



# Cost, Quality and Shared Services

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Alliance for  
**Early  
Childhood  
Finance**



## The Cost-Quality Gap

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- Higher quality ECE costs more than most families can afford
- Market-based ECE encourages low tuition fees and discourages investments in quality
- Many ECE expenses are fixed (e.g., by regulation or industry practices).



# Can shared services help close the gap?

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Mathematical models of ECE center  
operations

Demonstrate potential savings from  
sharing services

Savings can be used to close the gap  
and improve quality



## An 'average' center in the US

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- Serving the needs of its community
- 5 classrooms/75 children/12 teachers
  - 1 infant room
  - 1 toddler room
  - 3 preschool rooms
- Acceptable level of quality
  - Meets state regs for staff qualifications
  - Meets NAEYC minimums for ratios/group sizes



## A 'better' center in the US

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- Same size
- 5 classrooms/75 children/12 teachers
  - 1 infant room
  - 1 toddler room
  - 3 preschool rooms
- Better level of quality
  - ½ the teachers have AAs
  - Wages are 5% better than average
  - Additional revenue from quality awards



## So, how do they fare?

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The acceptable center:

\$570,910

Expense

\$570,608

Revenue

\$302

Annual Loss

The better center:

\$602,785

Expense

\$581,809

Revenue

\$20,976

Annual Loss



## What if they share PURCHASING?

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The acceptable center has a surplus  
of -- \$2,968

The better center has reduced its loss  
to -- **\$17,706**



## What if they also share OFFICE STAFF?

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The acceptable center has larger surplus -- \$12,315

The better center has further reduced its loss -- \$7,349



## What if they also share DIRECTOR?

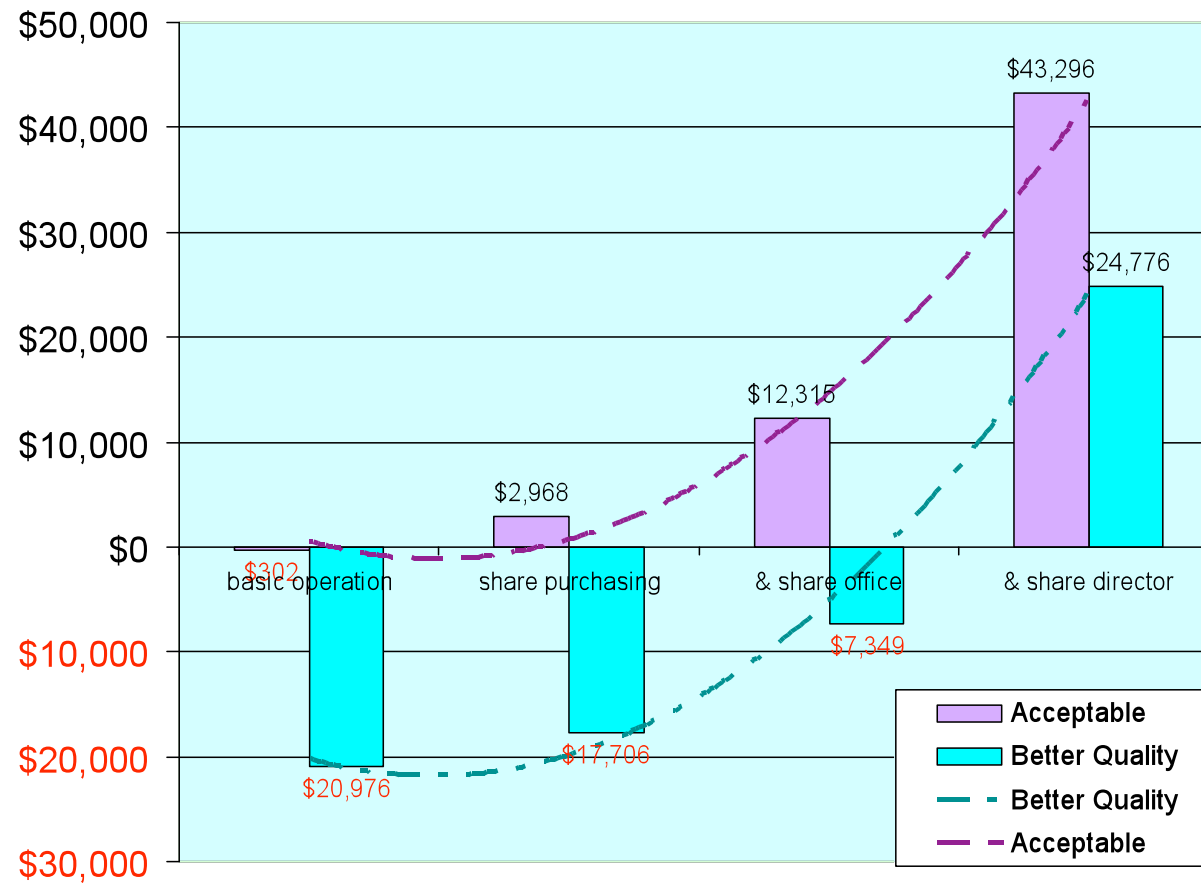
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The acceptable center has even more surplus -- \$43,296

AND

The better center finally breaks even and has a surplus! -- \$24,776

# Effect of Shared Services on Center Annual Net Revenue



Effect of Shared Services on Center Annual Profit or Loss



## Other benefits of Shared Services?

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- Access to staff like nurses, mental health consultants
- Direct support to improve the program, like a mentor teacher, quality coach
- Ability to apply for grants to benefit the center (and others in the Alliance)



For more info...

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