MEMO

To: Raising New York Coalition

From: Simon Workman and Jeanna Capito, Prenatal to Five Fiscal Strategies

Date: January 19, 2023 *(revised)*

Re: **Understanding the true cost of child care in New York State**

This memo summarizes the results of an analysis completed in 2022 to estimate the true cost of providing high-quality child care across New York State.

Background

In fall 2022, Prenatal to Five Fiscal Strategies (P5FS) developed a child care cost model to support the work of the Raising New York coalition. The model is built on previous modeling work conducted in 2019 using the Provider Cost of Quality Calculator, or PCQC.[1] The 2022 update includes the development a bespoke cost model, fully customized for New York State, including the integration of data and input from child care providers across the state. P5FS developed the cost model under the guidance of a small leadership team of public and private entities leading on the administration of child care in New York.

Provider Engagement and Data Sources

Development of the cost model followed the methodology established by P5FS which has been implemented successfully in numerous states and communities across the country.[2] Central to this approach is engagement with, and input from, child care providers, which was achieved through a series of input sessions in Fall 2022.

Provider input sessions

A total of 12 provider sessions were held in November and December 2022 to hear directly from child care providers across New York State and gather their perspective on the true cost of care. These sessions were conducted via Zoom and scheduled on different days of the week and at different times of the day to provide multiple options for providers to participate at a time that works for them. Providers were able to participate in English or Spanish. Sessions were promoted through the Child Care Resource and Referral network, ECE on the Move, via the New York State Office of Children and Family Services (OCFS), and via social media.

A total of 72 providers participated across the input sessions, representing at least 38 cities or counties across the state. Roughly half of the participants represented family child care (FCC), with the rest representing child care centers. Providers were asked for input in several areas, including:

1. The costs they incur to operate their program,
2. Barriers and challenges related to providing quality child care, especially related to cost
3. Desired solutions to address these barriers

[1] For more on the prior modeling, see: https://raisingnewyork.org/wp-content/uploads/sites/2/2019/12/NY-Cost-of-Quality-Report-Raising-NY.pdf

[2] For more on the P5FS approach see: https://www.prenatal5fiscal.org/_files/ugd/8fd549_62d3a75d3ede423abebc6b1841e8c328.pdf

4. Information on staffing patterns, and approaches to recruiting and retaining staff
5. Definition of quality, how quality care is provided, and costs related to Quality Stars
6. Additional supports needed.

By far the biggest challenges that emerged were related to staffing and the inability to pay competitive salary and benefits, primarily due to insufficient public funding rates. Program administrators noted that staffing shortages had a significant impact on their time, both the constant need to hire, train, and onboard new staff, and that shortages led them to be pulled into classrooms, often reducing the time available to complete the necessary administrative tasks. Family child care providers reported spending significant hours outside of the traditional work day on cooking, cleaning, shopping, and other administrative tasks that could not be completed while children were present.

In addition, FCC providers expressed frustration about not being able to participate in universal pre-K and losing children to free programs. New York City FCC providers raised a few additional issues including challenges communicating with the city and licensing agency about questions, getting staff cleared to work and challenges enrolling children in home-based programs through the FCC network.

In terms of solutions, providers identified the need for higher pay for the workforce, including benefits as the most pressing need. They also want consistent and predictable funding to efficiently manage their business and provide stable care. Several providers also raised a need for streamlined regulations and more help and communication from licensers. Several providers noted that Quality Stars funding has been extremely helpful to their programs.

In considering additional supports for children and families, providers reported the need for push-in support from special needs/behavioral health experts so children with these needs could remain in the program and get the support necessary. Additional aides to support the range of needs that exist across the program were also discussed. Several providers also noted the need for help supporting families' basic needs, such as food, clothing, housing, and wanting support from a nurse or health aide on site.

Data sources

Beyond provider input, the cost model relies on multiple data sources. The model is driven by New York state child care regulations, which detail the standards which child care programs must meet. The standards related to child care centers, FCC homes, and group FCC homes were reviewed and analyzed to identify specific cost drivers. In addition, Quality Stars requirements were reviewed to identify any costs incurred by providers related to meeting these quality standards.[3]

The model is built on a similar methodology to the 2019 model, drawing on several default values used in the Provider Cost of Quality Calculator.[4] The PCQC is a tool developed by the federal Administration for Children and Families for use by states in estimating the true cost of providing quality child care. The study team used the PCQC methodology in the development of the New York cost model, which includes all costs related to running a legally operating program, nonpersonnel expenses such as rent,

[3] Child care regulations were accessed via OCFS at https://ocfs.ny.gov/programs/childcare/regulations/. Quality Stars standards were accessed via https://qualitystarsny.org/quality-standards/

[4] Provider Cost of Quality Calculator available at www.ecequalitycalculator.com

lease, or mortgage costs, utilities, food, materials, and educational and other supplies. Default values from the PCQC were adjusted to account for the cost of living in New York State.

Two salary options are included in the model:

1. Salaries informed by U.S. Bureau of Labor Statistics (BLS) Occupational Employment and Wage Statistics program.[5] This represents current practice in the field as of May 2021 (the most recent data available).
2. Higher salaries, ensuring all members of the child care workforce earn at least a living wage. Living wage data is drawn from the MIT Living Wage Calculator.[6]

While the BLS data source does provide some regional data, based on metropolitan regions, these do not align with counties, or the current regional groupings used by OCFS for child care subsidy. MIT living wage data is available by county and as such, regional living wage estimates were created for this option, aligned with the current five subsidy regions used by OCFS. A full list of these regions and counties is available in the appendix. Living wage varies based on family size and composition but because data on family size and composition for the ECE workforce in New York was not available, the study team used data from a similarly large state as a proxy. The resulting living wage salary was applied to the assistant teacher position. Other salaries were adjusted based on this floor, accounting for additional job responsibilities and experience.

For family child care (FCC) providers, the model includes a salary for the provider/owner. Most FCC providers do not pay themselves a set salary, instead their income is whatever is left over after all expenses have been paid. This often leaves providers making far less than minimum wage. To address this, the cost model includes resources to cover the cost of paying a salary to the FCC provider/owner, while not requiring that providers change their business structure or employment relationship.

Salary data used in the model is presented in Table 1 below.

Table 1: Annual salary defaults used in cost model

	Salaries Based on BLS – Statewide Average	Salaries Based on Living Wage					
		Statewide Average	Region 1	Region 2	Region 3	Region 4	Region 5
Centers							
Director	$69,250	$92,967	$108,998	$83,040	$78,756	$89,993	$104,046
Asst. Director	$35,250	$76,872	$90,081	$68,828	$65,088	$74,375	$85,989
Lead Teacher	$43,880	$62,977	$73,837	$56,253	$53,351	$60,963	$70,482
Asst. Teacher	$33,060	$48,444	$56,798	$43,271	$41,039	$46,894	$54,217
Floater/Sub	$33,060	$48,444	$56,798	$43,271	$41,039	$46,894	$54,217

[5] Available at https://www.bls.gov/oes/current/oes_ny.htm
[6] Available at https://livingwage.mit.edu/states/35/locations

FCC & Group FCC							
Provider/Owner	$60,335	$86,594	$101,526	$77,348	$73,358	$83,824	$96,913
Assistant	$33,060	$48,444	$56,798	$43,271	$41,039	$46,894	$54,217

Cost Drivers

Based on a review of New York State child care licensing requirements and Quality Stars standards P5FS identified the key cost drivers that impact the cost of care. These cost drivers fall into the following categories:

- **Ratios and group size**
  - The model embeds state requirements related to the number of children allowed in each classroom or family child care home and the adult to child ratio, which has a significant impact on the cost per child, and varies based on child age.
- **Staffing patterns**
  - The number of teachers in each classroom or family child care home is driven by maximum group size limitations, but the model also includes additional staff to maintain ratios at all times, meet licensing regulations and provide additional support.
- **Salary levels**
  - As noted above, two salary options are included in the model.
- **Mandatory taxes and benefits**
  - All mandatory taxes and benefits are included by default, with additional options for including the cost of providing health insurance, paid time off, and retirement benefits
- **Professional development**
  - Licensing regulations require a certain number of training hours on an annual basis, and under Quality Stars programs can earn higher ratings based on additional training completed. The cost of substitutes or floaters to allow participation in this training is included in the model as a cost driver.
- **Planning Release Time**
  - The model includes the cost of substitutes or floaters to cover the classroom to allow educators to engage in lesson planning, data analysis, and staff meetings.
- **Family Engagement**
  - The model includes the cost of release time for educators to conduct family conferences and participate in social events, as well as the cost of hosting those events.
- **Educational Materials and Curriculum**
  - The model includes the cost of materials to create a developmentally appropriate learning environment. Additional resources can be included in the model to support the purchase of additional materials, including materials in languages other than English. The cost of purchasing a curriculum can also be included.

Full details of each of these cost drivers and their values in the model are included in Appendix B.

Cost Model Results

The cost model developed for New York is a dynamic tool that can be used to understand the true cost of care under various scenarios. The cost of care varies based on the age of child served, location of the program, the program type, program size, compensation levels, and the standards that the program meets. To illustrate an estimated cost of care, this memo presents the results of several default scenarios.

For each of these scenarios, the center-based program is assumed to serve 79 children, birth through school age, with five classrooms in total (one of each age group). The FCC program is assumed to serve eight children total, with six children ages birth through five, and two school age children. The group FCC is assumed to serve 16 children total, with 12 children birth through five, and four school age children.

Results are presented for each of the five OCFS subsidy regions as well as a statewide average. Table 2 summarizes the annual cost per child for programs meeting minimum licensing standards, paying current salaries, based on the Bureau of Labor statistics data or higher salaries, based on living wage. Table 3 summarize the annual cost per child for programs meeting higher standards, as defined by Quality Stars, at both current salary levels and using the living wage option.

Table 2: Estimated annual true cost of care at licensing level

Licensing Level	Current Salaries Option – Statewide	Living Wage Salary Option					
		Statewide Average	Region 1	Region 2	Region 3	Region 4	Region 5
Centers							
Infants	$22,691	$30,172	$34,165	$27,701	$26,631	$29,430	$32,931
Toddlers	$17,789	$23,416	$26,383	$21,582	$20,786	$22,865	$25,466
Threes	$14,521	$18,913	$21,194	$17,502	$16,889	$18,489	$20,489
Fours	$13,588	$17,626	$19,712	$16,336	$15,775	$17,238	$19,067
School age	$7,603	$9,616	$11,118	$9,173	$8,850	$9,692	$10,746
FCC							
Birth-5	$18,735	$25,074	$28,626	$22,874	$21,925	$24,415	$27,528
School age	$9,918	$13,274	$15,155	$12,110	$11,607	$12,925	$14,574
Group FCC							
Birth-5	$13,146	$17,837	$20,440	$16,226	$15,531	$17,355	$19,636
School age	$6,960	$9,443	$10,821	$8,590	$8,222	$9,188	$10,395

Table 3: Estimated annual true cost of care meeting Quality Stars standards

Quality Stars	Current Salaries Option – Statewide	Living Wage Salary Option					
		Statewide Average	Region 1	Region 2	Region 3	Region 4	Region 5
Centers							
Infants	$24,351	$32,371	$36,566	$29,776	$28,652	$31,592	$35,270
Toddlers	$19,449	$25,616	$28,784	$23,657	$22,807	$25,027	$27,805
Threes	$16,181	$21,112	$23,595	$19,577	$18,910	$20,651	$22,828
Fours	$15,247	$19,825	$22,113	$18,411	$17,796	$19,400	$21,406
School age	$8,480	$11,078	$12,386	$10,269	$9,917	$10,835	$ 1,982
FCC							
Birth-5	$23,363	$31,275	$35,686	$28,544	$27,365	$30,457	$34,323
School age	$12,369	$16,557	$18,893	$15,111	$14,487	$ 16,124	$18,171
Group FCC							
Birth-5	$15,981	$21,577	$24,674	$19,660	$18,832	$21,003	$23,717
School age	$8,460	$11,423	$13,062	$10,408	$9,970	$11,119	$12,556

Figures 1-3 show these results in comparison to the current OCFS child care subsidy rates. The figures illustrate the annual per child gap between the estimated cost of care under the different scenarios described above, and the subsidy rate. Statewide averages are used for illustrative purposes.

Figure 1: Annual gap between subsidy rates and cost of care, statewide, child care center

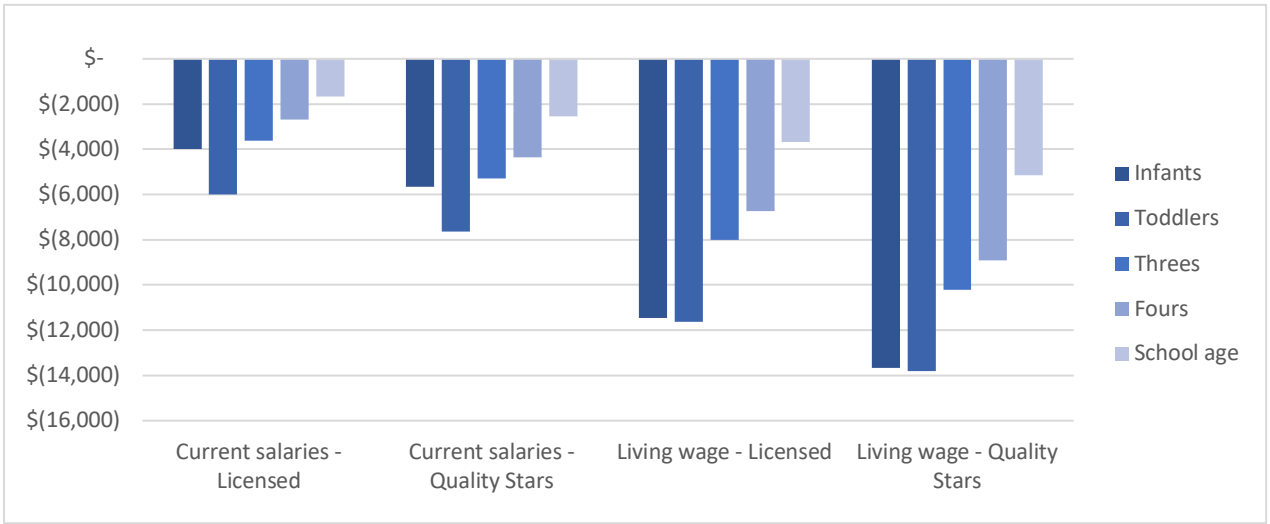


Figure 2: Annual gap between subsidy rates and cost of care, statewide, FCC

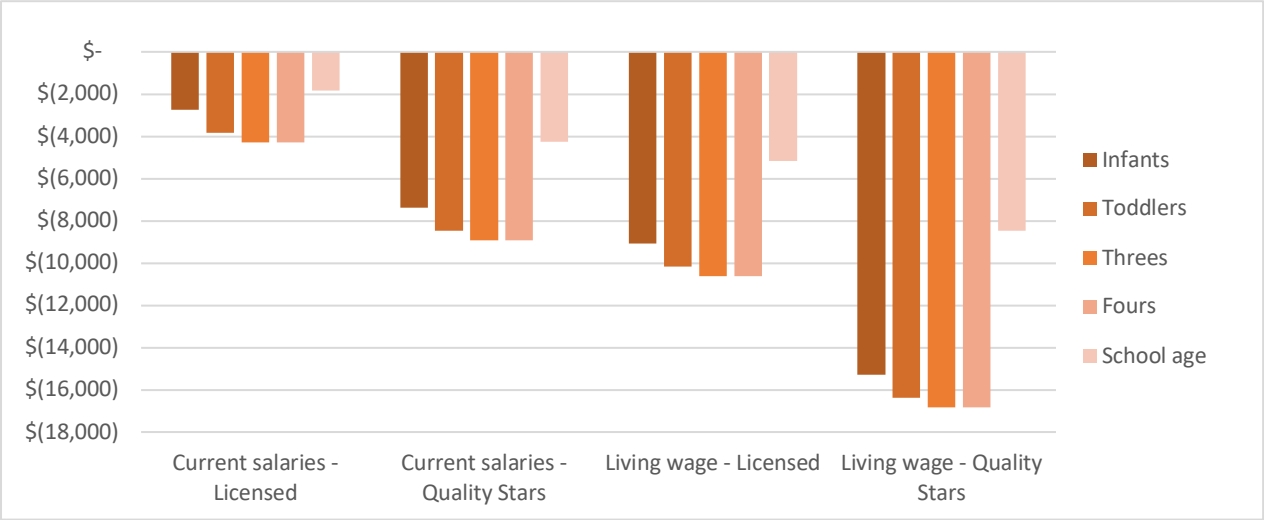
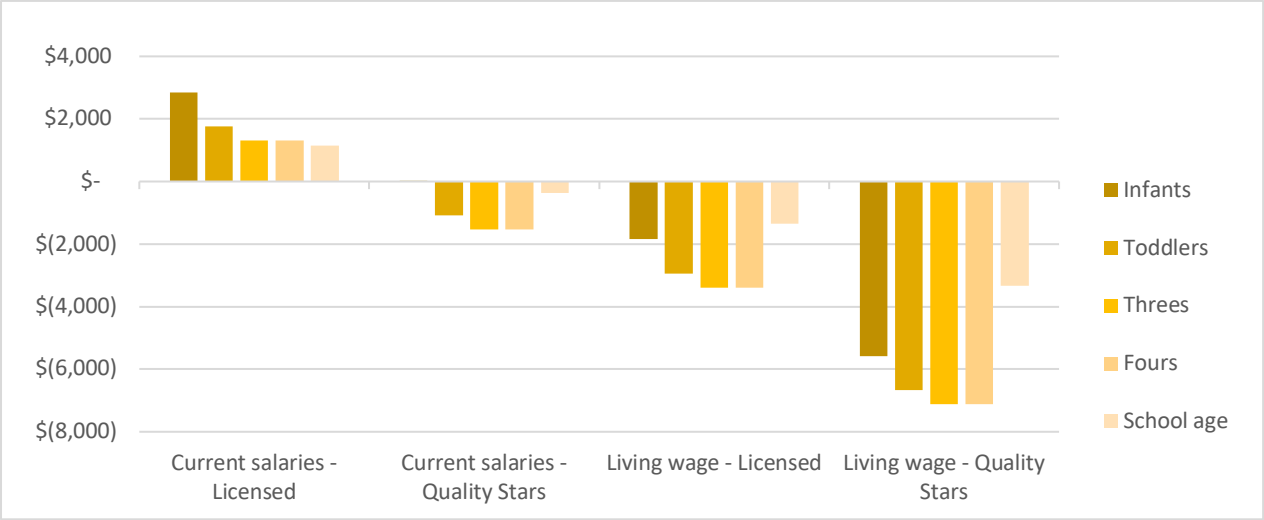


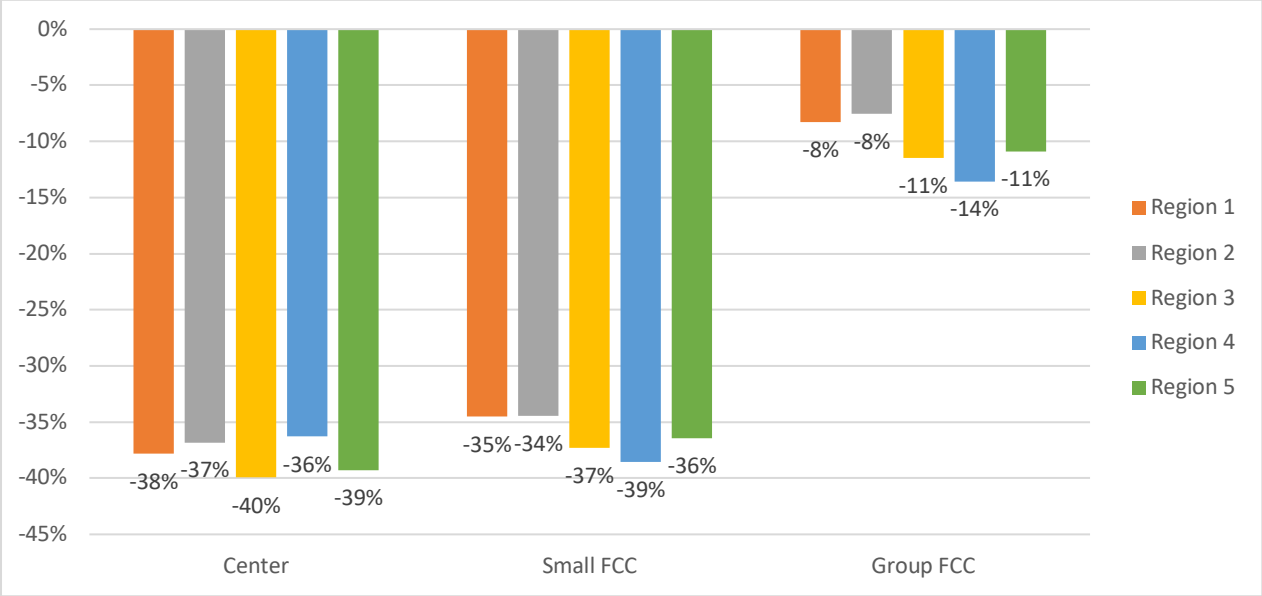
Figure 3: Annual gap between subsidy rates and cost of care, statewide, Group FCC



As shown, in almost all scenarios, the current subsidy rate fails to cover the true cost of care. In child care centers, the gap is largest for toddlers, for whom the subsidy rate is only $900 more per year than the preschool rate, but the estimated cost is nearly $5,000 more per year. Gaps are smaller for preschool and school age children, but still exist. In FCC and group FCC settings the age-based disparities are less evident due to the programs operating as essentially one mixed-age classroom. While many programs charge higher rates for infants and toddlers, there is not a cost per child difference across the ages birth to five given there are not age specific cost drivers in FCC settings.

Beyond these disparities by age, data by region provides evidence of additional disparities by region of the state. For example, Figure 4 shows the underfunding of subsidy in each region, based on the cost of care using the living wage salary option, at the licensing level.

Figure 4: Underfunding of subsidy compared to cost of care, living wage, licensing level, by region



Although costs are highest in regions 1 and 2, it is in region 3 for centers, and regions 3 and 4 in FCC and Group FCC settings that the gap between subsidy rates and true cost of care is greatest. This illustrates the impact of the market-based approach to rate setting, where rates reflect price, or the ability of families in a community to afford tuition, as opposed to the true cost of care.

Estimating statewide need

In addition to the direct service cost model, P5FS conducted an analysis to estimate the total statewide investment needed under different eligibility scenarios. The current child care subsidy system in New York reaches about 78,200 children annually and subsidy rates are set based on current market prices which perpetuate inequities in the market. As a result, to build a sustainable and robust child care system that meets the needs of all children and families, it is necessary to increase *both* the number of children who are eligible to receive public support to afford child care, *and* to increase the reimbursement rate that provides receive when serving eligible children.

P5FS presents four scenarios below. Each of these scenarios use data from the program-level cost model, with two different salary options for each scenario. The scenarios vary based on the number of eligible children. In this way, the scenarios demonstrate a range of investment options, helping better understand the cost of different policy choices. Note, in each of these scenarios the statewide cost is estimated for children birth to 5, excluding school-age children, to align with the goals and focus of the Raising NY coalition. Eligibility under each scenario is as follows:

- Scenario 1 – all children under 5
- Scenario 2 – children under 5 with all available parents in the workforce
- Scenario 3 – children under 5 in families at or below 85% of state median income (SMI)
- Scenario 4 – children under 5 currently served by child care subsidy

Table 4 details the number of eligible children under each scenario as well as the estimated uptake rate. In scenarios 1-3, the estimate assumes that 80% of eligible children participate. This is consistent with data from states and cities that have implemented universal preschool models, and similar to kindergarten enrollment data, that show a portion of eligible populations opt out of universal programming. Under scenario 4, this assumption is not applied as this scenario is based on the number of children currently served, rather than eligible.

Table 4: Summary of eligible children and slots needed under statewide scenarios[7]

	Scenario 1: All children 0-5	**Scenario 2:** Children under 5 with all available parents in the workforce	**Scenario 3:** Children under 5 in families at or below 85% SMI	**Scenario 4:** Children 0-5 currently served by subsidy
Number of eligible children 0-5	1,099,062	747,362	630,254	N/A
Total slots needed children 0-5	879,250	597,980	504,203	43,010

Across each scenario, the following assumptions are held consistent:

- Distribution of child care across program types is consistent with the current distribution of slots: 69% in centers, 5% in family child care homes, and 26% in group family child care homes.
- The cost per child values in each scenario are a hybrid of the cost per child to meet licensing and the cost per child to meet Quality Stars standards.
- Resources are included to support system infrastructure at the amount of 8% of total direct service costs.

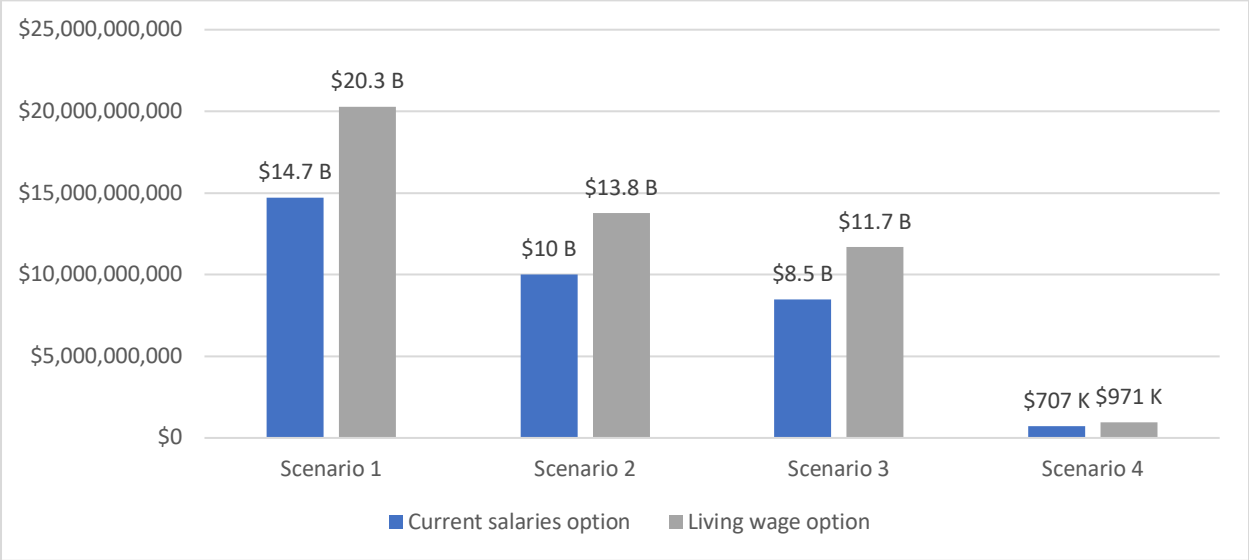
Table 5 and Figure 5 summarize the results of these scenarios. As shown, the total cost is estimated using current salaries, based on BLS data, and living salaries, using the MIT Living Wage calculator.

Table 5: Statewide annual cost estimate

	Scenario 1: All children 0-5	**Scenario 2:** Children under 5 with all available parents in the workforce	**Scenario 3:** Children under 5 in families at or below 85% SMI	**Scenario 4:** Children 0-5 currently served by subsidy
Current Salaries Option	$14,727,426,000	$10,014,650,000	$8,482,383,000	$706,901,000
Living wage Salaries Option	$20,278,156,000	$13,789,146,000	$11,679,990,000	$970,994,000

[7] Population data for scenarios 1-2 from Annie E. Casey Foundation Kids Count Data Center, available at https://datacenter.kidscount.org/data/ and New York State Council on Children & Families Kids' Well-being Indicators Clearinghouse, available at https://www.nyskwic.org/data_tools/graph_builder.cfm; Number of children in families at or below 85% SMI from estimates provided by New York Office of Children and Family Services based on American Community Survey data, table B17024. Subsidy enrollment data for scenario 4 from Administration for Children and Families, Office of Child Care, available at https://www.acf.hhs.gov/occ/data/fy-2020-preliminary-data-table-9

Figure 5: Statewide annual cost estimate



These results illustrate the total annual cost of providing child care for children birth through five at four different eligibility levels. These estimates represent the total cost, without any family contribution towards the cost of care. Most families who are eligible for child care subsidies are required to pay a family co-payment and this could continue to be an additional revenue source to offset the level of public investment needed under these scenarios. In addition, the estimates and cost projects do not account for current investments that already support access to care for children, including current OCFS child care subsidies, pre-k funding and others

Appendix

A. Counties in OCFS subsidy regions

Region 1	Region 2	Region 3		Regon 4	Region 5
Nassau	Columbia	Allegany	Livingston	Albany	Bronx
Putnam	Erie	Broome	Madison	Dutchess	Kings
Rockland	Monroe	Cattaraugus	Montgomery	Orange	New York
Suffolk	Onondaga	Cayuga	Niagara	Saratoga	Queens
Westchester	Ontario	Chautauqua	Oneida	Ulster	Richmond
	Rensselaer	Chemung	Orleans		
	Schenectady	Chenango	Oswego		
	Tompkins	Clinton	Otsego		
	Warren	Cortland	Schoharie		
		Delaware	Schuyler		
		Essex	Seneca		
		Franklin	St. Lawrence		
		Fulton	Steuben		
		Genesee	Sullivan		
		Greene	Tioga		
		Hamilton	Washington		
		Herkimer	Wayne		
		Jefferson	Wyoming		
		Lewis	Yates		

B. Cost Driver Details

Ratios and Group Size

The following ratio and group size data is used in the model:

Child Care Center			Family Day Care	Group Family Day Care
Age Group	**Adult:Child Ratio**	**Max Group size**		
Infants (6 wks-18 mos)	1:4	8	Max of 8 children, with up to 6 children 0-5, and 2 school age	Max of 16 children, with up to 12 children 0-5, and 4 school age
Toddlers (18-36 mos)	1:5	12		
Threes	1:7	18		
Fours	1:8	21		
Fives	1:9	24		
School age, 6-9 yrs	1:10	20		
School age, 10-12 yrs	1:15	30		

Staffing patterns

Each classroom in the child care center model is assumed to operate at maximum group size, with the corresponding number of teachers as required by ratio requirements. In addition, the model includes 20% coverage in each classroom to cover open/close and breaks, recognizing that the program being modeled is based on a program operating 10 hours a day, 5 days a week. Beyond classroom staff, the model includes a Program Director, an Assistant Director, and an Administrative Assistant. The Assistant Director and Administrative assistant are part time if enrollment is below 50, 1 FTE if enrollment is between 50 and 100, 1.5FTE if between 100 and 150, and 2FTE if over 150.

While not required by licensing, to reflect the needs identified through the provider input sessions, the small FCC includes a part time assistant at 20 hours per week, and the group FCC includes both a full-time assistant to meet licensing requirements, and a part time assistant at 20 hours per week.

Salaries

As noted earlier in this memo, two salary options are included in the model. These salaries are presented in the following table.

	Salaries Based on BLS – Statewide Average	Salaries Based on Living Wage					
		Statewide Average	Region 1	Region 2	Region 3	Region 4	Region 5
Centers							
Director	$69,250	$92,967	$108,998	$83,040	$78,756	$89,993	$104,046
Asst. Director	$35,250	$76,872	$90,081	$68,828	$65,088	$74,375	$85,989
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FCC & Group FCC							
Provider/Owner	$60,335	$86,594	$101,526	$77,348	$73,358	$83,824	$96,913
Assistant	$33,060	$48,444	$56,798	$43,271	$41,039	$46,894	$54,217

Benefits

Health insurance is included in the model at $6,837 per employee, which is the average employer contribution to health insurance in New York State, based on data from the Kaiser Family Foundation.[8] The model can also run a scenario with this value increased to $10,000 per employee per year to account for a more robust suite of discretionary benefits.

In addition, the model includes 10 days paid vacation and 10 days paid sick leave by default, and has the option to include the cost of a 5% of salary contribution for additional discretionary benefits, such as a retirement account.

[8] Available at: https://www.kff.org/other/state-indicator/single-coverage/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D

Professional Development

The model includes the cost of substitutes or floaters to cover for staff while they participate in required training. As per licensing requirements, this is calculated based on 15 hours per employee annually.

For programs participating in Quality Stars, the model includes an additional four hours annually for educators to participate in professional development beyond the minimum requirements, such as for training on curriculum.

Planning Release Time

Under licensing requirements, providers are not required to offer paid planning time. However, under Quality Stars the expectation is that educators have time to engage in planning, both individually and as part of a team. At the Quality Stars level, the model includes 1 hour per week for lead teachers or FCC provider/owners for planning release time, and 1 hour every other week for both the lead teacher or FCC provider/owner and the assistant teacher to plan together. This is translated into a cost in the form of additional resources to cover the cost of a substitute or floater to maintain ratios while teachers are engaged in planning.

In addition, the model accounts for participation in staff meetings, including the cost to pay overtime or a substitute for 8 hours annually, per staff member.

Finally, the model includes the cost of coverage to allow providers to complete necessary administrative tasks, such as communicating with families or completing assessments. The center model includes 10 hours per week for this activity, and the home-based model includes 20 hours, reflecting that the FCC model does not include any administrative staff at the baseline.

Family Engagement

At the Quality Stars level, the model includes time for providers to engage families through family conferences and social events. The model includes the cost of substitutes or floaters to cover for teachers while they are out of the classroom for family conferences. The cost of two conferences per year are included. The cost of social events is captured through additional compensation for staff to attend, either as overtime, or as release time, as well as $500 per event for up to 3 events per year.

Educational Materials and Curriculum

By default, the model includes the cost of educational materials to operate a classroom that meets licensing standards, such as books, toys, and consumables. Under the Quality Stars scenario, the model includes resources for the purchase of additional materials to enhance the learning environment as well as the cost for programs to purchase a curriculum. Additional materials are included at $50 per child per year, and curriculum is included at $1,500 annually in FCC programs, and $3,000 per classroom in center-based settings.

In addition, at the Quality Stars level the model includes the cost of materials to support families and children for whom English is not their first language. The additional resources in the model are intended to cover the cost of both translating communications and purchasing bilingual materials such as books.