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GL4.8: CH44/D33/2

Day care costs.



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HUD 4-C MODEL CITIES PROJECT

(A Project of Technical Assistance to Mass. Model Cities)

July 1971 through February 28, 1973

Sponsored By:

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Under Agreement with

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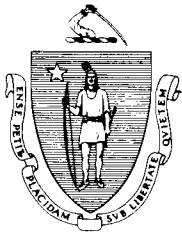
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AREA CODE 6
727-4152

March 1, 1973

The Hon. Francis W. Sargent, Governor
Commonwealth of Massachusetts
State House
Boston, Massachusetts

Dear Governor Sargent:

This analysis of day care costs in Massachusetts has been developed by our staff to meet a need identified by the State 4-C Committee for more factual information and better thinking about costs. We have had several task forces at work discussing costs of various forms of day care programs. This Report analyzes what is known of day care costs through the work of our task forces, the work of the state's Rate Setting Commission, and other sources of information.

I believe it meets a national as well as a state need, and am pleased to present this report to you, and through you to the people of the Commonwealth.

Sincerely,

Francis X. Naughton

Francis X. Naughton, Chairman
Governor's Advisory Committee on
Child Development (Massachusetts
4-C Committee)

SOURCES OF ASSISTANCE

The preparation and publication of this document was financially aided under Federal Contract #1566 of the Department of Housing and Urban Development under Section 106 of the Demonstration Cities and Metropolitan Development Act of 1966, with Commissioner Steven A. Minter of the Massachusetts Department of Public Welfare.

Its preparation was financially aided through a Federal Grant of the Department of Housing and Urban Development under Urban Planning Assistance Program authorized by Section 701 of the Housing Act of 1954 as amended, to the Office of State Planning and Management under the Secretary of Administration and Finance of the Commonwealth of Massachusetts, William Cowin.

For additional copies and further information, write the Office for Children, attention Massachusetts State 4-C Committee, 120 Boylston Street, Room #246, Boston, Massachusetts.

DAY CARE COSTS IN MASSACHUSETTS

This material was prepared by Jonathan Atkinson, in cooperation with staff from the Mass. 4-C Committee and the HUD 4-C Model Cities Project. Cover design by R. B. Jones.

Publication of this Document was approved by Alfred C. Holland, State Purchasing Agent.

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March 1973

INTRODUCTION

This booklet uses Program Budgeting to help you understand how much day care costs in Massachusetts.

During the time day care has become an important human service, hundreds of surveys on day care costs have been written, including several prominent studies in Massachusetts.* Rather than trying to compete with these studies, or duplicate their figures, we will try here to offer you some skills in understanding cost analyses, with only a very moderate amount of numbers thrown in toward the end.

What this booklet offers in terms of new thinking is a continual emphasis on program budgeting as the only way of accurately understanding day care costs. Actually, program budgeting is new only in the sense that human service experts have moved so far away from it in recent years.

* A Study in Child Care, 1970 - 71, Vol. III. A.B.T. Associates, Cambridge, "Costs and Quality Controls for Operators." This one is quite clear and thorough.

As far as national studies go, "Standards and Costs for Day Care," Day Care and Child Development Council of America in Washington, D.C. is also clear and straightforward.

PROGRAM BUDGETING

Program budgeting says very simply, "there is an unbreakable link between the people, materials and environment of a human service program and the accurate costs accounting of that service." Until we understand the specific meanings of that sentence, any dollar figure we attach to day care services won't be very enlightening.

This is not to delay or confuse the issue of how much day care costs in Massachusetts. It's important for parents, government agencies, private foundations, and service providers to know. But in order to get costs, we have to know what costs we're talking about. This brings us to the crucial definition of "program."

Program says, "human service delivery is the SUM ACTIVITY of several/many human beings working together in one/a variety of physical settings."

Coupling this with our definition of program budgeting, we can say now that there is an unbreakable link between the SUM ACTIVITY and accurate fiscal management.

No one can deliver a human service by himself. At least two people are needed before human service is delivered, and more likely 10 or 20 people are involved.

That's a fact of life given the demands placed on us by today's society. Whether it be family planning, community based foster care, or day care, the delivery of service depends on the intermeshing of human spirit of many people.

I submit that we've lost sight of this fact. While "production line" techniques work well for refrigerators,

automobiles, houses, or clothing, they do not work well in solving human problems. Repetitive, isolated actions can turn out metal parts; but such actions are the death knell of human services.

Day care's universe

The money paid for day care goes toward this SUM ACTIVITY which characterizes human service delivery. Here we raise a major point of contention with the service unit* concept.

Trying to understand how your money is spent in day care by isolating a single person, then dividing the service into short time segments is missing the essential point. Day care is the sum activity of a variety of persons, materials, environment -- working in an interrelated way! Not understanding its' costs in whole terms is ultimately avoiding understanding whether your money is well-spent. Not seeing it in whole terms is missing the very point of delivering it in the first place. And finally, not organizing delivery of service in terms of whole programs is to ultimately foster waste, duplication, isolation of individuals... i.e., POOR HUMAN SERVICE DELIVERY!

WHAT MAKES UP THE UNIVERSE OF DAY CARE IN MASSACHUSETTS?

In general, we can identify the universe of day care as follows:

Services funded by public/private non-profit agencies:

All the work that goes into budgeting by the funding source; proposal writing, review, and acceptance; bill paying; actual service delivery (including start-up); monitoring, evaluation, technical assistance.

Services funded by proprietary (profit-making) agencies:

All the work that goes into deciding where, when, and to whom service will be delivered; actual service delivery; reviewing, evaluating, technical assistance.

PLUS: Licensing, zoning, building inspection, health inspection; on-going regulatory activities.

Program goals

No one wants to spend day care money poorly. But "poorly" means different things to different people. For instance, to a legislator, poorly may mean "too much": no legislator wants to spend too much for day care. To a community group, "poorly" may mean poor quality: no community group wants to spend day care money on poor quality service.

The point here is, knowing whether your money is being spent well or poorly depends on how you look at what is being accomplished (goals). Once again we need to emphasize the notion of "program." What the several/many people do in producing their sum activity is what accomplishes a goal, or thwarts it. In human service delivery, understanding the interrelationships of the sum activity is understanding the benefits of the money spent. For instance, a poor quality day care program might be very wasteful of funds because it does not accomplish its goals. How you go about making those funds less wasteful necessarily involves looking at that program as a whole, for only then can you understand how any goal is really accomplished.

DAY CARE SERVICES

Having established a case for program budgeting as a way to understand costs, we are now ready to move on and talk more specifically about day care.

Most people think of day care as pre-school children in a group setting. But there are many different kinds of day care, and therefore many different day care costs.

DAY CARE: A VARIETY OF PROGRAMS... AND SERVICES WITHIN PROGRAMS

- | | |
|---|---|
| 1. <u>Infant Group Care</u> - Infants spending all or part of the day in a community facility. | Instruction
Food |
| 2. <u>Infant Family Care</u> - a mother takes other infants into her home during the day. | Health Service
Community & Family Outreach |
| 3. <u>Pre-school Group Care</u> - young children in a community setting for full or part day. | Transportation
Parent Involvement |
| 4. <u>Family Day Care Systems</u> - a mother takes care of other children and receives training, supervision, assistance from a central staff. | Staff Development
Rehabilitation |
| 5. <u>After School Care, Summer Camp</u> - for all ages; recreation and formal learning. | Maintenance of building, play area |
| 6. <u>Specialized Day Care</u> - mental and physical therapy; bi-lingual and bi-cultural; integrated day care combining special day care with above programs. | Administration |

Fees aren't costs

The next step is understanding that day care fees are not the same as costs. Fees are charged to parents, usually on a weekly or monthly basis, and rarely cover the real full cost of service to a child. We also need to point out that fees vary within a given program, adjusted on a sliding scale to what the parent can afford. The lesson here is that fees clearly shouldn't be confused with costs.

In-kind

If fees don't cover costs, and the day care program has no other cash sources, then how can the program meet costs? The answer is "in-kind contributions," an important ingredient in day care programs.

In-kind contributions are non-cash resources donated to a program without charge. Typically, these contributions take the form of volunteer staff time, free use of building space, or materials and supplies for the children.

In-kind contributions are crucial to day care cost accounting. While donated staff, space, and materials represent real costs to a program, their value usually remains hidden if they are provided by in-kind contributions. Therefore it is imperative that in-kind contributions be sought out, and accounted for, in order to arrive at true program costs.

Other differences

Geographical Cost Differences: The prices in Acton, both for salaries and material goods, are far different from

the prices in Boston. At the same time, Boston has certain resources which Acton does not have. The point here is, even the same service, delivered in exactly the same way, will cost different amounts depending on where in the state the service is delivered.

Organizational Differences: Day Care is not always a separate service. It sometimes shares staff, space, etc., as a part of a larger organization. It may coordinate services with other organizations.

All of this has a bearing on costs. How day care services are organized and coordinated will affect the costs of a program. Massachusetts has many variations, even for the same kind of service.

Each of the above points contribute to the most important fact about day care costs, which is that day care costs are.

THERE IS NO SINGLE NUMBER WHICH DESCRIBES WHAT DAY CARE REALLY COSTS.

To continue to search for THE cost will be frustrating and fruitless.

EXAMPLE BUDGETS

We are now ready to present several different budgets for different kinds of day care services. The examples here are operating budgets from real programs in Massachusetts.

1 FULL DAY PRE-SCHOOL GROUP DAY CARE (WESTERN MASS.)
32 CHILDREN
OPERATING ANNUAL BUDGET - FULL COSTS

Personnel: Director	\$ 9,100
Teacher	6,000
Teacher aides (5)	16,750
Social work aide	5,610
	<u>37,460</u>
Fringe benefits	5,083
Teacher (employed by EEA)	6,000
Teacher aide (employed by EEA)	3,350
Total Personnel	<u>51,893</u>
Contracted Services: Family services administrator (15% of total salary)	2,025
Social work supervisor	1,500
Clerk	840
Overhead costs (15% of total FSS operating costs)	680
Total Contracted	<u>5,045</u>
Special resource personnel	1,500
Consumable supplies	2,850
Equipment replacement	450
Food service	3,750
Space, utilities, maintenance	4,500
Telephone	300
Insurance	250
Parent education activities	1,000
Staff training (including college course)	4,000
	<u>18,600</u>
GRAND TOTAL EXPENSES	75,538

2

FAMILY DAY CARE SYSTEM (BOSTON AREA)
 120 CHILDREN
 OPERATING ANNUAL BUDGET - FULL COSTS

<u>A. PERSONNEL:</u>	<u>ANNUAL SALARY</u>	<u>TOTALS</u>
1 Director	\$ 15,000.00	
2 Adm. Assistants @ 9500 ea p/z	19,000.00	
1 Center Director @	8,500.00	
5 Educational Aides @ 5600 ea p/z	28,000.00	
1 Social Work Asst.	5,200.00	
1 Center Asst.	5,200.00	
1 Bookkeeper	6,500.00	
1 Secretary	5,200.00	
 <u>FRINGE BENEFITS</u>	 <u>13,739.32</u>	
50 TEACHER MOTHERS (Caring for 120 children @ 110.25/mo.)	158,760.00	
 TOTAL PERSONNEL		 265,099.32
 <u>B. CONSULTANTS:</u>		
CPA	500.00	500.00
 <u>C. TRAVEL:</u>		
12 Staff @ \$5 p/wk/p/yr.	3,120.00	3,120.00
 <u>D. SPACE COST:</u>		
Rent - 12 months @ 400/per month	4,800.00	4,800.00
 <u>E. CONSUMABLE SUPPLIES:</u>		
A. Office supplies per 12 staff members @9.25 p/month each	1,332.00	
B. Program supplies, new equipment and replacement	3,600.00	
TOTAL CONSUMABLES		4,932.00
 <u>F. OTHER COSTS:</u>		
Telephone - 4 lines @ \$40 ea. p/mo.	1,920.00	
Postage - \$30 p/mo.	360.00	
Bus trips	160.00	
Parent snacks	100.00	
Enrichment materials	200.00	
Workshop materials	300.00	
TOTAL OTHER COSTS	3,040.00	3,040.00
 <u>G. GRAND TOTAL:</u>		 \$281,491.32

ARE THESE LEGITIMATE COSTS TO PAY FOR DAY CARE SERVICES?

At this point you can make some judgements of your own. After you've looked over the budgets carefully, ask yourself the following questions:

1. What is a reasonable salary for a director?
A teacher?
2. Can the staff call upon a social worker if needed?
Or a nurse? Or a psychological consultant?
3. What is the minimum amount of chairs, tables, books, typewriters, etc., needed to run any one of the programs?
4. What is a reasonable rent figure?
5. Is there a need for each of these programs in the first place? Are there needs for additional services within each program?

If you can't answer all of these questions, then you won't know whether these are justifiable budgets. The information you need to know, i.e. director's qualifications and job description, characteristics of the children served, type of building rented or owned, community support, and general direction of the program in the coming year -- all of this comes from the PROGRAM. Any cost, regardless of how it is presented, is justified (or unjustified) in terms of the program behind it.

HIDDEN COSTS

There are additional costs not shown in any of these budgets:

Start Up	<u>Est. Annual Cost</u>
Pre-service training	
5 workshops, 5 speakers @ \$ 60/day	300.00
Video tapes, equip. rental	100.00
Materials, supplies	100.00
Renovation	
repair toilets, fix roof, paint classrooms	700.00
Licensing, Regulation	
1/15 - 1/20 licensing staff	600.00
Building inspection	60.00
Zoning (unless rezoning is required)	60.00
Overhead Management*	
1/20 staff time for contract negotiation, approval	600.00
Monthly bill processing @ 9.00/bureaucratic step, 5 steps, 12 times/year	540.00
1/20 staff time for monitoring, evaluation, technical assist.	600.00

* When funding source is state agency, fed'l. govt., etc.

These costs are of course estimated (they are also probably low). But they nevertheless demonstrate that other costs do exist for day care beyond what is presented in an operating budget.

Unit costs

Many of the facts and figures which are produced these days are in terms of unit costs, i.e., per child/per time period. Let us emphasize: any unit cost figure MUST be generated from program budgets. The program comes first.

Having made this point, we can now look at how our three example budgets translate into different unit costs.

	ANNUAL BUDGET	# CHILD	YEAR	PER CHILD			
				MO.	WK.*	DAY	HR.**
# 1	75,538	32	\$2,360	196.50	45.48	9.07	1.14
# 2	281,491	120	2,340	194.80	45.10	9.02	1.13
# 3	77,808	24	3,240	270.00	62.30	12.48	1.56

* based on 52 weeks per year

** based on 40 hours per week

But here we offer you a caution: the unit figure itself offers no real information. Whereas 50.00 /child/week may not be justified for Program #1, that unit cost may be too small for Program #3. The point is, you don't know, and you can't know, until you learn something more about the PROGRAM.

HOW MUCH DOES DAY CARE COST IN MASSACHUSETTS?

By now, you should be able to give an intelligent answer to that question. You should also be able to answer these: Is \$ 42.50 per week too much to pay for day care? How can ABC Day Care Center charge only \$ 15.00 per week to parents?

In summary, here are guidelines to giving good answers about day care costs:

First, beware of giving any cost figure until you know who runs the program, how it's run, whose children it serves, and how much community support it has.

Second, be sure to emphasize the difference between costs and parent fees.

Third, if you're satisfied that the program is good, stress that costs will vary, depending on what different services the program offers, the geographical location of the program, what non-cash donations it receives, and what particular needs and resources it confronts.

Fourth, suggest that day care costs be presented on an annual basis, since a shorter time won't provide the program enough time to satisfy whatever goals are decided upon.

Fifth, if you are asked to make an estimate of how much it would cost to expand day care services in Massachusetts, use the very helpful table on the next page provided by the Rate Setting Commission staff as a basis for cost projection. Appropriate start-up, management, and "political process" costs need to be added to give a realistic picture. These other costs should not be underestimated.

