The Education Trust—New York

P▶5 Fiscal Strategies

RAiSiNG NEW YORK

True Cost of High-Quality Child Care Model

While recent efforts at the community, state, and federal levels have examined some of the fiscal issues related to the prenatal to five system in a robust way, policies remain disconnected and siloed, focused too narrowly on only one aspect of the system, or focused on investments that are insufficient to meet the true needs of children and families.

The Education Trust—NY, in partnership with the Raising NY coalition, commissioned Prenatal to Five Fiscal Strategies (P5FS), to create a comprehensive child care cost model to inform advocacy efforts and anchor policy innovation in a data-informed set of principles and strategies that guide positive and equitable change for children, families, and providers in New York State.

The Education Trust—New York is a non-profit and non-partisan research, policy, and advocacy organization that works to advance educational equity from birth through college and into the workforce, with particular focus on supporting those from low-income backgrounds, communities of color, immigrant families, children with disabilities and other vulnerable communities. The Education Trust—NY coordinates the Raising NY coalition, a cross-sector, statewide coalition of parent, early childhood, education, civil rights, business, and health organizations dedicated to advocating for policies and system changes that will benefit families of infants and toddlers, with a focus on improving long-term outcomes for low-income households, children of color, and those in other under-served groups. Raising NY is grounded in an evidence-based agenda that aims to create a comprehensive, high-quality early childhood system that is available to all families and cultivates a skilled, well-compensated, and supported workforce.

Prenatal to Five Fiscal Strategies (P5FS) is led by Jeanna Capito and Simon Workman, nationally recognized experts on prenatal to five fiscal issues who have worked in close partnership with The Education Trust–NY for over five years. To date, P5FS has conducted comprehensive fiscal analysis projects for the state of Michigan, Los Angeles County, California and the City and County of San Francisco, California, developed revenue and expense models for multiple states, including California, Delaware, Maryland, North Carolina, Virginia, Washington, Oregon, and New Mexico, and has provided technical assistance on prenatal to five fiscal and governance issues for numerous states and communities. P5FS seeks to address fiscal and governance structures that exist within the P5 system, using a comprehensive, cross-agency, cross-service approach.

DATA SOURCES AND METHODOLOGY

This is 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 diverse leadership team which includes EdTrust—NY and trusted partners from the Raising NY coalition, government agencies and other key stakeholders. The model design is also informed by input from 72 early childhood providers, who participated in input sessions representing over 38 cities or counties across the state.

The cost model relies on multiple data sources, including New York state child care regulations detailing child care program standards across various settings, including child care centers, family child care homes, and group family day care homes. The data 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.[1]

The model is built on a similar methodology to the **2019 New York State Cost of Quality Child Care Study**[2], drawing on several default values used in the Provider Cost of Quality Calculator (PCQC)[3]. The PCQC is a tool developed by the federal Administration for Children and Families (ACF) for use by states in estimating the true cost of providing quality child care. P5FS used the PCQC methodology in the development of the New York cost model, which includes all costs related to running a legally operating program, non-personnel expenses such as rent, 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.

The cost model includes two compensation options. The first uses data from the Bureau of Labor Statistics on current salaries for the early childhood workforce in New York State. The second option estimates the cost of care with higher salaries, based on a living wage floor, accounting for differences across regions of the state, ensuring that early childhood educators are compensated at a level that allows them to provide for their own families. Both scenarios include the cost of an employer contribution to health insurance and paid time off.

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. In order to build a sustainable and robust child care system, it is necessary to increase both the number of children who are eligible to receive public support to afford child care, and the reimbursement rates that providers receive when caring for eligible children.

P5FS presents the following annual cost estimates in four scenarios, each using data from the program-level cost model using a default program serving children birth to 5, with two different salary options for each scenario. The scenarios vary based on the number of eligible children, demonstrating a range of investment options in order to better understand the cost of different policy choices.

Across each scenario, the following assumptions are held consistent:

- Distribution of child care slots across program types is consistent with the current distribution of slots: 69% in centers, 5% in small 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. Every scenario includes an assumed 80% uptake rate of all eligible families in NYS.

DISTRIBUTION OF CHILD CARE SLOTS

69%
CENTERS

5%
SMALL FAMILY CHILD CARE HOMES

26%
GROUP FAMILY CHILD CARE HOMES
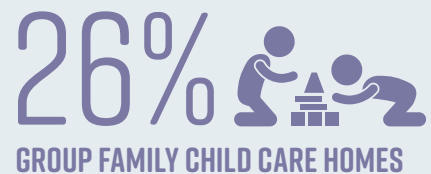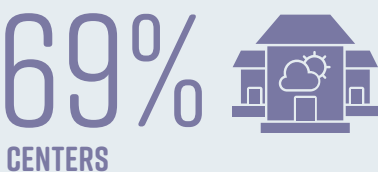
Statewide annual cost estimate

	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	$11,679,990,00	$970,994,000

PROVIDER ENGAGEMENT

This cost model methodology, which was developed by P5FS, has been implemented successfully in numerous states and communities across the country and incorporates feedback and insights from child care educators and providers.[4] A total of 72 providers participated in input sessions, in both English and Spanish, 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. Across provider input sessions, several themes emerged:

- 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.

- Family child care providers expressed frustration about not being able to participate in universal pre-K and losing children to free programs.

- Providers identified challenges in communicating with city agencies and licensing agencies about issues related to staff clearances and enrollment and expressed a need for streamlined regulations process that includes consistent, reliable communication with licensors.

- 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.

- 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.

LIMITATIONS AND NEXT STEPS

This model builds upon many years of work by leaders in New York State to develop revenue and funding strategies that adequately address the needs of children, families, and providers. Leaders from the Office of Children and Family Services (OCFS), the Early Childhood Advisory Council (ECAC), governors, and state legislators, as well as advocates, providers, and families were crucial to those efforts.

The comprehensive approach of this project is the next natural step to this process. It is not an endorsement of any policy. Further it does not yet include all of the many factors that impact high-quality child care. In the coming months, we will release additional information on the child care cost model, including a home visiting cost model and a fiscal mapping tool that will increase our understanding of the multiple funding and revenue streams that comprise the New York's early childhood system. Together, the information in this project will help to drive inquiry and identify data-driven solutions that lead to a set of recommendations to help New York create a comprehensive early childhood system that provides equitable access to high-quality programs and supportive services for infants, toddlers, and their families.

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Jenn O'Connor, Prevent Child Abuse NY

Dede Hill, Schuyler Center for Analysis and Advocacy

ENDNOTES

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

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

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

[4] For more on the P5FS approach see: https://www.prenatal5fiscal.org/_files/

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