available on the web at:

<http://www.iwpr.org/pdf/preschoolIL.pdf>

The Finance Project developed a strategic financing plan to estimate the costs of supporting early learning in Kansas City. The model includes costs, current spending and additional revenue needs. For more information, go to:

<http://www.financeproject.org/>

Financing Universal Early Care and Education is a joint effort of the Human Services Policy Center at the University of Washington and the Center For Children and Families at Teachers College, Columbia University, co-directed by Rick Brandon and Sharon Lynn Kagan. Working with several states including Ohio and South Carolina, this project has developed a sophisticated computer simulation model to measure the costs and benefits of alternative universal financing mechanisms and generate estimates of utilization of paid care, labor force participation of parents, and costs to parents, employers, and government. For more information, go to:

<http://www.hspc.org/>

Educare Colorado, through a pilot project on differential reimbursement rates has collected cost and revenue data from a sample of child care programs in Colorado and has estimated the costs of each level of its five-star rating system. For more information, go to:

<http://www.educarecolorado.org>

Discussion Questions

1. What are the pros and cons of costing out an ECE system? Sometimes it is important to prepare – and distribute – cost projections before a system is launched. Illinois and Massachusetts have done extensive and careful cost estimating of their early childhood initiatives and have been applauded by policymakers for doing so. In other cases, releasing cost estimates early on can have a chilling effect. For example, several years ago the West Virginia Educare proposal was seriously hindered when the press published cost projections that were high enough to frighten policymakers and resulted in newspaper editorials and press in opposition to the proposal.
2. How far should we go in estimating costs? Some states have elaborated systems designs that include health, family support and an array of early childhood programs and the needed supports and estimated costs for the whole system. New York has prepared a Blueprint for An Early Childhood System, which includes such a cost estimate. In others the focus has been on one program, e.g., preschool.
3. What research is needed? Would it be helpful to develop and disseminate additional tools for estimating the cost of an ECE system? If so, what should those tools look like?

Suggested Resources

The organizations and projects listed in the issue brief are resources on cost estimating.

Brandon, Richard N., Sharon Lynn Kagan and Jutta M. Joesch (2000)
Design Choices: Universal Financing For Early Care And Education.
Seattle, WA: University of Washington, Human Services Policy Center.
<http://www.hspc.org/publications/pdf/designchoices.pdf>

Golin, Stacie C., Mitchell, Anne W. and Wallen, M. (2003).
The cost of universal access to quality preschool in Illinois: Report to Governor George H. Ryan's Task Force on Universal Access to Preschool.
Washington, DC: Institute for Women's Policy Research.
<http://www.iwpr.org/pdf/preschoolIL.pdf>