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REPORT

Cost Study of the Saint Paul Early Childhood Scholarship Program

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Summary

In 2008, the Minnesota Early Learning Foundation (MELF) created the Saint Paul Early Childhood Scholarship Program, a pilot program to provide families with scholarships to cover the cost of high-quality early care and education (ECE) programs for their children. In establishing the scholarship program, MELF was motivated by an extensive body of research that demonstrates that high-quality ECE programs can generate short- and longer-term benefits for at-risk children, including improved school readiness, language development, cognitive functioning, social competence, and emotional adjustment. Further, studies examining the adult outcomes of participants from such well-known programs as the Perry Preschool, Abecedarian, and Chicago Child-Parent Centers programs have established that the economic benefits to the individuals and to society exceeded those programs' costs.

Notwithstanding the large body of research about the benefits of preschool specifically and early learning programs more generally, there is little research that clearly identifies the cost components of ECE programs. National surveys of child care programs show that average costs across states differ by as much as a factor of three, indicating the importance of regional differences in ECE cost. The best estimates place the cost of one year of enrollment in resource-intensive programs from \$9,500 for Head Start to \$16,900 for Abecedarian (all costs in this report are in 2010 dollars, unless otherwise noted). These average per-child costs are a useful yardstick for programs that offer comprehensive sets of services that attend not only to child care and development but also to parental involvement and the physical and mental health of the children. But even these programs vary in the intensity of the care provided, ranging from part-day academic year programs to full-day year-round services. Moreover, these estimates offer little guidance for understanding which are the most and least costly components (e.g., caregiving staff, facilities, supplies, food) of ECE programs, and they do not provide costs specific to the Saint Paul, Minnesota, region.

This report poses and answers three research questions:

1. What are the extent of services, program features, and characteristics of children served at the different types of ECE programs participating in the Saint Paul Early Childhood Scholarship Program?

2. What sources and amounts of funds were used to pay for children attending the programs?
3. What is the per-child per-hour cost for participation of children in these programs?

To answer these questions, detailed expenditure and program data were collected from 12 out of the 47 ECE programs that were participating in the pilot program by serving children with the scholarships. The programs in the cost study were selected to represent the variety of types of programs that have received scholarship funds and their attendant costs. Specifically, the sample was selected to include each type of participating program – family child care homes, for-profit and nonprofit centers, Head Start, and public school preschools – and each type of program structure – full-day and half-day programs that operate year-round or for the academic year. These 12 programs collectively served two-thirds of the total children whose families received a scholarship in 2010.

To the greatest extent possible, the study reports both the in-kind and monetary costs associated with each program. Their economic costs represent the total resources required, were another program to replicate those services. However, since the programs serving scholarship children were required to meet more-rigorous quality standards relative to Minnesota’s child care licensing requirements, the costs for the sampled programs will not generalize to child care programs more broadly in Saint Paul or elsewhere in Minnesota.

We found that:

- **Overall, the selected ECE programs tended to serve children from low-income families.** At all 12 programs, at least half of the children qualified for some form of financial assistance from a public or private source for their care. This is a much higher proportion than in a separate 2006 survey of metro-area child care centers in Minnesota, where one in ten children qualified for the Minnesota Child Care Assistance Program (CCAP). Children with MELF scholarships comprised the majority of total enrollees in three of the sampled 12 programs.
- **The nine programs currently receiving scholarship funds derived anywhere from one to 79 percent of their total sources of support from MELF scholarship funds.** In general, family child care programs most heavily relied on the scholarships, followed by the for-profit centers and then by nonprofit centers. **Nonprofit programs most-heavily relied on**

donated resources, drawing one half of their support from in-kind or cash donations.

- **Consistent with the fact that at least one half of children enrolled at each program received state subsidies or scholarship funds, only one of the 12 programs relied on parental fees for the majority of its support.** All others drew the majority of their funds from a combination of Minnesota CCAP, scholarship funds, foundation support, and/or other private donations. Indeed, parental fees comprised less than one of every ten dollars of support at seven of the 11 sampled programs for which this information was available.
- **On a per-hour per-child basis, the 12 sampled ECE programs' costs ranged from \$3.47 to \$19.06.** Within this range, the lowest-cost programs were family child care homes and for-profit centers, with hourly per-child costs of \$3.47–\$5.77 per hour per child. The full-day nonprofit and Head Start centers cost \$9.21–\$11.94 per hour per child. The most costly programs on a child-hour basis were half-day Head Start centers (\$13.40–\$14.06) and the half-day public preschool program (\$19.06).
- **Using the programs' own definition of full-time child-hours per year, the 12 sampled ECE programs costs ranged from \$7,010 to \$25,603 per full-time equivalent (FTE) child per year.** Note that not all programs operated the same number of hours per day and days per year, so FTE values vary in this comparison. Using this metric, the costs of the part-day programs were consistent with the full-day nonprofit programs and the full-day Head Start programs. Nevertheless, the sampled family child care and for-profit programs still had lower economic costs overall than did the nonprofit, Head Start, and public school programs. For large centers with relatively large fixed costs attributable to the operation of multiple classrooms, operating at less than capacity significantly contributed to their annual per-FTE child costs.
- **Site-based nonclassroom staff (and their augmented services) accounted for most of the cost difference between family child care and for-profit programs, on the one hand, and nonprofit, Head Start, and public school centers on the other.** The nonprofit, public, and Head Start centers tended to employ more nonclassroom employees to provide augmented services, such as coaches or parent coordinators, a director of Community and Family Development Services for Head Start centers, a cook, an administrative assistant, or an education or curriculum coordinator.

Several of the family child care and for-profit programs did not hold these positions, with resulting reductions in their hourly costs.