

UNIVERSAL PRE-K WILL SAVE FAMILIES \$17 BILLION IN OUT-OF-POCKET EXPENSES

RESEARCH HIGHLIGHTS

- **Universal pre-kindergarten would save families \$17 billion per year** that they now spend on child care for their three- and four-year-olds.
- **On average, families spend nearly 11 percent of their monthly income on child care** just for their three- or four-year-olds. For Black families, that number rises to over 12 percent.
- **Single parents spend almost 75 percent more on child care than two-parent households**, when considering costs of care as a percent of their total household income.



INTRODUCTION

Universal preschool provides excellent benefits to children and families. It improves school readiness and provides long-term educational benefits.¹ Children who attend preschool are less likely to get arrested later in life or face disciplinary measures such as juvenile incarceration.² They are also more likely to attend college and earn significantly more as adults.³ These benefits have the potential to extend to the next generation—for example, the children of parents who benefited from high-quality pre-K, and especially disadvantaged Black children.⁴ A national universal pre-K program creates jobs, allows parents to pursue economic opportunities, and saves families significant money that they currently spend on care for their young children.⁵

Based on current expenditures on care for three- and four-year-old children, this brief estimates the potential savings associated with universal pre-K for different types of families. Estimates of out-of-pocket expenses for child care are based on the National Survey of Early Care and Education (NSECE) 2019 household survey.⁶ Estimates include household expenditures after deducting any

subsidies a family may have received. This survey records any kind of paid care arrangement including center-based, home-based, and individual care such as care provided by a friend or family member. The brief shows average annual child care costs for households by race/ethnicity and by family type, both in absolute dollars and as a percent of average monthly income. It also highlights substantial differences by race/ethnicity and family type of the level of expenditure and access to quality care (for more detail, see Methodology notes at the end of this brief).

Black Families Would Benefit Most from Universal Pre-K

American families spend an average of \$690 per month, or \$6,211 annually, out of their own pockets on child care during weekday standard hours just for their three- and four-year-olds.⁷ Child care expenditures for these families could be even higher if they have other children in child care. Average monthly household expenditures just for three- to four-year-old children range from \$555 for Black families to \$744 for White families. Collectively, this adds up to \$17 billion in savings for families if universal pre-K was made available (Table 1).

TABLE 1. Out-of-Pocket Child Care Costs for Three- and Four-Year-Olds
By Race/Ethnicity of Household

	Monthly	Annually*	Annually, All Households
White <i>Non-Hispanic</i>	\$744	\$6,696	\$10,686,000,000
Black <i>Non-Hispanic</i>	494	4,449	1,173,900,000
Hispanic/Latino/a	555	4,998	1,521,000,000
Multi-ethnic <i>Including Hispanic</i>	685	6,162	2,523,300,000
Other <i>Non-Hispanic</i>	732	6,591	1,092,000,000
Total	\$690	\$6,211	\$17,004,000,000

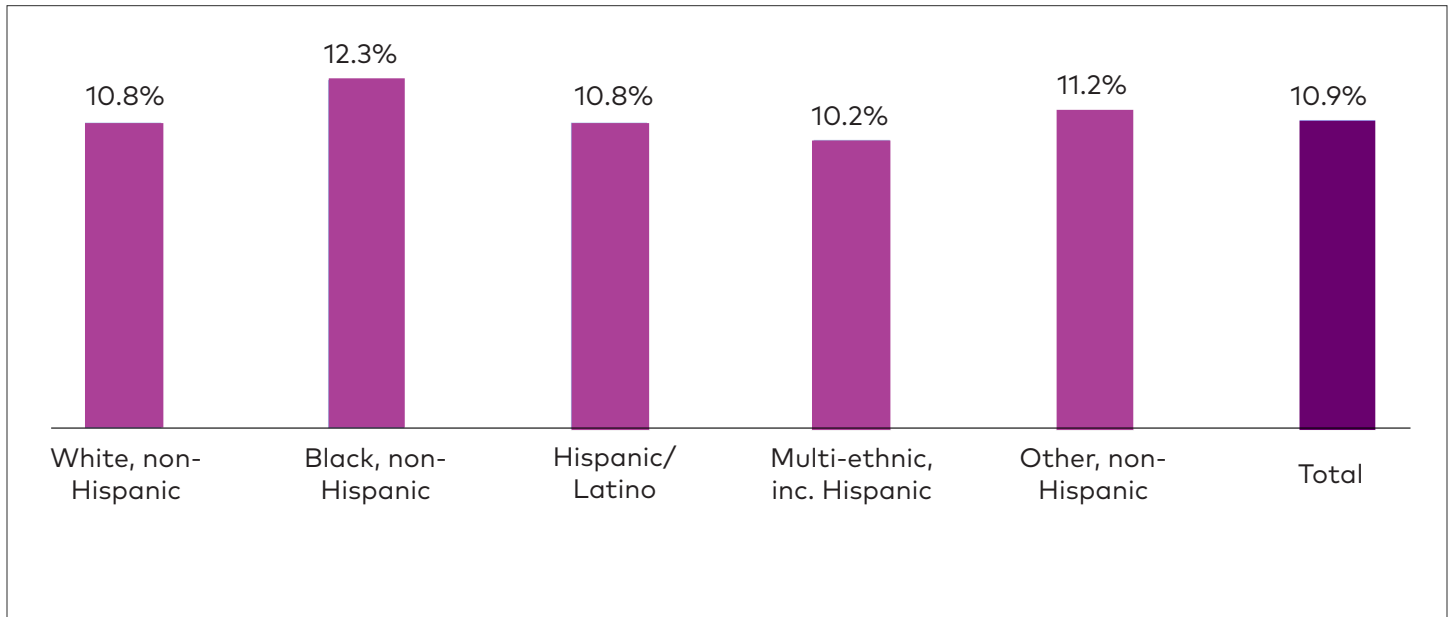
Note: Race and ethnicity are determined at the household level, defined as the respondent and all children present in the household. If all members of the household share the same racial identity, the household is identified being of that same racial identity. Multi-ethnic describes that at least one of the children in the household reported a different race and/or ethnicity than the respondent, and at least one member of the household was Hispanic. "Other" includes Asian, Native Hawaiian/Pacific Islander, two or more races, and individuals reporting some other race.

* Annual estimates obtained by multiplying monthly estimate by nine months since preschool is not year-round.

Source: IWPR analysis of 2019 National Survey of Early Care and Education (NSECE).

In total, households with preschool-aged children spend 10.9 percent of their monthly income on child care just for their three- or four-year-olds. While Black families pay least for child care in absolute terms, they spend the largest percentage of their monthly income on child care for three- and four-year-olds at 12.3 percent. Thus Black families see the biggest impact on their budget from the savings that universal pre-K would provide (Figure 1).

FIGURE 1. Average Percentage of Monthly Income Spent on Child Care for Three- and Four-Year Olds By Race/Ethnicity



Note: Race and ethnicity are determined at the household level, defined as the respondent and all children present in the household. If all members of the household share the same racial identity, the household is identified being of that same racial identity. "Multi-ethnic" describes that at least one of the children in the household reported a different race and/or ethnicity than the respondent, and at least one member of the household was Hispanic. "Other" includes Asian, Native Hawaiian/Pacific Islander, two or more races, and individuals reporting some other race.

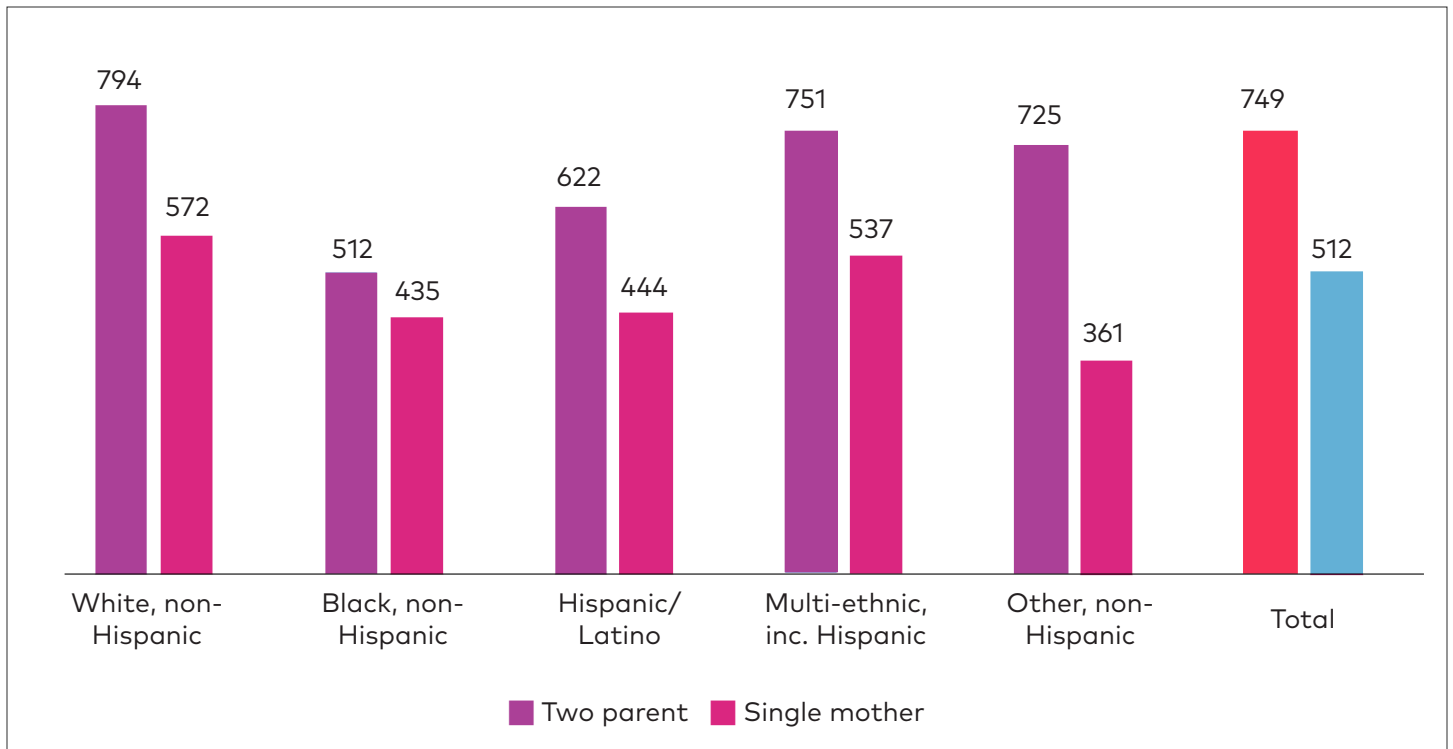
Source: IWPR analysis of 2019 National Survey of Early Care and Education (NSECE).

Out-of-Pocket Expenses for Child Care Are 1.7 Times Higher for Single Mothers than for Two-Parent Families

These averages of household expenditures hide substantial differences in spending between different types of families. In absolute terms, two-parent households spend more on child care for preschool-aged children than single parents, and this is true irrespective of the racial or ethnic background of the household (Figure 2). However, it is important to note that although two-parent households spend more in absolute terms, single mothers spend 1.7 times more as a percent of their monthly budget—a share that greatly impacts the economic situations for these families. The differences in expenditures are particularly pronounced between two-parent families and single mothers who are Asian, Native Hawaiian/Pacific Islander, two or more races, and individuals reporting some other race. Two-parent households spend twice as much on their three- and four-year-olds than single mothers. While subsidies help low-income families pay for child care, only 15 percent of eligible children actually receive them.⁸ Because of budget constraints, single mothers rely more on individual- or family-based child care than two-parent households who are more likely to utilize more expensive—and often higher-quality—center-based care.⁹

FIGURE 2. Average Monthly Child Care Costs for Single- and Two-Parent Households

By Race/Ethnicity (in Dollars)

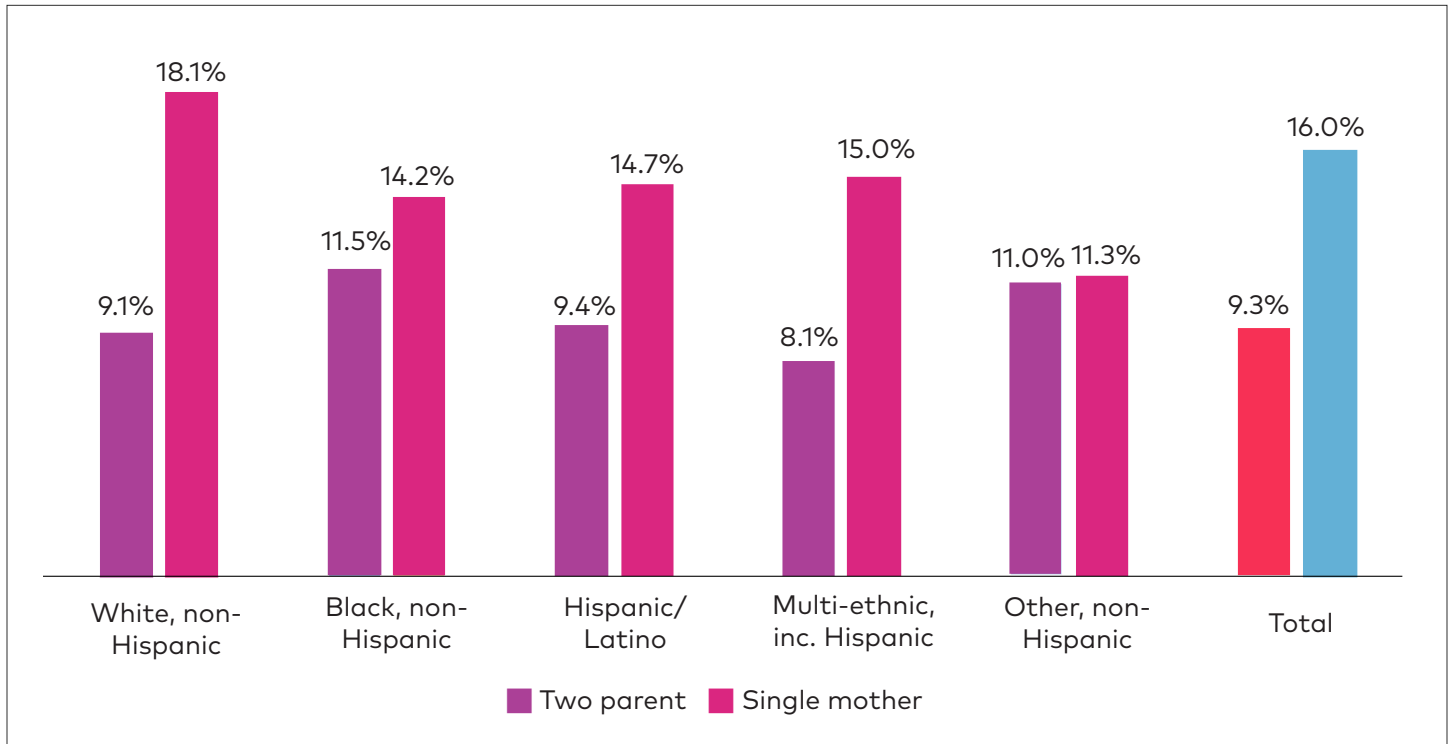


Note: Race and ethnicity are determined at the household level, defined as the respondent and all children present in the household. If all members of the household share the same racial identity, the household is identified being of that same racial identity. "Multi-ethnic" describes that at least one of the children in the household reported a different race and/or ethnicity than the respondent, and at least one member of the household was Hispanic. "Other" includes Asian, Native Hawaiian/Pacific Islander, two or more races, and individuals reporting some other race.

Source: IWPR analysis of 2019 National Survey of Early Care and Education (NSECE).

Breaking down spending on child care for preschool-aged children as a percentage of monthly income further reveals the disparity between single-mother and two-parent households (Figure 3). Families who spend the highest absolute dollar amount devoted a smaller proportion of their monthly income to child care than most families who spend less in absolute terms. Single mothers of all backgrounds spend a higher percentage of their income (16.0%) on child care than two-parent households (9.3%). White and multi-ethnic households have the largest disparities, with single mothers devoting nearly double the share of their income to child care compared with two-parent households.

FIGURE 3. Average Percentage of Monthly Income Spent on Child Care for Three- and Four-Year-Olds By Race/Ethnicity and Parent Structure



Note: Race and ethnicity are determined at the household level, defined as the respondent and all children present in the household. If all members of the household share the same racial identity, the household is identified being of that same racial identity. "Multi-ethnic" describes that at least one of the children in the household reported a different race and/or ethnicity than the respondent, and at least one member of the household was Hispanic. "Other" includes Asian, Native Hawaiian/Pacific Islander, two or more races, and individuals reporting some other race.

Source: IWPR analysis of 2019 National Survey of Early Care and Education (NSECE).

CONCLUSION: Universal Pre-K Must Be a Priority for Families and Children

If universal pre-K were rolled out tomorrow, families with young children across the country would save significantly on child care—and young children would be better prepared to succeed and thrive in school. By eliminating this hefty expense for parents and providing access to high-quality, inclusive child care to all families, universal pre-K can also help to reduce racial disparities in early education, leading to longer-term benefits for today's families and future generations.

METHODOLOGY

This fact sheet draws on data analysis from the 2019 National Survey of Early Care and Education (NSECE) household survey. The NSECE is a nationally representative study on the use and availability of early care and education in the United States.¹⁰

The NSECE differentiates between two-parent and single-parent households irrespective of marital status; because of small sample sizes, analysis in this brief omits single fathers. Any household including a child that is 40-months to 64-months old at the time of interview is included. As surveys were conducted from January to May 2019, a child of a respondent surveyed in January would be 40-months old to just make the pre-K age cutoff in September.

Race and ethnicity are determined at the household level. If all members of the household share the same racial identity, the household is identified being of that same racial identity. If all members of the household were reported as being Hispanic regardless of race, then the household was labeled "Hispanic/Latinx." "Multi-ethnic" describes a household where a different race or ethnicity from the respondent's is reported for at least one of the children in household, and at least one member of the household was Hispanic. Multi-ethnic is called "multi-racial" in the data source. "Other" includes households where parent(s) and children share the same racial or ethnic identity and includes Asian, Native Hawaiian/Pacific Islander, two or more races, and individuals reporting some other race.

"Weekly cost of care" is reported by the respondent for paid care arrangements that last at least five hours weekly and comprise weekly direct charges minus any subsidy paid directly to the household. Monthly estimates are obtained by multiplying weekly charges by 4.3. Families' out-of-pocket care costs may have been recorded as \$0 whenever an outside person or agency paid the provider for care, and whenever no parents were charged.¹¹

Universal pre-K savings estimates in this fact sheet are limited to cost for three- and four-year-old children in paid care arrangements during standard hours, 8 am to 6 pm, Monday through Friday, as defined by NSECE 2019 survey. Annual estimates were obtained by multiplying monthly estimate by nine months since preschool is not year-round.

Respondents reported monthly and annual income. Monthly income was used to compute percentage of monthly income devoted to child care. Annual income divided by twelve was used wherever monthly income data was missing or very small (less than \$1,000).

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ENDNOTES

¹ See, for example, William T. Gormley, Ted Gayer, Deborah Phillips, and Brittany Dawson, "The Effects of Universal Pre-K on Cognitive Development," *Developmental Psychology* 41, no. 6 (2005): 872–84; Jens Ludwig and Douglas L. Miller, "Does Head Start Improve Children's Life Chances? Evidence from a Regression Discontinuity Design," *Quarterly Journal of Economics* 122, no. 1 (2007): 159–208.

² Guthrie Gray-Lobe, Parag A. Pathak, and Christopher R Walters, "The Long-Term Effects of Universal Pre-school in Boston," Working Paper 28756 (Washington, DC: National Bureau of Economic Research, 2021), <<https://www.nber.org/papers/w28756>>.

³ James J. Heckman and Ganesh Karapakula, "The Perry Preschoolers at Late Midlife: A Study in Design-Specific Inference," Working Paper 25888 (Washington, DC: National Bureau of Economic Research, 2019), <<https://www.nber.org/papers/w25888>>; James J. Heckman, Seong Hyeok Moon, Rodrigo Pinto, Peter A. Savelyev, and Adam Yavitz, "The Rate of Return to the High/Scope Perry Preschool Program," *Journal of Public Economics* 94 (2010): 114–28.

⁴ Jorge Luis García, James Heckman, and Victor Ronda, "The Lasting Effects of Early Childhood Education on Promoting the Skills and Social Mobility of Disadvantaged African Americans," Working Paper 29057 (Washington, DC: National Bureau of Economic Research, 2021), <<https://www.nber.org/papers/w29057>>.

⁵ See, for example, Liana Christin Landivar, William J. Scarborough, Caitlyn Collins, and Leah Ruppanner, "Do High Childcare Costs and Low Access to Head Start and Childcare Subsidies Limit Mothers' Employment? A State-Level Analysis," *Social Science Research* 102 (2022), <<https://doi.org/10.1016/j.ssresearch.2021.102627>>; Leila Schochet, *The Child Care Crisis Is Keeping Women Out of the Workforce* (Washington, DC: Center for American Progress, 2019) <<https://www.americanprogress.org/article/child-care-crisis-keeping-women-workforce/>>.

⁶ Data released in November 2021 by NSECE Project Team (National Opinion Research Center), "National Survey of Early Care and Education (NSECE), [United States], 2019: Version 3," Interuniversity Consortium for Political and Social Research, <<https://doi.org/10.3886/ICPSR37941.V3>>.

⁷ Annual estimates are obtained by multiplying monthly estimate by nine months since preschool is not year-round; NSECE 2019 survey defines standard hours as 8 am to 6 pm.

⁸ Nina Chien, *Factsheet: Estimates of Child Care Eligibility & Receipt for Fiscal Year 2018* (Washington, DC: Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, 2021), <<https://aspe.hhs.gov/sites/default/files/2021-08/cy-2018-child-care-subsidy-eligibility.pdf>>.

⁹ IWPR analysis of NSECE 2019 data. Two-thirds of two-parent households utilize center-based care and one third use family-based care for three- and four-year-olds. The proportions are reversed for single mothers, two-thirds of whom use family-based care and one-third center-based.

¹⁰ Data released in November 2021 by NSECE Project Team (National Opinion Research Center), "National Survey of Early Care and Education (NSECE), [United States], 2019: Version 3," Interuniversity Consortium for Political and Social Research, <<https://doi.org/10.3886/ICPSR37941.V3>>; U.S. Department of Health and Human Services, "National Survey of Early Care and Education 2019," (Washington, DC: U.S. Department of Health and Human Services, Office of Planning, Research, and Evaluation, 2021), <<https://www.acf.hhs.gov/opre/project/national-survey-early-care-and-education-2019-2017-2022>>.

¹¹ See DS9 Household Public-Use User Guide in NSECE Project Team (National Opinion Research Center), "National Survey of Early Care and Education (NSECE), [United States], 2019: Version 3," Interuniversity Consortium for Political and Social Research, <<https://doi.org/10.3886/ICPSR37941.v3>>.

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