

Multnomah Preschool for All – Phase 1 Budget Framing

Thinking About Costs

Costs for preschool programs should be thought about in two parts: costs to providers to provide direct services to children, and system costs to administer the program, including implementing and overseeing activities to ensure program quality.

Provider Costs (Cost per Child) – \$12,000 to \$13,000

These are the costs related to meeting preschool classroom program standards and provider costs of doing business. This is typically communicated as “costs per child” or “costs per slot” for preschool program reporting. This amount is often either the average payment to providers or a flat reimbursement rate for providing preschool programming. These costs constitute the amount needed for providers to provide programming at the standards set by PFA.

The majority of cost per child rates reported across similar preschool initiatives range between \$11,000 and \$13,000 for budget years between 2015 and 2017. Given the PFA recommendation of an additional assistant within each classroom (typically, high-quality preschool programs have one teacher and one assistant per classroom), we can expect to be on the higher end of this range - \$12,000 to \$13,000 – if implemented today.

System Costs (Preschool for All Program Costs) – an additional 30% and 45%

These costs are those associated with the administration of the program, such as contracting, payments, etc., and program support associated with ensuring program quality and accountability. These supports can include things like workforce development initiative, infrastructure investment initiatives, program marketing and community outreach, and provider business support.

The scaling of these costs does not always have a direct relationship with the number of children served in the program. For example:

- The number of providers overall and number of new providers each year will determine the need for administrative staff for contracting and staff support for on-boarding new providers.
- Early investments in data systems will be required in the first few years, regardless of the number of children served in those years.
- Workforce development investments may be higher in early years to create new training pathways to build out the workforce to reflect the PFA Task Force recommendations and will be more closely related to the educational needs of interested providers over the long term.

Given research on universal preschool programs with similar supports for programs operating at-scale (roughly 5 to 10 years after the beginning of their universal preschool initiative), we have estimated that between 30% and 45% of total program costs will come from these systems costs.

PFA Initial Cost Estimation – \$150 - \$250 million

Working with the understanding of the elements of high-quality preschool program costs as described above, we estimate that annual program costs if implemented at scale today would require between \$150 million and \$250 million per year.

Early PFA Cost Estimation Approach

In order to estimate early costs prior to beginning discussions of program design and administration, you must rely on budget reporting of similar programs elsewhere. In addition to looking at locally supported preschool programs with at least 5 years of experience implementing and scaling the program, we made several assumptions about program design to arrive at the annual cost estimate at scale. These assumptions, described below, do not reflect final information or program design decisions by PFA stakeholders or staff.

Universal Preschool Utilization

Universal preschool participation rarely means that all 3- and 4-year-olds are enrolled; some share of families will choose to access early childhood programming or care elsewhere. A common expectation among preschool programs and other early childhood programs is an ultimate uptake of 70% of all 3-year-olds and 80% of all 4-year-olds. In the context of Multnomah County, across the roughly 19,000 3- and 4-year-olds, an estimated 14,300 would participate in the PFA program at-scale. The cost estimates contained here assume a slightly higher participation rate among children in families under the Self Sufficiency Standard (80% for 3-year-olds and 90% for 4-year-olds) and lower participation among children in families above the Self Sufficiency Standard, with families above 500% of the federal poverty level assumed to be the least likely to participate.

Day and Year Length Included in Estimates

Although the Task Force recommended finding ways to provide extended day and extended year care for participating families, the PFA initiative may not cover the full costs of these extended services. In order to derive estimates of costs, we focused on costs associated with a 6-hour, 180-day program year, typically referred to as a school year program. This allows for comparisons to other similar programs, which typically cover costs associated with school year programming. This does not, however, consider the costs of preschool programming at home child care sites or multi-generational program models, which would be addressed in a more detailed cost model.

Existing Public Investments in Preschool

Universal preschool initiatives typically aim to incorporate existing public preschool programs to create a joint effort in meeting the goal of universal preschool accessibility. Frequently, these programs are not funded in such a way that they can meet the quality standards set by the universal preschool initiative, and their funding is supplemented to ensure that each preschool slot is funded at the same level. For the purpose of this cost estimate, we identified the number of children currently funded through federal Head Start, state Head Start (Oregon Prekindergarten), and Preschool Promise, and estimated the funding from these programs based on the average provider payment statewide. These estimates could change with changes in funding for existing slots within these programs and additions of new slots.

Tuition Payment Assumption

Based on the uptake assumptions described above, we assumed a tuition contribution for children in households above the Self Sufficiency Standard. Here we assume that all households above Self Sufficiency Standard contribute 7% of their household income towards PFA program costs. This contribution rate is based on the standard set by the U.S. Department of Health and Human Services as affordable for child care.