

# New York State Cost of quality child care study

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# Executive Summary

## **Current child care subsidy rates are insufficient to cover the cost of quality**

- The average cost of center-based child care in New York is approximately 80% higher for infants than it is for 4-year-old preschoolers.
- The child care subsidy rate for infants in a child care center is 13-17% higher than the rate for 4-year-old preschoolers outside of NYC, and 40% higher in NYC.
- The size of the gap between subsidy rates and the true cost of quality varies by region, but exists across the state for infants and toddlers.
- In family child care homes, subsidy rates are insufficient to support a living wage for the provider.

## **Insufficient revenues keep workforce wages low and limit provider quality**

- Current annual lead teacher salaries average around \$30,000 outside of NYC and \$43,000 in NYC, the equivalent of \$14.50/hour and \$20/hour respectively.
- Recruiting teachers with higher education requirements requires paying higher salaries, which in turn, increases the gap between revenues and expenses.
- If early childhood educators were paid comparable wages to K-12 teachers, the annual cost of infant care would be between \$28,000 and \$37,500 in a child care center, and between \$22,000 and \$29,000 in a family child care home.

# Early childhood finance 101

- Price vs Cost vs True Cost
  - *Price* reflects what the market can bear, what families actually pay.
  - *Cost* reflects the actual expenses a program incurs in order to meet licensing and/or quality standards.
  - *True cost of quality* reflects what it would cost to provide high-quality ECE with increased teacher salaries.
- Approximately 70% of expenses in a child care program are related to personnel.<sup>1</sup>
- Families are the primary payer for their own children's early childhood education – covering 52% of the US ECE market, versus 46% from public sources.<sup>2</sup>



<sup>1</sup>Workman, S., "Where Does Your Child Care Dollar Go? (Washington: Center for American Progress, 2018) available at: [www.americanprogress.org/issues/early-childhood/reports/2018/02/14/446330/child-care-dollar-go/](http://www.americanprogress.org/issues/early-childhood/reports/2018/02/14/446330/child-care-dollar-go/)

<sup>2</sup>BUILD Initiative, "Finance and Quality Rating and Improvement Systems" (Boston: BUILD Initiative, 2017) available at: <https://buildinitiative.org/Portals/0/Uploads/Documents/Resources/QRIS%203/FinanceQRIS.pdf>

# How quality affects cost

- 1. Compensation:** Higher qualification requirements should be tied to higher compensation for teachers, including both pay and benefits.
- 2. Ratios and Group Size:** Lower teacher-child ratios to allow for more individualized care means employing more teachers without adding additional children/revenue to cover the increased cost.
- 3. Activities beyond licensing:** Engaging in quality-related activities – such as staff professional development, additional teacher planning time, family engagement activities – incurs both additional expenses for the activity and incurs overtime or the need to pay a substitute teacher.



# Why conduct a cost of quality study?

- Understanding the true cost of quality early childhood education is necessary to ensure policies designed to support access to high-quality programs are actually covering the true costs of a high-quality program.
- The 2014 reauthorization of the federal Child Care Development Block Grant allows states to set child care subsidy rates based on an alternative methodology that accounts for the true cost of quality, rather than market rate surveys.
- Across the U.S., the gap between the expenses providers incur and the revenues they can generate is significant – especially for infant and toddler child care.
  - Understanding how this gap varies by child age, program type, geographic location can help better target resources to the areas of highest need.

# Approaches for estimating the cost of quality

Three levels of intensity for conducting a cost of quality study:

1. [Where Does Your Child Care Dollar Go?](#) online tool provides state specific estimates of the cost to meet licensing requirements and certain additional quality measures in child care center-based settings.
  2. The [Provider Cost of Quality Calculator](#) (PCQC) is a tool provided by the federal Office of Child Care that estimates the cost to provide center- and family child care home-based care at different levels of quality. Defaults can be overridden with state-specific data.
  3. State and community-specific cost of quality spreadsheet-based models can be developed with external consultants or internal experts for a fully customizable model.
- More details on cost of quality study methodologies can be found at: [www.thencit.org/resources/conducting-a-child-care-cost-of-quality-study-a-toolkit-for-states-and-communities](http://www.thencit.org/resources/conducting-a-child-care-cost-of-quality-study-a-toolkit-for-states-and-communities)

# New York cost of quality study

- The study presented in this report uses the PCQC as a base for the model with NY-specific variations for personnel costs.
  - Default personnel data is replaced with data from the ASPIRE workforce registry and the NY State Education Department personnel master files.
- Consultants from CAP developed the model in summer 2019 with input and feedback on assumptions and model values by a technical work group.
- The model includes child care centers and licensed family child care homes.
  - Geographic variations were included using the established child care market regions.

# Model Assumptions





# Child care center model

- Program has five classrooms:
  - 1 infant (0-18 months) classroom, 1 toddler (18 months-2-years) classroom, 1 three-year-old preschool classroom, 2 four-year-old preschool classrooms
- Total licensed capacity of 64 children.
- Ratios/group size based on state licensing requirements (with improvements for infants):
  - Ratios: Infants – 1:3; Toddlers – 1:5; Preschool 3s – 1:7; Preschool 4s – 1:8
  - Group size: Infants – 8; Toddlers – 10; Preschool 3s – 14; Preschool 4s – 16
- Each classroom has a lead teacher and an assistant teacher. Infant classroom has an additional assistant.
- Each provider has a full-time director, full-time assistant director/education coordinator, a full-time administrative assistant, a full time ‘floater’ teacher that covers opening/closing & breaks, and a half-time family support coordinator.

# Licensed family child care (FCC) home model

## Small FCC home

- Capacity: Up to 6 children.
  - 2 infants, 2 toddlers, 2 preschoolers
- Staffing: Provider and half-time assistant included in base scenario.

## Large FCC home

- Capacity: Up to 10 children.
  - 3 infants, 3 toddlers, 4 preschoolers
- Staffing: Provider, full-time assistant and half-time assistant included in base scenario.

# Additional expenses included in all model variations

## Benefits

- Mandatory benefits for full-time employees included – worker’s comp, unemployment, and disability insurance.
- Discretionary benefits in the model are based on QUALITYstarsNY benefit options for full-time staff:
  - Health insurance included for each full-time employee at \$3,761 annually (based on the national average employer contribution).
  - 5 days of paid leave for full-time employees.
  - \$1,000 annually per staff member for training/consulting.

## Occupancy and other expenses

- Default non-personnel expenses include food and food prep, educational materials, advertising, internet and utilities, etc.
  - Most non-personnel expenses are adjusted by regional multipliers to account for cost of living differences across the state.
- Rent/lease ranges from \$13/sq. ft. to \$21/sq. ft. depending on region.
- Additional \$300 per child included to conduct annual child assessment.

# Accounting for regional differences

The cost of quality study uses the same regional groupings as the market rate survey:

1. New York City suburbs.  
*(Nassau, Putnam, Rockland, Suffolk, Westchester)*
2. West/central urban & suburban areas.  
*(Columbia, Erie, Monroe, Onondaga, Ontario, Rensselaer, Schenectady, Tompkins, Warren)*
3. Predominantly rural upstate.
4. Albany area.  
*(Albany, Dutchess, Orange, Saratoga, Ulster)*
5. New York City.  
*(Bronx, Kings, New York, Queens, Richmond)*

Region	Non-personnel cost multiplier	Personnel cost multiplier
1	1.52	0.92
2	1.05	0.83
3	0.96	0.83
4	1.23	0.84
5	1.31	1.13

- The Economic Policy Institute (EPI) cost of living calculator is used to adjust default non-personnel expenses to account for regional differences.
- When regional personnel data was insufficient, a personnel cost multiplier was applied based on Aspire registry data.

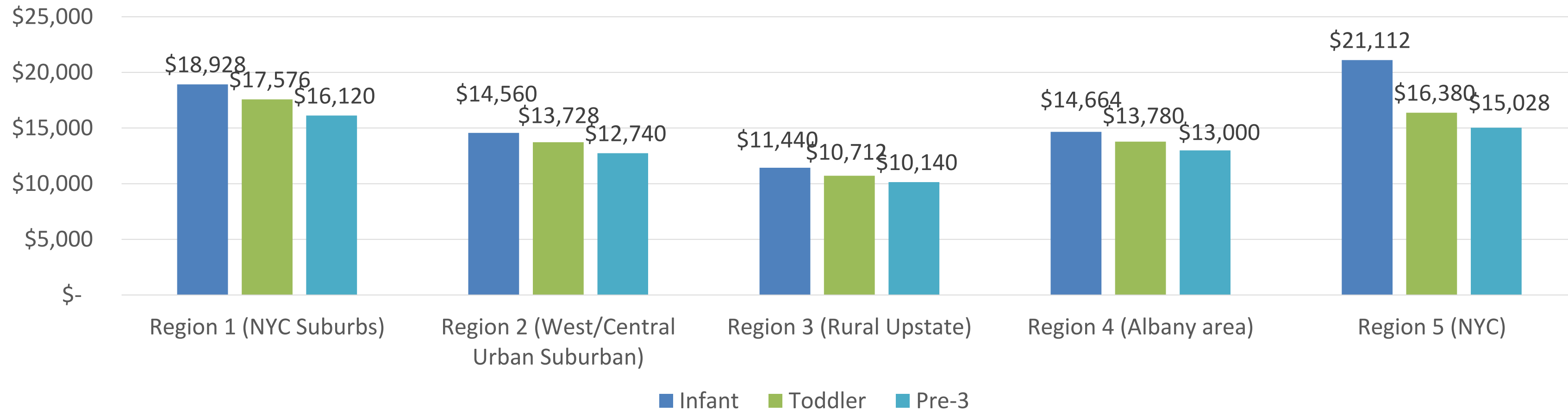
# Accounting for quality

- QUALITYstarsNY used as starting definition of quality – staffing patterns reflect personnel needed to meet QSNY star 3.
- Model assumes that in higher quality programs teachers will have higher education credentials and compensation will increase accordingly.
- Model includes three scenarios to understand cost at different levels of quality:
  - *Scenario 1:* With current salaries (based on Aspire registry data).
  - *Scenario 2:* Increase salaries - All staff earn at least \$15/hour and other salaries adjusted proportionally (a 36% increase to salaries for most staff).
  - *Scenario 3:* K-12 teacher parity - Lead teachers paid equivalent to 25<sup>th</sup> percentile of classroom teacher salaries. Other staff receive proportionate raises.
- In the family child care home model, the owner receives a salary equivalent to a lead teacher in each of the scenarios above.



# Context

## Current annual child care subsidy rates by age and region *Child care center*

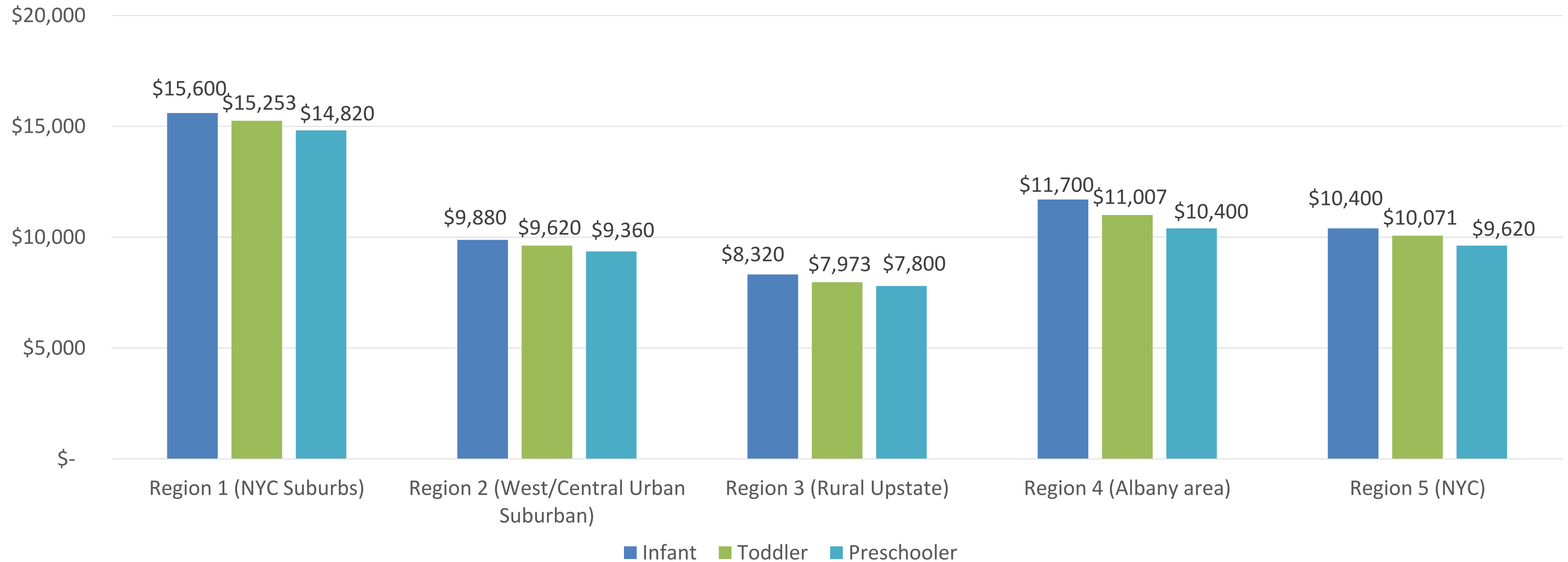


Source: New York State Office of Children and Family Services, "Child Care Market Rates Advanced Notification", available at: [https://ocfs.ny.gov/main/policies/external/ocfs\\_2019/INF/19-OCFS-INF-03.pdf](https://ocfs.ny.gov/main/policies/external/ocfs_2019/INF/19-OCFS-INF-03.pdf)

*Note:* Notably, families receiving a child care subsidy must pay a portion of the subsidy in an amount that ranges between 10% and 35% of family income above the poverty level - depending on the county of residence. If a family falls behind in paying its share, the provider will receive less than the full subsidy unless and until the provider can collect the family share.

# Context

## Current annual child care subsidy rates by age and region *Family child care home*



Source: New York State Office of Children and Family Services, "Child Care Market Rates Advanced Notification", available at: [https://ocfs.ny.gov/main/policies/external/ocfs\\_2019/INF/19-OCFS-INF-03.pdf](https://ocfs.ny.gov/main/policies/external/ocfs_2019/INF/19-OCFS-INF-03.pdf)



# Model Results



# Child Care Center – Scenario 1

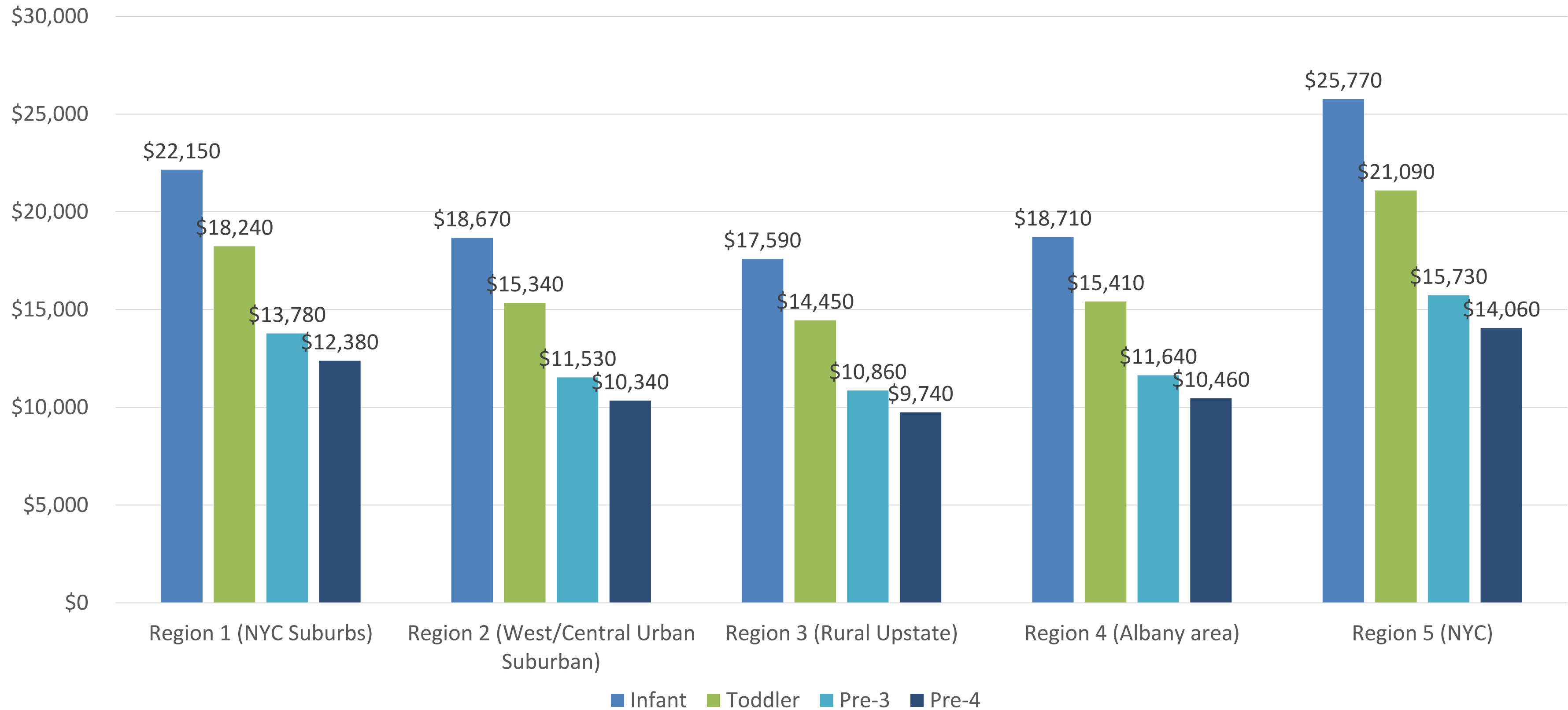
## Current Salaries

- The table below details the annual cost per child, by age group and geographic region.
- Salaries in this scenario are based on current average salaries as recorded in the Aspire workforce registry.

Age group	Region 1 (NYC suburbs)	Region 2 (West/Central Urban/Suburban)	Region 3 (Rural upstate)	Region 4 (Albany area)	Region 5 (NYC)
Infant	\$22,150	\$18,670	\$17,590	\$18,710	\$25,770
Toddler	\$18,240	\$15,340	\$14,450	\$15,410	\$21,090
Pre-3	\$13,780	\$11,530	\$10,860	\$11,640	\$15,730
Pre-4	\$12,380	\$10,340	\$9,740	\$10,460	\$14,060

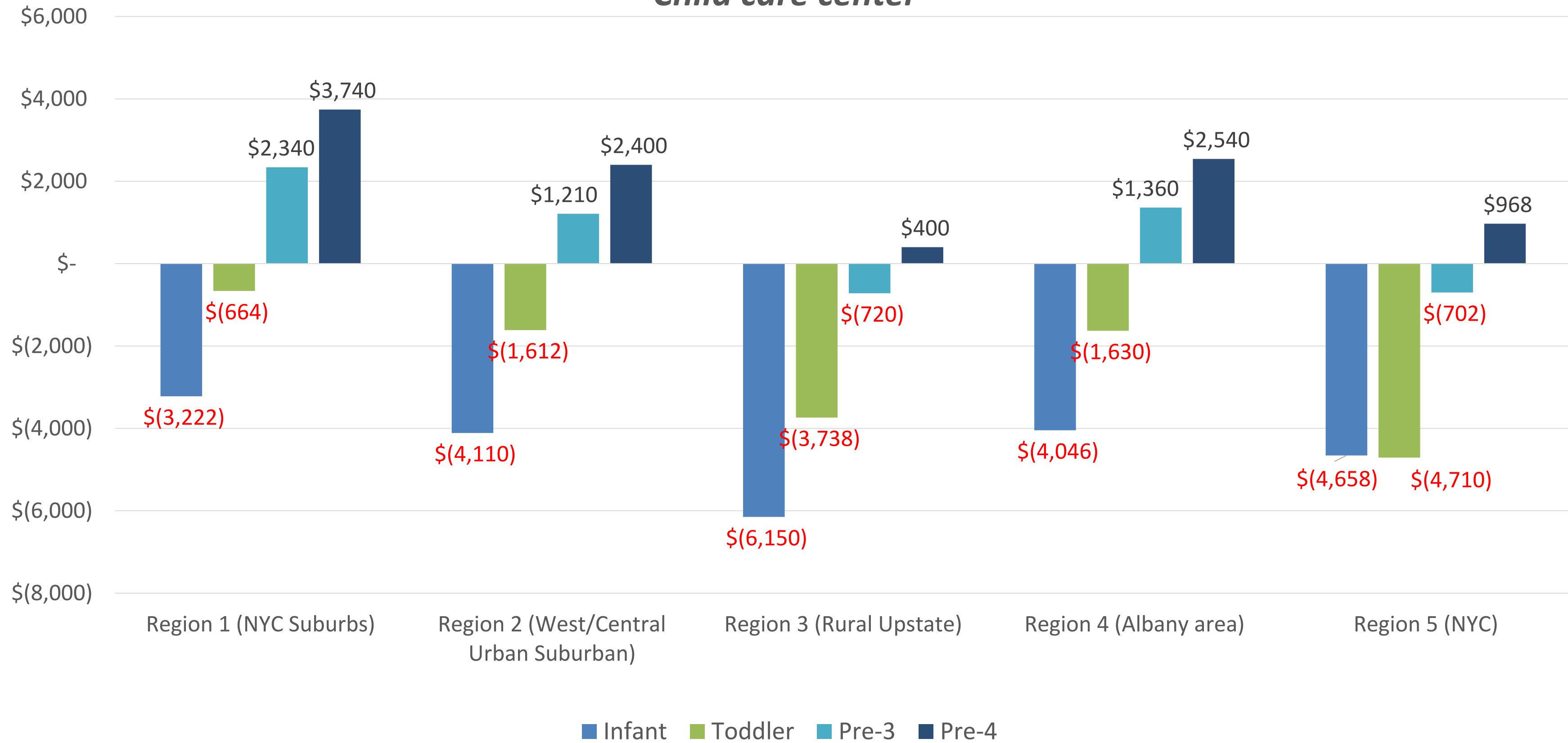
(Numbers rounded to the nearest ten)

## Annual cost per child - Scenario 1 (current salaries) *Child care center*





## Scenario 1: Gap between subsidy and estimated cost *Child care center*



# Child Care Center Scenario 2

## *Increased salaries*

- The table details shows the annual cost per child, by age group and geographic region.
- In this scenario, no educator makes less than \$15/hour. Raising other salaries proportionally results in an approximate 36% raise in salaries in this scenario compared to Scenario 1.

Age group	Region 1 (NYC suburbs)	Region 2 (West/Central Urban/Suburban)	Region 3 (Rural upstate)	Region 4 (Albany area)	Region 5 (NYC)
Infant	\$26,400	\$22,380	\$21,760	\$23,310	\$31,450
Toddler	\$21,640	\$18,300	\$17,790	\$19,090	\$25,630
Pre-3	\$16,210	\$13,650	\$13,250	\$14,280	\$18,980
Pre-4	\$14,510	\$12,190	\$11,830	\$12,770	\$16,900

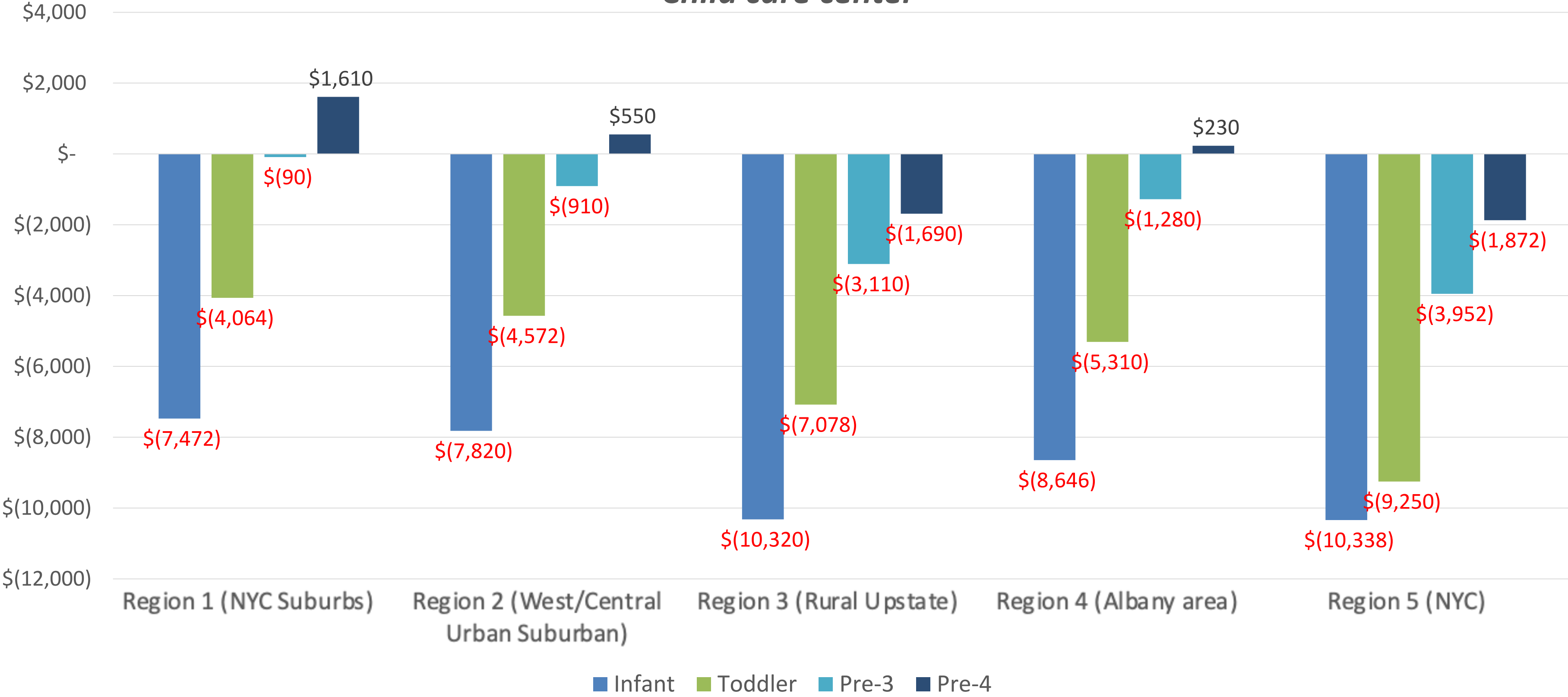
(Numbers rounded to the nearest ten)

# Annual cost per child – Scenario 2 (36% raise)

## Child care center



## Scenario 2: Gap between subsidy and estimated cost *Child care center*



# Child Care Center – Scenario 3

## *K-12 salary parity*

- The table below details the annual cost per child, by age group and geographic region.
- In this scenario, lead teacher salaries are aligned with K-12 teacher salaries, using the 25<sup>th</sup> percentile of average statewide salaries, adjusted for each region. Other salaries are adjusted proportionally.

Age group	Region 1 (NYC suburbs)	Region 2 (West/Central Urban/Suburban)	Region 3 (Rural upstate)	Region 4 (Albany area)	Region 5 (NYC)
Infant	\$31,750	\$28,810	\$27,830	\$29,020	\$37,540
Toddler	\$25,920	\$23,450	\$22,640	\$23,670	\$30,500
Pre-3	\$19,260	\$17,320	\$16,710	\$17,540	\$22,460
Pre-4	\$17,180	\$15,410	\$14,860	\$15,630	\$19,940

(Numbers rounded to the nearest ten)



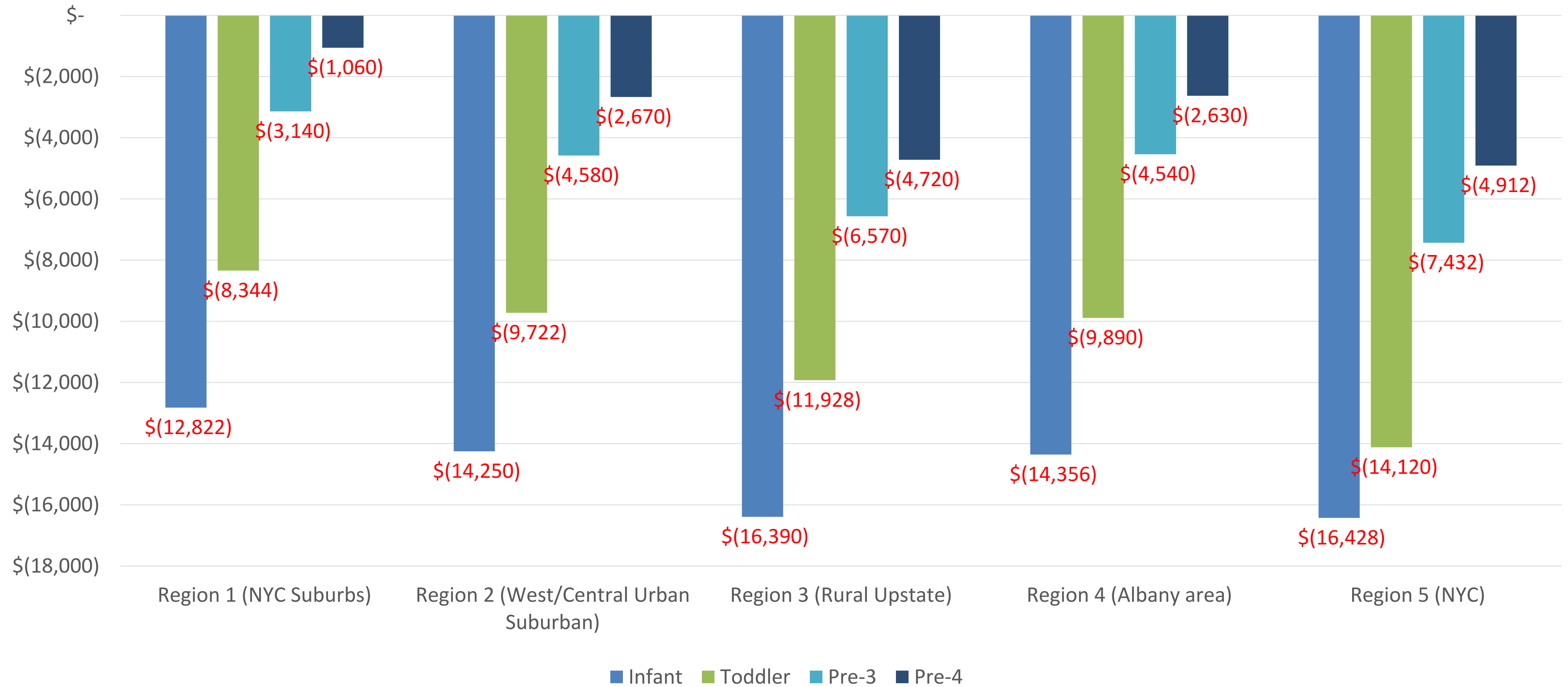
## Annual cost per child - Scenario 3 (K-12 parity)

### *Child care center*



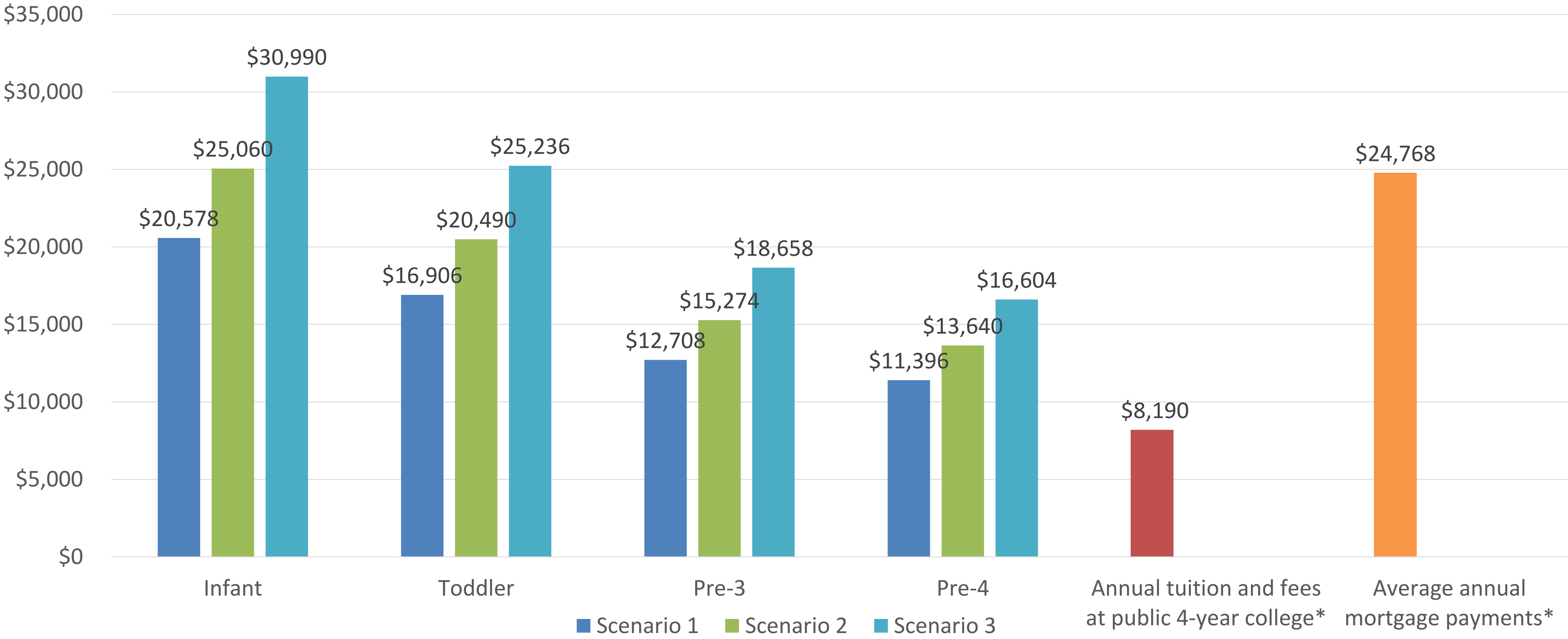
## Scenario 3: Gap between subsidy and estimated cost

### *Child care center*



# Comparing the cost of child care to other expenses

## *Child care center, NY state average*



\*College and mortgage data from: Child Care Aware of America, "The US and the High Price of Child Care" (Arlington, VA: Child Care Aware of America, 2019) available at: <https://usa.childcareaware.org/advocacy-public-policy/resources/priceofcare/>



# Family Child Care Home – Scenario 1

## *Current salaries*

- The table below details the annual cost per child in a small and large family child care home, by region.
- In this scenario, the model includes the provider/owner taking a salary equivalent to a lead teacher in Scenario 1 for child care centers (being average salary data from the Aspire workforce registry).

Provider type	Region 1 (NYC suburbs)	Region 2 (West/Central Urban/Suburban)	Region 3 (Rural upstate)	Region 4 (Albany area)	Region 5 (NYC)
Small home	\$15,400	\$13,030	\$13,050	\$13,690	\$18,220
Large home	\$17,370	\$14,790	\$14,820	\$15,480	\$20,610

(Numbers rounded to the nearest ten)

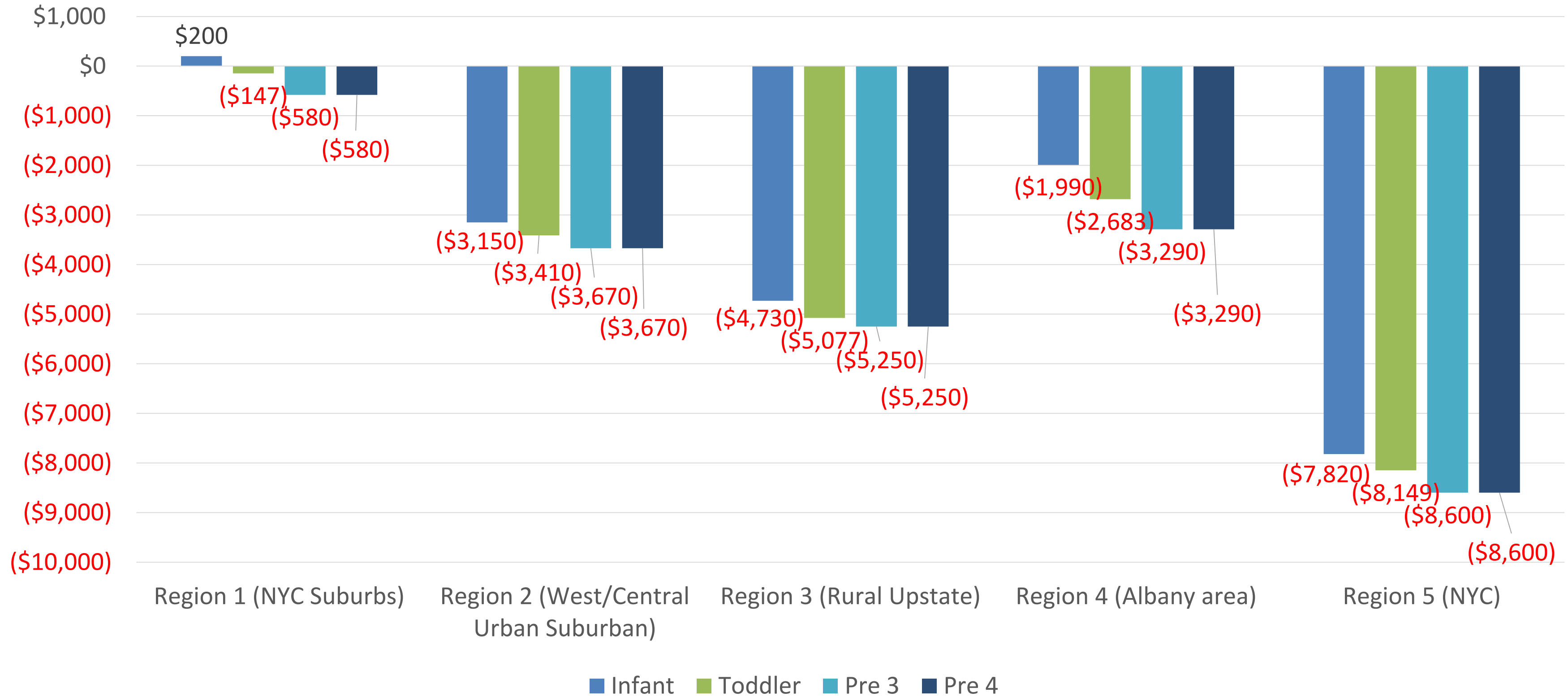
## Annual cost per child – Scenario 1 (current salaries) *Family child care home*





# Scenario 1: Gap between subsidy rate and estimated cost of quality

## Small family child care home



# Family Child Care Home – Scenario 2

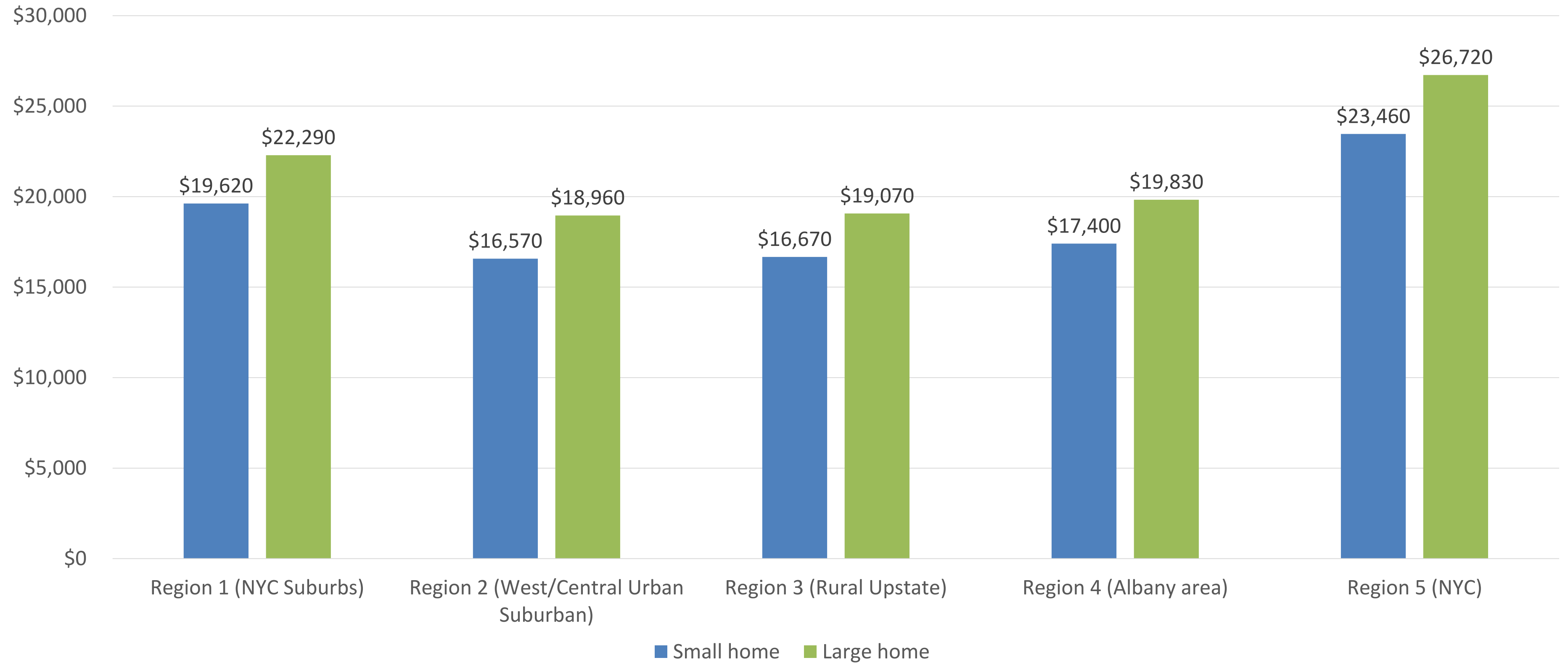
## *Increased salaries*

- The table below details the annual cost per child in a small and large family child care home, by region.
- In this scenario, the model includes the provider/owner taking a salary equivalent to a lead teacher in Scenario 2 for child care centers (approximately 36% increase).

Provider type	Region 1 (NYC suburbs)	Region 2 (West/Central Urban/Suburban)	Region 3 (Rural upstate)	Region 4 (Albany area)	Region 5 (NYC)
Small home	\$19,620	\$16,570	\$16,670	\$17,400	\$23,460
Large home	\$22,290	\$18,960	\$19,070	\$19,830	\$26,720

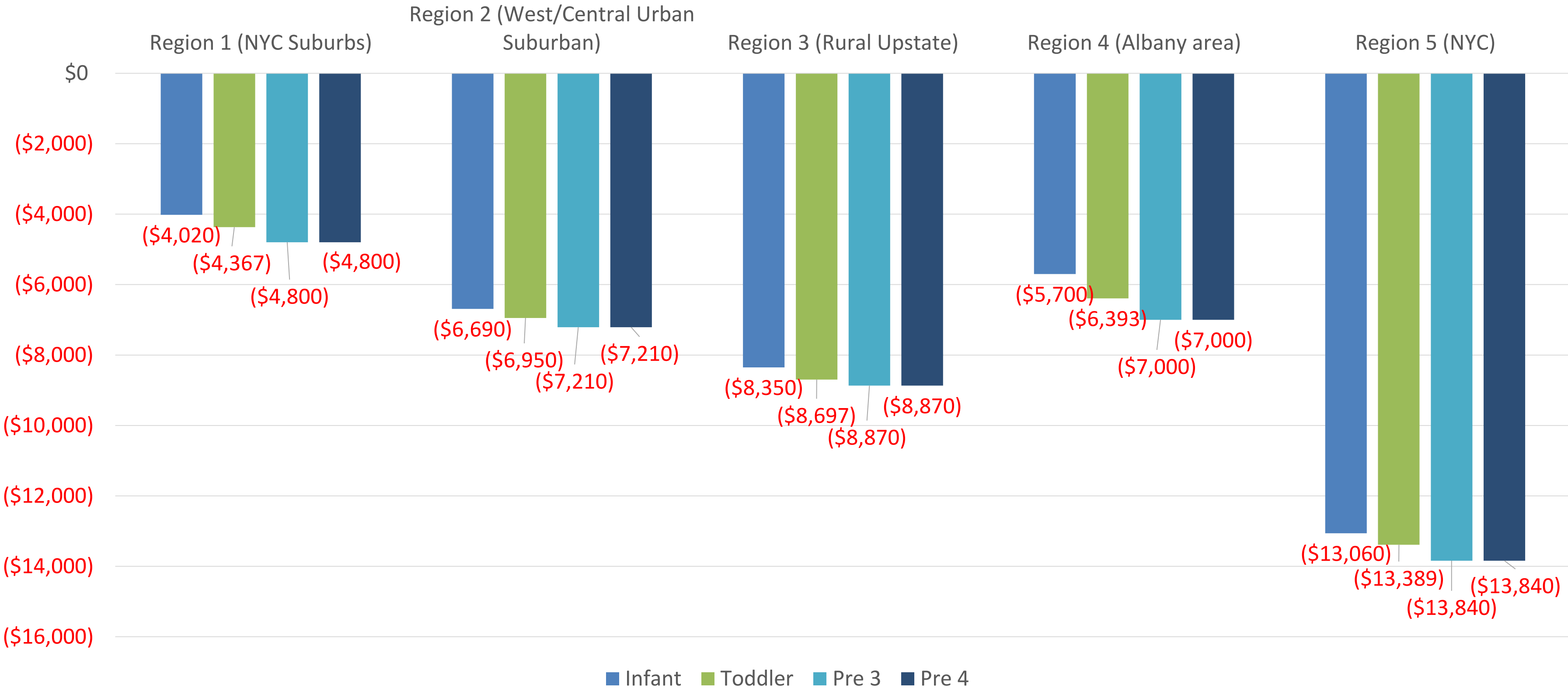
(Numbers rounded to the nearest ten)

## Annual cost per child – Scenario 2 (36% raise) *Family child care home*



# Scenario 2: Gap between subsidy rate and estimated cost of quality

## Small family child care home



# Family Child Care Home – Scenario 3

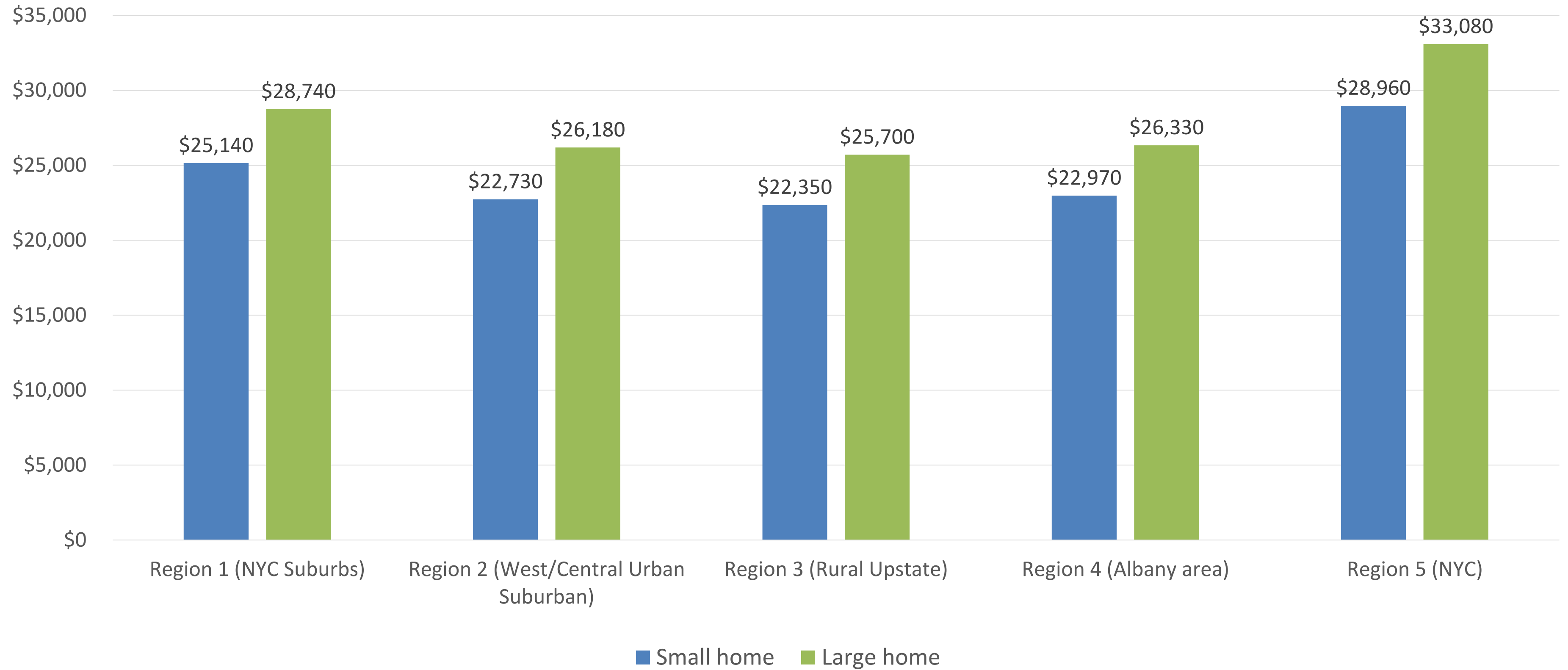
## *K-12 Parity*

- The table below details the annual cost per child in a small and large family child care home, by region.
- In this scenario, the model includes the provider/owner taking a salary equivalent to a lead teacher in Scenario 3 for child care centers (K-12 parity).

Provider type	Region 1 (NYC suburbs)	Region 2 (West/Central Urban/Suburban)	Region 3 (Rural upstate)	Region 4 (Albany area)	Region 5 (NYC)
Small home	\$25,140	\$22,730	\$22,350	\$22,970	\$28,960
Large home	\$28,740	\$26,180	\$25,700	\$26,330	\$33,080

(Numbers rounded to the nearest ten)

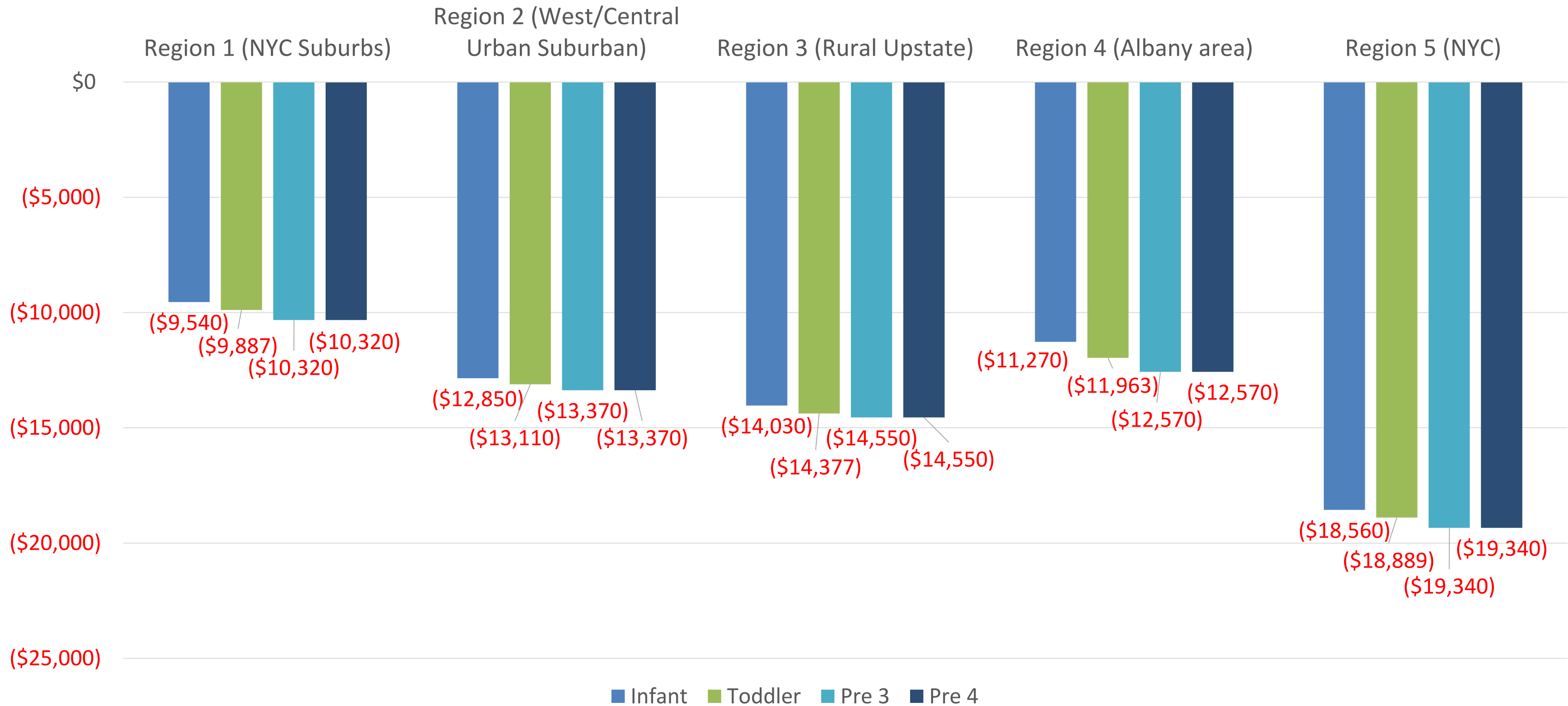
## Annual cost per child – Scenario 3 (K-12 parity) *Family child care home*





## Scenario 3: Gap between subsidy rate and estimated cost of quality

### *Small family child care home*



# Appendix



# Salary data assumptions

- For most positions, salary data was calculated using the average salary by position by region as detailed in the Aspire registry.
  - For the assistant director position, due to lack of data in some regions, the state average salary was multiplied by the regional multipliers to calculate region specific salaries.
- The family support coordinator salary is set equal to the assistant director salary.
- The floater salary is equal to teacher assistant salary.
- In scenario 2, a 36% raise was selected because that was the level needed to bring the lowest salary of any position in any region to an annual salary equivalent to \$15.00/hr.
- In scenario 3, K-12 parity is equivalent to the 25<sup>th</sup> percentile of statewide K-12 teacher salaries, reflecting higher turnover rates among the early childhood workforce.

# Data Sources

- Salary data for Scenarios 1 and 2 come from the Aspire registry – a workforce registry containing survey responses from New York’s early childhood workforce.
  - Data provided by CUNY, May 2019
  - For more information see: <https://www.nyworksforchildren.org>
- Salary data for Scenario 3 taken from NY State Education Department personnel master file.
  - Data from 2017-18 school year (most recent available)
  - For more information see: <http://www.p12.nysed.gov/irs/pmf/>
- Non-personnel data based on default values provided in the Provider Cost of Quality Calculator.
  - For more information see: [www.ecequalitycalculator.org](http://www.ecequalitycalculator.org)
- Child care subsidy market rates based on 2019 rates.
  - Market rate survey available at: [https://ocfs.ny.gov/main/policies/external/ocfs\\_2019/INF/19-OCFS-INF-03.pdf](https://ocfs.ny.gov/main/policies/external/ocfs_2019/INF/19-OCFS-INF-03.pdf)

# Salaries used in Scenario 1

Role	Region 1	Region 2	Region 3	Region 4	Region 5
Director	\$44,180	\$38,730	\$37,380	\$36,080	\$62,650
Assistant Director*	\$39,900	\$36,000	\$36,000	\$36,430	\$49,010
Teacher	\$33,010	\$27,810	\$28,620	\$29,280	\$43,030
Teacher Assistant	\$25,636	\$22,950	\$23,050	\$23,340	\$31,250
Administrative Assistant	\$34,994	\$29,520	\$26,650	\$28,860	\$49,370
Floater	\$25,636	\$22,950	\$23,050	\$23,340	\$31,250
Family Support Coordinator*	\$39,900	\$36,000	\$36,000	\$36,430	\$49,010

Numbers rounded to nearest ten.

\*Salaries listed would be full-time, but these positions are half-time.



# Salaries used in Scenario 2

Role	Region 1	Region 2	Region 3	Region 4	Region 5
Director	\$60,060	\$52,650	\$50,810	\$49,050	\$85,170
Assistant Director*	\$54,240	\$48,940	\$48,940	\$49,500	\$66,620
Teacher	\$44,870	\$37,810	\$38,910	\$39,800	\$58,500
Teacher Assistant	\$34,850	\$31,200	\$31,340	\$31,730	\$42,480
Administrative Assistant	\$41,290	\$34,840	\$31,440	\$34,060	\$58,260
Floater	\$34,850	\$31,200	\$31,340	\$31,730	\$42,480
Family Support Coordinator*	\$54,240	\$48,940	\$48,940	\$49,520	\$66,620

Numbers rounded to nearest ten.

\*Salaries listed would be full-time, but these positions are half-time.



# Salaries used in Scenario 3

Role	Region 1	Region 2	Region 3	Region 4	Region 5
Director	\$80,850	\$75,910	\$71,020	\$67,830	\$107,760
Assistant Director*	\$73,020	\$70,560	\$68,400	\$68,490	\$84,300
Teacher	\$60,300	\$54,400	\$54,400	\$55,060	\$74,060
Teacher Assistant	\$46,910	\$44,980	\$43,800	\$43,880	\$53,750
Administrative Assistant	\$44,870	\$49,740	\$43,400	\$47,320	\$75,930
Floater	\$46,910	\$44,980	\$43,800	\$43,880	\$53,750
Family Support Coordinator*	\$73,020	\$70,560	\$68,400	\$68,490	\$84,300

Numbers rounded to nearest ten.

\*Salaries listed would be full-time, but these positions are half-time.

