

The Cost of Providing Early Child Education and Care in Connecticut: A Narrow Cost Analysis

Licensed Center-Based Care



Office of Early Childhood - University of Connecticut Research Partnership



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1.1 Introduction & Background

This report details the narrow cost analysis performed by the University of Connecticut School of Social Work (UConn) in cooperation and consultation with the Office of Early Childhood (OEC). For the first time, a narrow cost analysis (NCA) is a required part of the Child Care and Development Fund (CCDF) Plan. This cost analysis used existing Connecticut-specific data sources and the Provider Cost of Quality Calculator (PCQC)¹ to estimate the cost of child care by child age. This report reviews this method in detail, including the inputs to the PCQC model, how they were derived, and the outcomes. This report focuses on Licensed Center-Based Child Care (CBCs). A separate report is available for the NCA of Licensed Family Child Cares (FCCs)

The Child Care and Development Fund (CCDF) Plan serves as the application for the Child Care and Development Block Grant (CCDBG) funds overseen by the Administration for Children and Families (ACF). The CCDBG Act requires State Lead Agencies (OEC) to certify that their subsidy payment rates are sufficient to ensure equal access for eligible children comparable to child care services provided to children whose parents are not eligible for the CCDF subsidy. In Connecticut, this subsidy is Care for Kids. The CT OEC is required to provide a summary of facts used to determine their payment rates are sufficient to ensure this access. The Federal Office of Child Care reviews the CCDF Plans for approval. If they are approved, funds are awarded for the next federal fiscal year².

It is important to note what the NCA is and is not. The NCA develops the true cost to businesses to provide child care. According to the ACF, a narrow cost analysis is:

"an analysis of the estimated cost of child care that includes but is not limited the cost to child care providers' for implementation of health safety, quality, and staffing requirements, including applicable licensing and regulatory requirements, health and safety standards, training and professional development standards, curriculum, materials, and appropriate child to staff ratio, group size limits, and caregiver qualification requirements as required in 45 CFR 98.45(b)(3), (f)(1)(ii)(A), and (f)(2)(ii), as well as rent/mortgage, utilities, taxes, and additional business operating expenses."³

The NCA is designed to assess the full cost of child care from the providers' perspective and may differ from the market rate "cost" or tuition charged to parents. The PCQC reflects these exhaustive categories stipulated by ACF to calculate costs. It also has a framework that allows each state to customize the model to reflect their own statutory regulations like number children per teacher. The Calculator operates like a balance sheet; tallying costs and comparing

¹ <u>https://www.ecequalitycalculator.com/Login.aspx</u> (Accessed 25 May 2022).

² OCC ACF, CCDF Plan Requirements <u>https://www.acf.hhs.gov/occ/plans</u> (accessed April 25, 2022).

them to revenues. It should be noted that this tool is not statistical. It reflects back the data the user inputs. Each set of differing inputs is a new scenario. This approach requires close scrutiny to the inputs or assumptions that entered. This report describes in detail how these inputs are constructed for each of the scenarios developed.

Although the primary objective of this work was to estimate the cost of child care by age cohort, this study considers several different child care types including different sized center-based programs, through different scenarios. PCQC prototypes were developed for:

- Annual average cost of infant & toddler care in a licensed center;
- Annual average cost of pre-school age child care in a licensed center; and
- Annual average costs and **net revenue for small, medium, and large** licensed centers.

For each scenario, this report lays out in detail how the research team estimates PCQC cost inputs and interprets PCQC outputs.

This study did not survey providers to understand their costs. Instead, it used existing data sources; detailed in the data sources section below. There are two data sources that should be mentioned here:

This report has three main sections. The first section lays out the approach, a highlevel view of the PCQC model and its categories, and data sources used. The next section goes through the different prototypes or scenarios for Licensed-Based Centers. The final section concludes the analysis and discusses implications. An appendix provides additional detail related to costs and revenues for each prototypical center. Licensed Family Child Care Cost results are in a separate report.

1.2 Method

Approach

In order to ascertain best practices for conducting an NCA, UConn reviewed relevant literature and consulted with researchers in other states, which resulted in the decision to use the PCQC model maintained by the ACF. While ideally utilized in conjunction with provider interviews, time and other constraints led researchers to utilize existing data instead.

Existing data sources included detailed cost category data from 16 state and regional cost studies, the 2022 MRS, and the Connecticut Workforce Compensation Schedule. An internal stakeholder group including members of the OEC and UConn teams reviewed the data collectively to understand its implications for the PCQC model input. UConn assessed each cost and revenue category and developed measures of

variability and central tendency. Stakeholders with broad experience in the child care industry stress-tested these values to ensure that they were consistent with existing practice. These costs vary with the numbers served not the size of the program per se. In other cases, values differed across program type and size. For example, the telephone service needs might vary by the size of the program explicitly. The Appendix provides detail on these costs.

The Cost Model

To perform the cost analyses, the stakeholders selected the PCQC model. The model is maintained by the Administration for Children & Families in the U.S. Department of Health and Human Services. The PCQC model is available to anyone who registers as a user.³ This section reviews the PCQC logic and the primary inputs. Section 2 reviews these same inputs but specific to the prototypes developed for this analysis.

Users input values for a given prototype's revenue and cost categories. The PCQC analyzes these inputs to show the net revenue the child care prototype would be making. The PCQC tabulates the balance sheet for prototypes. The value in using the PCQC is the consistent and exhaustive set of costs and revenues considered. For example, different types of costs are all calculated the same way, i.e., per child, per premise square foot, etc. This consistency allows users to compare studies done using the PCQC as apples to apples. The PCQC categories are an exhaustive list of costs matching the requirements of the NCA. Finally, the PCQC is populated with estimated national- and state-level values as defaults for each category.

The main limitation of the PCQC model is that its outputs are only as valid as the data that is entered. Aside from checking consistency with the model defaults, there are no other guardrails on what can be entered into the model. For this reason, this report lays out the model inputs in great detail for public comment.

Revenue

In the PCQC model, there are a few sources of revenue and factors that offset revenue. The primary revenue sources are:

Tuition: Tuition is the fee that providers receive for each child in care. It is important to note that tuition is generally higher than subsidy reimbursements in Connecticut. The primary child care subsidy, Care 4 Kids, requires that parents provide payment on top of the subsidy provided by the state. For this reason, tuition from the MRS 2022 estimates revenue.

Reimbursements: This represents what providers may receive in subsidies to provide care for a child.

CACFP: The Child and Adult Care Food Program is a federal program that reimburses providers for the cost of providing nutritious meals to qualifying families. However, few programs in Connecticut reported participating in CACFP. For this

³ ACF, Provider Cost of Quality Calculator https://childcareta.acf.hhs.gov/pcqc (accessed June 25, 2022).

reason, the calculations presented here do not include CACFP as an additional source of revenue.

Other revenue such as Grants or Donations: Providers may independently apply for grants or receive donations. These contributions may be through "in-kind" donations that affect revenue by offsetting costs elsewhere. (An example would be donated toys may offset the need to purchase new toys.)

Revenue Offsets

Two factors that may offset revenue are bad debt and vacancy rates. Bad debt is revenue owed to the child care provider but is not collected. Bad debt may be parent fees or tuition that is waived by providers under certain circumstances. The PCQC estimates bad debt is about 3% of revenues nationally. Using Connecticut data, the estimate was closer to 1.23%. We used both values in our models.

It is important to note that tuition is generally higher than reimbursements in Connecticut. The primary CCDF program, Care 4 Kids, includes a parent fee on top of the subsidy provided by the state. Because tuition is at least as large as or larger than subsidies, this study uses tuition as its primary source of provider revenue.

The second offsetting factor is vacancy rates or as the PCQC calls them "efficiency rates", which is related to actual enrollment in a child care setting versus desired enrollment. When programs have a desired enrollment rate or 'capacity' they generally bear the associated costs of the desired enrollment, whether all slots are filled or not. For instance, if a program has a desired capacity of 20 preschool students but only enroll 18 students, they will still have the same number of staff, the same size child care space, the same staff training costs. The PCQC therefore estimates the program costs are for 20 students but it only received revenue for 18 students.

Efficiency rates are critical to understanding the profit margin of providers, especially with the challenges to enrollment presented by the COVID pandemic. Prior to the pandemic, vacancy rates were lower and profit margins were higher.⁴ However, during COVID, fewer families were sending their children to child care as they had alternate work arrangements or concerns related to exposure. This led to an increased number of unfilled slots and lower revenues. The work that follows considers vacancy rates pre-pandemic (2019) and during the pandemic (2021).

In terms of the CACFP, few programs in Connecticut reported participating. For this reason, these scenarios do not include CACFP as an additional source of revenue. Other revenue is specified independently. The audit findings, the IRS filings, and the subject matter experts all suggested that programs receive as much as 10% of their revenue through grants and contributions.

Costs

The primary sources of cost that are included in the PCQC model are:

⁴ <u>https://resources.211childcare.org/reports/annual-survey-2018-2/</u> (accessed May 27, 2022)

- Staff Costs
- Non-Staff Costs

Staff Costs: Figure 1 shows a typical distribution of costs for a center-based child care provider. The majority of the costs (80%) are associated with staff costs. Workers may receive salaries or an hourly wage. Teaching staff is populated based the staff ratios by child size and the group size. Every teacher has an assistant teacher working with them. The PCQC automatically populates substitute teacher time as a percent of the number of teachers. They are paid minimum wage with no benefits. Finally, PCQC allows the user to specify the number of administrative and support staff. These occupations include directors, education coordinators, administrative assistants, and an 'other' category.

Workers receive federal and state mandated benefits including Workman's Compensation, FICA, and unemployment insurance. Some providers offer discretionary benefits like health and dental insurance or retirement plans, among other benefits. These options are specified within the model.



Figure 1: Typical Cost Distribution Incurred for Child Care Providers

Non-Staff Costs: The remaining 20% of costs are non-personnel costs. The PCQC divides these costs into per child costs, per square foot costs, per site costs, and per staff costs. This division of costs allows the NCA to attend to variability that can be present in different child care centers. For example, the larger the premises, the

larger the heating bill and other occupancy costs will be. These are 'per square foot' costs. Figure 2 below describes each of these types of costs.

Cost Type	Definition
Per Child	These are items that children need, like classroom
	materials, education supplies and food. As the number of
	children increases these costs will go up.
Per Site	These items include services that generally do not vary
	significantly with size of the program such as internet,
	audit/legal fees, and professional fees/permits.
Per Square Foot	These items include occupancy costs that increase as the size of the physical increases. These costs include rent/lease, utilities, maintenance, and building insurance. Note: classrooms are assumed to be 1600 sq. ft. per stakeholder recommendation.
Per Staff	These costs focus on quality aspects of staff performance like
	training, consultants, and assessment costs.

Figure 2: Types of Non-Personnel Costs for Child Care Centers

Operationalizing Revenues and Costs

In order to operationalize revenues and costs, the PCQC requires assumptions about the structure of the child care business. Figure 3 shows the ratios and maximum class sizes by child age-group as prescribed by the OEC for licensed center-based care.

Figure 3: Ratios and Maximum Group Sizes by Age

Age Groups	Population Age Group	Center- Based Age Range	Center- Based Staff: Child Ratio	Maximum Group Size
Infant	0-17 months	0-17 months	1:4	8
Toddler	18-35 months	18-35 months	1:4	8
Preschool	3 -5 years	3-4 years	1:10	20
School				
Age	5-12 years	5-12 years	1:10	20

With these staff to child requirements in mind, this analysis develops three prototypical centers – small, medium, and large. These center prototypes are the basis for costs by child-age as well as an analysis center profits. What follows uses these critical concepts to estimate the cost of child care for the NCA. To do this, the research team constructed values using existing data sources. The next section discusses these data sources.

1.3 Data Sources

The primary framework for this NCA was developed by reviewing 16 studies from various states and large counties and following-up directly with organizations and authors who had experience with developing cost models. ⁵ In addition, the research team reviewed and extracted cost data from 22 School Readiness program budgets (including seven Board of Education programs), three Capitol Region Education Council (CREC) program budgets, and 30 audit and IRS forms.⁶ The audits are submitted through the Electronic Audit Reporting System (EARS). Connecticut non-profit providers receiving state funding must submit an audit for any fiscal year in which they receive \$300,000.⁷ Non-profit providers must submit Form 990 to the IRS each year regardless of their receipt of public assistance.

State Studies: Using information found in state and metropolitan case studies, the team categorized costs by type and applicability to the PCQC. The areas examined include New Mexico*, New Jersey, Delaware, Los Angeles, San Francisco, Vermont*, Illinois*, Delaware*, District of Columbia*, Minnesota*, Kentucky, Pennsylvania, Philadelphia, New York*, Wisconsin*, and Hawaii*. The nine states that we used in our analysis are indicated with an asterisk. We used information from each state or area's cost analysis to gain an understanding of per child, per site, per staff, per square foot, and per classroom expenses.

Wage and Salary Data: Information relating to wages or salaries came from the Workforce Registry (representing providers receiving state funding), the Draft Workforce Compensation Schedule prepared by Social Finance,⁸ CTREAP.NET, and the Bureau of Labor Statistics.⁹ Because the majority of operating costs are related to staffing, this information was vital in understanding the full cost of care.

Connecticut's Workforce Compensation Schedule: In 2021, the Connecticut Legislature directed the OEC to submit a compensation schedule that would both stabilize and promote fairness for the Early Childhood Education workforce (Public Act 19-61. This schedule anchored compensation for different education credentials to equity with public school early childhood education workers. Though the wages suggested by the schedule are somewhat aspirational, this analysis considered cost scenarios in alignment with its recommendations. This reflects Connecticut's commitment to fair and equitable pay for the early childhood education workforce.

⁵ A separate literature review of these studies is available and the references are available in the appendix.

⁶ The data gathering and analysis commenced in October 2021 and continued through April 2022.

⁷ See: <u>https://portal.ct.gov/OPM/IGP-MUNFINSR/Municipal-Financial-Services/Audit-Reporting-Requirements</u>. (accessed May 25, 2022)

⁸ <u>http://socialfinance.org</u> (accessed May 12, 2022)

⁹ https://www.bls.gov/oes/current/oes_ct.htm (accessed May 12, 2022)

Figure 4: Workforce Compensation Schedule

	Minimum	Minimum	
Level	Salary	Hourly Wage	Rationale
Level 1			At least \$1 above the
High school degree	\$34,021	\$16.36	2023 statewide minimum wage target of \$15/hour
Level 2	¢7017/	¢18.81	15% increase from
CDA Credential	<i>ъ</i> 39,124	φ10.01	high school degree
Level 3			
Associate degree in ECE or associate degree and Early Childhood Teacher Credential	\$44,993	\$21.63	15% increase from CDA
Level 4			25% increase from
Bachelor's degree in ECE or bachelor's degree and Current ECE State Teaching Endorsement	\$56,241	\$27.04	A.A.; parity with median K-12 entry level salary2
Level 5			
Master's degree (MA) or higher in ECE or MA or higher and Current ECE State Teaching Endorsement	\$64,677	\$31.09	15% increase from B.A.

2022 Market Rate Survey (MRS 2022): The MRS 2022 is collects data on the current tuition rates providers are charging for their services to families in the open market. Though it is often called the "cost of child care", it represents revenue from the provider's perspective.

Budget Data: Using various budgets from across Connecticut, the team categorized expenses according to cost categories supplied by the PCQC. These budgets included School Readiness budgets from across the state, IRS filings, and EARS filing. These were a significant resource in developing the cost.

Provider Data and Vacancy Rates: These sources examined trends associated with vacancy and occupancy rates. These value account for the percentage of unfilled slots a center has. Programs could have unfilled slots for various reasons (staffing or ratio requirements, operational costs, etc.) and must be taken into account when considering the costs and revenues of a program.

Experts and Stakeholders: The team consulted with experts who had previous experience owning or operating programs. The team presented to stakeholders to validate expenses and ensure they aligned with current state costs.

Figure 5: Additional Data Sources

Data Source	What the data source is and what it was used for
Market Rate Survey (2022)	Tuition rates
Connecticut Workforce Registry	Salaries from state-funded providers
Workforce Compensation Schedule	Public Act 19-61 requires Connecticut to establish guidelines for higher pay for early childhood educators. Social Finance created the Workforce Compensation Schedule to be in parity with public school professionals.
CT Department of Labor Occupation Employment Wages & Salary Survey [OEWS]	The CT Department of Labor provided salary data by occupational category in the child care sector.
211 Provider Database (2019 & 2021)	Includes data on all the ECE providers in the state, their enrollment and their vacancies by age group. This data served as the basis for developing program prototypes and estimating vacancy rates.
211 Vacancy Rate Survey of Child Cares (2019)	Data from 211 availability survey conducted annually. This data source provided vacancy rates from 2019.
State and Metro-Area Cost Studies	Budget data and methods examined (see Appendix 2)
School Readiness & CREC Budgets	Sample of budget data from School Readiness programs from a geographically diverse set of programs.
Subject Matter Expert Consultation	Consulted with child care experts and administrators.
IRS 990s & Audit Filings (2019)	Non-profit providers IRS filings that were used for budget information.
EARS (Electronic Audit Reporting System) Audit Filings (2018 & 2019)	Connecticut nonprofit providers are required to submit an audit for any fiscal year they receive at least \$300,000. This provided budget information.

2.1 Licensed Center-Based Child Care Prototype Examples

This section considers a total of five different PCQC scenarios. Licensed center-based child care providers are segmented into small, medium, and large prototypes using descriptive statistics conducted on the 211 Provider Database. This study uses these

prototypes in two different ways. The first way they are used is to calculate the required NCA costs associated with infants & toddlers, and preschool-age children. The second way they are used is to assess the profit margin for licensed center-based providers. This section reviews both of these analyses. The reader is referred to Appendix 1 for detailed information on costs.

2.2 Prototype Providers

The research team created three 'prototypical' licensed child care centers by examining existing providers and their characteristics in the state. The 211 Child Care Provider Database¹⁰ gives information on licensed capacity, desired capacity, ages served, ages with openings, and provider type. The research team examined the distribution (by histogram) of providers' licensed capacity. Examining the mean, median and mode of the licensed capacity distribution yielded inflexion points describing different sizes

The prototypical 'small' center has a licensed capacity of 1 to 39 slots; the 'medium' center has a capacity of between 40 and 99 slots; and the 'large' center has 100 or more slots. For each prototypical center, the research team allocated infants (aged 0 – 18 months) and toddlers (18 months – 35 months) into one age group; preschoolers (36 months – 5 years) into another and school-aged children (older than 5) into the third age group.

This analysis then reviewed ages served by differently sized programs; again based on the 211 Child Care Provider Database. From these reviews, two sets of observations could be made. First, large programs were more likely to serve a larger proportion of preschool aged children. Medium programs were more likely to serve a larger proportion of infants & toddlers. Based on this first insight, the medium prototype served as the basis for the average cost of care for infants & toddlers and the large prototype served as the basis for the average cost of care for preschool age children.¹¹

The program size matters because certain some costs differ by program size. For instance, site costs like telephone, internet, legal fees, etc. may differ by size. These types of costs are not easily disaggregated to differ by an easy measurement like the square footage or number of children but they may differ for different sized programs. Other costs that differ by program size include things like total training costs for staff, the number and type of non-teaching staff, and consultant costs. Even program salaries and whether a program offers benefits can also vary by size. For a more robust discussion, see Appendix 1, Tables C-M.

¹⁰ Internal communication from 211 United Way.

¹¹ There were no child care providers in the 211 database that served exclusively school-aged children.

The second observation involves a finely crafted review of median provider size and children served by age group within each prototype. For small centers, the median provider size was approximately 3 classrooms with 36 with 16 infants & toddlers and 20 preschool age children See Figure 6 to review ratios and maximum group sizes by age and to examine prototype child age configurations. These values are not exact but reflect a reasonable prototypical program. Figure 7 below shows the assumptions for each of the prototypical programs.

Profile for CT Prototypical Centers	Small Center (Capacity < = 40)	Medium Center (Capacity > 40 & < = 100)	Large Center (Capacity> 100)	Medium Center with Infants & Toddlers Only	Large Center with Preschoolers Only
Estimated Number of Center Classrooms	3	5	10	10	6
Infants and Toddlers Desired Enrollment	16	16	40	80	N/A
Preschool Desired Enrollment	20	40	80	N/A	120
School Age Desired Enrollment	0	20	20	N/A	N/A
Estimated Teaching Staff (one teacher & one teacher assistant per classroom)	6	10	20	20	12

Figure 6: Prototype Description of Size and Child-Age Distribution

2.3 Prototype Teaching and Non-Teaching Staff

The PCQC model calculates the number of teachers and assistant teachers based on the number of classrooms input for each age group accounting for the child-adult ratio and the maximum group size for each age group. The PCQC model assumes each classroom is staffed to the maximum group size allowed for each age group and that age groups are divided into their own classrooms. This practice ensures the model has the correct number of desired enrollment by child-age in order to calculate required teaching personnel costs. Based on expert opinion and discussion with OEC staff, it was assumed that teaching is staffed such that they cover 10-hour days. This staffing level allows parents to drop off their children before work and pick them up after working an 8-hour day. This adjustment increases staff time by 25%.

There are two types of additional staff in the PCQC. The PCQC automatically includes substitute teachers. The PCQC model assumes substitutes earn the State minimum wage and they work 20 hours per year for each teaching staff member (including assistants) to enable the latter to attend required training.¹²

The second type of additional staff includes administrative and support staff. The PCQC cost model allows users to specify the full-time equivalent (FTE) non-teaching staff. Specified categories include a director, education coordinator / assistant director, and administrative assistant. There is an "other" category included for additional staff like parent engagement workers. One can add as many teaching or non-teaching staff as necessary to accommodate the staffing pattern of any provider.¹³

The research team reviewed salary data from multiple sources including the OEC Workforce Registry, Workforce Compensation Schedule, Bureau of Labor Statistics Occupational and Employment Wages Survey¹⁴ and other online sources like CTREAP.COM. In the end, the study used three salary levels as shown in Figure 7 below.

¹² See the August 2019 PCQC User Guide, page 13. Available at

https://childcareta.acf.hhs.gov/sites/default/files/public/pcqc_user_guide.pdf. (accessed May 27, 2022)

¹³ To accommodate fractional hours (not half-time or full-time) staff, the position is specified as full-time and the annual salary corresponding to the fraction of full-time was assumed to be 40 hours per week or 2,080 hours per year.

¹⁴ See: Occupational and Employment Wage Survey: <u>https://www.bls.gov/oes/ (</u>accessed May 27, 2022)

Figure 7: Sample PCQC Staff Categories and Salaries for a Large Center

PCQC Staff Categories	Registry Salaries	Draft Workforce Compensation Schedule Level 1 Salaries	Draft Workforce Compensation Schedule Mid-Career Salaries
Director (FTE)	\$61,963	\$64,677 (Level 1 MA)	\$77,821 (Level 6 MA)
Education Coordinator or Assistant Director (FTE)	\$43,823	\$64,677	\$74,994 (Level 5 MA)
Classroom Teacher (FTE)	\$35,255	\$56,241 (Level 1 BA)	\$67,671 (Level 6 BA)
Teacher Assistants (FTE)	\$26,543	\$40,754 (Level 1 CDA)	\$49,037 (Level 6 CDA)
Administrative Assistant (FTE)	\$24,331	\$45,656 (CTREAP.NET)	\$45,656 (CTREAP.NET)
Addi Staff @ CT current minimum \$13/hour wage (FTE)	\$27,040	\$27,040	\$27,040

The first salary level is based on the Workforce Registry. Programs receiving funding from the OEC are required to report information on their staff to the registry. This information includes salary level, position, and qualifications. This information provided information on median wages by role, as shown in Figure 8. One important caveat to this data is that it is not always kept up-to-date as shown by the low salaries of Teacher Assistants and Administrative Assistants.

The Workforce Compensation Schedule is presented above in Section 1.3 on Data Sources. The Compensation Schedule specifies salaries by qualification instead of role. To adjust for this, qualifications for each role were derived from statute and stakeholder feedback. The administrative assistant position did not fit neatly in this rubric. The team selected the average salary of advertised administrative assistance jobs from CTREAP.NET for this position. CTREAP.NET is an aggregator website dedicated to job searches within the educational sector including early childhood education.

The final strata of salaries was built from the Workforce Compensation Schedule. Although the Workforce Compensation Schedule was based on parity with early childhood education services in public schools, it selected entry level values for each qualification type. As a result, the \$56,241 salary for a teacher with a BA assumes they have no experience teaching. While these salaries even at an entry level are aspirational for the sector, this assumption is not realistic. The third strata uses the entry level wages and then assumes workers are mid-career level workers. For each level in the strata, the worker receives a 3% cost of living increase resulting in the sample salaries in Figure 8.

Figures H-J in Appendix 1 show the staffing levels for non-teaching staff for small, medium, and large centers. Figures K-M show the salaries for small, medium, and large centers.

All providers include mandatory benefits as shown in Appendix 1, Figure N, including FICA, Unemployment Insurance, Workman's Compensation, and Paid Family Leave. Discretionary benefits may include retirement, health insurance, long-term disability, etc. Because provider sizes ranged, this analysis estimated the proportion of the sum of salaries and wages – the wage bill - discretionary benefits represented. Discretionary benefits ranged from 0% of the wage bill for small centers, 8.5% for medium centers and 14% for large centers.

2.4 Prototype Per Site, Per Staff, and Per Square Foot Costs

In addition to personnel costs, the PCQC model segregates non-personnel costs into per-child, per-staff, per-site and per-square-foot costs. Appendix 1, Figures A - G, contain detailed information on these costs by program size when applicable. Figure 9 below summarizes these values. In general, costs are classified by the multiplier factor associated with their use.

Appendix Figure	Type of Cost	Cost Estimate	Description
А	Per Child	\$2190	Includes food, supplies, office, liability insurance, advertising, postage
В	Per Sq. Foot	\$23	Includes rent, utilities, building insurance
C-E	Per Site	\$14,800 - \$132,000	Includes phone, internet, legal fees, audit fees, other professional fees, and permits. Cost varies by size of program.
F	Child Assessment	\$22	Average of basic screening (free) and in depth. Staff time increased by 25%.
G	Staff Training	\$1200	Includes required staff trainings for licensing and health & safety
G	Consultants	\$334 - \$500	Includes health & safety and additional quality support

Figure 9: Summary of PCQC Cost Information

Sections 2.1-2.3 summarize the cost inputs to the PCQC model for this study. The objective of this NCA is to examine the full costs of child care including applicable licensing, statutes, caregiver qualifications, professional development, and appropriate materials. These cost inputs calculate the cost of care presented in Section 3.1 below.

In addition to these cost estimates, Section 3.2 below examines profit margins for child cares in Connecticut. This second analysis considers pre-pandemic and pandemic conditions as well as different levels of reimbursement based on the Market Rate Survey (MRS 2022). The next section, Section 2.4, reviews the MRS 2022 tuition rates and the other factors that affect revenue.

2.5 Prototype Revenue

This section fleshes out the three prototype center models; small, medium, and large. Unlike the cost only models, these small, medium, and large models consider the revenues and costs. The difference between revenues and costs gives the profit margin.

To perform this analysis, this section examines average tuition rates from the MRS 2022. This analysis assumes there are no other sources of revenue but does consider an "average" tuition rate and a "recommended" tuition rate; the 50th and 75th percentile tuition rates respectively. Figure 10 reports these tuition rates.

Figure 10: MRS Tuition Rates for Child Care Centers by Size

Tuition Rates (2022 211 Data)	Small Center	Medium Center	Large Center	Current 211 Average Statewide Cost (Tuition)	
		50 th I	Percentile		
Infants & Toddlers	\$315	\$330	\$402	\$309	
Preschool	\$255	\$270	\$303	\$254	
School Age	\$130	\$143	\$139	\$122	
75 th Percentile					
Infants & Toddlers	\$370	\$398	\$447	\$309	
Preschool	\$295	\$325	\$350	\$254	
School Age	\$130	\$158	\$170	\$122	

There are mitigating factors to revenue explored in Figure 11 below. Bad debt or uncollected fees are set at 1.23%. Although this is lower than the national average recommended by the PCQC default, it is consistent with the audit reports reviewed. CACFP revenues are set to zero for each of the prototypes because the 211 Provider Database suggested less than half of programs participate. Consequently, CACFP participation is not typical for Connecticut programs. Figure 11: Other Revenue Information

Profile for CT Prototypical Centers	Small Center (Capacity < = 40)	Medium Center (Capacity > 40 & < = 100)	Large Center (Capacity>100)
2019 Vacancy Rate	17.3%	17.3%	17.3%
2021 Vacancy Rate	28.4%	26%	24.5%
Bad debt as a Percent of Total Revenue	1.23%	1.23%	1.23%
CACFP Yes or No (from 211 Provider Database)	25% yes, 61% no, 14% unknown	7% yes, 88% no, 5% unknown	15% yes, 74% no, 11% unknown

The final mitigating factor is the vacancy rate. As discussed above, programs may not fill all of their slots. When this happens, they still have to incur some of the costs related to those slots. If the vacancy rate is large, it may be difficult for programs to break even. This analysis compared pre-pandemic vacancy rates (2019) to pandemic vacancy rates (2021). As Figure 11 shows, vacancy rates increased during the pandemic resulting in lower revenues from filled slots.

This section, section 2, reviews the inputs to the PCQC model that were used for these analyses. Appendix 1 provides more detail on these inputs. The next section, section 3, reports the key findings for the cost of care and for the profit margins of child care businesses.

3.1 Findings

This section presents the NCA results. There are two sets of conclusions. Section 3.1 shows the cost of care for infants & toddlers, and preschool-age children. These values represent the true cost of care to providers. Section 3.2 reviews the profit margins that might arise based on the costs developed here and revenues suggested by the MRS 2022. There are results from three scenarios: (1) pre-pandemic vacancy rates and average tuition rates; (2) pandemic vacancy rates and average tuition to the 75th percentile of the MRS.

3.2 Cost of Child Care by Age Group

Figure 12 presents the estimated cost of care using the PCQC input data developed in Section 2 above. The cost of full time infant & toddler care annually ranges from a low of \$22,067 to a high of \$31,767. For preschool-age care ranges from \$11,891 to \$16,138. These values also include benefits like medical and dental insurance for educators.

The primary difference in costs comes from the salaries, wages, and benefits paid to workers. The workforce registry has the lowest costs and may underestimate the true cost of the workforce. The salaries from the Workforce Compensation Schedule are somewhat aspirational but may come close to estimating what a true cost of care would be. The highest value results from assuming the child care workforce is highly experienced and highly paid.

Annual Cost Per Child	Registry Salaries with Discretionary Benefits	Workforce Compensation Schedule with Discretionary Benefits	Mid-career salaries with Discretionary Benefits
Infants & Toddlers	\$22,067	\$28,149	\$31,767
Preschool-Age Children	\$11,891	\$14,487	\$16,138

Figure 12: Cost of Child Care for Infants & Toddlers

The NCA costs need to fit the Connecticut context. Workforce registry salaries represent a minimum value. In some cases, the data have not been updated. This is reflected by some salaries not reflecting minimum wage. Anchoring the cost of care to these values would misstate the current climate where providers are competing for workers with higher wages. In light of this context, this study finds the values from the Workforce Compensation Schedule reflect what is happening in the field now and where it will be going in the future.

These values are comparable to findings from other researchers. The Center for American Progress (CAP) finds the annual cost of infant care ranges from \$18,200 to \$34,100 and the annual cost of preschool-age care ranges from \$12,700 to \$20,544 in Connecticut.¹⁵ The mid-values selected above are in the reasonable mid-range of the CAP values.

¹⁵ Where Does Your Child Care Dollar Go? - Center for American Progress (accessed May 25, 2022)

3.3 **Profit Margins for Providers**

This section examines profits for the small, medium, and large prototype centers created above. It considers their profit margins if their vacancy rates went back to pre-pandemic levels, at pandemic levels, and if providers were given a boost in tuition rates to the 75th percentile suggested by the MRS 2022.

Figure 13: Pre-Pandemic Costs Per Child and Profit for Small, Medium and Large Centers (State Average Tuition)

Center Size	Annual Cost Per Child	Net Revenue	Net Revenue as % of Total Revenue
Small	\$13,635	-\$17,088	-3.6%
Medium	\$12,368	-\$56,491	-6.4%
Large	\$14,351	-\$14,323	-0.7%

Figure 13 shows results for these three prototype center examples comparing profitability during the prior to the pandemic. Vacancy rates were 17.3% on average. This analysis assumes providers are paid at the 50th percentile suggested by the MRS 2022. In this instance, programs were close to breaking even. These small differences could be made up from other sources of revenue like grants, donations or CACFP. These number do not assume programs have any other revenue sources.

Figure 14: Pandemic Period (2021) Costs Per Child and Profit for Small, Medium and Large Centers (State Average Tuition)

Center Size	Annual Cost Per Child	Net Revenue	Net Revenue as % of Total Revenue
Small	\$13,635	-\$78,234	-16.7%
Medium	\$12,368	-\$133,929	-16.6%
Large	\$14,351	-\$186,259	-10.2%

Figure 14 shows the profit margins during the pandemic in 2021. These numbers assume vacancy rates of 28.4% for small centers, 26% for medium centers and 24.5% for large centers. Tuition rates correspond to 2022 statewide 50th percentile rates from the MRS 2022. Provider profits have clearly decreased. Providers have a much more difficult time breaking even under the conditions caused by the pandemic.

Figure 15: Pandemic Period (2021) Costs Per Child and Profit for Small, Medium and Large Centers (Hypothetical 75th Percentile Tuition)

Center Size	Annual Cost Per Child	Net Revenue	Net Revenue as % of Total Revenue
Small	\$13,635	-\$12,719	-2.7%
Medium	\$12,368	+\$1,861	+0.2%
Large	\$14,351	+65,056	+3.1%

Figure 15 shows results for these three prototype center examples comparing profitability during the pandemic in 2021 but with tuition reimbursement set at the 75th percentile of MRS 2022 as suggested by ACF. If tuition rates were raised child care programs would again close to break even. The small center is still slightly in the red but both the medium and large programs are in the black. These findings emphasize that both vacancy rates and tuition rates are crucial to sustainability for the child care sector.

4.1 Summary

This study fulfills the criteria for the mandated Narrow Cost Analysis for the CCDF plan. It used the PCQC model maintained by ACF for the purpose of estimating the full cost of child care. To use the PCQC, three prototype programs were developed: small, medium, and large. This project estimated the costs and factors impacting revenues from existing data sources including provider budgets and provider enrollment databases. Salaries are the largest portion of provider costs and these were analyzed using somewhat aspirational values from Connecticut's Workforce Compensation schedule. Finally, the analysis examined profit margins for under pandemic conditions and with average tuition rates from the 2022 MRS.

4.2 Limitations

This study had a number of limitations. The main limitation to this work is that it is based on existing data only. While a total of 57 provider budgets were examined, it could have been a larger sample had a survey been conducted. While the School Readiness budgets were selected to represent diverse geography, the other budgets skewed toward higher cost regions of the state. An addition limitation to the data used is the timing is concurrent with the COVID pandemic. While attempts were made to abstract from this period by using 2018 and 2019 data and contrasting it with 2021, it is unclear at this time if provider norms will return to the 2019 time period.

Another limitation is these prototype centers or examples are not statistically representative of actual centers in the size and type categories in this report but are modeling constructs to illustrate the variety of cost structures centers of various sizes and types face. While statistical modeling was used to construct the prototypes, the PCQC itself uses a simulation approach only. While representative of the true cost structure, the PCQC does not allow for detailed output on costs and revenues.

The analysis of profit margins needs to be understood in this context. Some providers may appear to not be profitable but find other ways to stay afloat. For instance, some providers make ends meet with monetary and in-kind contributions, which were not modeled. These factors were excluded from the modeling because of a lack data.

Finally, we emphasize that the salaries from the Draft Workforce Compensation Schedule illustrate an aspirational pay rate. Some licensed-center providers pay wages and salaries significantly less than those on par with comparable positions in public schools. Some providers pay little or no benefits. These results therefore are illustrative and subject to further refinement and scrutiny.

4.3 Conclusions

The narrow cost analysis found the annual cost of child care for an infant or toddler is \$28,149 and for preschool age child is \$14,487 in center-based care. These estimates are based on salaried from the Workforce Compensation Schedule and are somewhat aspirational at this point. However, to understand the true cost of quality care, this must begin with a fairly compensated workforce. In addition to the salaries, this analysis includes benefits consistent with larger programs as a further dimension of workforce

compensation. Despite these larger salaries, these estimates are consistent with other studies of the cost of quality child care in Connecticut.

By way of comparison, the current CCDF Care 4 Kids rates are set at the 45th percentile for infants and toddlers and the 29th percentile for preschool-age children. Based on the cost analysis here, these Care 4 Kids reimbursement rates cover only 56% and 73% of the estimated cost of care respectively.

In addition to the cost of care, this study examined the profit margins for a small, medium, and large child care with a mix of child ages. On the whole, the analysis found that the pandemic worsened the fiscal picture for child care providers. Having a larger vacancy rate mean higher overheads and lower revenue. In addition to this challenge, many providers are currently having difficulty attracting staff. Paying the minimum wage is no longer enough to attract highly qualified individuals. These challenges suggest the child care industry is being squeezed as never before.

The ACF recommends reimbursing providers at the 75th percentile of the MRS tuition rates. This analysis compared the three provider types being reimbursed at the 50th percentile and the 75th percentile. Because the fiscal outlook for these providers has worsened under the pandemic, the 50th percentile was not sufficient for providers to break even. When being reimbursed at the 50th percentile, the providers were between 10.2% and 16.7% in the red. If their reimbursement rates were to be increased to the 75th percentile, this would help providers break even. Their profit margins would be between -2.7% and +3.1%.

This study meets the requirements of the NCA as stipulated by statute. It uses ACFs PCQC tool. The PCQC tool enumerates the relevant cost categories that must be included in a NCA. The model is normed to Connecticut-specific appropriate child to staff ratios, groups size limits, caregiver qualifications, and health & safety standards. In addition, the NCA provided an opportunity to gain insight into cost drivers and the fragility of the child care sector in Connecticut.

Appendix 1: Center-Based Cost Data

This Appendix describes in detail the cost data the research team gleaned from a variety of sources that are named below in context. School Readiness, CREC and audit/990 budgets provide non-personnel costs, while the Workforce Compensation Schedule, the Workforce Registry, the website CTREAP.NET, and the Bureau of Labor Statistics provide compensation data. The NIERR study¹⁶ provides a staffing pattern for a public-school-preschool program. Staffing patterns for the small, medium and large prototypical centers were gleaned from School Readiness and CREC budgets and OEC experts.

The following figures contain the detailed non-personnel costs for these prototypical centers that were inputted in the PCQC cost model. Figure A contains costs per child gleaned from School Readiness, CREC and audit/990 budgets. The research team calculated the number of children in the denominator using estimates derived from each of the 57 budgets we reviewed. The PCQC model includes default values for each state, and they are listed in the figures for Connecticut where applicable for reference. The 'N=57' in the 'Range' column refers to the number of budgets that we analyzed. It was assumed that per child costs do not vary across providers as they are beyond their control. From the ranges shown, the research team estimated the central tendency to arrive at the recommended value for cost modeling. To inform this central tendency estimation and recommendation, the mean, median, and mode were calculated from these ranges.

¹⁶ Friedman-Krauss, A., Garver, K., Nores, M., Li, Z & Whitman, C. (2020). Connecticut Preschool Special Education Needs Assessment. New Brunswick, NJ: National Institute for Early Education Research. See pages 16 through 18. (accessed May 27, 2022)

Figure A: Average Operating Costs for Centers Using the PCQC Model

Per Child Costs: PCQC Category Names	Range (N=57)	PCQC Defaults	Recommendations
Food & Food Preparation	\$44.59 – \$2,464	\$1,350	\$1,350
Kitchen Supplies		\$50	
Education Supplies	\$3 - \$3,192	\$100	\$500
Classroom Supplies		\$125	
Office Supplies & Equipment		\$100	
Insurance (liability, accident, etc.)	\$34 – \$150	\$110	\$110
Postage		N/A	
Advertising	\$0.07 – \$274	\$20	\$30
Miscellaneous (includes field trips and parent activities)	\$16 – \$1,010.90	\$25	\$200
Total Per Child Costs			\$2,190

Figure B contains per square costs for each classroom that are assumed to include closets, hallways, offices, and restrooms and each such classroom occupies 1,600 square feet. It was assumed that these costs do not vary across center sizes and types as they are beyond the control of providers.

Figure B: Average Operating Costs Using the PCQC Model

Per Square Foot Costs: PCQC Category Names	Range (N=57)	Recommendations
Rent/Lease	\$0.70 - \$24.73	\$12
Utilities ¹⁷	\$0.31 – \$4	\$4
Building Insurance (assume property & liability are combined in audit/990 data)	\$0.12 - \$18	\$3
Maintenance/Repair/Cleaning	\$0.17 – \$16	\$4

Figures C through E contain costs that vary by size and type of provider, and it was assumed that they hold for all providers in the same size and type category. The number in the range column refers to the number of budgets from which data were extracted.

Figure C: Average Operating Costs Using the PCQC Model, Small Centers

Per Site Cost for Small Centers: PCQC Categories	Range (N=11)	PCQC Defaults	Recommendations
Telephone & Internet	\$1,125 – \$3,000	\$1,440	\$1,800
Audit/ Legal Fees	\$1,100 – \$5,501	\$3,000	\$2,500
Professional Fees/Permits	\$500 - \$36,202	\$500	\$500
Miscellaneous	\$8,500 - \$14,000	\$0	\$10,000

¹⁷ \$2.10/square foot from: <u>www.iotacommunications.com/blog/average-utility-cost-per-square-foot-commercial-property</u> (accessed May 12, 2022)

Figure D: Average Operating Costs Using the PCQC Model, Medium Centers

Per Site Cost for Medium Centers: PCQC Categories	Range (N=26)	PCQC Defaults	Recommendations
Telephone & Internet	\$57 - \$15,747	\$1,440	\$1,800
Audit/ Legal Fees	\$1,804 - \$35,168	\$3,000	\$2,500
Professional Fees/Permits	\$294 – \$ 19,822	\$500	\$500
Miscellaneous	\$465 – \$173,457	\$0	\$10,000

Figure E: Average Operating Costs Using the PCQC Model, Large Centers

Per Site Costs for Large Centers: PCQC Categories	Range (N=20)	PCQC Defaults	Recommendations
Telephone & Internet	\$3,000 - \$12,414	\$1,440	\$8,000
Audit/ Legal fees	\$2,919 – \$154,211	\$3,000	\$25,000
Professional Fees/Permits	\$500 - \$43,205	\$500	\$13,000
Miscellaneous	\$1,917 – \$213,966	\$0	\$86,000

Figure F contains the costs of the child assessment system in per child terms and the additional time teaching staff spend to attend to non-teaching work.

Figure F: Costs of the Child Assessment System

PCQC Categories	Small	Medium	Large	PCQC Defaults	Recommendations (OEC experts)
Cost per child of child assessment system	\$17.74	N/A	\$15	\$22	\$22
Percent Additional Time	25%	25%	25%	N/A	25%

Figure G contains costs measured in per staff terms for consultants and training. Consultants represent a broad range of specialized purchased services that the center cannot sustain on payroll (accounting, nutrition, mental health, and nurses, among others). Training represents professional development as well as first aid, CPR and EPI pen administration training, among other types. The staff denominators represent the prototypical teaching staffing pattern.

Figure G: Costs in Per Staff Terms

Per Staff Costs for Licensed Centers: PCQC Categories	Small Centers	Medium Centers	Large Centers	PCQC Defaults	Recommendations
Consultants/ Training (N=57)	Range \$444 – \$3,960 Central Tendency \$1,694	Range \$14.29 - \$5,610 Central Tendency \$875	Range \$89.50 – \$7,605 Central Tendency \$1,418	\$200	\$1,200
Health Consultant (Combine with Consultants/ Training)	\$2,000/6 staff = \$334	\$3,000/10 staff = \$300	\$10,000/20 staff = \$500	N/A	Use these values depending on center size

Figures H through J contain personnel costs that represent as much as 80% of total expenditure for a provider. The first three tables contain the staffing pattern for non-teaching staff in terms of their hours per week for each prototypical licensed center.

Figure H: Staffing Patterns, Small Center

Small Center: Staff Categories from PCQC	Ranges (from School Readiness & CREC budget review)	Central Tendency	Recommendations (OEC experts)
Director hours	25 – 40 hours	25 hours	20 hours
Education Coordinator hours	No response – 15 hours	15 hours	No Coordinator
Administrative Assistant hours. For a small center, the Director or staff might assume the duties of an Administrative Assistant	No response – 10 hours	10 hours	20 hours
Additional non-teaching staff	N/A	N/A	N/A

Figure I: Staffing Patterns, Medium Center

Medium Center: Staff Categories from PCQC	Ranges (from School Readiness & CREC budget review)	Central Tendency	Recommendations (OEC experts)
Director hours	17.5 – 40 hours	40 hours	40 hours
Education Coordinator hours	5 – 6.78 hours	5 hours	0 hours
Administrative Assistant hours	1.95 – 40 hours	10 hours	20 hours
Additional non-teaching staff	3 – 20 hours	5 hours	5 hours

Figure J: Staffing Patterns, Large Center

Large Center: Staff Categories from PCQC	Ranges (from School Readiness & CREC budget review)	Central Tendency	Recommendations (OEC experts)
Director hours	10 – 40 hours	40 hours	40 hours
Education Coordinator hours	20 – 40 hours	40 hours	40 hours
Administrative Assistant hours	10 – 40 hours	30 hours	20 hours
Additional non- teaching staff	24 – 150 hours	80 hours (2 full- time employees, e.g., parent engagement)	80 hours

Figure K shows annual, full-time salaries for staff from the Workforce Registry. Providers receiving state funding are required to report salaried positions and the hourly wage, hours per week worked and weeks and months per year worked for each position. The research team converted reported hourly rates to full-time, annual (2,080 hours) salaries so that the actual hours describing the staffing patterns above would reflect the total personnel cost for each prototype. The research team calculated the number of unique observations for each position reported in the Registry. The Registry data received represents the period from January 2019 through November 2020 and contains salary data by position for 382 providers of whom 241 are licensed and 141 are license exempt. Of the latter, the research team identified 136 public school programs and five programs housed in other settings. This data represents a small fraction of the 1,710 licensed centers and 346 nursery schools of which 166 are license-exempt contained in the 2-1-1 fall 2019 survey.

Part of this modeling exercise examined the annual cost per child for a large center providing early education and care to 120 infants and toddlers in one group of scenarios and to 120 preschool children in another group. Each group contains three scenarios using Registry salaries, Draft Workforce Compensation Schedule level 1 (high school) salaries and mid-career salaries. Figure L below presents the large prototype center staffing pattern and corresponding salaries and sources. Note that the PCQC model increases teacher and assistant teacher salaries by this specified 25% reflecting their 10-hour workday. There is no Draft Workforce Compensation Schedule salary for an administrative assistant, so a the research team used a value from the CTREAP.NET website. Note that mid-career salaries were increased by 19.41% from the base salary accounting for the recommended 3% increase per year for six years.

Figure K: Staffing Patterns and Salaries, Small Center

PCQC Staff Categories	Registry Salaries	Workforce Compensation Schedule Level 1 Salaries	Workforce Compensation Schedule Mid-Career Salaries	
Director (40 hours)	\$45,009	\$64,677 (Level 1 MA)	\$77,821 (Level 6 MA)	
Education Coordinator (40 hours)	-	-	\$74,994 (Level 5 MA)	
Classroom Teacher	\$35,199	\$56,241 (Level 1 BA)	\$67,671 (Level 6 BA)	
Teacher Assistants	\$26,407	\$40,754 (Level 1 CDA)	\$49,037 (Level 6 CDA)	
Administrative Assistant (20 hours)	\$24,331	\$45,656 (CTREAP.NET)	\$45,656 (CTREAP.NET)	
Additional Staff @ CT current minimum \$13/hour wage (80 hours)	-	-	\$27,040	

Figure L: Staffing Patterns and Salaries, Medium Center

PCQC Staff Categories	Registry Salaries	Workforce Compensation Schedule Level 1 Salaries	Workforce Compensation Schedule Mid-Career Salaries	
Director (40 hours)	\$51,477	\$64,677 (Level 1 MA)	\$77,821 (Level 6 MA)	
Education Coordinator (40 hours)	\$35,517	\$64,677	\$74,994 (Level 5 MA)	
Classroom Teacher	\$34,617	\$56,241 (Level 1 BA)	\$67,671 (Level 6 BA)	
Teacher Assistants	\$29,205	\$40,754 (Level 1 CDA)	\$49,037 (Level 6 CDA)	
Administrative Assistant (20 hours)	\$24,331	\$45,656 (CTREAP.NET)	\$45,656 (CTREAP.NET)	
Additional Staff @ CT current minimum \$13/hour wage (80 hours)	\$27,040	\$27,040	\$27,040	

Figure M: Staffing	Patterns and	Salaries, Lar	ae Center

PCQC Staff Categories	Registry Salaries	Workforce Compensation Schedule Level 1 Salaries	Workforce Compensation Schedule Mid-Career Salaries	
Director (40 hours)	\$61,963	\$64,677 (Level 1 MA)	\$77,821 (Level 6 MA)	
Education Coordinator (40 hours)	\$43,823	\$64,677	\$74,994 (Level 5 MA)	
Classroom Teacher	\$35,255	\$56,241 (Level 1 BA)	\$67,671 (Level 6 BA)	
Teacher Assistants	\$26,543	\$40,754 (Level 1 CDA)	\$49,037 (Level 6 CDA)	
Administrative Assistant (20 hours)	\$24,331	\$45,656 (CTREAP.NET)	\$45,656 (CTREAP.NET)	
Additional Staff @ CT current minimum \$13/hour wage (80 hours)	\$27,040	\$27,040	\$27,040	

In addition to salaries, some licensed providers offer discretionary benefits such as retirement, health insurance, dental insurance, life insurance, and long-term disability insurance, among other benefits. All providers with salaried employees pay mandatory Social Security, Medicare, unemployment insurance, worker's compensation and paid family leave. The research team's review of audit / IRS Form 990 data shows 8.5% of total salaries and wages as an average discretionary benefit burden for medium centers and 14% for large centers. It was assumed that small centers are unable to provide discretionary benefits. Results were modeled but are not presented for a legislatively proposed \$7,500 minimum discretionary benefit amount, as the dollar amount approximates the 14% level gleaned from the audit/990 budget data and more importantly, the costs per child are nearly identical. It was assumed that discretionary benefits are provided to all teaching and non-teaching staff and are pro-rated for part-time staff. In other words, total FTEs were used as the staff denominator (adding up fractions less than and greater than one, e.g., two half-time positions and one full-time position sum to two FTEs). Figure M shows these values for these example licensed centers.

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Benefit Categories	Small Center	Medium Center	Large Center	Recommendations
Mandatory Benefits (percent of annual wages)	FICA @ 7.65%, +1.5% UI & 1.8% WC +0.5% PFL	FICA @ 7.65%, +1.5% UI & 1.8% WC +0.5% PFL	FICA @ 7.65%, +1.5% UI & 1.8% WC + 0.5% PFL	FICA @ 7.65%, +1.5% UI & 1.8% WC + 0.5% PFL
Annual contribution to insurance and other benefits (dollars per all staff)	\$O	8.5% of wage bill	14% of wage bill	Use these values depending on center size

Appendix 2: State & County Studies

Anne Mitchell, "The cost of quality child care study: A community release and recommendations" (Fort Worth, TX: Workforce Solutions for Tarrant County and Workforce Solutions Greater Dallas County, 2017), available at

http://earlylearningntx.org/wpcontent/uploads/2017/07/Cost-of-Quality-Study.pdf.

Capito Associates, "A Comprehensive Fiscal Analysis of the Los Angeles County Early Care and Education System" (The Los Angeles County Office of Child Protection, 2019) available at: <u>https://www.first5la.org/uploads/files/a-comprehensive-fiscal-analysis-of-the-los-</u> <u>angeles-county-earlycare-and-education-system_870.pdf</u>.

Diane Dellanno, Kristen Brady, and Jaime Kaiser, "Quality Costs How Much? Estimating the Cost of Quality Child Care in New Jersey" (Newark, NJ: Advocates for Children of New Jersey, 2017), available at

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Public Citizens for Children and Youth, "Baby Steps to Improving and Expanding Infant and Toddler Child Care in Philadelphia" (Philadelphia: PCCY, 2019) available at https://www.pccy.org/wp-content/uploads/2019/10/PCCY-InfantToddler-Report-2019.pdf.

Jeanna Capito, Anne Mitchell, and Simon Workman, "San Francisco Comprehensive Fiscal Analysis: Analysis and Recommendations" (City and County of San Francisco Office of Early Care and Education, 2016), available at <u>http://sfoece.org/wp-content/uploads/2016/04/CFA-Report.pdf</u>.

Jeanna Capito, Jessica Rodriguez-Duggan, Simon Workman, "Understanding the cost of quality child care in New Mexico: A cost estimation model to inform subsidy rate setting," (Prenatal to Five Fiscal Strategies, 2021) <u>https://buildinitiative.org/wp-content/uploads/2021/09/Understanding-the-Cost-of-Quality-Child-Care-in-New-Mexico-Cost-Estimation-Model1.pdf</u>.

Minnesota Cost Modeling Report: https://www.researchconnections.org/childcare/resources/38664.

Wisconsin Cost Modeling Report: Emailed from Kylie Wheeler December 7, 2021.

Modeling the Cost of Child Care in the District of Columbia 2021:

https://osse.dc.gov/sites/default/files/dc/sites/osse/publication/attachments/Modeling%20t he%20Cost%20of%20Child%20Care%20in%20the%20District%20of%20Columbia%202021.p df.

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Diaz, Jose (2017). "Vermont's Early Care & Learning Dividend," Wilder Research Paper. https://legislature.vermont.gov/Documents/2018/WorkGroups/Senate%20Economic%20De velopment/Subjects/Vermont's%20Early%20Care%20and%20Learning%20Dividend/W~Lisa %20Ventriss~VBR%20Vermont%20CLD%20Report~2-14-2017.pdf.

New York State Cost of quality child care study (2019), Prepared by Simon Workman & Steven Jessen-Howard, Center for American Progress, <u>https://raisingnewyork.org/wp-content/uploads/sites/2/2019/12/NY-Cost-of-Quality-Report-Raising-NY.pdf</u>.

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BUILDING BLOCKS The Kentucky Early Childhood Cost of Quality Study (2017). https://apps.legislature.ky.gov/CommitteeDocuments/309/12655/Jan%2015%202020%20Ra msey%20Cost%20for%20Quality%20Childcare%20Report.pdf.