

The True Cost of Quality in Early Care and Education Programs

by Billie Young

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What's the gap between the price that families pay for child care and the "true cost" of quality care?

Is there agreement among child care providers about elements of quality and what they cost?

If providers understood their budgets better and were clear about the funding they would need to reach the "true cost" of quality, would they be empowered to advocate more successfully for increased funding?

Supposing parents understood the gap between the price they pay and the true cost — would they be willing to pay more?

These questions were the catalyst for the True Cost of Quality project launched in the spring of 2001 by the City of Seattle's Northwest Finance Circle. The mission of the Northwest Finance Circle, a community collaboration, was to improve and expand the financing of early childhood and afterschool programs by creating a new system of financing and by testing out innovative financing strategies. Over two years, we sponsored True Cost of Quality (TCOQ) budgeting classes for

over 50 child care center directors and 16 family child care homes. The TCOQ project had two goals:

- to get a better understanding of the gap between the current price of care and the cost of high quality child care, and
- to help providers gain budget skills and become more powerful advocates for funding reform.

Believing the answers to our questions would be very different for family child care homes and child care centers, we developed TCOQ budgeting courses tailored to each group. This article will focus on our work with child care center directors.

Defining "true cost"

Job number 1 was defining "true cost." We brought together a group of skilled child care center directors to seek agreement on the elements and definition of "true cost," and to create a spreadsheet template.

The budget masters group was followed by three TCOQ classes, reaching over 50 child care center directors, who each prepared three budgets: current, true cost of quality, and ideal. TCOQ classes were seven weeks long, from

6:30 to 9 p.m., with dinner provided and stipends for directors who completed all three budgets. We analyzed their budgets to better understand the gaps between current costs, prices charged to families, and the true cost of quality. Finally, we created and disseminated a toolkit that included a definition of TCOQ standards and Excel spreadsheets that directors could use to construct their own budgets.

Reaching agreement on standards

Our first hurdle was distinguishing between **current**, **true cost**, and **ideal** (or full cost) budgets. We had to help directors see the difference between the **price** they charge and the **actual cost** of care. Getting to **true cost** meant taking a giant leap — from their current costs to what it would take to provide high quality child care *every day*.

A **true cost** budget was defined as the expense required to meet national accreditation standards (NAEYC and NASA¹) on a consistent basis. Example costs included: classrooms consistently in ratio, reduced staff turnover, wages and benefits commensurate with those paid to others working in similar jobs, adequate facilities and equipment, funds for family support, professional development, office assistance, and

release time for teachers to plan. True Cost budgets included both ongoing costs to maintain the standards and one-time only costs needed to bring programs up to standard, such as facility modifications, playground construction, disability access modifications, and purchase of equipment such as computers.

In addition to accreditation, master budgeters agreed to the **Model Work Standards** created by the Center for the Child Care Workforce as the guideline for staff benefits and working conditions.

The debate over *true cost* intensified when it came time to set goals for wages. How much is “too much?” We finally agreed to use the wage scale established for staff in state college child care centers, because they were developed as part of a Washington State Higher Education Commission comparable worth study in the late 1980s. *True Cost* course instructor Julie Bisson found that in every class, students vigorously debated about what people thought was “reaching too high” for wages and benefits. They weren’t sure it was feasible or even acceptable to use the state wage scale — even though it was mandated for state employees by the commission.

In the words of master budgeter Jennifer Hess, director of Blazing Trails, “It was a struggle to think beyond ‘bare bones’ and to get past our pride in doing so well with so little. We make *something* out of *not enough* every day. It felt like a *true cost* budget was asking for too much.” We realized that we needed to ask directors to develop **ideal** budgets in order to put the **true cost** budget in perspective.

Ideal budgets exemplified those expenses required to provide the best possible program — if there were no financial constraints. Ideal budgets could include anything directors

dreamed of, as long as it could be tied to standards of quality.

Examples of students’ ideal costs included on-site nurses and therapists; outreach workers; coverage for teachers to do advocacy; an on-site sick room; art and music studios; grantwriters; and an emergency fund for families.

Bisson noted that students had trouble reaching for the possibilities — and even ideal budgets were modest in their dreams.

Directors gained valuable lessons from true cost budgeting

Jodi Nishioka, TCOQ project coordinator noted that students universally rated the class as valuable. “Many of the students had never prepared a budget, much less used Excel spreadsheets. Our most successful class was located in a computer lab, and we were able to help students learn how to use Excel during class.”

Even though directors know that creating and monitoring budgets is a critical part of their jobs, it’s hard to find the time to spend on a task that is perceived as hard and not a lot of fun.

Diana Bender, one of the TCOQ project coordinators said, “It’s like taking cod liver oil. You know it’s good for you, but it’s not a lot of fun to think about taking it — you kind of want to put off taking it as long as you can.”

Fortunately, there were enough “ah has” to keep directors moving through the process of creating not one, but three budgets. One director’s big “ah ha” moment was realizing that everything she cared about in early childhood was connected to financing; another’s was realizing she was the lowest paid director in the room. She took the director salary survey students

compiled in class to her board and got a raise! Other directors got peer support to build in modest annual increases in parent fees instead of fighting for big ones every few years.

On average, child care centers currently spend about 77% of their revenues on personnel, 1% on foregone revenue, 6% on occupancy, 6% on administration, and 10% on other costs. Reaching the true cost of quality would require increases of about 106%, with the biggest gap in wages. Average teacher wages in 2002 were about \$9.94 an hour, while the true cost standard was \$17.98.

Parents can’t afford it, so we can’t change it

True Cost instructors Julie Bisson and Juanita Bejaranos mediated the ever-present debate amongst directors: If we set our standards “too high” will we price ourselves out of the market? What will happen to parents who can’t afford the cost of true quality? We have to charge what it costs or we’ll never be able to break the link and achieve quality for children. Bisson and Bejaranos brainstormed with directors on using their new budgets to motivate parents and boards of directors or owners to reach for quality-based budgets.

The debate about charging the true cost is overlaid with the realities of classism and racism. Programs in higher income neighborhoods could get closer to the true cost of quality, while those serving low-wage families who were often families of color, felt stuck.

Jennifer Hess, director of Blazing Trails said, “On the one hand, to reach quality we must pay good people well, and on the other, we have no program if we charge more than parents can pay. So we can’t pay our staff worthy wages, and parents can’t pay the *already* unaffordable fees.”

Like many directors, Michael Brown of the NIA Center, faces tough realities. “I got a handle on our operating costs and what we’d really need to reach quality, but at the same time it was overwhelming. Programs with high numbers of children who are subsidized by the state are at the whim of government rates. You can’t raise your rates enough to reach the *True Cost* levels and you hit a wall between your reality and your dream.”

Jennifer and Michael are eloquent on the subject of true cost budgeting and the reality of closing the gap between price and the true cost of quality. We will never close the gap without systemic change in the way the United States finances child care. Creating that change demands persistent advocacy from parents and child care advocates, armed with the knowledge about the true cost of quality and united in a vision of quality for children and families.

Resources for true cost budgeting:

- *Budgeting the True Cost of Quality Toolkit* by Julie Bisson. Available on the web at: www.ci.seattle.wa.us/humanservices/fys/TrueCostQualityCare/

Tips for successful TCOQ projects

- Design separate courses for centers and family child care.
- Try to pry students out of the minimalist “box” in which child care providers dwell.
- Make time to debate definitions of **true** and **ideal** costs, and to reach agreement on shared standards.
- Afterschool requires two spreadsheets — for school year and summer — because revenue and staffing structures are unique.
- Access to a computer lab helps. Plan time to teach even experienced students to use spreadsheets. We found that about a third of the students didn’t know how to read a budget and had never created one.
- Students may have math anxiety or “budget phobia.” It takes a skilled instructor to demystify budgeting, help students talk about resistance and make it fun.
- Offer dinner, stipends for directors to complete all three budgets, and one-on-one mentoring for inexperienced directors.
- Spend time coaching directors to use budgets to advocate for change. Consider a buddy system for presentations to boards of directors and using a TCOQ invoice for parents that clearly identifies the gap between the **price** they are paying and the **true cost of quality**.
- Plan in plenty of time for directors for networking and learning from each other.

— Jodi Nishioka and Diana Bender, TCOQ coordinators

- *Managing Money: A Center Director’s Guidebook* by Roger and Bonnie Neugebauer, published by Exchange Press, www.childcareexchange.com
- *Model Work Standards, the Center for the Child Care Workforce*, www.ccw.org

End notes

¹ NAEYC is the National Association for the Education of Young Children (www.naeyc.org); NASA is the National AfterSchool Association (www.nasa.org).