

HIGH-QUALITY EARLY CHILDHOOD EDUCATION: OPENING THE BOOKS ON ITS TRUE COSTS

While public investment in early education has, in recent years, increased, it remains inadequate to meet the quality needs of children, the affordability concerns of parents, and the operational costs of early childhood education providers. This is evidenced by – among other indicators – the paradoxical coexistence of high fees paid by parents with low wages paid to educators and an exceptionally fragile financial position of providers. Understanding the fundamental cost of providing high-quality early childhood education is the first step to rectifying a very broken funding model for the child care sector.

To illuminate why child care is so expensive to provide - and therefore so expensive to access - Neighborhood Villages undertook a research initiative designed (a) to identify the true cost of providing high-quality early childhood education to infants, toddlers, and preschoolers in the Commonwealth of Massachusetts, were compensation and other expenses elevated to optimal levels and (b) to unpack the practical inputs that go into providing quality programming (wages, wraparound services, etc.) and how they contribute to an overall cost of care.

In *High-Quality Early Childhood Education: Opening the Books on its True Costs*, Neighborhood Villages first analyzes recently published cost estimation studies commissioned by the Commonwealth of Massachusetts and undertaken by the Center for Early Learning Funding Equity (CELFE) that provide insights into what a daily per-child cost is for providing early education and care in Massachusetts.[1] The report then presents the results of a series of case studies undertaken by Neighborhood Villages that illustrate how labor and operating costs are reflected in early childhood education programming and their impact on child care center operations and administrative decision making.

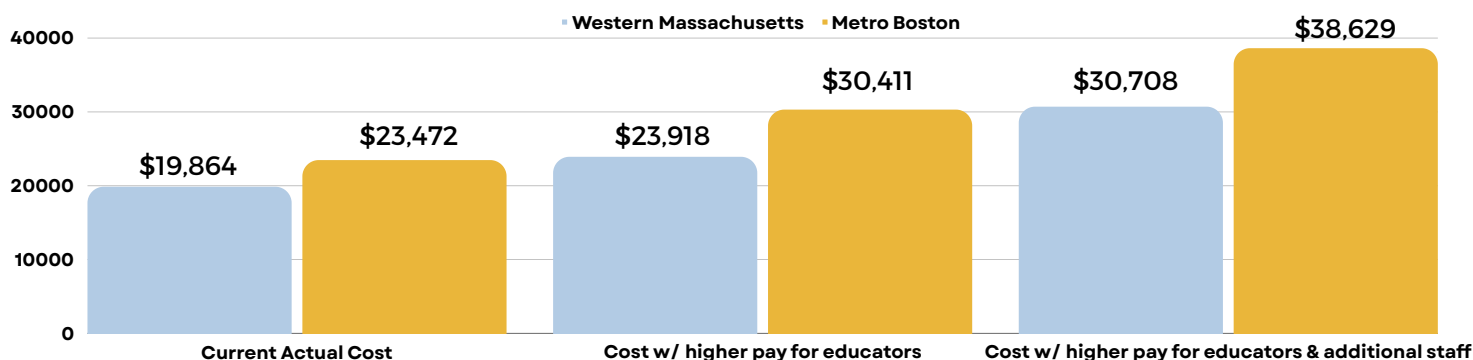
KEY FINDINGS

I. CENTER FOR EARLY LEARNING FUNDING EQUITY (CELFE) COST ESTIMATION STUDIES

For its report, CELFE produced cost estimates of daily amounts incurred by Massachusetts providers for the cost of educating children in their care. Estimates accounted for differences by age, setting, and geographic region in the Commonwealth. CELFE assessed cost for providers' actual spending, as well as cost based on the addition of high-quality inputs, such as increased educator wages.

Neighborhood Villages took CELFE's estimated daily costs and converted them into annual totals. For example, from annualizing CELFE's daily costs, Neighborhood Villages estimates that the cost to provide early education to a toddler in Metro Boston is currently about \$23,472 per year and would reach \$38,629 per year if teachers were paid higher wages and the center had additional staff and services.

Annual Cost to Care for a Toddler



[1] <https://www.mass.gov/doc/massachusetts-child-care-cost-estimation-study-report/download>

II. NEIGHBORHOOD VILLAGES' CASE STUDY SERIES

For *High-Quality Early Childhood Education: Opening the Books on its True Costs*, Neighborhood Villages conducted in-depth interviews with 11 center-based providers across the Commonwealth to understand the details of their expenses.[2] The case study series demonstrates that provider spending is largely driven by core operational costs (including teacher wages), with additional expenses incurred for wraparound supports for children and families, especially in lower-income communities. It also illuminates the gap between what providers are currently spending and what they would like to spend, were revenue available to do so.

Comparing providers' overall spending by income profile of families served, Neighborhood Villages found that providers participating in the Neighborhood Villages' study who serve high-poverty populations have higher levels of per-child spending as compared to providers who serve low-poverty populations.

- The current average per-child spending among programs that serve a high-poverty population is \$20,426.
- The current average per-child spending among programs that serve low-poverty populations is \$17,267.

Providers serving high-poverty populations incur additional expenses to support quality education and care. These include: food, transportation, family navigation, nutrition services, early relational health resources, and social workers, amongst other costs.

All providers – regardless of the income of families served – struggle to reach the level of comprehensive programming they aim for. There is a gap for all providers between what they are currently spending and what they would like to spend, which includes wages of at least \$26 per hour for all staff and additional services (collectively, these are “aspirational expenses”).

- The aspirational average per-child total expenses across all programs would be \$23,889.
- The aspirational average per-child total expenses for providers serving high-poverty populations would be \$28,016.

Apart from wages, providers want to spend money on early relational health training for teachers, as well as: infrastructure supports; supports for the workforce, facilities, wraparound services for families; therapies for children, and other services and enrichment for children. Items that fall into these categories include:

<ul style="list-style-type: none">• Operations Manager• HR Capacity• Business Management Training• Child Development Coordinator	<ul style="list-style-type: none">• Family Navigator• Nutrition Support Specialist• Instructional Coaching• Mental Health Services (i.e., counseling)	<ul style="list-style-type: none">• Updated Playground• Gross Motor Skill Development• On-site Nurse• Social Worker• Special Education Teacher
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[2] Neighborhood Villages did not gather sufficient data from Family Child Care (FCC) providers to draw cost conclusions. The significant differences between provider types and their respective business models requires a separate undertaking to determine costs of care for FCC providers.

Case Studies of Massachusetts Center-Based Providers

Provider A (Western Massachusetts)

Even providers who are spending little beyond the essentials needed to keep their doors open (labor force wages, rent, etc.) are having trouble covering costs. For example, a participant in the Neighborhood Villages study (“Provider A”) – whose partial budget is depicted below – operates a licensed early childhood education center in Western Massachusetts, in a zip code with a social vulnerability index of .74 and a licensed capacity of 60 children, from 2 to 5 years old.

Provider A collects \$850,800 from tuition and through reimbursements from Massachusetts’ public child care financial assistance program. After using tuition- and subsidy-generated revenue to pay for staff compensation (including wages, benefits, and payroll taxes), classroom supplies, and building maintenance, Provider A is operating at a negative balance (before multiple additional expenses have been accounted for).

Given its tight financial position, Provider A is not able to offer wraparound services and is not able to spend money on services that would support its work, such as transportation and enhanced professional development for staff. (As is common with early childhood education programs, Provider A must rely on philanthropic sources to fund its revenue gap.)

	Amount	Balance
Income	\$850,800	\$850,800
Instructional Staff Wages	-\$494,000 (13*\$38,000)	\$356,800
Administrative Staff Salaries	-\$125,000	\$231,800
Employee Payroll Taxes	-\$57,000	\$174,800
Staff Benefits	-\$156,500	\$18,300
Classroom Supplies	-\$10,000	\$8,300
Building Maintenance	-\$25,000	-\$16,700

Provider B (Metro Boston)

Another provider in Neighborhood Villages' study ("Provider B"), a center in a high-poverty area of Metro Boston, serving 161 children aged birth to five and employing 33 teachers, carries numerous expenses for necessary and essential wraparound supports and services. **It costs Provider B about \$21,500 per child to cover basic operating expenses; Provider B spends an additional \$1,900 per child to provide wraparound services, for a total cost of around \$23,400 per child.**

Wraparound Expenses	Per Student Annual Spend
Operations Manager	\$410
Family Navigator	\$455
Instructional Coaching/Curriculum Support	\$354
Enhanced Professional Development	\$75
Early Relational Health	\$248
Family Nutrition	\$124
Economic Mobility	\$19
Social Worker(s)	\$217
Total for Wraparound	\$1,902

Despite its current investment in wraparound services, Provider B indicated that there are other investments it would like to make but is not currently able to do so, due to financial constraints. For example, it would like to employ a full-time special education teacher to address increasing special needs of the children it serves. It would also like to support educators more robustly with funds to advance their careers and provide them with services for their own mental health. Finally, despite average wages that are relatively high (this is due in part to hosting some Boston Universal Pre-Kindergarten classrooms, which require higher salaries for educators), the provider would like to raise wages for all of its educators. **For Provider B, the addition of these desired expenses would bring the total per child spending to \$26,679 per year.**

Conclusion

The imbalance between available revenue and the costs of quality care is most acute for programs serving high-poverty communities and the consequences of this imbalance - depressed wages for staff, unaffordability for families, and insufficient supports for both educators and children - are felt by all stakeholders in the early childhood education sector. Unfortunately, families cannot afford to cover the true cost of high-quality care for their children. Rather, a substantial commitment of additional public funds is required to bridge the gap.

