

The Cost of Providing Quality Early Care and Education in Saint Paul, Minnesota

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Key findings:

- Surveys of 12 of the 47 early care and education programs participating in the scholarship program showed that they served primarily children from low-income families, since at least half of enrollees qualified for some form of financial assistance.
- Costs per child-hour ranged widely, from \$3.50 to \$19.00, and yearly costs ranged from \$7,000 to over \$25,500.
- The least expensive programs were full-day, full-year family child care programs, followed by for-profit centers. Half-day Head Start centers and public preschool programs that tended to operate only during the school year were the most costly.
- In addition to differences in their schedules, higher costs were attributed to operating multiple classrooms below capacity and to the various staff employed to provide non-classroom services.

Research shows that high-quality early care and education (ECE) programs improve the school readiness, language development, cognitive functioning, and social skills of at-risk children. Yet little information is available on the costs of such programs—and the factors that affect costs—to guide public and private sector decisionmakers in developing and implementing them. A RAND study sponsored by the Minnesota Early Learning Foundation (MELF) has analyzed the characteristics and costs of a small group of these programs in one urban community as part of a larger evaluation of the academic and economic benefits of a scholarship fund developed to improve access for low-income families to high-quality ECE.

Background

In 2008, MELF established the Saint Paul Early Childhood Scholarship Program, a pilot program to improve school readiness by providing needs-based mentoring and scholarships to families of 3- and 4-year-olds to enable them to select an ECE program from among a group of high-quality programs (as determined by the local quality rating and improvement system). Child eligibility was based on household earnings of less than 185 percent of the federal poverty level. Eligible programs included licensed family child care homes, nonprofit and for-profit centers, Head Start centers, and public school preschool programs (both half- and full-day and operating both year-round and for the academic year).

To reflect the wide range of ECE program types, the researchers selected 12 of the 47 programs enrolling scholarship children in the pilot program, ensuring that each type of program was represented. They interviewed program officials and collected revenue data, as well as detailed program and expenditure data (both monetary and in kind), using a modified version of the resource cost model approach.¹

Participating Programs Serve Primarily Low-Income Children

At least half of the children enrolled in each of the 12 programs qualified for some financial assistance for their child care. In contrast, a 2006 survey of child care programs statewide found that only 10 percent of enrollees qualified for the state's child care assistance program. Thus, the 12 surveyed Saint Paul programs participating in the scholarship pilot served a poorer-than-average population.

¹ The resource cost model approach accounts for the value of all the “ingredients” or resources used to provide the program's services, including ingredients that incur cash costs (e.g., paid staff, rent, and utilities), as well as ingredients that are provided in kind (e.g., volunteer labor, donated space, or subsidized utilities).

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Reliance on MELF Scholarships Varied

In three of the 12 programs, children with MELF scholarships constituted the majority of enrollees. However, across the 12 programs, reliance on MELF funds accounted for 1 to 79 percent of total support. Family child care programs relied the most on these funds, followed by for-profit and nonprofit centers.

Parental Fees Account for a Small Proportion of Funding

Only one program derived the majority of its support from parental fees. The remainder drew the majority of their funding from a combination of the state child care subsidies, MELF scholarships, and foundation and other private donations.

Program Costs Vary Considerably

Naturally, a program that provides full-day or year-round care would be expected to cost more than a program providing half-day or academic-year services. Therefore, costs were determined on a per-child per-hour basis. As the figure shows, these costs ranged widely—from about \$3.50 to about \$19 per child-hour. The least expensive were family child care homes and for-profit centers, and these centers operated on a full-day year-round calendar. The most costly programs on a per-child per-hour basis were half-day Head Start centers and the half-day public preschool program that also operated on a shorter academic calendar.

Yearly costs for full-time care (calculated using the programs' own definitions of full-time) ranged from \$7,000 to just over \$25,500. Consistent with the hourly costs, family child

care homes and for-profit centers had lower costs than nonprofit, Head Start, and public school programs. The relatively greater costs for two of the larger programs (one nonprofit center and one Head Start center) are partly attributable to the fixed costs associated with operating multiple classrooms and the losses that result from operating below capacity.

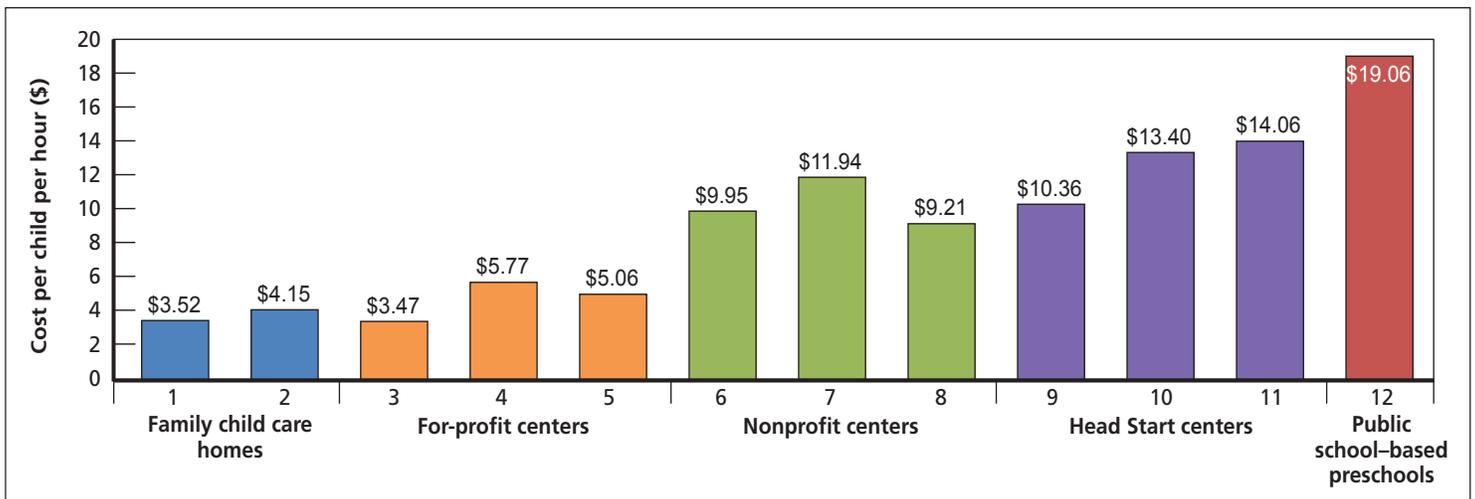
Increased Costs Are Also Attributable to Ancillary Staff

The increased costs associated with the nonprofit, Head Start, and public school programs are also attributable to the various staff employed by these programs to provide nonclassroom services, such as food preparation, literacy coaching, curriculum coordination, and parent mentoring. The family child care and for-profit programs either included fewer such positions or did not hire separate staff for these services.

Applying the Results of the Survey Has Its Limits

The state of Minnesota has among the highest child care costs relative to family income nationwide. Further, the 47 programs that enroll MELF recipients are, by scholarship program requirements, higher than average in quality, and the 12 programs analyzed for the study were selected to reflect the variations in types of care settings, not to be a representative sample. Lastly, the programs enroll primarily underserved children. Nevertheless, the findings of the analysis regarding differences in costs and the factors contributing to those differences should be of interest to communities seeking to implement ECE programs and to facilitate access to those programs. ■

Per-Child Hourly Cost of Care for the Programs Surveyed



This research brief describes work done for RAND Labor and Population and documented in *Cost Study of the Saint Paul Early Childhood Scholarship Program*, by Heather Lee Schwartz and Lynn A. Karoly, TR-947-SRI (available at http://www.rand.org/pubs/technical_reports/TR947.html), 2011, 82 pp. This research brief was written by Sydne Newberry. The RAND Corporation is a nonprofit institution that helps improve policy and decisionmaking through research and analysis. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors. RAND® is a registered trademark.

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