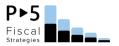


Connecticut Narrow Cost Analysis

Prepared for
The Connecticut Office of Early Childhood

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Prenatal to Five Fiscal Strategies

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Introduction & Background

Child Care and Development Fund (CCDF) Lead Agencies are required to complete a Narrow Cost Analysis as part of their FY 2025-2027 CCDF state plan. The Connecticut Office of Early Childhood (OEC) commissioned Prenatal to Five Fiscal Strategies (P5FS) to complete this narrow cost analysis. The analysis estimates the cost of care (including any relevant variation by geographic location, category of provider, or age of child) necessary to support (1) child care providers' implementation of the health, safety, quality, and staffing requirements, and (2) higher quality care, as defined by the state.

This Narrow Cost Analysis, or NCA, process meets the <u>CCDF State Plan</u> requirements and answers the following questions in the FY 2025 – 2027 CCDF Plan (Section 4.2.2):

- a. How did the Lead Agency conduct a narrow cost analysis (e.g., a cost model, a cost study, existing data or data from the Provider Cost of Quality Calculator)?
- b. In the Lead Agency's analysis, were there any relevant variations by geographic location, category of provider, or age of child?
- c. What assumptions and data did the Lead Agency use to determine the cost of care at the base level of quality (e.g., ratios, group size, staff compensations, staff training, etc.)?
- d. How does the Lead Agency define higher quality and what assumptions and data did the Lead Agency use to determine cost at higher levels of quality (e.g., ratio, group size, staffing levels, staff compensation, professional development requirements)? A Lead Agency can use a quality improvement system or other system of quality indicators (e.g., accreditation, pre-Kindergarten standards, Head Start Program Performance Standards, or State-defined quality measures).
- e. What is the gap between cost and price, and how did the Lead Agency consider this while setting payment rates? Did the Lead Agency target any rate increases where gaps were the largest or develop any long-term plans to increase rates based on this information?

Methodology

P5FS developed a customized Excel-based cost model for the state to conduct this narrow cost analysis. This model uses a similar methodological approach used by P5FS in several states and communities across the country, as well as the Provider Cost of Quality Calculator (PCQC), the web-based cost modeling tool provided by the federal Office of Child Care that has been approved for use in subsidy rate setting. By creating an Excel-based model, P5FS developed a customized tool for Connecticut that can account for the unique context of the state. This model also benefited from assumptions and analysis conducted for the 2022 Connecticut Narrow Cost Analysis and by modeling completed to support the 2023 Connecticut Blue Ribbon Panel on Child Care.



The Connecticut Child Care Cost Model helps users understand the discrete costs of delivering child care services, with differences in cost related to the type of provider and the age of the children served. The model integrates the cost of meeting Connecticut child care licensing standards, and additional costs related to Connecticut's <u>Care 4 Kids</u> program and paying increased compensation. The tool also integrates revenue data, specifically the state's payment rates under CCDF, to analyze the cost of care in relation to the available subsidy payment rates.

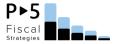
The cost model is designed to estimate the <u>true cost of child care</u>, based on a fully staffed program and operating at full capacity. While many child care programs' desired capacity or actual enrollment is lower than licensed capacity, this is often due to an <u>inability</u> to <u>recruit</u> staff or a <u>choice</u> to have lower ratios or smaller group sizes than required by licensing. The model includes functionality to compare cost to revenue, with users able to modify anticipated revenue based on actual or desired enrollment. However, the cost estimate presented in this narrow cost analysis is based on 100 percent capacity and a fully staffed program, with sufficient resources to cover the cost of that staffing regardless of fluctuations in actual enrollment.

The cost model allows users to estimate the cost of care for programs of different sizes, serving different age children and in a child care center or family child care home that meets health, safety, and licensing requirements. Additionally, the model allows user to understand the impact of differences in salaries and benefits (health insurance, paid sick days and paid leave) on the cost of care. The model produces a cost per child output at a statewide level because the data source for compensation, the primary cost driver, is provided at a statewide level. However, to meet the geographic analysis requirements the statewide cost per child outputs are compared to regional subsidy rates to demonstrate how geographic variation in rates impacts the gaps between cost and price.

Determining the cost of child care in Connecticut

The Connecticut Child Care Cost Model reflects the standards that child care providers are required to meet to be licensed in Connecticut. P5FS analyzed these standards to determine the cost drivers to include in the model. The cost drivers were reviewed with OEC and compared to assumptions used in both the 2022 NCA and the financial model developed to support the 2023 Blue Ribbon Panel on Child Care.

The primary cost drivers are child-to-staff ratios, group size limits, and caregiver qualifications. To meet licensing requirements and health and safety standards, caregivers must complete annual training and professional development. This is included as a cost driver in the model in the form of hours for a substitute or floater to cover the caregiver's responsibilities while they attend training. All nonpersonnel expenses necessary to operate a program are also captured in the model, including occupancy costs based on the square footage requirements detailed in licensing. Full details of the cost drivers are included in the appendix of this report.



Staffing Pattern

The number of teachers included in the model is based on the ratio and group size requirements in the Connecticut licensing standards. Table 1 details the ratio and group size data for child care centers.

Table 1: Ratio and group size limits, child care center

Age Group	Adult:Child Ratio	Max Group Size
Infant (0-17 months)	1:4	8
Toddler (18-35 months)	1:4	8
Preschool (3-5 years)	1:10	20
School age (5-12 years)	1:10	20

In addition to classroom staff, a Program Director is included, at 0.5 FTE if the program has capacity for less than 50 children, and at full time if capacity is 50 or above. An Assistant Director, or equivalent position, and an Administrative Assistant are included at 0.5 FTE for every 50 children to provide sufficient staffing to operate the program. In addition, the cost of a Health Consultant is included in the model as well as resources to engage other consultants as required, including a social service consultant, registered dietitian, and dentist.

In the family child care setting, the provider/owner is the only staff member, and the program has a maximum capacity of nine children, including 3 school age children and with no more than two children under two years old. In the group child care home setting, the maximum capacity is 12 with the provider/owner plus a full-time assistant. The group child care home also includes the cost to engage a Health Consultant and other consultants as required by licensing.

Salaries

With personnel expenses accounting for the <u>largest share</u> of a child care program budget, the salary choices made in the model are the most significant driver of cost. In using the cost model to complete this narrow cost analysis, two salary options were considered. The first aligns with data in the Connecticut Workforce Registry, providing an estimate of current salaries in state-funded programs in Connecticut, as of March 2024. The second option uses data from the Connecticut Early Childhood Educator <u>Compensation Schedule</u>. This compensation schedule was developed by the OEC in December 2022 in response to Public Act 19-61. The recommended salary schedule includes different levels aligned with staff qualifications. The Connecticut Child Care Cost Model allows users to run a scenario based on 'mid-career' level salaries on the compensation schedule, which aligns with the assumptions used in the 2022 Narrow Cost Analysis and the 2023 Blue Ribbon Panel on Child Care financial model. To align with the timeframe of the registry data, the workforce compensation schedule values are adjusted to account for inflation since December 2022 when they were originally developed.¹

¹ Inflation between December 2022 and March 2024 calculated at 5.64%, based on Bureau of Labor Statistics CPI calculator, available at: https://data.bls.gov/cgi-bin/cpicalc.pl



Table 2 details the salary values for each job category. For scenarios estimating the current cost to meet minimum standards, the Workforce Registry data is used. For scenarios estimating the cost of higher-quality, the inflation-adjusted workforce compensation schedule data is used.

Table 2: Salary data in Connecticut Child Care Cost Model, child care center

	Registr	y Salaries		Compensation Mid-Career
	Annual	Hourly*	Annual	Hourly*
Director	\$61,963	\$29.79	\$82,201	\$39.52
Asst. Director/Ed Coord.	\$43,823	\$21.07	\$79,224	\$38.09
Admin. Assistant	\$32,635	\$15.69	\$48,231	\$23.19
Lead Teacher	\$41,018	\$19.72	\$71,488	\$34.37
Asst Teacher	\$32,698	\$15.72	\$51,803	\$24.91
Floater/Sub	\$32,698	\$15.72	\$51,803	\$24.91

^{*}Based on 2,080 hours/year (40 hours/week)

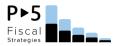
Family child care provider/owners often do not pay themselves a set salary, but rather their income is usually whatever is left over after all business expenses are paid. To fully capture the cost of care in home-based settings and to better compare across program types, the Connecticut Child Care Cost Model includes income for the family child care provider/owner. This is intended to ensure the model accounts for the provider/owner being able to generate income after all business expenses have been paid.

To calculate this income, the model uses the hourly rate for a lead teacher in a child care center under each scenario (\$19.72 using registry salaries and \$34.37 using the compensation schedule) multiplied by 68 hours per week. This aligns with the assumptions in the 2022 NCA and reflects 55 hours per week working directly with children and an additional 13 hours per week to support the operation of the business (e.g. bookkeeping, shopping, cleaning, lesson planning). This income can be used by the provider/owner to cover their business taxes and personal income, as compensation for the high number of hours worked per week, or a portion of it could be used to hire additional staffing to reduce the number of hours per week that the provider/owner must work to operate the business. Table 3 details the salaries used in the family child care home scenarios.

Table 3: Income data in Connecticut Child Care Cost Model, family child care

	Registry Salaries		Workforce Co Schedule N	ompensation Mid-Career
	Annual	Hourly*	Annual	Hourly*
FCC Provider/Owner	\$69,731	\$19.72	\$121,529	\$34.37
FCC Assistant Teacher	\$32,698	\$15.72	\$51,803	\$24.91

^{*}Provider/owner hourly based on 3,536 hours/year (68 hours/week). Asst teacher based on 2,080 hours/year (40 hours/week)



Benefits

The cost model includes all mandatory taxes and employee benefits. In addition, by default all scenarios generated for this narrow cost analysis include the cost of the program contributing to health insurance or other discretionary benefits for all employees. The cost of this benefit is included at \$9,085 per employee, which matches the value used in the Blue Ribbon Panel financial model, based on data from BLS reports and the Connecticut Partnership Plan for health insurance.

The model also includes 10 days paid sick leave and 10 days paid vacation, in addition to federal/state holidays where the program is closed.

Nonpersonnel expenses

The Connecticut Child Care Cost Model includes all nonpersonnel expenses necessary to operate a child care program in the state of Connecticut. The <u>PCQC</u> is the data source for the values for these expenses. This data was updated in 2024 and includes cost of living adjustments for Connecticut. Tables 4 and 5 summarize the annual cost per child for the main nonpersonnel expense categories.

Table 4: Nonpersonnel expenses, child care centers

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Expense Category	Annual Cost
Program Management/Administration (includes office supplies/equipment, telephone, internet, legal and professional fees, permits etc.)	\$390 per child
Occupancy (includes rent/lease/mortgage, utilities, maintenance/repair)	\$34,558 per classroom (\$2,274 child on average)
Education/Program Child expenses (includes food, classroom supplies, medical supplies, child assessment etc.)	\$2,903 per child
Education/Program Staff expenses (includes professional consultants, training/PD)	\$341 per child



Table 5: Nonpersonnel expenses, family child care homes*

Expense Category	Annual Cost
Program Management/Administration (includes office supplies/equipment, telephone, internet, legal and professional fees, permits etc.)	\$868 per child
Occupancy (includes rent /mortgage, utilities, maintenance/repair, household supplies)	\$1,794 per child (average)
Education/Program Child expenses (includes food, education supplies, medical supplies, child assessment etc.)	\$1,969 per child
Education/Program Staff expenses (includes professional consultants, training/PD)	\$199 (Small FCC) \$632 (Group FCC)

^{*40%} time-space percentage applied to shared business expenses

Results

To compare costs across scenarios and isolate the impact of specific variables, P5FS created a default size and age composition for each setting. The default program serves children from infants through school age and operates on a 10-hour day, full-year schedule. For child care centers, three default programs were created, representing different program sizes based on data from Connecticut's 2-1-1 database of child care programs. Tables 6-9 detail the characteristics of these default programs including child capacity and the number of staff.²

Table 6: Capacity of default child care center, 2024 narrow cost analysis

	Small		Medium		Large	
	Classrooms	Capacity	Classrooms	Capacity	Classrooms	Capacity
Infant (0-12 mos.)	1	8	1	8	2	16
Toddler (13-24 mos.)	1	8	1	8	3	24
Preschool (3-5 yrs.)	1	20	2	40	4	80
School Age (5-12 yrs.)	0	0	1	20	1	20
TOTAL	3	36	5	76	10	140

Table 7: Number of FTE in default child care center, 2024 narrow cost analysis

	Small	Medium	Large
Classroom Staffing	7.2 FTE	11.6 FTE	23.6 FTE
Non-classroom staff	1.8 FTE	2.6 FTE	3.8 FTE
TOTAL STAFFING	9.0 FTE	14.2 FTE	27.4 FTE

² The number of staff in each scenario is presented as FTE, or full-time equivalent. This is used in combination with salary and benefit data to calculate personnel expenses in the model.



Table 8: Capacity of default family child care home, 2024 narrow cost analysis

	Group FCC	Small FCC
Infant (0-12 mos.)	1	1
Toddler (13-24 mos.)	2	1
Preschool (3-5 yrs.)	5	4
School Age (5-12 yrs.)	4	3
TOTAL CAPACITY	12	9

Table 9: Number of FTE in default family child care home, 2024 narrow cost analysis

	Group FCC	Small FCC
Provider/owner	1.0 FTE	1.0 FTE
Assistants	0	1.0 FTE
TOTAL STAFFING	1.0 FTE	2.0 FTE

To complete the NCA, P5FS created several different scenarios in the cost model to estimate the cost of care. A total of 10 scenarios were developed, with results generated for programs meeting (1) base licensing regulations and Care 4 Kids requirements using current salaries, and (2) higher quality as defined by increased compensation. Tables 10 and 11 summarize the scenarios presented in this narrow cost analysis.

Table 10: Scenarios developed for 2024 narrow cost analysis, child care centers

	Program Type	Salary Selection	Program Size
Scenario 1	Center	Workforce Registry	Small
Scenario 2	Center	Workforce Registry	Medium
Scenario 3	Center	Workforce Registry	Large
Scenario 4	Center	Compensation Schedule	Small
Scenario 5	Center	Compensation Schedule	Medium
Scenario 6	Center	Compensation Schedule	Large

Table 11: Scenarios developed for 2024 narrow cost analysis, family child care

	Program Type	Salary Selection	Program Size
Scenario 7	Group FCC	Workforce Registry	N/A
Scenario 8	Group FCC	Compensation Schedule	N/A
Scenario 9	Small FCC	Workforce Registry	N/A
Scenario 10	Small FCC	Compensation Schedule	N/A

The results of the 10 scenarios are detailed in Tables 12-15. Each scenario presents the annual cost per child for the specified age group. For school age care, the annual cost is based on an average attendance of 60 percent across the year, accounting for part-time during the school year and full-time during the summer and school breaks.

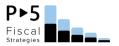


Table 12: Annual cost of care, child care center, using workforce registry salaries

	Scenario 1	Scenario 2	Scenario 3
Infant & Toddler	\$25,953	\$25,746	\$24,391
Preschool	\$16,849	\$16,313	\$15,059
School age	N/A	\$8,841	\$8,609

Table 13: Annual cost of care, child care center, using compensation schedule salaries

	Scenario 4	Scenario 5	Scenario 6
Infant & Toddler	\$35,718	\$34,990	\$33,485
Preschool	\$22,003	\$21,071	\$19,609
School age	N/A	\$11,525	\$11,261

Table 14: Annual cost of care, group FCC

	Scenario 7	Scenario 8
Infant & Toddler	\$21,261	\$29,823
Preschool	\$21,261	\$29,823
School age	\$10,630	\$14,912

Table 15: Annual cost of care, small FCC

	Scenario 9	Scenario 10
Infant & Toddler	\$18,500	\$26,702
Preschool	\$18,500	\$26,702
School age	\$9,250	\$13,351

Comparison between cost of care and current subsidy rates

To understand if gaps exist between the estimated cost of care and the current Care 4 Kids subsidy payment rates, P5FS conducted a gap analysis. Care 4 Kids weekly rates effective January 1, 2024 – June 30, 2024 were used for this analysis. For infants, toddlers and preschoolers the full-time rate was used. The school age analysis uses 60 percent of the full-time rate, to align with the attendance assumptions in the cost estimate. To provide a geographic analysis, the results of the statewide cost of care analysis were compared to the statewide average rate, as well as to the maximum payment rates in each of the five subsidy regions. Towns served by reach region are provided here.

- 1. East Region
- 2. North Central Region
- 3. Northwest Region
- 4. South Central Region
- 5. Southwest Region



For the center-based gap analysis, the cost of care result for the medium child care center program size was used as the comparison (Scenarios 2 and 5). This gap analysis across six scenarios allows for a thorough understanding of the variations in gaps between the estimated cost of care and the current subsidy payment rates across (1) regions of the state, (2) program type, (3) age of child, and (4) different levels of quality, as defined by increased workforce compensation. Results of this gap analysis are shown in Tables 16-21. Negative values denote that the estimated cost of care is higher than the current maximum subsidy payment rate.

Table 16: Weekly gap per child between estimated cost of care using <u>current salaries</u> and Care 4

Kids full-time payment rate, by region, <u>child care center</u>

	Statewide Average	East	North Central	Northwest	South Central	Southwest
Infant	-\$56.12	-\$151.12	-\$41.12	-\$109.12	-\$49.12	\$69.88
Toddler	-\$56.12	-\$151.12	-\$41.12	-\$109.12	-\$49.12	\$69.88
Preschool	-\$3.91	-\$38.71	-\$11.71	-\$16.71	-\$1.71	\$49.29
School age	-\$34.53	-\$54.21	-\$42.21	-\$36.21	-\$23.01	-\$17.01

Table 17: Weekly gap per child between estimated cost of care using <u>higher salaries</u> and Care 4

Kids full-time payment rate, by region, child care center

	Statewide Average	East	North Central	Northwest	South Central	Southwest
Infant	-\$233.88	-\$328.88	-\$218.88	-\$286.88	-\$226.88	-\$107.88
Toddler	-\$233.88	-\$328.88	-\$218.88	-\$286.88	-\$226.88	-\$107.88
Preschool	-\$95.42	-\$130.22	-\$103.22	-\$108.22	-\$93.22	-\$42.22
School age	-\$86.15	-\$105.83	-\$93.83	-\$87.83	-\$74.63	-\$68.63

Table 18: Weekly gap per child between estimated cost of care using <u>current salaries</u> and Care 4 Kids full-time payment rate, by region, group FCC

	Statewide Average	East	North Central	Northwest	South Central	Southwest
Infant	\$30.14	-\$64.86	\$45.14	-\$22.86	\$37.14	\$156.14
Toddler	\$30.14	-\$64.86	\$45.14	-\$22.86	\$37.14	\$156.14
Preschool	-\$99.06	-\$133.86	-\$106.86	-\$111.86	-\$96.86	-\$45.86
School age	-\$68.95	-\$88.63	-\$76.63	-\$70.63	-\$57.43	-\$51.43

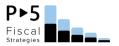


Table 19: Weekly gap per child between estimated cost of care using <u>higher salaries</u> and Care 4 Kids full-time payment rate, by region, group FCC

	Statewide Average	East	North Central	Northwest	South Central	Southwest
Infant	-\$134.53	-\$229.53	-\$119.53	-\$187.53	-\$127.53	-\$8.53
Toddler	-\$134.53	-\$229.53	-\$119.53	-\$187.53	-\$127.53	-\$8.53
Preschool	-\$263.73	-\$298.53	-\$271.53	-\$276.53	-\$261.53	-\$210.53
School age	-\$151.28	-\$170.96	-\$158.96	-\$152.96	-\$139.76	-\$133.76

Table 20: Weekly gap per child between estimated cost of care using <u>current salaries</u> and Care 4 Kids full-time payment rate, by region, small FCC

	Statewide Average	East	North Central	Northwest	South Central	Southwest
Infant	-\$2.77	-\$53.77	-\$20.77	-\$1.77	\$15.23	\$47.23
Toddler	-\$2.77	-\$53.77	-\$20.77	-\$1.77	\$15.23	\$47.23
Preschool	-\$80.37	-\$119.77	-\$93.77	-\$79.77	-\$66.77	-\$41.77
School age	-\$25.13	-\$46.49	-\$32.69	-\$25.49	-\$16.49	-\$4.49

Table 21: Weekly gap per child between estimated cost of care using <u>higher salaries</u> and Care 4 Kids full-time payment rate, by region, <u>small FCC</u>

	Statewide Average	East	North Central	Northwest	South Central	Southwest
Infant	-\$160.50	-\$211.50	-\$178.50	-\$159.50	-\$142.50	-\$110.50
Toddler	-\$160.50	-\$211.50	-\$178.50	-\$159.50	-\$142.50	-\$110.50
Preschool	-\$238.10	-\$277.50	-\$251.50	-\$237.50	-\$224.50	-\$199.50
School age	-\$103.99	-\$125.35	-\$111.55	-\$104.35	-\$95.35	-\$83.35



Appendix

Cost Model Frame

The Connecticut Child Care Cost Model includes the cost of running a legally operating program that serves children birth through school age on a full day (10 hour/day), full year (52 week/year) schedule, and including all mandatory taxes and personnel benefits. Details of the variables in the model are provided below.

RATIO AND GROUP SIZE

Child Care Center

Age Group	Ratio	Group Size
Infant (0-17 months)	1:4	8
Toddler (18-35 months)	1:4	8
Preschool (3-5 years)	1:10	20
School age (5-12 years)	1:10	20

Family Child Care Home

Up to 6 children, plus 3 school age (total of 9) No more than 2 children under 2 years old.

Group Child Care Home

Up to 12 children total

NON-CLASSROOM STAFFING PATTERN

Center

- Program Director (50% time if < 50 children, then full-time)
- Asst Director/Ed Coordinator (0.5 FTE per 50 children)
- Administrative Assistant (0.5 FTE per 50 children)
- Health consultant: 4 hours/year for children 3 years old and under, 2 hours/year for children over 3 years old
- Other consultants: 1 hour/month

Family Child Care Home

Provider onsite during hours of operation – assumed to be 55 hours with children.

Group Family Child Care Home

1 FTE asst teacher in addition to provider/owner.

- Health consultant: 4 hours/year for children 3 years old and under, 2 hours/year for children over 3 years old
- Other consultants: 1 hour/month



TRAINING AND PROFESSIONAL DEVELOPMENT

Center

Caregiving Staff: 6 hours First Aid training

Professional development, at least 1% of total annual hours worked (calculated at 21 hours if full time)

Written PD plan

Family Child Care Home

Caregiving Staff: 6 hours First Aid training

Care 4 Kids training requirement: 10 hours/year

Group Family Child Care Home

Caregiving Staff: 6 hours First Aid

Professional development, at least 1% of total annual hours worked (calculated at 21

hours if full time)

Written PD plan

Data Sources

The following data sources informed development of the Connecticut Child Care Cost Model:

- Child Care Centers and Group FCC Licensing Regulations: https://www.ctoec.org/wp-content/uploads/2023/06/2023_Centers_StatsRegs.pdf
- Family Child Care Home Licensing Regulations: https://www.ctoec.org/wp-content/uploads/2023/06/2023 Family StatsRegs.pdf
- Care 4 Kids Provider Requirements: https://www.ctcare4kids.com/provider-information/providertrainingrequirements/
- Care 4 Kids Weekly Payment Rates: https://www.ctcare4kids.com/wp-content/uploads/2024/01/Care-4-Kids-Weekly-Payment-Rates-Jan-1-Jun-30-2024.pdf
- Connecticut Blue Ribbon Panel on Child Care Report: https://www.ctoec.org/wp-content/uploads/2023/12/oec-blue-ribbon-panel-report-2023-12.15.pdf
- The Cost of Providing Early Child Education and Care in Connecticut: A Narrow Cost Analysis, Licensed Center-Based Care, 2022: https://www.ctoec.org/wp-content/uploads/2022/06/CBC-Final-Report-f-6-28-22.pdf
- The Cost of Providing Early Child Education and Care in Connecticut: A Narrow Cost Analysis, Licensed Family Child Care, 2022: https://www.ctoec.org/wp-content/uploads/2022/06/FCC-NCA-Final-report.pdf
- Administration for Children and Families, Office of Child Care, Provider Cost of Quality Calculator: https://childcareta.acf.hhs.gov/pcqc