

Using the *Provider Cost of Quality Calculator* to Estimate the Cost of Quality

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The [Provider Cost of Quality Calculator](#) (PCQC) can be used by states, territories, and Tribes to understand the impact of several variables, such as program characteristics or state policies, on the cost of providing high-quality child care. The COVID-19 pandemic has made a significant impact on the millions of child care providers delivering essential services educating and caring for children. However, the federal American Rescue Plan Act of 2021 (ARP Act), Public Law 117-2, provided a historic investment to stabilize the child care industry and ensure that providers can emerge from the pandemic in a stronger position. Child Care and Development Fund (CCDF) Lead Agencies face important decisions about how best to spend these resources. The *Provider Cost of Quality Calculator* can be a useful resource for CCDF Administrators to understand the interplay of different policy choices, their impact on provider finances, and whether this impact is equitably felt across different provider types and child populations.

This issue brief is intended to demonstrate how the PCQC can be used to understand the fiscal impact of various strategies Lead Agencies can pursue to support the child care system.

The strategies fall in to three categories:

1. Increasing [provider payment rates](#)
2. Improving [payment policies](#)
3. Increasing [child care wages](#)

This brief covers the different policies Lead Agencies can enact to advance these strategies and uses hypothetical scenarios from the PCQC to illustrate the fiscal impact on provider expenses and net revenue.¹

Lead Agencies may explore a variety of policy options to better support access to child care and encourage child care providers to accept children eligible for CCDF subsidies. The PCQC can help Lead Agencies understand the impact of different policies for increasing the value of the subsidies, understand the impact of different funding mechanisms (e.g., grants, contracts, or vouchers), and incentivize providers to enroll children who receive subsidies.

Community Engagement

States, territories, and tribes are encouraged to engage providers and the community to inform decisions about how to best spend these resources. This can be accomplished through a series of town hall meetings, community forums, or engaging a Stakeholder Advisory Group.

¹ For details on the assumptions used to inform the hypothetical scenarios, see the Appendix: Scenario Assumptions in this document.

Increasing Provider Payment Rates

Working families who have low incomes rely on child care assistance to help them access affordable child care, but only one in seven eligible children receives a subsidy voucher (Chien, 2021). For those who do receive assistance, families often find their options are limited. For the subsidy system to provide the equal access to care required by CCDF, child care providers need sufficient incentives to accept subsidy vouchers (Office of Child Care, 2016). If the value of the voucher is less than a provider can receive in tuition in the private market, they will be limited in the number of children they can serve at the lower subsidy rate. A key strategy to encourage subsidy participation among providers is to increase subsidy rates to better align with what they may be able to earn from tuition-paying families, and by ultimately moving to subsidy rates aligned with the actual cost of care.²

Federal guidance encourages Lead Agencies to set subsidy reimbursement rates at the 75th percentile of the most recent market rate survey.³ Most states do not meet this benchmark in a consistent manner, with only one state, as of 2020, setting rates at this level (Schulman, 2021). Given that the market rate reflects what providers can get in the private market, when the state subsidy rate reimburses providers below their market rate, they face a disincentive to serve subsidy-eligible families. The gap between subsidy rates and market rates can be particularly large for the youngest children, for whom the cost of care is highest. As a result, families of infants and toddlers who rely on CCDF subsidies to help them pay for child care are likely to face the biggest barriers to accessing care.

Lead Agencies may use the PCQC to model scenarios demonstrating how provider net revenue is impacted based on the percentile of the market rate the Lead Agency pays. To illustrate how the PCQC functions as a resource to model these impacts, a hypothetical center-based program and family child care program were created. In addition, several scenarios were modeled. The hypothetical programs meet licensing standards and serve children birth through school age. In these hypothetical groups, 50 percent of children are funded through the child care subsidy system. Full details of the program profiles can be found in the appendix of this brief.

Table 1 illustrates the net revenue for a center and a family child care home when reimbursement rates are set at the 50th, 75th, and 90th percentile of the market rate.⁴ As shown, when rates are set at the federally recommended 75th percentile, the center is breaking even with a modest 3 percent net revenue. However, when rates are only at the 50th percentile of the market rate, the center is losing almost 7 percent per year. When rates are increased to the 90th percentile of the market rate, the program is financially sound, generating net revenue of almost 11 percent, which allows the program to contribute to an operating reserve that can cover unexpected expenses that arise. The family child care home sees a similar pattern. However, even at the 75th percentile, the program loses money, showing that current market rates for family child care rarely reflect adequate compensation for the provider or owner. Only at the 90th percentile is the family child care provider generating sufficient revenue to break even. However, even this provides no positive cash flow to support stable operations.

² This brief uses the phrase “actual cost of care,” which is defined as the cost providers incur to meet state licensing standards or other quality requirements. The “price of care” or the “market rate” refers to the tuition prices that providers charge families, which are usually set based on local market conditions and are what families can afford, as opposed to what it actually costs the program to provide care.

³ Child Care and Development Fund (CCDF) Program, 81 Fed. Reg. 67,438 (Sept. 30, 2016) (codified at 45 C.F.R. pt. 98).

⁴ The 90th percentile is used at the upper limit rather than the 100th percentile to avoid reflecting any outlier tuition rates at the very top of the market. For more on how percentiles are defined and calculated, see the National Center on Subsidy Innovation and Accountability’s *CCDF Payment Rates: Understanding the 75th Percentile*, which is available at https://childcareta.acf.hhs.gov/sites/default/files/public/508ed-75th_percentile_exercise.pdf.

Table 1: Impact of Different Reimbursement Rates on Provider Net Revenue

| Provider Type | Net Revenue | | |
|---------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 50th Percentile of the Market Rate | 75th Percentile of the Market Rate | 90th Percentile of the Market Rate |
| Center | -6.9% | 3.10% | 10.80% |
| Family child care setting | -14.70% | -5.80% | 0.0% |

Since the 2014 reauthorization of CCDF, Lead Agencies have the option of setting subsidy rates based on an alternative methodology to the market rate to better capture the actual cost of child care (Office of Child Care, 2014). While market rate studies can accurately reflect tuition rates in the child care market, this does not reflect what it actually costs providers to serve children at the different levels of quality (Workman, 2021). Setting subsidy rates based on price rather than cost has contributed to stagnant educator compensation, which in turn fuels high turnover and teacher shortages (Caven et al., 2021). This approach has compounded the inequities within the market for those who have had to set their tuition prices below the cost of care to maintain enrollment. As a result, these providers are rarely able to generate the revenue necessary to invest in program quality improvement efforts, such as professional development. Using an alternative methodology based on cost can break the link between subsidy rates and what families can afford to pay (the market price of child care). Instead, a cost-based methodology moves to a more realistic cost, reflecting that providers must meet licensing and quality requirements (the cost of quality). This ultimately promotes more equitable subsidy rates (Capito et al., 2021).

The PCQC can be used to estimate what it costs to meet state licensing requirements and quality standards, such as those required by a quality rating and improvement system (QRIS). By using cost modeling to calculate the actual cost of care, states can compare current subsidy rates to the cost of care. Cost modeling also demonstrates if strategies intended to incentivize programs to improve quality are providing sufficient revenue to meet the increased costs associated with quality.

To demonstrate the impact of setting subsidy rates based on the cost of quality, scenarios were created in the PCQC showing the cost of a hypothetical program at three levels of quality.

- ◆ Level 1: This scenario uses the default hypothetical program as described in the appendix.
- ◆ Level 2: This scenario includes the cost of conducting annual child assessments and the cost of substitutes to cover additional teacher and family child care provider planning time.
- ◆ Level 3: This scenario includes the costs of additional staff time to support family engagement and teacher training. In the center scenario, this is reflected as the education coordinator moves from part time to full time. In the family child care scenario, this is reflected as the program adds a part-time assistant.

Table 2: Annual Expenses at Different Levels of Quality

| Provider Type | Expenses | | |
|---------------------------|-----------------|-----------------|-----------------|
| | Quality Level 1 | Quality Level 2 | Quality Level 3 |
| Center | \$726,891 | \$757,022 | \$809,189 |
| Family child care setting | \$52,321 | \$59,014 | \$70,205 |

CCDF Lead Agencies can use this PCQC data showing the cost of meeting different quality standards to inform tiered reimbursement rates. This is a rate whereby providers can receive more money based on their quality levels. This type of rate can also include other financial incentives offered through a QRIS or similar quality improvement system. For example, in the scenario shown in table 2, the cost of meeting quality level 3 is approximately 11 percent higher than the cost to meet quality level 1 in a child care center. For a family child care setting, level 3 is approximately 34 percent higher than level 1. As Lead Agencies consider quality differentials in rates, understanding these variations in cost are crucial to ensuring payments intended to incentivize higher quality are sufficient to cover the increased costs of quality.

American Rescue Plan Act



The ARP Act offers an opportunity for Lead Agencies to increase public funding for child care programs. As Lead Agencies make decisions about spending ARP Act funds, the PCQC can be a useful resource to better understand the level of support providers need. States may consider engaging a stakeholder advisory group to guide or review assumptions used in the model, finding the balance between the ease of using the defaults in the tool and supplementing state-specific data. States should focus efforts on identifying variables for compensation and staffing levels since these are the primary cost drivers of child care programs.

Improving Payment Policies

The impact of child care subsidies on provider finances is reflected not only in the subsidy reimbursement rate, but also in provider payment policies. The PCQC can be used to demonstrate the role of payment policies in supporting stable child care program operations and help Lead Agencies better understand the impact of different policy choices. This brief uses the PCQC to illustrate the impact of two payment policies: paying child care providers based on enrollment rather than on child attendance and using contracts to secure subsidized child care slots at programs that are paid at the cost of quality. Financial policies that support stability in child care operations help ensure equity. As the scenarios in the PCQC demonstrate, moving to a contract approach based on the cost of quality may help repair a child care market broken by inadequate child care payment rates based on what families could afford rather than what child care costs.

While the Child Care and Development Block Grant (CCDBG) encourages states to reimburse providers based on enrollment rather than attendance, this has not been the prevailing strategy.⁵ States also vary in how many absent days they allow under the attendance-based payment method. In addition, the link between payment rates and child attendance leaves providers with unstable income that is reliant on family circumstances rather than anything the providers themselves can control. The COVID-19 pandemic required Lead Agencies to offer flexibility so providers could navigate changing circumstances that had a significant impact on programs' financial viability. As a result, many Lead Agencies moved to paying subsidies based on enrollment during the pandemic (Lieberman et al., 2021). This ensured that providers continued receiving expected revenue even while they were temporarily closed or when children were not able to attend. Payment based on enrollment supports program operations, meaning providers are able to cover fixed costs, including paying teachers.

This approach has merits beyond the pandemic and is a policy that states are considering extending beyond emergency pandemic regulations. Most programs have policies for tuition-paying families that require payment whether the child attends or not. For many providers, subsidy payments based on attendance rather than enrollment can act as a disincentive to serve children eligible for subsidies. In states where subsidy reimbursement policies are based on attendance not enrollment, providers are forced to decide which families they will serve based on the associated funding source. If filling the program with children covered by subsidies leaves a provider without reimbursement when the children are absent, the provider is driven to select tuition-paying families they can hold to an enrollment payment policy.

Similarly, using contracts to secure child care slots can provide important stability and security to providers. When a Lead Agency enters into a contract with a provider for a set number of slots, the Lead Agency has certainty that slots are available to serve eligible families, and the provider has a guarantee of stable income. This allows long-term budgetary decisions to be made, such as hiring staff or investing in quality (Morrissey & Workman, 2020; Adams et al., 2021). To be most impactful, contract rates should be based on the cost of quality, ensuring the contract is sufficient to cover the actual cost of providing care. In this way, contracts can incentivize providers to serve subsidy-eligible families and allow providers to invest in quality. This approach can also be used to incentivize care for underserved populations, such as infants and toddlers or families living in child care deserts. These deserts are often in rural areas or neighborhoods with high concentrations of Hispanic or Latino families (Malik et al., 2018; Bipartisan Policy Center's Early Childhood Initiative, 2021).

By combining contracts with subsidy vouchers that pay based on enrollment rather than attendance, Lead Agencies can significantly impact the financial stability of child care providers. The PCQC can be used to model this impact. When providers do not receive all their anticipated revenue, there is a significant impact on their bottom line. Staff must still be paid and occupancy costs remain, whether the revenue comes in or not. In the PCQC, adjustments to anticipated revenue are accounted for as enrollment efficiency and uncollected revenue.

- ◆ **Enrollment efficiency** is the percentage of staffed capacity for which the program actually collects revenue. The PCQC uses 85 percent by default, meaning the provider can collect 85 percent of anticipated revenue.
- ◆ **Uncollected revenue** reflects payments that cannot be collected, which might be unpaid family tuition, family fees or co-payments, or unpaid subsidy revenue when a child is absent. The PCQC uses 3 percent by default.

Using a hypothetical scenario in the PCQC, table 3 illustrates the impact on providers' net revenue when they are unable to collect anticipated revenue. As shown, when enrollment efficiency drops to 75 percent and uncollected revenue increases to 7 percent, the hypothetical program is operating at a significant loss, with the center losing nearly 15 percent of net revenue and the family child care home losing more than 24 percent of net revenue. On the other hand, when the program receives revenue based on 95 percent enrollment and only 2 percent of revenue is uncollected, both the center and the family child care home are operating with a positive balance sheet, with the center achieving 13.5 percent net revenue and the family child care home just more than 6 percent.

⁵ Child Care and Development Fund, 45 C.F.R. § 98.45 (2016).

Table 3: Impact of Enrollment Efficiency and Uncollected Revenue

| Net Revenue | 75% Enrollment Efficiency and 7% Uncollected Revenue | 85% Enrollment Efficiency and 5% Uncollected Revenue | 95% Enrollment Efficiency and 2% Uncollected Revenue |
|----------------------------------|--|--|--|
| Child care center | | | |
| Net revenue | -\$93,439 | \$5,149 | \$114,467 |
| Net revenue as percent of total | -14.60% | 0.70% | 13.50% |
| Family child care setting | | | |
| Net revenue | -\$10,213 | -\$3,723 | \$3,461 |
| Net revenue as percent of total | -24.3% | -\$7.70% | 6.20% |

Paying providers based on enrollment and using contracts are strategies that can help providers operate more financially stable programs. Both can positively impact enrollment efficiency and uncollected revenue, ensuring providers are better able to anticipate revenue and align expenses accordingly.

In addition, when contract amounts are based on the cost of quality, they can also act as an incentive to improve program quality, including educator compensation. Setting subsidy reimbursement rates at the cost of quality can help providers cover the cost of care, but the impact of this rate is limited based on the number of subsidy-eligible children being served. For example, if only 10 percent of children receive subsidies, the impact of that higher rate is limited to a small percentage of the overall program revenue. When a provider enters into a contract with the Lead Agency for a certain number of slots, the contract can be designed to cover the critical mass of children that is needed to be most beneficial to the program. For example, a Lead Agency can use the PCQC to model the cost of a classroom when a program pays higher salaries and provides benefits. If the annual cost of this classroom is \$80,000 and the contract amount is \$12,000 per child per year, then a contract for 7 slots (\$12,000 x 7 slots = \$84,000) would provide sufficient revenue for the program to cover the cost of this higher compensation. Using PCQC modeling to understand the actual cost of providing care, and setting contract amounts and contract minimums accordingly, CCDF Lead Agencies can better align the contract policy with their intended goals.

Role of Contracts in Promoting Equity



Contracting for child care slots with subsidy funding is a mechanism Lead Agencies can use to provide a stable and predictable source of funding to support program operations. States can use CCDF subsidies to contract directly with quality providers to serve families eligible for subsidies. Contracts have the potential of remediating several inequities in the child care system. They guarantee payment for a specific number of children, may guarantee payments over several years, pay based on enrollment, and may be paid prospectively, providing even more stability for a child care provider (National Center on Subsidy Innovation and Accountability & Child Care State Capacity Building Center, 2017). Through

this approach, Lead Agencies can target funding for slots to specific geographic locations experiencing supply issues. As part of the contract, Lead Agencies can require that child care providers meet quality standards beyond basic licensing requirements.

To avoid perpetuating inequities, Lead Agencies should ensure that contracts are accessible to all providers. This access may involve the following: investing in programs to achieve the quality levels the contract requires; ensuring that under-resourced communities and those in economically depressed areas are targeted for contracts; and avoiding competitive bid processes that unfairly advantage historically well-resourced child care programs.

The benefits of contracts are tangible. Contracts offer consistent and stable financial support to providers, allowing them to make investments in better-qualified teachers, supplies, and materials (Adams et al., 2021). Lead Agencies should be thoughtful and thorough in their implementation of this strategy to ensure it is an equity-driven solution.

Increasing Child Care Wages

The COVID-19 pandemic has highlighted the essential nature of child care. When programs shut down, families were faced with juggling caregiving and work responsibilities. The importance of child care to parents' ability to work was underscored when child care educators were deemed essential workers during the pandemic. Many states used federal relief dollars to provide financial bonuses or heroes pay to educators.

To support a stable and robust child care system, Lead Agencies are recognizing the need for long-term increases in educator compensation. As a labor-intensive industry, insufficient revenue means programs are often unable to offer benefits, such as health insurance or retirement contributions. Program also struggle to pay much more than minimum wage (McLean et al., 2021). Without adequate pay, programs struggle to recruit teachers and are faced with high turnover as educators leave the field for jobs with benefits and better wages (Bassok et al., 2021). It is the child care workforce, predominantly women and often women of color, who have paid the price for inadequate system funding through the low wages they earn.

Investing in the child care workforce is a key equity strategy. Setting child care subsidy rates based on the market price embeds the current low wages into the subsidy system. However, setting child care subsidy rates based on the actual cost of quality can allow states to build the cost of increased compensation into the subsidy rate. This helps ensure that educator wages are not tied to the economic circumstances of the families accessing care.

The PCQC can be used to model the cost of child care with increased provider wages and benefits. The tool includes default salary data from the [Bureau of Labor Statistics' "Occupational Employment and Wage Statistics" web page](#). However, users can override these data and use different quality levels in the PCQC to model various salary levels. In this way, the PCQC can be used to demonstrate the revenue that providers need for covering the cost of higher compensation. Using the default scenario described in the appendix, table 4 illustrates the monthly cost per child at four compensation levels.⁶

1. Current salaries based on Bureau of Labor Statistics data, with no discretionary benefits
2. Current salaries plus health insurance
3. A midway point between current salaries and kindergarten parity, plus health insurance
4. Salaries aligned with kindergarten teachers, plus health insurance

⁶ The higher salary scenario uses a 34 percent increase from current salaries. Kindergarten parity uses a 67 percent increase from current salaries.

Table 4: Monthly Cost of Quality, Per Child, with Variations by Educator Compensation Level

| Setting | Compensation Levels | | | | |
|-------------------|-------------------------------|---------------------------------|-----------------|---------------------|--------------------------------|
| | Current Salaries, No Benefits | Current Salaries, with Benefits | Higher Salaries | Kindergarten Parity | 75th Percentile of Market Rate |
| Infant | \$1,536 | \$1,703 | \$2,052 | \$2,390 | \$1,462 |
| Toddler | \$1,263 | \$1,396 | \$1,675 | \$1,946 | \$1,404 |
| Preschool | \$716 | \$783 | \$922 | \$1,058 | \$1,125 |
| Family child care | \$653 | \$727 | \$881 | \$1,032 | \$745* |

Note: *This figure reflects the average across age groups.

Source: Workman, S., & Falgout, M. (2021). *Methodology for 'The True Cost of High-Quality Child Care Across the United States.'* Center for American Progress.

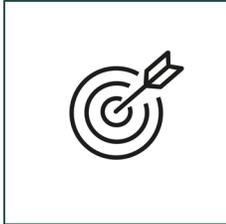
https://cdn.americanprogress.org/content/uploads/2021/06/28062526/METHODOLOGY_True-Cost-of-High-Quality-Child-Care.pdf

As shown in table 4, paying higher salaries puts the cost of care above the 75th percentile of the market rate for infants and toddlers. Even when modeling at the current salary level with no benefits, there is a gap between the estimated cost and the 75th percentile of the market rate for infants and toddlers. This contributes to the lack of subsidized care for infants and toddlers. To ensure equitable access to child care for all ages, Lead Agencies should set rates based on the actual cost of care, which should reflect the cost of paying compensation and benefits. Providers who can serve children across the infant, toddler, and preschool age ranges may be able to offset losses in younger children with gains in older children. However, this requires a careful balancing of enrollment.

In addition to setting rates at sufficient levels, Lead Agencies should also consider the impact of eligibility and co-payment policies. Programs can only pay this higher compensation if they are able to receive the higher rate from both families receiving subsidies and families who pay tuition. For most families, the actual cost of care is more than they can afford, which is reflected in the market rate. Additionally, in many states, subsidy co-payments paid by families take up a significant share of families' monthly budgets (Birken et al., 2021). By combining subsidy rate increases with expanded eligibility and reduced family co-payments, Lead Agencies can ensure that the subsidy system is promoting equitable access to high-quality child care for all families.

Using the PCQC to Understand the Cost of Quality for Different Age Groups

Scenario results in the PCQC are displayed at the program level and the per-child level for each age group. By knowing per-child cost estimates, Lead Agencies can identify if disparities exist in any gaps between current subsidy rates and estimated costs. This knowledge also helps Lead Agencies better estimate grants based on classroom cost.



Considerations for Using the PCQC

Lead Agencies face competing priorities as they make policy decisions that impact provider finances and work to meet family needs. As demonstrated in this brief, the PCQC is a dynamic tool that can be a resource for Lead Agencies as they consider the fiscal impact of strategies intended to support the child care system. The PCQC can help Lead Agencies better understand the impact of a specific policy, such as paying subsidies based on enrollment rather than attendance, the interplay of different policies, and how policy impact may be disproportionately felt by certain populations. To maximize the potential of the PCQC, Lead Agencies should consider the following:

- ◆ **Collecting data:** As a modeling tool, the scenarios in the PCQC rely on several assumptions. Lead Agencies can use the default data in the tool to create scenarios. However, they are also encouraged to update the default data with state-specific data when available. These data could be pulled from current datasets, such as a workforce registry or licensing database. Or, states can consider collecting data from providers for the purpose of developing a cost model and convening a stakeholder advisory group to inform the assumptions (Workman & Jessen-Howard, 2019).
- ◆ **Engaging stakeholders:** Inherent in any modeling is the need to make assumptions about the scenarios being modeled. While Lead Agencies can use their own professional judgment, it is helpful to engage a stakeholder advisory group to provide input and feedback on these assumptions. Such a group might include representative child care providers, members of a child care association, licensing specialists, QRIS raters, child care resource and referral specialists, and other community representatives.
- ◆ **Analyzing real world impacts of policy:** As a modeling tool, the PCQC can demonstrate the theoretical impact of policies, such as increased subsidy rates or tiered reimbursement. However, it is important that Lead Agencies adequately analyze the real-world impact of these policies and any barriers to policies being realized. For example, if the Lead Agency does not allow providers to receive subsidy reimbursement above their tuition rate, then providers who must keep tuition rates low to attract parents in their local market will not be able to access the higher subsidy rate. Similarly, if a state pays tiered reimbursement rates as an incentive to improve quality, those tiered rates must cover the actual costs of meeting increased quality standards. Otherwise, the incentive will be moot and could disincentivize providers from moving to higher levels of quality.
- ◆ **Aligning policies with guiding principles:** Developing a vision and core set of principles to guide the work of improving the child care system and the broader prenatal-to-five system can provide an anchor to modeling work. As noted, Lead Agencies are confronted with many competing priorities and challenges, which in turn require comprehensive solutions. Holding a clear vision and principles for system change is a necessary imperative to achieving this goal (Prenatal to Five Fiscal Strategies, n.d.). The PCQC can be used to model the impact of policy decisions and provide analysis of how these decisions align with principles. For example, if a state holds a principle of paying educators fairly, then cost modeling in the PCQC must include salaries and benefits at a level that meets the state definition of fair. This produces results that encompass increased workforce compensation rather than replicate the current poverty-level wages.

Conclusion

As this brief has demonstrated, the PCQC can be a useful resource in supporting Lead Agencies as they make decisions about how to improve subsidy rates, modify payment practices, and increase workforce compensation. Default data by state means Lead Agencies can use the tool without needing to add additional information. However, the tool is useful because users can individualize the data, if needed. Lead Agencies should explore the default data in the PCQC and consider collecting additional data to produce localized results to inform decision making. With this dual functionality, the PCQC builds state leaders' understanding of the fiscal impact of different policies and program strategies. By using this tool, Lead Agencies can work to build an equitable, stable child care system.

Appendix: Scenario Assumptions

Hypothetical scenarios for a child care center and a family child care home illustrate the impact of different policies. Please note that these defaults act as examples and do not fully reflect the diversity of providers that exist in the child care system.

For scenarios illustrated in this brief, the following default data were used.

Size and Ages Served

| Child Care Center | | Family Child Care | |
|-----------------------------------|----------------------|-------------------|--------------------|
| Classroom | Ratio and Group Size | Age Group | Number of Children |
| 1 infant classroom | 1:4 (8) | Infants | 1 |
| 1 toddler classroom | 1:5 (10) | Toddlers | 1 |
| 1 preschool classroom (mixed age) | 1:10 (20) | Preschoolers | 2 |
| 1 school-age classroom | 1:15 (30) | School age | 2 |
| Total capacity | 68 | Total capacity | 6 |

Staffing and Compensation

| Child Care Center | | Family Child Care | |
|--|---------------|--|------------|
| Staff | Annual Salary | Staff | Salaries** |
| 1 full-time director | \$47,540 | 1 provider or owner | \$30,400 |
| 1 part-time education coordinator* | \$38,032 | 1 part-time assistant (included in quality level 3 in table 2) | \$26,740 |
| 1 full-time administrative assistant | \$20,800 | | |
| 4 lead teachers (1 per classroom) | \$30,400 | | |
| 4 assistant teachers (1 per classroom) | \$26,740 | | |
| 1 full-time floater to cover open and close and breaks | \$26,740 | | |

Notes:

*The part-time education coordinator could also be an assistant program director or other noninstructional staff person.

**The model includes compensation for the provider or owner. Note that the salary for the family child provider is equivalent to the salary of a lead teacher in a child care center. Although many family child care providers do not pay themselves a set salary, this figure is provided to offer an accurate comparison between center and family child care scenarios and to model best practices for a robust child care system.

Benefits

The model includes both mandatory benefits, such as those described in the article [“What Is FICA” by Jim Borland at the Social Security Administration](#), and discretionary benefits. To account for the variation in discretionary benefits offered by programs, the authors used a default value for each employee. This default could cover employer-offered health insurance, as a stipend to help toward the cost of purchasing health insurance sold in the open market, or for other benefits, such as college tuition. The default value used in the model is \$5,300 per employee (Kaiser Family Foundation, 2019).⁷ In addition, the model assumes 10 days paid time off and 10 days paid sick leave for each employee.

Nonpersonnel Costs

The PCQC used default values for all nonpersonnel costs, including those for occupancy, food, and classroom materials.

Revenue

By default, the model uses the 75th percentile of the market rate as both the state subsidy rate and as the tuition price. The default scenario assumes 50 percent of enrollment is covered by subsidy, with the remaining 50 percent covered by tuition. The following table summarizes the weekly rates used in the hypothetical scenario.

Weekly Rates Used in Scenarios

| Child Care Center | | Family Child Care Home | |
|-------------------|--------------------------------|------------------------|--------------------------------|
| Age Group | 75th Percentile of Market Rate | Age Group | 75th Percentile of Market Rate |
| Infant | \$337.38 | Infant | \$184.92 |
| Toddler | \$324.00 | Toddler | \$171.92 |
| Preschooler | \$259.62 | Preschooler | \$161.54 |
| School age | \$138.46 | School age | \$138.46 |

⁷ This value is based on the average employer contribution to health insurance as provided by Kaiser Family Foundation.

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