

Cost of Quality Phase II





Cost of Quality Phase II Licensed Centers *Executive Summary*

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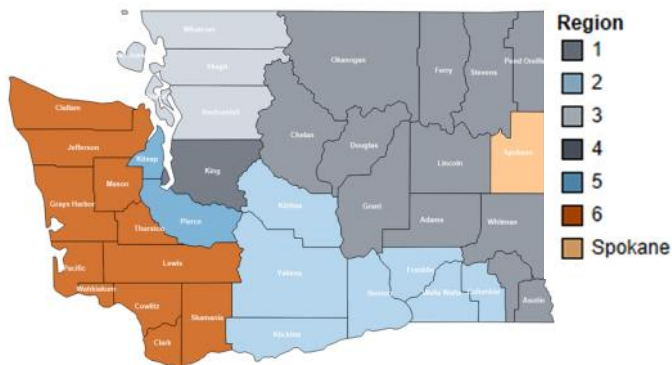
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Executive Summary

The Department of Early Learning (DEL) oversees the Cost of Quality project as a part of DEL's obligation to create an effective and continuous early learning system for children and families in Washington state. DEL designed Phase II with a mission to understand the costs of operating a child care center and the related costs associated with Early Achievers. As Washington's Quality Rating and Improvement System, Early Achievers offers support to early learning professionals to continuously improve their programs. It also provides quality ratings, on a scale of 1 to 5, to communicate quality to parents.

Figure 1: Washington Child Care Regions



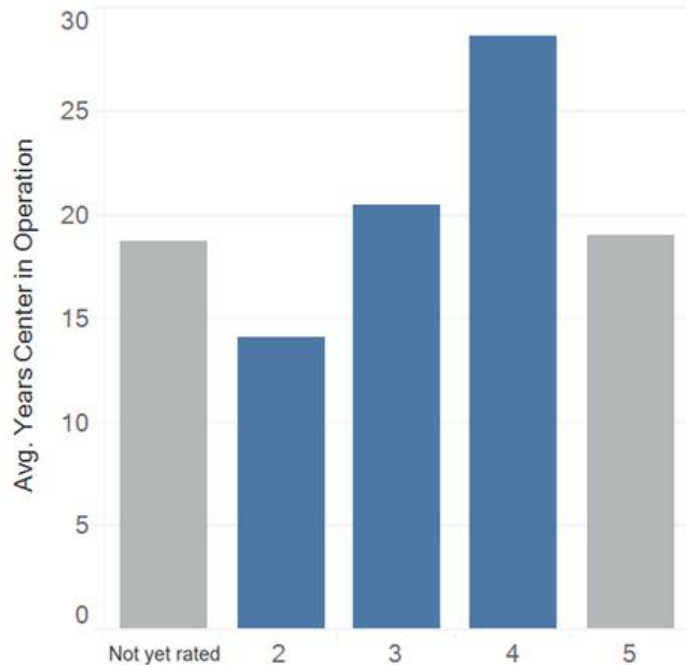
Researchers achieved a 70 percent response rate on a web survey sent to a sample of approximately 400 childcare centers. Researchers report the major findings below. The authors **bold** statistically significant findings, based on a .10 significance level or lower.

Center Characteristics

Researchers looked to see if characteristics of centers have a relationship with quality level. While these variables do not account for costs, several are estimators of centers' quality levels. These include:

- The amount of indoor and outdoor space per child appears to have a positive relationship with quality.
- The longer a center has operated, the higher their expected quality level, especially at Levels 2 through 4.

Figure 2: Average Years a Center Has Been in Operation



- Centers with **diversity** are more likely to have a higher rating, all else held constant. Researchers define this variable as some center staff with ethnicity or race other than white, or a primary language other than English. This effect may be due to the benefit of cultural exposure or community involvement.

Staff

Researchers found several interesting relationships between staff variables and Early Achievers quality level. These trends include:

- **Wages for lead and assistant teachers** increase as quality level increases in Regions 1 and 2. This means there was sufficient data to provide evidence for the trend in these regions.
- Lower **assistant teacher turnover** corresponds with higher quality levels.
- Higher **wages for directors and program supervisors** in some regions correspond with higher quality levels.
- Centers are more likely to require any level of **college for assistant teachers** as quality level increases.

High-quality centers offer positive job experiences for their employees. They also have higher standards of education for their staff. This may result in higher wages and less turnover.



Enrollment Statistics

Researchers also included enrollment statistics in data analysis. Researchers made the following observations about variables that are predictors of quality:

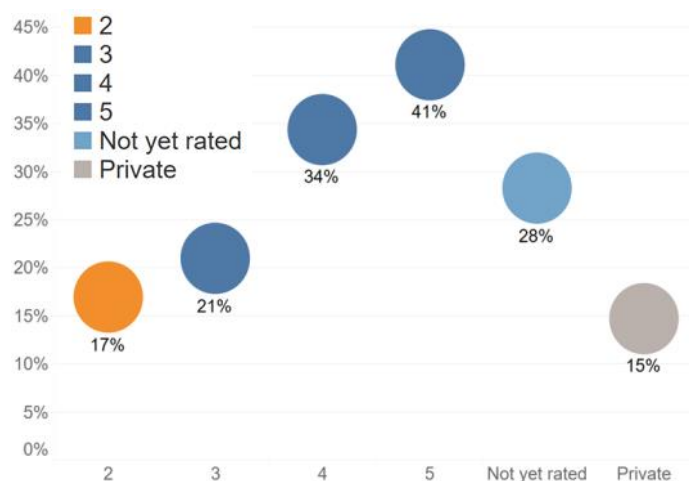
- As the **number of children served** by a center increases, quality level can be expected to increase. This may be due to large centers having more resources, or economies of scale.
- Centers appear to have a lower quality level if they serve school age children. This may be due to school age children requiring a lower staffing ratio, meaning centers with fewer resources may provide care for this age group. To ensure quality across the continuum of birth through elementary school, Washington is investing in expanded learning opportunities for school-age programs that build on the birth to five years quality rating and improvement system.
- Centers of higher quality levels have a greater likelihood of **caring for infants**. Caring for infants requires higher staffing ratios than other age groups. Thus, it may be that more established or well-endowed centers provide care for infants.

Costs and Revenue

Business models for centers can vary amongst quality levels. These differences include:

- Higher-quality centers are more likely to receive donations or in-kind goods. This may be because centers with a reputation of quality attract donations. Or, these donations may allow centers to spend revenue on costs that affect quality more. Additionally, it may be a signal for community involvement with the center.
- Level 2 centers spend nominally more on variable Early Achievers costs. However, Early Achievers costs represent a small part of their budget when compared to high-quality centers.
- Levels 4 and 5 have a large portion of their budgets dedicated to monthly investment in Early Achievers.
- Level 3 centers spend slightly more per month on Early Achievers when compared to Level 2 centers. This suggests that with a modest additional investment, Level 2 centers might move to Level 3.
- Centers that have not yet been rated have a large amount of their budget going towards Early Achievers, a possible sign that these centers are preparing for evaluation.

Figure 3: Early Achievers Variable Cost as a Percentage of Total Variable Cost



For rated centers, those that spend more in areas related to Early Achievers appear to have higher quality levels. Centers that DEL has not yet rated have large Early Achievers costs, suggesting they are preparing to rate.

Other Insights

This study has shown the value of the Early Achievers framework and the investments made by federal and state government over time. It has also shown that private tuition costs are not significant indicators of quality. Thus, private pay tuition rates are not market signals of quality. This means that a higher tuition rate does not equal a higher quality of childcare. This makes it difficult for parents to know the quality of the care they are buying. Washington therefore has a role to play to promote transparency and economic efficiency while funding the cost of quality. Early Achievers does this with the childcare market by ranking the quality level of the provider for parents to see.

Figure 4: Early Achievers Quality Levels





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