



# Understanding the True Cost of Child Care in California:

## Building a cost model to inform policy change

Jeanna Capito

Katie Fallin Kenyon

Simon Workman

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## About Prenatal to Five Fiscal Strategies



Prenatal to Five Fiscal Strategies is a national initiative, founded by Jeanna Capito and Simon Workman, that seeks to address the broken fiscal and governance structures within the prenatal to five system with a comprehensive, cross-agency, cross-service approach. The initiative is founded in a set of shared principles that centers on the needs of children, families, providers, and the workforce. This approach fundamentally rethinks the current system to better tackle issues of equity in funding and access.

For more information about P5 Fiscal Strategies, please visit:

[www.prenatal5fiscal.org](http://www.prenatal5fiscal.org)

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# Contents

- Introduction and Background ..... 1
  - The Broken Child Care Market ..... 1
  - Subsidy Rate Setting: Understanding Market Rate and Alternative Methodology Approaches ..... 3
  
- Child Care Landscape in California ..... 5
  
- Study Methodology ..... 6
  - Constituent Engagement and Input ..... 6
  - Child Care Provider Data Collection ..... 8
  - Ongoing Constituent Engagement ..... 13
  
- Cost Estimation Model Functionality ..... 14
  - Program Characteristics ..... 14
  - Staffing and Personnel ..... 15
  - Nonpersonnel Expenses ..... 16
  - Model Variables ..... 18
  
- Cost Estimation Model Results ..... 21
  - Default Scenario Assumptions ..... 21
  - Scenario Results ..... 23
  - Comparison to current payment rates ..... 27
  
- Conclusion ..... 35
  
- Appendices ..... 36
  - I. Salary Data Used in Default Scenarios ..... 36
  - II. Map of CA Workforce Regions ..... 37
  - III. Regional Response Rate Maps ..... 38
  
- References ..... 41

# Introduction and Background

## The Broken Child Care Market

The prevalent method of setting reimbursement rates for publicly funded child care is through a market rate approach, which relies on a study of market prices for child care through a market rate survey. Data from the market rate survey are then used to set maximum reimbursement rates for subsidized child care. The problem with this approach is that the market rate reflects the prices that providers charge families, which in turn reflects what families can afford. The cost of child care for a family with young children can be an overwhelming burden, particularly for a family earning a low income. Programs must set tuition at what families in their community are able to afford, rather than what the service costs. This creates an inequitable system that perpetuates inequality between higher-income and lower-income communities, such that providers in communities where families cannot afford high tuition receive lower reimbursement rates than providers in higher-income neighborhoods. This often results in lower educator compensation and higher staff turnover in these communities. Setting rates based on the current market also serves to maintain the low wages that early childhood educators receive, particularly in low-income communities. The impact of this [market failure](#) exacerbates lower-quality settings and lower wages across child care, disproportionately affecting low-income communities, minority groups and communities of color. The market, driven by tuition or the price that families can pay, is not representative of the cost of child care.

In a functioning market where parents as the consumer can afford the true cost of care, setting rates based on price would allow subsidy-eligible

families and those paying tuition to have [equal access](#) to child care. However, because most families cannot afford the cost of quality child care, programs face a disincentive to serve children for whom the gap between what families can afford and what it costs to provide care are greatest. For example, a provider might be able to achieve financial stability when serving preschool-age children, or in a program that meets state licensing standards, but if that same program serves infants and toddlers, or meets higher program standards, this can leave them operating at a deficit.

### Defining terms

**PRICE OF CARE** means the tuition prices that programs set, which are usually based on local market conditions and what families can afford, ensuring that programs are competitive within their local market and can operate at as close to full enrollment as possible.

**COST OF CARE** means the actual expenses providers incur to operate their program, including any in-kind contributions such as reduced rent, and allocating expenses across classrooms and enrolled children based on the cost of providing service and not on what parents can afford.

**TRUE COST OF CARE** refers to the cost of operating a high-quality program with the staff and materials needed to meet quality standards and provide a developmentally appropriate learning environment for all children. Cost of quality is another term often used to refer to the true cost of care. The true cost includes adequate compensation to recruit and retain a professional and stable workforce.

The ongoing impacts of the COVID-19 pandemic have exacerbated the broken nature of the child care market. Operating on razor-thin margins already, the child care sector is reeling from the [increased costs](#) and [decreased revenue](#) due to the pandemic. Policymakers are increasingly recognizing the deficiencies of the market price-based approach in setting rates and the need to better align investments.

As states across the country consider ways to stabilize and strengthen their early childhood systems, they are increasingly recognizing the importance of developing a deeper understanding of the true costs of high-quality programming. To that end, states are seeking to develop cost estimation models to help estimate the true cost of care and understand how this cost varies based on program characteristics, geographic region, and policy choices.

Cost modeling can provide answers to questions such as how much high-quality child care costs. While this is an important question—particularly given the historic focus on the price of child care rather than the true cost—the power of cost modeling lies in how it is used to drive policy and systems change. To address the multiple inequities within the child care system, including inadequate

educator compensation, insufficient supply of infant and toddler child care, care during nontraditional hours, care for children with special needs, and care for dual-language learners, states must go beyond subsidy rate setting. Cost modeling can be used to design contracting strategies that promote quality and adequately incentivize care that is not met by the current market. It can also be used to inform short- and long-term fiscal planning, including revenue-generation planning. And it can be used to estimate the cost of an expanded child care system that meets the needs of all families.

In California, Prenatal to Five Fiscal Strategies (P5FS) engaged in a cost study and cost model development project, to support the state in understanding the cost of care by type of care setting, age of child and geographic location. The P5FS team conducted deep constituent and provider engagement to guide the study, inform assumptions, vet cost data, and review initial results from the cost model. More detail on the approach, including model functioning and results of the cost estimation model, constituent engagement and input, and the estimated cost of care necessary with variations by geographic location, category of provider, and age of child, is found in the Methodology and Results sections of this report.

## Subsidy Rate Setting: Understanding Market Rate and Alternative Methodology Approaches

The Child Care Development Fund (CCDF) is the primary source of public funding to support access to child care for low-income working Americans. Each state or territory sets the payment rates which child care programs receive when serving a child who is eligible for subsidies under this fund. In general, states have [broad authority](#) to set reimbursement rates but they are required to assess the cost of delivering quality services and then use this data to inform payment rates for subsidized child care.

Since the 2014 reauthorization of CCDF, states have had options for how they set rates. States—in consultation with the State Advisory Council on Early Childhood Education and Care, local program administrators, resource and referral agencies, and other appropriate entities—must develop and conduct either a statistically valid and reliable **survey of the market rates** for child care services in the state that reflects variations in the cost by geographic area, type of provider, and age of child; or **conduct an alternative methodology**, such as a cost estimation model. States are allowed to differentiate rates based on various characteristics of care. Payment rates are supposed to be sufficient to ensure equal access to the same services (type of care, quality of care) as children not receiving CCDF.

### What is the market rate approach?

Currently, the prevalent method of setting rates for publicly funded child care is through a market rate approach. Prior to 2014 this was the only option for states. Through this approach, a study of child care market prices, or tuition for child care, is done and this information is used by states to set subsidy rates.

The market rate reflects the prices that providers charge families, which in turn reflects what families can afford. The cost of child care for a family with young children can be an overwhelming burden, particularly for a family earning a low income. Programs have to set tuition at what families in their communities can afford, not necessarily reflecting what the service costs. It is this information that informs the market rate for child care in each region. This can lead to significant differences in rates across a state, replicating the variations in what families can afford in different regions of a state.

### What is an alternative methodology for rate setting?

An alternative methodology for rate setting may be a cost study or a cost estimation model.

- A *cost study* involves collecting data from providers about their current costs of operating a program that meets licensing standards as well as other quality standards, reflecting point-in-time data about provider costs.
- A *cost estimation model* involves building a tool that is informed by provider data and that can run multiple scenarios to estimate the impact of several variables on cost, such as program characteristics (e.g., size and age mix), child populations served, program quality, and location in the state.

Whichever approach is used, an alternative methodology should:

- Engage a diverse body of child care constituents in all elements of the process (vetting assumptions and model building, data collection, review of findings and more)
- Estimate the cost of providing care at varying levels of quality and the resources needed for a provider to remain financially solvent (key cost

- factors such as salaries and benefits, training and professional development, curricula, and supplies)
- Examine the impact of program and facility size, ages of children served, geographic region, enrollment, bad debt, and other factors
- Demonstrate the impact of funding from multiple sources.

### **Why might states consider an alternative methodology?**

The market rate survey approach means that the subsidy system replicates the inequities and inadequacies of the current market. As price-sensitive consumers, parents are constrained in what they can afford in tuition, so programs face a disincentive to invest in quality because families can't afford the higher cost of care. As mostly small businesses, child care providers need to fill all their slots to be sustainable, so tuition must be set at a level families can afford. But the subsidy system then replicates that constrained family tuition by using that family tuition information as a basis for rate setting.

Within this broader broken system there are also significant inequities—low-income communities are less likely to be able to afford cost of quality, resulting in lower public funding rates. Families of infants, toddlers, and children with special needs are also most likely to be unable to afford the higher cost of care required for these populations.

Alternative methodology can address the inequities in the current market because rates are set based on the cost of care, not based on what families can afford. This provides an opportunity for funding to drive [change and quality improvement](#). Here are some ways alternative methodology can help:

- It can identify the true cost of providing programming for young children and families. This is critical to addressing the underfunding of the system as well as addressing the capacity needs of current and potential child care programs.
- It can set rates based on cost of care. This can ensure that providers receive sufficient funding to provide care that meets minimum standards and requirements, not based on what families can afford.
- It can set rates to include better compensation for the program staff.
- Using a cost estimation model can help account for the cost of providing child care in different types of programs and at varying levels of quality.
- Distinct from a budgeting tool, which would account for specific characteristics of a given program, a cost estimation model is intended to provide policymakers with an estimate of the cost of operating a child care program across geographic regions. It is informed by provider data and representative of various types of providers.
- Cost estimation models can also integrate revenue modeling to determine whether the revenue streams available to providers can cover the actual cost of care and to identify any gaps between revenue and expense.
- Cost estimation models are dynamic tools that can show current cost of operating a program, the cost of operating a program with higher quality standards, and costs associated with improved wages and benefits.

# Child Care Landscape in California

The California [Master Plan for Early Learning and Care](#) lifts up the need to maximize accessibility and options for families by expanding child care supply, pointing out that equitable access to early learning and care depends upon families having a choice of program settings near their homes or work. Child care options are limited in many California communities, and are even more limited for parents seeking care in nonstandard hours. The Master Plan, and subsequent related legislation, integrated labor partners as part of the response to the child care system and raised issues regarding the costs of providing quality child care, meeting families' unmet child care needs, and changing reimbursement rates and benefits to address providers' actual cost of care and address systemic inequities.

In July 2021, Governor Gavin Newsom signed [Assembly Bill \(AB\) 131](#) into law, which ratified bargaining agreements with the Child Care Providers Union (CCPU) including shifting to a single reimbursement rate system in the state. To support the transition to this new system, the state and CCPU formed a Joint Labor Management Committee (JLMC), whose charge is to make recommendations for the single reimbursement rate structure that addresses quality standards for equity and accessibility while supporting positive learning and developmental outcomes for children. The JLMC's recommendations will be presented to the Department of Finance (DOF) by November 15, 2022 and will inform the governor's proposed

2022-23 fiscal year budget. In addition to the JLMC, AB 131 required that the California Department of Social Services (CDSS) form a Rate and Quality Workgroup to assess the methodology for establishing reimbursement rates and the existing quality standards for child care and development and preschool programs, including, but not limited to, licensing standards and regulations for equity and accessibility to all provider types and settings.

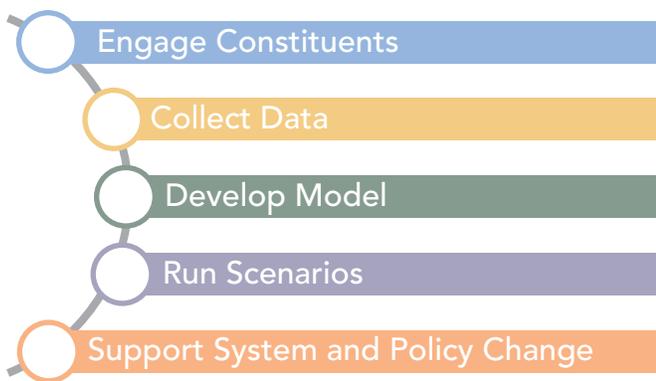
Historically, California has used the market rate approach to set payment rates for subsidized child care. As described, the broken child care market has resulted in rate inequities across types of care and regions of the state, and due to historic underfunding of the cost of care, suppressed wages for child care staff. To support the work of the Rate and Quality Workgroup and the JLMC, P5FS developed a cost estimation model to calculate the cost of child care in California. The [cost estimation model](#) determines what it actually costs providers to meet licensing standards. The model also embeds cost variables that reflect the values of the state as demonstrated during constituent engagement, including adequately compensating educators, and ensuring programs have the resources to meet the needs of children and families.

This report details the development of the California cost estimation model, including the methodology and how constituent input was sought and integrated into the model, and presents sample results.

# Study Methodology

The California cost of quality project was conducted in line with the Prenatal to Five Fiscal Strategies [approach](#) to cost modeling. This approach includes five phases, as shown in Figure 1. This section of the report details the process completed in California to develop the cost estimation model.

Figure 1: **Prenatal to Five Fiscal Strategies Cost Modeling**

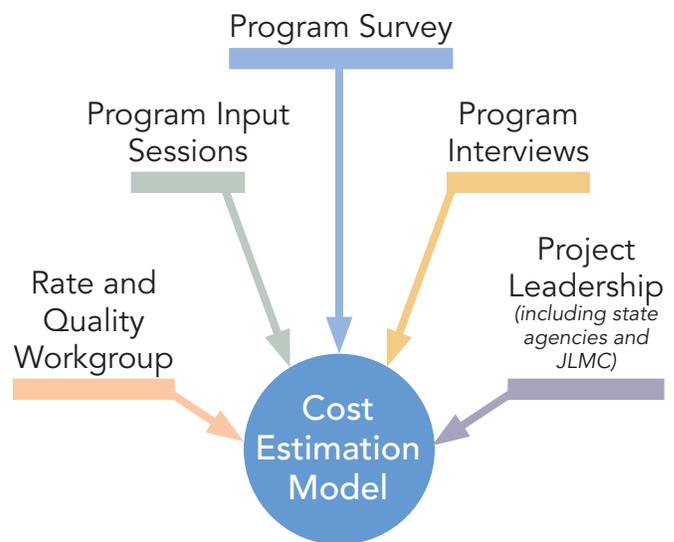


## Constituent Engagement and Input

Central to the work of developing a cost model is the integration of constituent input, primarily from child care providers. P5FS used several modes of gathering information and input from constituents, as detailed in Figure 2. Activities to engage many types of child care programs and leaders in model development included meetings with the California Rate and Quality Workgroup, input sessions with groups of child care providers, a provider survey, and interviews with providers and other

constituents. Additionally, P5FS engaged in regular meetings with the project leadership including staff from the CDSS and the California Department of Education (CDE) as well as leadership from CCPU, the JLMC, and other state and local groups to ensure the cost modeling was completed comprehensively and collaboratively.

Figure 2: **Cost Model Constituent Inputs**



The P5FS team met weekly with CDSS and CDE staff and at least monthly with the Rate and Quality Workgroup and the JLMC throughout the model development. Also, individual interview opportunities were offered to members of the Rate and Quality Workgroup to provide more in-depth insight into the model development and to seek additional input. Table 1 summarizes the state-level meetings where P5FS engaged the community.

Table 1: **Constituent meetings**

<b>Rate and Quality Workgroup meetings</b>	
Project Kick-Off Meeting	February 11, 2022
Rate Setting & Data Collection	March 11, 2022
Individual Input Sessions with WG members	March 4–9, 2022
Cost Modeling and Rate Setting	April 8, 2022
Base Rate Variables and Alternative Methodology	May 20, 2022
Cost Model Tool Development	June 10, 2022
Cost Model Initial Results	July 6, 2022
Individual Meetings with WG members to discuss initial results	July 7–11, 2022
Cost Model Updated Results	July 12, 2022
Individual Meetings with WG members to discuss final results	August 10–15, 2022
<b>Joint Labor Management Committee</b>	
Rate Setting & Data Collection	March 24, 2022
Survey Development	April 5, 2022
Understanding Cost Modeling	April 25, 2022
Cost Model Development and Alternative Methodology	May 24, 2022
Base Rate Discussion	June 23, 2022
Base Rate and Model Inputs	June 29, 2022
Cost Model Initial Results	July 7, 2022
Model Overview and Initial Results Discussion	August 3, 2022
<b>Additional State-Level Meetings</b>	
Study Introduction Information Session	April 27, 2022
Study Introduction Information Session	May 3, 2022
First 5 California County Impact Leads Meeting	June 9, 2022

These groups provided input on all aspects of the model development methodology including:

- the cost-estimation model purpose
- the survey approach and content
- the variables to be included in the model frame
- the model’s data gathering and analysis assumptions
- provider outreach, engagement, and data collection
- modifications to the model based on analysis of initial results
- feedback and validation of assumptions in the model

# Child Care Provider Data Collection

To gather data from providers across a state as large and diverse as California, P5FS engaged in a two-pronged approach. Quantitative data on provider expenses, revenue, and program characteristics were gathered through a statewide survey and individual interviews with providers. Qualitative data on providers' current challenges with respect to costs, revenue and sustainability of program operations were captured through group input sessions. The following section provides an overview of the survey, interview and input session participants, materials, and procedures.

## *Provider Survey*

The purpose of the provider survey was to gather detailed data from individual sites about their program type, size, and children served, their staffing model (including ratios and group sizes), program expenses (personnel and non-personnel), and revenue details. These data were used to inform estimates of the cost per child with variations for program type, location, and age of child served. By conducting a statewide survey, P5FS was able to engage a large number of providers in all parts of the state in a relatively short period. P5FS used past experience engaging child care providers to develop a survey that minimized burden on providers by focusing on questions that relate to the major cost drivers faced by child care programs. The main content areas covered by the survey were as follows:

1. Program characteristics, such as size, ages of children served, type of program, and funding streams accessed
2. Staffing patterns, including number of program staff and number of teaching staff
3. Compensation, including average salaries for employees currently, and ideal salaries to attract and keep staff

4. Occupancy expenses, including rent/lease/mortgage and utilities.

The survey included specific additional questions for different provider types, including number of hours spent providing child care and conducting child care-related work for home-based providers, and an understanding of different expenses for family friend and neighbor (FFN) providers. In addition, an optional component of the survey allowed providers to share detailed nonpersonnel expenses.

The online survey was sent to all licensed providers and FFN providers who receive subsidies, including through the following:

- People licensed through the Community Care Licensing Division of the California Department of Social Services
- Child Care Providers United (CCPU) union members (including FFN providers)
- Quality Counts California consortia county leads to share through their networks (including FFN providers)
- All California Early Care and Education Workforce Registry members.

In addition to the email campaigns above, the link to the survey was included on a California-specific page on the Prenatal to Five Fiscal Strategies website, as well as through several other local and statewide listservs including: Center for the Study of Child Care Employment (CSCCE), Child360, Child Care Business Institute, Child Care Resource Center, Early Edge CA, Family Child Care Association of San Mateo, First 5 Riverside County, YMCA Community Support Services San Diego, and the LA County Office for the Advancement of Early Care and Education (OAECE). The P5FS website included information for providers who preferred

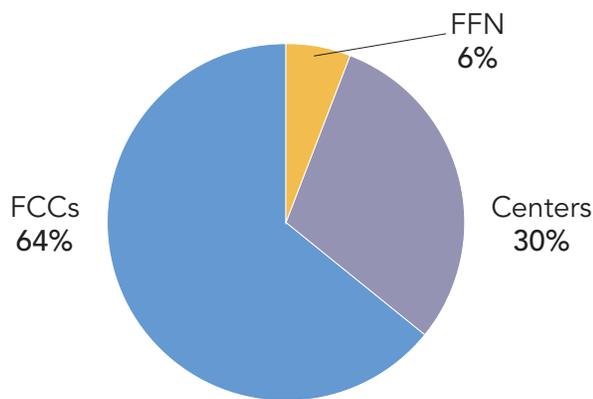
to engage in a one-on-one interview with P5FS rather than complete the survey. Several providers with multiple sites preferred this option rather than completing multiple online survey entries.

Data collection took place between April and July 2022 and 5,432 individuals responded. However, a portion of those respondents did not complete basic information necessary to be included in the final sample. As shown in Figure 3, the final sample (N=3,855) comprised family child care (FCC) providers (64%),

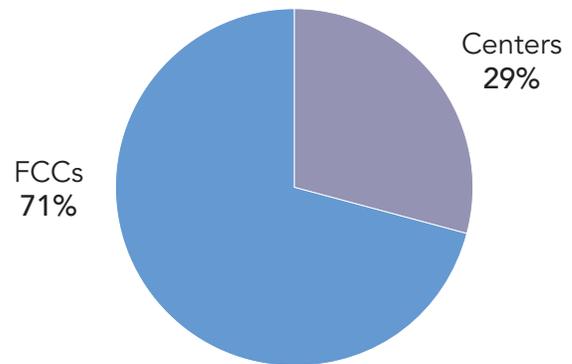
centers (30%), and family, friend, and neighbor providers (6%). This distribution across provider types is similar to the distribution of all providers in the state. Overall, the sample (excluding FFN) represents just over 10% of the licensed providers in the state. While the sample represents a relatively small proportion of the overall population of providers, this is not surprising given the short data collection window and the other challenges facing child care providers during this time (e.g., staff and teacher shortages and the ongoing COVID-19 pandemic).

**Figure 3: Survey Responses by Provider Type as Compared to Licensed Providers in California**

**Survey Respondents by Provider Type  
N=3,855**



**CA Licensed Facilities by Provider Type  
N=36,827**



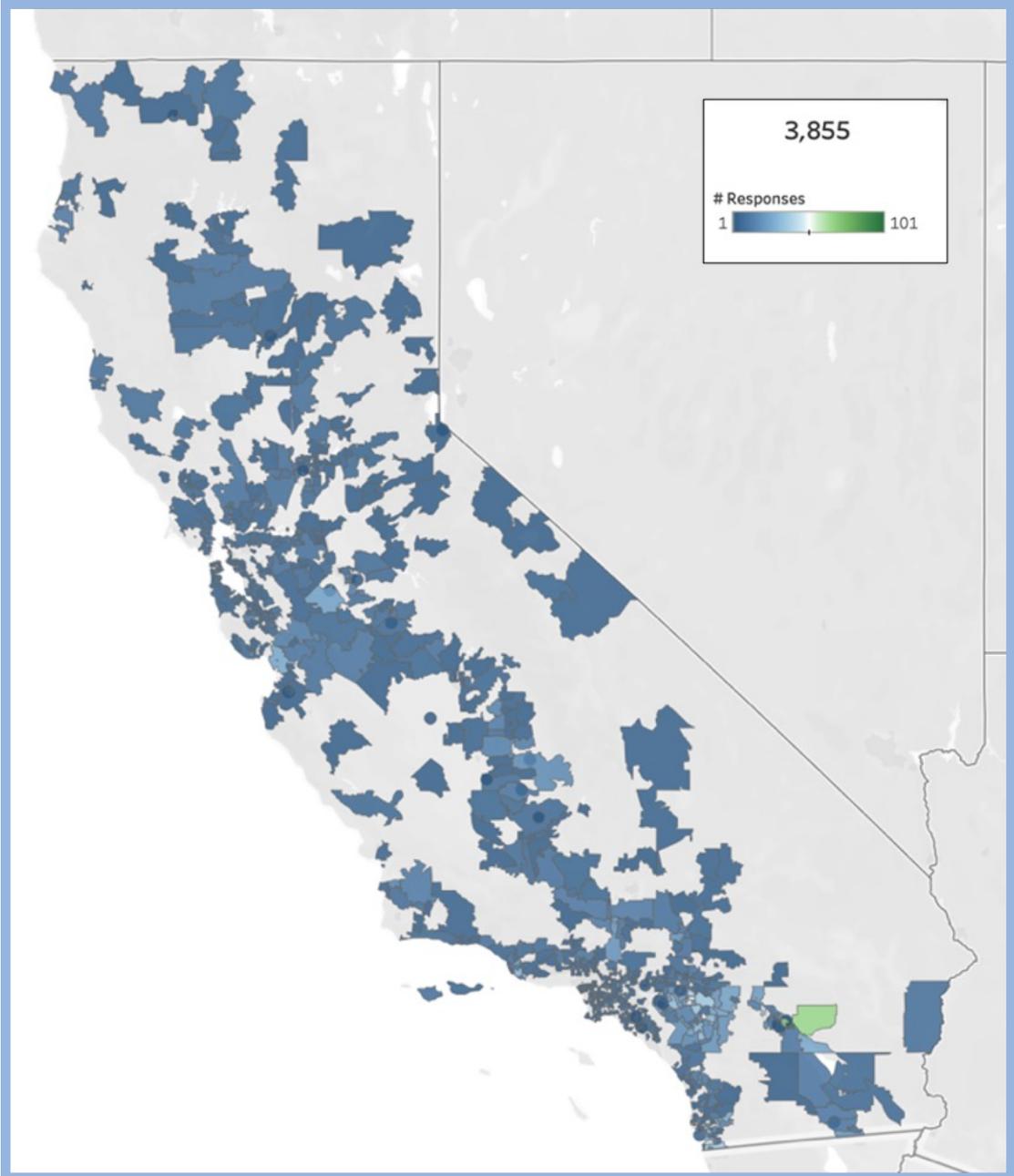
California Child Care Resource and Referral Network, California Child Care Portfolio (2021).

To leverage data from the [California Early Care and Education Workforce Study](#) and guide data collection, the geographic regions used in the Workforce Study were used for the cost model:

Los Angeles Region, Southern Region, Bay Area Region, Central Region, and Northern Region (see Appendix for a map of the regions).

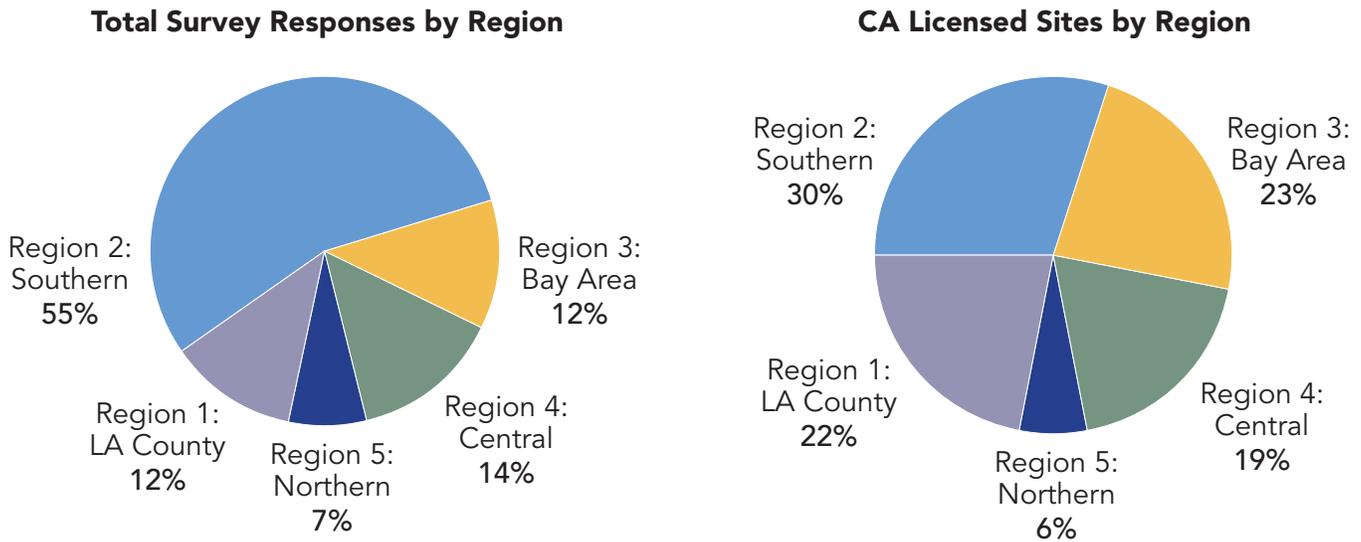
P5FS used geomapping to track survey responses relative to concentrations of licensed provider to guide additional outreach to ensure that providers from all geographic regions in the state were included. During later stages of data collection, P5FS shared with partner agencies and groups (e.g., CDSS, CDE, CCPU) locations without responses and outreach was targeted to providers in those regions. The geographic spread of survey respondents is presented in the map in Figure 4. Maps for each of the regions used in the model are provided in the appendix.

**Figure 4: Survey Responses by Zip Code, Statewide**



Source: Geomapping provided by Agile Visual Analytic Lab at the UCLA Luskin School of Public Affairs, using response data from the California cost of quality survey.

**Figure 5: Distribution of Survey Sample by Study Region and Distribution of all Licensed Child Care Sites by Study Region**

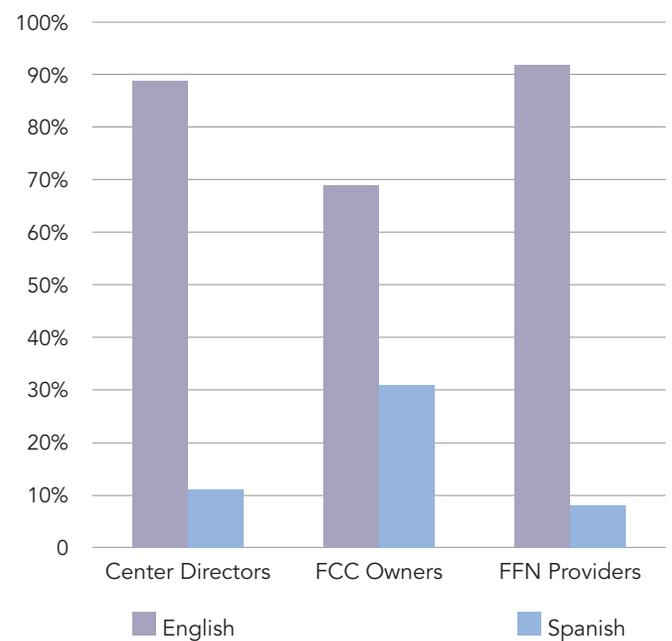


The survey was available in English, Spanish, Chinese (both simplified and traditional), Tagalog, and Farsi. These languages were identified as the most common languages among participants in the CA ECE Workforce Registry (E. Crane, personal communication, April 13, 2022). While the survey was offered in all of these languages, most respondents chose to respond to the English or Spanish versions. Of the total complete responses, only 14 respondents chose the Chinese survey, and 1 respondent chose the Farsi version. No responses were received in Tagalog. It is possible that child care directors and FCC owners whose first language is neither English nor Spanish were comfortable using the English version of the survey. This aligns with findings from the CA ECE Workforce Study which found that 99% of center directors and 87% of FCC providers reported being fluent in English.

The survey was targeted to center directors, FCC owners, and FFN providers since they are most

likely to know the financial details of their organization/business. As shown in Figure 6, FCC providers were more likely than center directors or FFN providers to respond in Spanish.

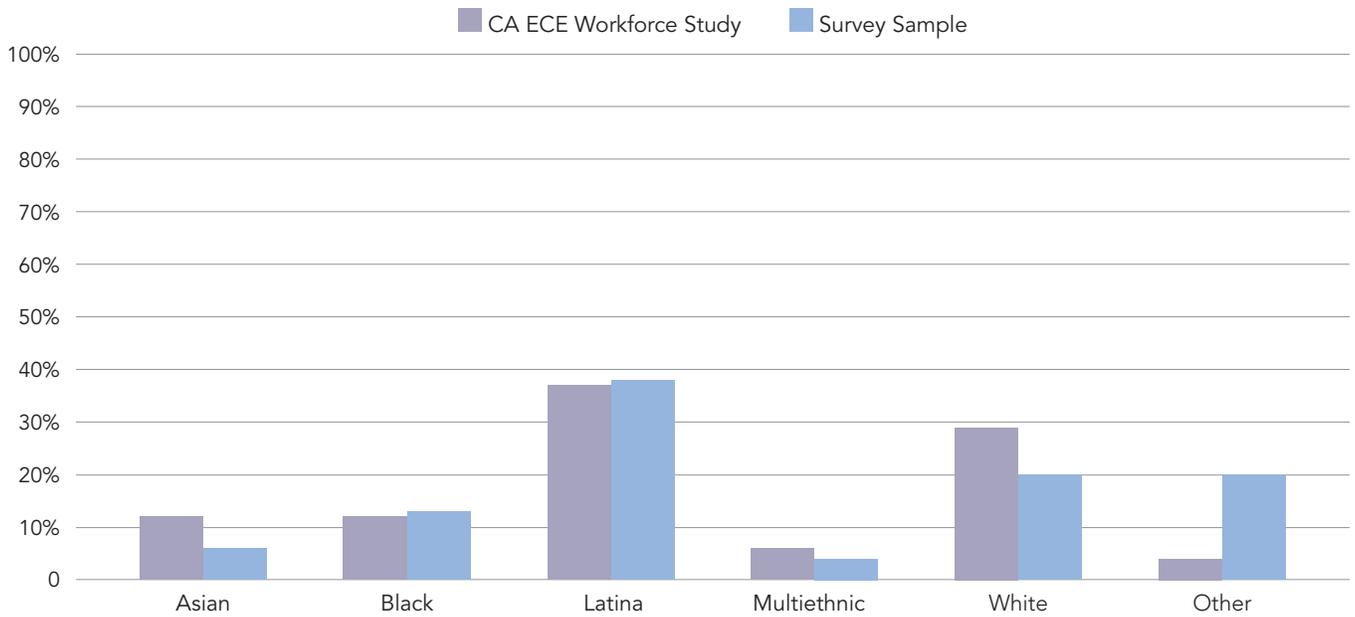
**Figure 6: Survey language (English and Spanish) by provider type**



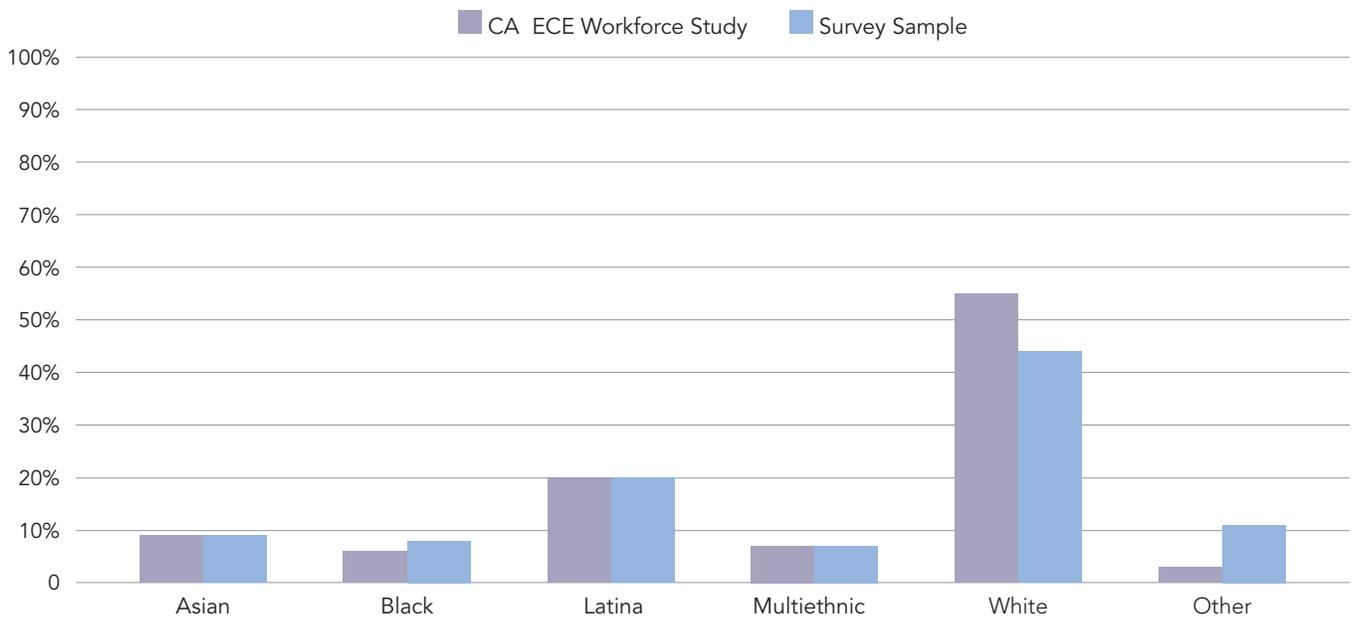
The distribution of survey respondents' self-reported race/ethnicity was similar to what was found in the CA ECE Workforce Study as shown in the

figures below (Figure 7 and Figure 8). This information is reported only for the individual completing the survey and is not representative of the site's staff.

**Figure 7: Race/Ethnicity of Family Child Care Providers**



**Figure 8: Race/Ethnicity of Center Directors**



**Provider Input Sessions**

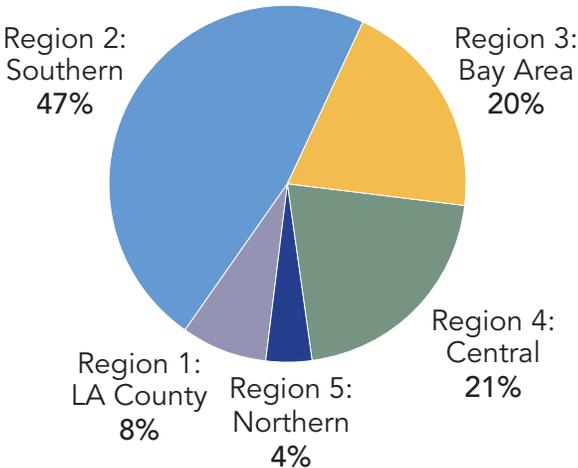
The input sessions provided an opportunity to engage in deeper dialogue with providers about their expenses, revenue and “true cost” of providing care. Questions also asked about barriers to

providing the quality that they aspire to provide, what they need to be able to recruit and retain staff, provide quality care, and meet the needs of children and families in their community.

Over 20 provider input sessions were scheduled in partnership with local resource and referral agencies, provider networks, and CCPU. The sessions were all held online and at different times, and providers were asked to register in advance and indicate their preferred language so that language support could be provided. If a session had at least one registrant who indicated a preference for Spanish, then the P5FS content expert fluent in Spanish led that breakout session while an English-speaking team member led the English session. The same approach was used for those study participants preferring Cantonese or Mandarin.

A total of 233 providers participated in the input sessions; 56 percent of the participants were Spanish speaking and 38 percent were English speaking. Most participants in the input sessions were FCC providers (85 percent) compared to centers (12 percent) and FFN (2 percent). Input session participants came from 33 of the 58 counties and represented all the study regions. The distribution of study participants across regions is shown in Figure 9.

**Figure 9: Distribution of Input Session Participants by Region**



## Ongoing Constituent Engagement

The data gathered from providers and other constituents as detailed in this section provided invaluable information to ensure that the California cost estimation model reflects the input of those working to meet the needs of children and families in the state. While data can guide decisions and assumptions in the model, estimating the true cost of providing high-quality care represents a significant shift in how the field has thought about financing early childhood. As a result, the process often requires multiple steps to accurately capture the true cost of a better system, one that reflects the values of the state and goes beyond the scarcity mindset that the system has been operating under for decades. Ongoing constituent engagement involves running scenarios in the cost estimation model, analyzing the results, comparing across different variables, and supporting constituents and decision-makers with the answers they need to guide policymaking.

P5FS shared initial results of data collection with the Rate and Quality Workgroup and the JLMC, seeking reactions and input on assumptions informed by the data collection, but not constrained solely by the data collection. This allowed for the model to reflect how programs “should” operate, not just how they are currently operating with limited funding and allowed for thinking more expansively about the resources needed to build a robust and sustainable child care system. The next section of this report details the functionality that is built into the model, including cost drivers and the default values assigned to those cost drivers. Beyond this initial use of the tool, P5FS recommends that the tool be updated with additional provider input regularly to ensure that the tool continues to reflect the resources required to provide quality child care.

# Cost Estimation Model Functionality

The California cost estimation models are built to allow for running many scenarios to understand the cost of care. Program characteristics and model variables in the current California cost estimation models are outlined in this section.

## Program Characteristics

The cost estimation model accounts for many key program characteristics. Each characteristic impacts the cost of care and is explained below.

**Region:** To account for geographic differences across California, a regional variable is included. The state is organized into five regions in the cost model, aligned with the CA ECE Workforce Study as discussed in the Methodology section.

**Size of Center:** Size is represented as the number of classrooms by age range—infants, toddlers, three-year-old preschoolers, four-year-old preschoolers, and school-age. These age categories, staff-to-child ratios, and the number of children in each group are determined by the program type selected:

Title 22: meets Community Care Licensing (CCL) regulations

Title 5: meets CCL regulations and Title 5 regulations

**Ratio and Group Size:** The model includes Licensing (this option meets Title 22 Community Care Licensing regulations) or Title 5 (this option meets ratio and group size regulations under Title 5). Tables 2 and 3 detail Licensing and Title 5 ratios for centers and Table 4 is for family child care homes.

**Table 2: Adult:Child Ratio, Center meeting Title 22 standards**

<b>Infant (0–24 mos)</b>	4
<b>Toddler (18–36 mos)</b>	6
<b>Preschooler (2–5 years)</b>	12
<b>School Age</b>	15

**Table 3: Adult:Child Ratio, Center meeting Title 5 standards**

<b>Infant (0–18 mos)</b>	3
<b>Toddler (18–36 mos)</b>	4
<b>Age 3</b>	8
<b>Age 4</b>	8
<b>School Age</b>	14

**Table 4: Family Child Care Home Licensing and Title 5 ratio information**

<b>Small Family Child Care</b>	<b>Large Family Child Care</b>
1 adult: 4 children (may include up to 4 infants, infant is defined as children under the age of 2)	2 adults: 12 children (may include up to 4 infants)
1 adult: 6 children (may include up to 3 infants)	2 adults: 14 children (may include up to 3 infants and must include at least 2 over the age of 6)
1 adult: 8 children (may include up to 2 infants and must include at least 2 children over the age of 6)	

Note: provider’s own children under the age of 10 must be included in adult to child ratio

Source: California Code of Regulations, Title 22, Division 12, available at: <https://www.cdss.ca.gov/inforesources/child-care-licensing/resources-for-providers/laws-and-regulations>

**Family Child Care Home Enrollment:** The FCC model includes options for both sizes of FCC homes, small and large. The FCC model also includes understanding the cost of Family, Friend, and Neighbor (FFN) settings.

**Additional Staffing, Nontraditional Hours:** The FCC model includes the option of modeling care outside of the traditional work day, beyond 10 hours per day.

## Staffing and Personnel

The personnel calculations are based on a standard staffing pattern typical of most centers and family child care homes, with the following assumptions built in.

### *Nonteaching staff*

- ECE Program Director (0.5 FTE if enrollment is less than 50, 1 FTE if between 51-150, 1.5 FTEs if 151-249, and 2 FTEs if 250 or more) or Family Child Care Provider/Owner (1 full time)
- ECE Staff Supervisor/Assistant Director (1 per 94 children)
- Financial Manager (.25 FTE if <30 children, .5 FTE up to 60 children, then full time)
- Administrative Assistant (0.5 FTE if enrollment is less than 60, then 1 per 60 children)

### *Teaching staff*

The number of teachers and assistant teachers is driven by California's ratio and group size regulations, based on whether the program meets Title 22 or Title 5. Each classroom has a lead teacher, with additional staff counted as assistant teachers to meet ratio requirements.

In addition, the model includes an additional 0.2 FTE per classroom teaching staff to allow for coverage throughout the day for breaks and opening and closing. This reflects that the program is open

more than 40 hours per week. To always maintain ratios, additional staffing capacity is needed.

In family child care homes, the provider/owner is the only staff member unless licensing regulations call for an assistant (large home licensed sites, up to 14 children). The model includes support for the provider/owner in the form of additional assistant time each week of 25 hours.

### *Wages*

The model includes several salary data sources to understand the impact of different salary levels. The salary selection points include:

- Bureau of Labor Statistics (BLS) wage data (May 2021)
- CA ECE Workforce Survey (CSCCE, 2020)
- MIT Living Wage Calculator option 1 (using workforce demographic data on family compensation to establish the living wage base for the teacher assistant position)
- MIT Living Wage Calculator option 2 (calculator results for the living wage needed for a single person, no children, to establish the living wage base for teacher assistant position)
- University of Washington Self-Sufficiency Standard Calculator, which defines the minimum (yet adequate) income working families need, accounts for family composition, ages of children, and geographic differences in costs.
- User Input, which requires completion of wages data for each position.

To build salaries for all the child care positions under BLS, the MIT Living Wage calculator and the Self-Sufficiency Standard, data collected from California child care programs was used. These program-level data demonstrate the difference in salary or wage points across the positions in a center of family child care home. These program

data were used to build a salary scale reflective of the different responsibilities of the positions. These positions include Director/Owner, Assistant Director, Teacher/Lead Teacher, Assistant Teacher, and Floater/Substitute.

**Mandatory and Discretionary Benefits**

All mandatory expenses related to staffing are built into the models. These include federal and state requirements, including unemployment insurance and workers’ compensation. These include FICA-Social Security at 6.2%, Medicare at 1.45%, unemployment insurance at 3% and workers’ compensation at 6%.

The model also includes discretionary benefits in sick and paid leave days for each staff and an amount referred to as health insurance. If the health insurance option is selected, the model includes \$5,931 per FTE, which is the average annual employer contribution to health insurance, based on [Kaiser Family Foundation](#) data for California. This benefit is included in the model as a dollar amount, which individual programs could choose to deploy in different ways, including health insurance contribution, retirement contribution or other discretionary benefits. Family child care and FFN providers could also choose to deploy this dollar amount in different ways, including purchasing health insurance from the public marketplace, contributing to a health savings account, or paying the premium for a family member-provided health plan.

**Nonpersonnel Expenses**

*Center-based*

Nonpersonnel costs are aggregated into four categories:

**Program Management and Administration:**

Office supplies, telephone, internet, insurance, legal and professional fees, permits, fundraising, memberships, administration fees

**Occupancy:** Rent/lease or mortgage, real estate taxes, maintenance, janitorial, repairs, and other occupancy-related costs

**Education Program for Children and Staff,** which includes:

- **Education/Program—Child:** Food/food related, classroom/child supplies, medical supplies, postage, advertising, field trips, family transportation, child assessment materials
- **Education/Program—Staff:** Professional consultants, training, professional development, conferences, staff travel

**Contribution to Operating Reserve Fund:** Annual contributions to an operating reserve fund—a practice that contributes to long-term financial sustainability—can be included as a percentage of total expenses. The amount is set at 5% by default.

Values for each of these nonpersonnel categories is based on nonpersonnel expense data collected through the California Cost of Quality survey. Table 5 summarizes the nonpersonnel values.

*Table 5: Center-Based Model, Nonpersonnel Expense Values, annual cost per child*

	<b>Region 1: LA County</b>	<b>Region 2: Southern</b>	<b>Region 3: Bay Area</b>	<b>Region 4: Central</b>	<b>Region 5: Northern</b>
<b>Administration</b>	\$ 2,926	\$ 1,689	\$ 2,180	\$ 2,938	\$ 1,482
<b>Occupancy</b>	\$ 1,430	\$ 735	\$ 1,770	\$ 605	\$ 636
<b>Education Program</b>	\$ 1,731	\$ 1,854	\$ 1,135	\$ 1,581	\$ 714
<b>TOTAL</b>	<b>\$ 6,087</b>	<b>\$ 4,278</b>	<b>\$ 5,086</b>	<b>\$ 5,124</b>	<b>\$ 2,832</b>

### Family Child Care Homes

Nonpersonnel costs in the family child care home model align with the expense categories that home-based providers report on their federal taxes (Internal Revenue Service Schedule C). These expenses are broken out into:

**Nonpersonnel – Admin/Office:** This category includes advertising, insurance, legal and professional fees, office supplies, and repairs, maintenance, and cleaning of the child care space.

**Nonpersonnel – Program:** This category includes classroom supplies, medical supplies, food, and educational supplies. This amount varies based on the number of children.

### Occupancy – Shared Use of Business and Home:

Home-based businesses may count a certain percentage of their occupancy costs as business expenses, including rent/lease/mortgage costs, property taxes, homeowners insurance, utilities, and household supplies. The model follows Internal Revenue Service Form 8829 to estimate a time-space percentage for how these expenses apply to the business.

Values for each of these nonpersonnel categories is based on nonpersonnel expenses collected through the California Cost of Quality survey. Table 6 summarizes the nonpersonnel values for family child care homes. Table 7 summarizes the nonpersonnel expense values for FFN settings, also gathered through the Cost of Quality survey.

Table 6: FCC Model, Nonpersonnel Expense Values, annual cost per child

	Region 1: LA County	Region 2: Southern	Region 3: Bay Area	Region 4: Central	Region 5: Northern
<b>Administration</b>	\$ 3,483	\$ 1,829	\$ 2,088	\$ 2,609	\$ 1,497
<b>Occupancy</b>	\$ 3,327	\$ 3,226	\$ 3,696	\$ 2,752	\$ 3,022
<b>Education Program</b>	\$ 3,752	\$ 2,179	\$ 2,993	\$ 3,061	\$ 1,548
<b>TOTAL</b>	<b>\$ 10,562</b>	<b>\$ 7,234</b>	<b>\$ 8,777</b>	<b>\$ 8,422</b>	<b>\$ 6,067</b>

Table 7: FFN Model, Nonpersonnel Expense Values, annual cost per child

	Region 1: LA County	Region 2: Southern	Region 3: Bay Area	Region 4: Central	Region 5: Northern
<b>Supplies</b>	\$ 726	\$ 467	\$ 652	\$ 563	\$ 685
<b>Occupancy</b>	\$ 391	\$ 293	\$ 313	\$ 153	\$ 798
<b>Training</b>	\$ 140	\$ 118	\$ 52	\$ 88	\$ 129
<b>TOTAL</b>	<b>\$ 1,257</b>	<b>\$ 879</b>	<b>\$ 1,017</b>	<b>\$ 805</b>	<b>\$ 1,613</b>

## Model Variables

The model includes several variables that relate to meeting base quality of Title 22 or Title 5 regulations. For each variable there are three choices: (1) No program expenses related to the variable; (2) Base quality meeting Title 22 licensing; or (3) Base quality meeting Title 5 contract regulations. There are Title 5 regulations that apply to centers and those that apply to family child care homes (Family Child Care Home Education Network or FCCHEN). The model variables are:

- Family Engagement
- Professional Development Training
- Planning and Release Time
- Child Education and Development
- Child Health
- Inclusion Supports
- Dual-Language Supports

### *Family Engagement*

The model includes the cost of conferences each year as a selection to meet the family engagement concepts covered in Title 22 and Title 5 or conferences plus family engagement staffing. The cost of conferences consists of paying a substitute teacher to cover while the teacher or provider/owner is leading the conference.

**Table 8: Family Engagement Selections**

Type of Care		
<b>Center</b>	Title 22: 2 family conferences per year, 2 hours of sub coverage per conference	Title 5: 3 family conferences per year, 2 hours of sub coverage per conference
<b>FCC, small or large</b>	Title 22: 2 family conferences per year, 2 hours of sub coverage per conference	Title 5/FCCHEN: 3 family conferences per year, 2 hours of sub coverage per conference
<b>FFN</b>	none	

### *Professional Development Training*

Annual training hours are included at 16 hours per center-based director and 2 hours for provider/owner per year to meet licensing requirements. The model includes additional professional development training hours to meet Title 22 and Title 5 regulations. The expense related to these supports covers the cost of hiring a substitute to cover staff to attend trainings.

**Table 9: Professional Development Training Selections**

Type of Care		
<b>Center</b>	Title 22: Director and teachers, 21 hours per year	Title 5: Director and teachers, 32 hours per year
<b>FCC, small or large</b>	Title 22: 16 hours per year, per person	Title 5/FCCHEN: 32 hours per year, per person
<b>FFN</b>	16 hours per year (CCDBG health and safety requirements)	

### *Planning and Release Time*

The model has the option of including weekly planning and release time for teachers and provider/owner, or teachers, provider/owner, and assistant teachers. The expense related to these supports is the cost of a substitute to cover the teaching staff and provider/owner time.

**Table 10: Planning and Release Time Selections**

<b>Type of Care</b>		
<b>Center</b>	Title 22: 1 hour a day for lead teacher	Title 5: 1.5 hours a day for lead, 0.5 hours a day for other teaching staff
<b>FCC, small or large</b>	Title 22: 1 hour a day for provider/owner	Title 5/FCCHEN: 1.5 hour a day for provider/owner, 0.5 hour a day for assistant
<b>FFN</b>	none	

### *Child Education and Development*

The model includes costs for additional educational materials and curriculum expenses, costs associated with providing care under Title 22 or Title 5.

**Table 11: Child Education and Development Selections**

<b>Type of Care</b>		
<b>Center</b>	Title 22: \$100 per child per year and \$1,500 per classroom per year	Title 5: \$200 per child per year and \$3,000 per classroom per year
<b>FCC, small or large</b>	Title 22: \$100 per child per year and \$1,500 per year	Title 5/FCCHEN: \$200 per child per year and \$3,000 per year
<b>FFN</b>	none	

### *Child Health*

The model includes the costs per child for activities related to supporting child health, costs associated with meeting Title 22 or Title 5.

**Table 12: Child Health Selections**

<b>Type of Care</b>		
<b>Center</b>	Title 22: \$50 per child per year	Title 5: \$100 per child per year
<b>FCC, small or large</b>	Title 22: \$50 per child per year	Title 5/FCCHEN: \$100 per child per year
<b>FFN</b>	none	

### *Inclusion Supports*

The model includes expenses related to serving children with delays and disabilities. These relate to equipment and materials needed and time for an aide to support inclusion.

**Table 13: Inclusion Supports Selections**

Type of Care		
<b>Center</b>	Title 22: \$250 per child per year; Inclusion Aide, 5 hours per week, per child	Title 5: \$400 per child per year; Inclusion Aide, 10 hours per week, per child
<b>FCC, small or large</b>	Title 22: \$250 per child per year; Inclusion Aide, 5 hours per week, per child	Title 5: \$400 per child per year; Inclusion Aide, 10 hours per week, per child
<b>FFN</b>	none	

### *Dual-Language Supports*

The model includes the ability to select higher expenses related to serving children who are dual-language learners. These relate to material expenses and increase in staff compensation.

**Table 14: Dual-Language Supports Selections**

Type of Care		
<b>Center</b>	Title 22: \$150 per child per year; Wages increased by 10%	Title 5: \$300 per child per year; Wages increased by 10%
<b>FCC, small or large</b>	Title 22: \$150 per child per year; Wages increased by 10%	Title 5: \$300 per child per year; Wages increased by 10%
<b>FFN</b>	none	

# Cost Estimation Model Results

The cost estimation model developed for California can be used to understand the cost of care under a variety of different scenarios, in a program with various characteristics and meeting different program requirements. To support the Rate and Quality Workgroup to understand the true cost of providing quality child care across California, the study team ensured that the model included variables and cost drivers that aligned with the Workgroup’s recommendations. The Workgroup guided the development of default scenarios for each provider type: child care center, small family child care home (FCC), large family child care home (FCC), and family, friend, and neighbor care (FFN). These defaults were used to create several scenarios which are presented in this section.

## Default Scenario Assumptions

For licensed centers, the default scenario is a program serving children from birth through school age, with one classroom per age group, licensed to serve 78 children, as shown in Table 15. The default scenarios also took into consideration whether the program is held to Title 22 (licensing) or Title 5 regulations, which affected ratio and group size assumptions. Table 16 details the program size and enrollment for scenarios where the child care center meets Title 5 regulation.

**Table 15: Center Default Scenario Program Size and Ages Served – Title 22**

Age group	Number of classrooms	Total enrollment
Infant	1	12
Toddler	1	12
Preschooler	1	24
School Age	1	30
<b>TOTAL</b>	<b>4</b>	<b>78</b>

**Table 16: Center Default Scenario Program Size and Ages Served – Title 5**

Age group	Number of classrooms	Total enrollment
Infant	1	18
Toddler	1	16
Preschooler	2	48
School Age	1	28
<b>TOTAL</b>	<b>5</b>	<b>110</b>

Table 17 details the default small and large licensed family child care programs and the license-exempt family, friend and neighbor program used in the following scenarios.

**Table 17: Home-based Default Scenario Program Composition**

Age group	Small FCC	Large FCC	FFN
Infant	2	3	1
Toddler	1	1	1
Preschooler	3	6	1
School Age	2	4	2
<b>TOTAL</b>	<b>8</b>	<b>14</b>	<b>5</b>

As noted in the Model Functionality section, the cost estimation model includes several salary options. The Rate and Quality Workgroup recommends that California child care providers earn at least a living wage and therefore the default scenarios use the MIT living wage salary option 1, with regional variations. The salary points for Title 5 are different from the salary points for a program meeting Title 22, to account for the increased responsibilities of meeting Title 5 regulations. Data

from the CA Cost of Quality Survey informed the percentage difference in the salary values between Title 22 and Title 5. Title 5 salaries are 23% higher than the same positions in a Title 22 program meeting licensing. The lead teacher and FCC provider/owner salaries used in the default scenario under this assumption are shown in Table 18. Full salary data under MIT Living Wage option 1 is available in the appendix.

**Table 18: Select Salary Data Used In Default Scenarios**

	<b>Region 1: LA County</b>	<b>Region 2: Southern</b>	<b>Region 3: Bay Area</b>	<b>Region 4: Central</b>	<b>Region 5: Northern</b>
<b>Lead Teacher – Title 22 program</b>	\$ 85,028	\$ 87,411	\$ 95,052	\$ 71,545	\$ 57,841
<b>Lead Teacher – Title 5 program</b>	\$ 104,584	\$ 107,515	\$ 116,914	\$ 88,000	\$ 71,144
<b>FCC Provider/Owner</b>	\$ 132,774	\$ 134,607	\$ 148,428	\$ 111,721	\$ 90,321

In addition to this salary data, the default scenario also includes the cost of discretionary benefits for the child care workforce. The scenarios include \$5,931 annually as a contribution to health insurance or other discretionary benefits. In addition, 10 days paid vacation and 10 days paid sick leave are included by default.

Beyond core personnel expenses, the model includes the cost of providing care under Title 22 or Title 5 regulations. The study team analyzed these regulations to identify cost drivers and used data from the Cost of Quality survey and provider input sessions to include values for each of these cost drivers. Table 19 summarizes the cost drivers used in the default scenario for both Title 22 and Title 5.

**Table 19: Base Rate Cost Driver Variables**

<b>Base Rate Variable</b>	<b>Title 22</b>	<b>Title 5</b>
<b>Ratios and Group Size and Staffing</b>	Meets licensing standards, teaching and non-teaching staff pattern driven by regulations and number of children in scenario.	Meets licensing standards, Title 5 teaching and non-teaching staff pattern driven by regulations and number of children in scenario.
<b>Compensation:</b>		
<b>Salary/Wage/Income</b>	MIT Living Wage Option 1	MIT Living Wage Option 1, adjusted 23% higher than Title 22
<b>Discretionary Benefits (for each position)</b>	\$5,931 in discretionary benefits 20 days paid time off	\$5,931 in discretionary benefits 20 days paid time off

Table 19: **Base Rate Cost Driver Variables** *Continued*

Base Rate Variable	Title 22	Title 5
<b>Professional Development Supports:</b>		
<b>Training</b>	21 hours annually, each person	32 hours annually, each person
<b>Planning Time</b>	5 hours per week	10 hours per week
<b>Family Engagement</b>	2 conferences per child, per year (2 hours of support time per conference)	3 conferences per child, per year (2 hours of support time per conference)
<b>Child Education and Development</b>	\$100 per child annually plus \$1,500 per classroom/home	\$200 per child annually plus \$3,000 per classroom/home
<b>Child Health</b>	\$50 per child annually	\$100 per child annually
<b>Operating Reserve (% of total expense)</b>	5%	5%

For FFN providers, the model uses the state minimum wage of \$15 per hour converted to an annual amount of \$31,200 as the FFN provider salary.

Because FFN providers are not required to meet the same standards as licensed programs, the variables shown in Table 19 are not included. The FFN scenario costs include the provider/owner salary and mandatory benefits plus nonpersonnel expenses, as detailed in Table 7 in the prior section. The FFN

scenario also includes training costs related to meeting CCDF health and safety training requirements.

## Scenario Results

P5FS ran eight scenarios, covering child care centers, small and large family child care homes, and family friend and neighbor/Trustline programs, and for programs meeting Title 22 standards and programs meeting Title 5 regulations. Each scenario was run for each of the five regions. Table 20 details the scenarios.

Table 20: **Model Scenarios**

<b>Center-Based Scenarios</b>		
	<b>Scenario 1</b>	<b>Scenario 2</b>
<b>Regulations</b>	Title 22	Title 5
<b>Age Groups</b>	Birth to school age	Birth to school age
<b>Capacity</b>	4 classrooms, 78 children (12 infants, 12 toddlers, 24 preschool, 30 school age)	5 classrooms, 110 children (18 infants, 16 toddlers, 48 preschool, 28 school age)
<b>Variables</b>	Base Quality	Title 5 Base
<b>Compensation</b>	MIT Living Wage Calculator Paid Time Off Health/Retirement Coverage	MIT Living Wage Calculator, Title 5 adjusted Paid Time Off Health/Retirement Coverage

Table 20: **Model Scenarios** Continued

<b>Family Child Care Home Scenarios</b>		
	<b>Scenarios 3 &amp; 4</b>	<b>Scenarios 5 &amp; 6</b>
<b>Regulations</b>	Title 22	Meeting Title 5/FCCHEN
<b>Age Groups</b>	Birth to school age	Birth to school age
<b>Capacity</b>	Small FCC: 8 children (2 infant, 1 toddler, 3 preschool, 2 school age) Large FCC: 14 children (3 infant, 1 toddler, 6 preschool, 4 school age)	Small FCC: 8 children (2 infant, 1 toddler, 3 preschool, 2 school age) Large FCC: 14 children (3 infant, 1 toddler, 6 preschool, 4 school age)
<b>Variables</b>	Base Quality	Meets Title 5 regulations
<b>Compensation</b>	MIT Living Wage Calculator Paid Time Off Health/Retirement Coverage	MIT Living Wage Calculator, Title 5 adjusted Paid Time Off Health/Retirement Coverage
<b>Family Friend and Neighbor/Trustline</b>		
	<b>Scenario 7</b>	<b>Scenario 8</b>
<b>Age Groups</b>	Birth to school age	Birth to school age
<b>Capacity</b>	5 children (1 infant, 1 toddler, 1 preschooler, 2 school age)	2 children
<b>Variables</b>	Meets all Trustline regulations	Meets all Trustline regulations
<b>Compensation</b>	Minimum wage	Minimum wage

Each of these scenarios was run in the model to estimate the annual cost per child for each program type in each of the five regions. Tables 21–28 detail the results for each scenario as an annual cost per child and include the total annual expenses for each program in the detailed scenario.\*

Table 21, Scenario 1: **Annual Cost of Quality, Licensed Child Care Center, by Region**

	<b>Region 1: LA County</b>	<b>Region 2: Southern</b>	<b>Region 3: Bay Area</b>	<b>Region 4: Central</b>	<b>Region 5: Northern</b>
<b>Infant</b> (0–24 mos)	\$ 40,395	\$ 38,826	\$ 42,762	\$ 34,267	\$ 26,416
<b>Toddler</b> (18–30 mos)	\$ 34,944	\$ 33,223	\$ 36,669	\$ 29,681	\$ 22,708
<b>Preschooler</b> (2–5 yrs)	\$ 26,884	\$ 24,937	\$ 27,658	\$ 22,898	\$ 17,225
<b>School Age</b> (6–13 yrs)	\$ 15,484	\$ 14,621	\$ 16,159	\$13,162	\$ 10,023
<b>Total Expenses</b>	<b>\$ 2,013,796</b>	<b>\$ 1,901,709</b>	<b>\$ 2,101,743</b>	<b>\$ 1,711,771</b>	<b>\$ 1,303,577</b>

Source: P5FS California Cost of Quality Cost Model, 2022

\*In Tables 21–28, the total expense line is not a sum of the individual cost per child results but rather presents the total annual expenses incurred by the program in each specific scenario. This total is based on the cost per child results and the number of children served within each age group.

Table 22, Scenario 2: Annual Cost of Quality, Title 5, Child Care Center, by Region

	Region 1: LA County	Region 2: Southern	Region 3: Bay Area	Region 4: Central	Region 5: Northern
<b>Infant</b> (0–24 mos)	\$ 53,643	\$ 52,721	\$ 57,799	\$ 45,509	\$ 35,812
<b>Toddler</b> (18–30 mos)	\$ 47,694	\$ 46,606	\$ 51,149	\$ 40,504	\$ 31,766
<b>Age 3</b>	\$ 35,371	\$ 33,938	\$ 37,374	\$ 30,135	\$ 23,383
<b>Age 4</b>	\$ 35,371	\$ 33,938	\$ 37,374	\$ 30,135	\$ 23,383
<b>School Age</b> (6–13 yrs)	\$ 20,603	\$ 19,900	\$ 21,887	\$ 17,532	\$ 13,657
<b>Total Expenses</b>	<b>\$ 4,003,358</b>	<b>\$ 3,880,888</b>	<b>\$ 4,265,567</b>	<b>\$ 3,404,617</b>	<b>\$ 2,657,668</b>

Source: P5FS California Cost of Quality Cost Model, 2022

Table 23, Scenario 3: Annual Cost of Quality, Licensed Small Family Child Care Home, by Region

	Region 1: LA County	Region 2: Southern	Region 3: Bay Area	Region 4: Central	Region 5: Northern
<b>Infant</b> (0–24 mos)	\$ 49,731	\$ 46,433	\$ 54,773	\$ 41,584	\$ 33,088
<b>Toddler</b> (18–30 mos)	\$ 49,731	\$ 46,433	\$ 54,773	\$ 41,584	\$ 33,088
<b>Preschooler</b> (2–5 yrs)	\$ 49,731	\$ 46,433	\$ 54,773	\$ 41,584	\$ 33,088
<b>School Age</b> (6–13 yrs)	\$ 26,328	\$ 24,582	\$ 27,409	\$ 22,015	\$ 17,517
<b>Total Expenses</b>	<b>\$ 351,044</b>	<b>\$ 327,766</b>	<b>\$ 365,455</b>	<b>\$ 293,532</b>	<b>\$ 233,559</b>

Source: P5FS California Cost of Quality Cost Model, 2022

Table 24, Scenario 4: Annual Cost of Quality, Licensed Large Family Child Care Home, by Region

	Region 1: LA County	Region 2: Southern	Region 3: Bay Area	Region 4: Central	Region 5: Northern
<b>Infant</b> (0–24 mos)	\$ 43,276	\$ 39,836	\$ 44,491	\$ 36,112	\$ 28,611
<b>Toddler</b> (18–30 mos)	\$ 43,276	\$ 39,836	\$ 44,491	\$ 36,112	\$ 28,611
<b>Preschooler</b> (2–5 yrs)	\$ 43,276	\$ 39,836	\$ 44,491	\$ 36,112	\$ 28,611
<b>School Age</b> (6–13 yrs)	\$ 22,384	\$ 20,605	\$ 23,013	\$ 18,679	\$ 14,799
<b>Total Expenses</b>	<b>\$ 522,296</b>	<b>\$ 480,785</b>	<b>\$ 536,965</b>	<b>\$ 435,838</b>	<b>\$ 345,310</b>

Source: P5FS California Cost of Quality Cost Model, 2022

**Table 25, Scenario 5: Annual Cost of Quality, Small Family Child Care Home Meeting Title 5 Regulations, by Region**

	<b>Region 1: LA County</b>	<b>Region 2: Southern</b>	<b>Region 3: Bay Area</b>	<b>Region 4: Central</b>	<b>Region 5: Northern</b>
<b>Infant</b> (0–24 mos)	\$ 51,272	\$ 48,006	\$ 53,448	\$ 42,944	\$ 34,264
<b>Toddler</b> (18–30 mos)	\$ 51,272	\$ 48,006	\$ 53,448	\$ 42,944	\$ 34,264
<b>Preschooler</b> (2–5 yrs)	\$ 51,272	\$ 48,006	\$ 53,448	\$ 42,944	\$ 34,264
<b>School Age</b> (6–13 yrs)	\$ 27,144	\$ 25,415	\$ 28,296	\$ 22,735	\$ 18,140
<b>Total Expenses</b>	<b>\$ 361,922</b>	<b>\$ 338,868</b>	<b>\$ 377,281</b>	<b>\$ 303,134</b>	<b>\$ 241,865</b>

Source: P5FS California Cost of Quality Cost Model, 2022

**Table 26, Scenario 6: Annual Cost of Quality, Large Family Child Care Home Meeting Title 5 Regulations, by Region**

	<b>Region 1: LA County</b>	<b>Region 2: Southern</b>	<b>Region 3: Bay Area</b>	<b>Region 4: Central</b>	<b>Region 5: Northern</b>
<b>Infant</b> (0–24 mos)	\$ 44,797	\$ 41,392	\$ 46,155	\$ 37,442	\$ 29,746
<b>Toddler</b> (18–30 mos)	\$ 44,797	\$ 41,392	\$ 46,155	\$ 37,442	\$ 29,746
<b>Preschooler</b> (2–5 yrs)	\$ 44,797	\$ 41,392	\$ 46,155	\$ 37,442	\$ 29,746
<b>School Age</b> (6–13 yrs)	\$ 23,171	\$ 21,409	\$ 23,873	\$ 19,367	\$ 15,386
<b>Total Expenses</b>	<b>\$ 540,656</b>	<b>\$ 499,553</b>	<b>\$ 557,043</b>	<b>\$ 451,886</b>	<b>\$ 359,008</b>

Source: P5FS California Cost of Quality Cost Model, 2022

**Table 27, Scenario 7: Annual Cost of Quality, Family Friend and Neighbor/Trustline, by Region**

	<b>Region 1: LA County</b>	<b>Region 2: Southern</b>	<b>Region 3: Bay Area</b>	<b>Region 4: Central</b>	<b>Region 5: Northern</b>
<b>Infant</b> (0–24 mos)	\$ 12,931	\$ 12,427	\$ 12,611	\$ 12,329	\$ 13,403
<b>Toddler</b> (18–30 mos)	\$ 12,931	\$ 12,427	\$ 12,611	\$ 12,329	\$ 13,403
<b>Preschooler</b> (2–5 yrs)	\$ 12,931	\$ 12,427	\$ 12,611	\$ 12,329	\$ 13,403
<b>School Age</b> (6–13 yrs)	\$ 6,125	\$ 5,887	\$ 5,974	\$ 5,840	\$ 6,349
<b>Total Expenses</b>	<b>\$ 51,043</b>	<b>\$ 49,055</b>	<b>\$ 49,780</b>	<b>\$ 48,667</b>	<b>\$ 52,908</b>

Source: P5FS California Cost of Quality Cost Model, 2022

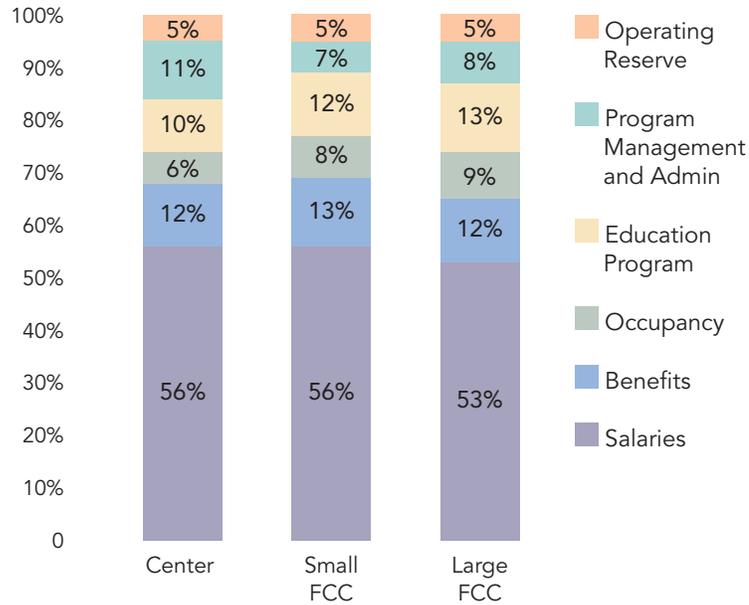
**Table 28, Scenario 8: Annual Cost of Quality, Family Friend and Neighbor/Trustline Serving 2 Children, by Region**

	<b>Region 1: LA County</b>	<b>Region 2: Southern</b>	<b>Region 3: Bay Area</b>	<b>Region 4: Central</b>	<b>Region 5: Northern</b>
<b>Infant/Toddler/Preschool</b>	\$ 23,541	\$ 23,144	\$ 23,289	\$ 23,066	\$ 23,914
<b>Infant/Toddler/Preschool</b>	\$ 23,541	\$ 23,144	\$ 23,289	\$ 23,066	\$ 23,914
<b>Total Expenses</b>	<b>\$ 47,082</b>	<b>\$ 46,288</b>	<b>\$ 46,578</b>	<b>\$ 46,132</b>	<b>\$ 47,828</b>

Source: P5FS California Cost of Quality Cost Model, 2022

In addition to cost per child data, the cost estimation model can also demonstrate the breakdown of total costs for a program to better understand what drives the cost of child care. Figure 10 provides this breakdown, using an illustrative example for a program under Scenario 1 for centers and Scenario 3 for small and large FCCs.

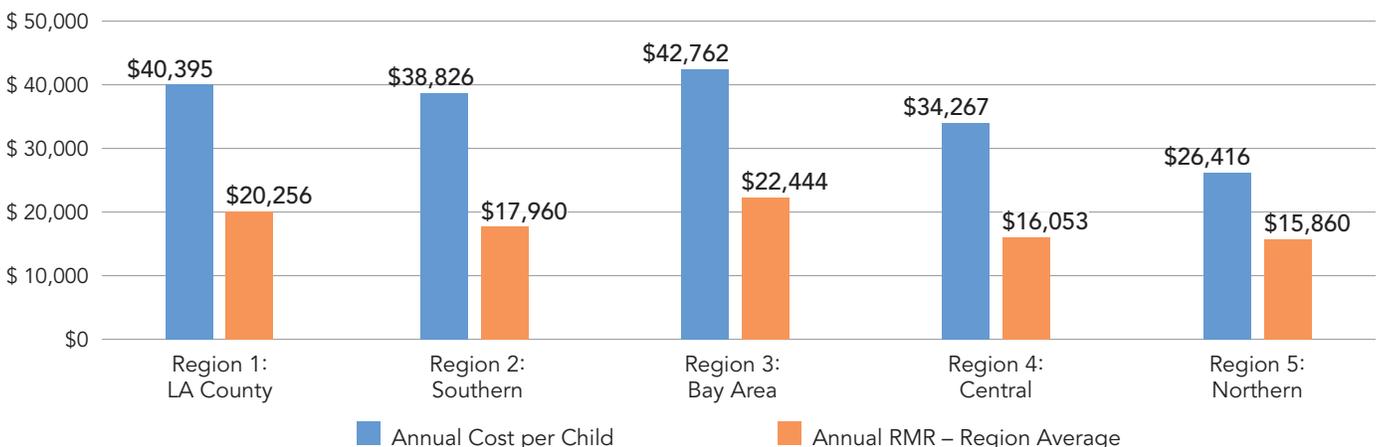
**Figure 10: Breakdown of Total Expenses, by Expense type**



## Comparison to current payment rates

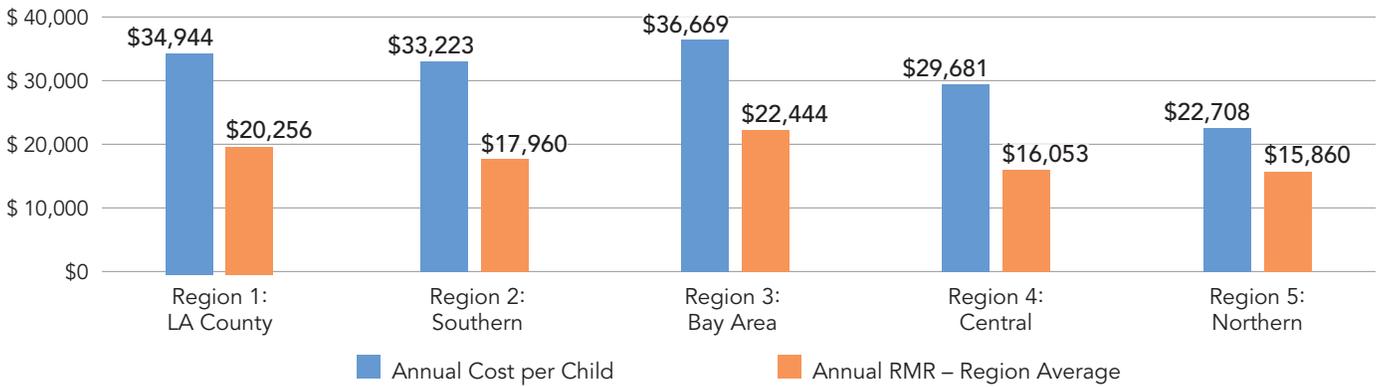
To understand the sufficiency or insufficiency of currently available public revenues to cover the true cost of care, P5FS compared the cost per child estimates to the current maximum regional market rate (RMR) that providers can receive and the Title 5 payment rates as appropriate based on the scenario. Where rates differ across the state, the study team computed a regional rate average to better compare regional cost estimates to available revenue. The minimum and maximum rates across each region were also reviewed to fully understand the ability of currently available revenues to meet the true cost of care. Figures 11–29 illustrate the results of this gap analysis.

**Figure 11: Comparison of Cost of Quality and RMR, Infant, Child Care Center, Title 22, by Region**



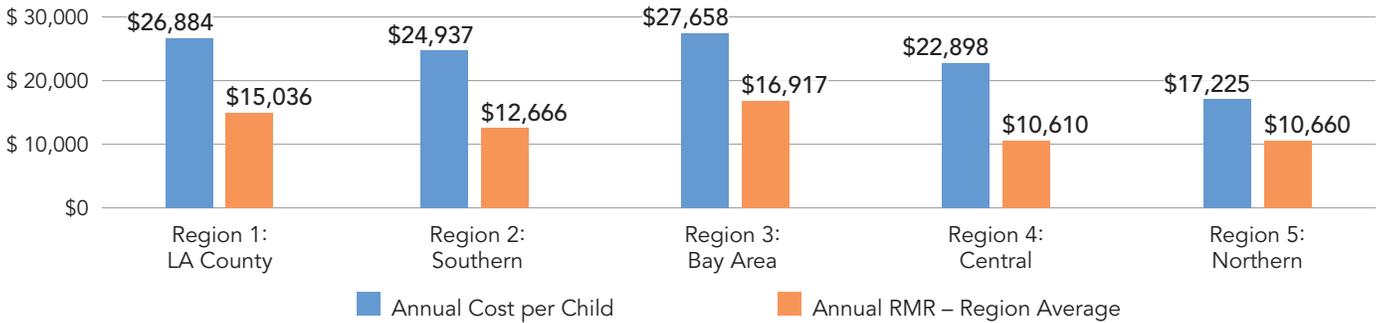
Source: Cost data from P5FS California Cost of Quality Model, 2022. RMR data based on rate ceilings posted by California Department of Social Services, available at <https://rcsc.adm.dss.ca.gov>. Regional rate computed based on average across counties within regions.

**Figure 12: Comparison of Cost of Quality and RMR, Toddler, Child Care Center, Title 22, by Region**



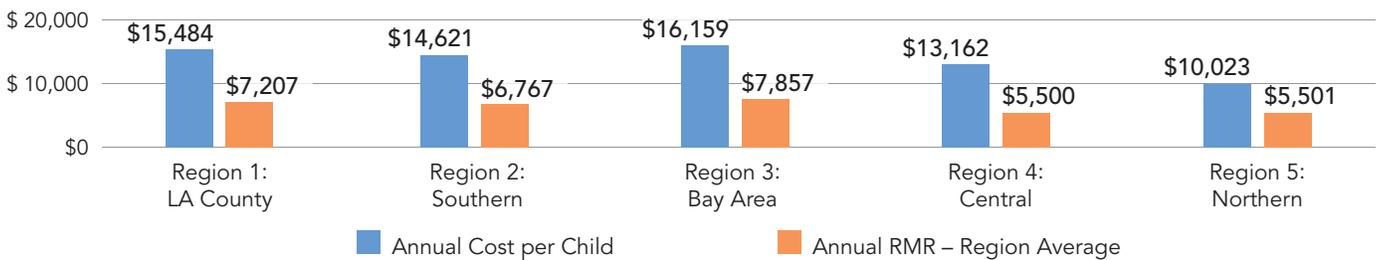
Source: Cost data from P5FS California Cost of Quality Model, 2022. RMR data based on rate ceilings posted by California Department of Social Services, available at <https://rcsc.adm.dss.ca.gov>. Regional rate computed based on average across counties within regions.

**Figure 13: Comparison of Cost of Quality and RMR, Preschooler, Child Care Center, Title 22, by Region**



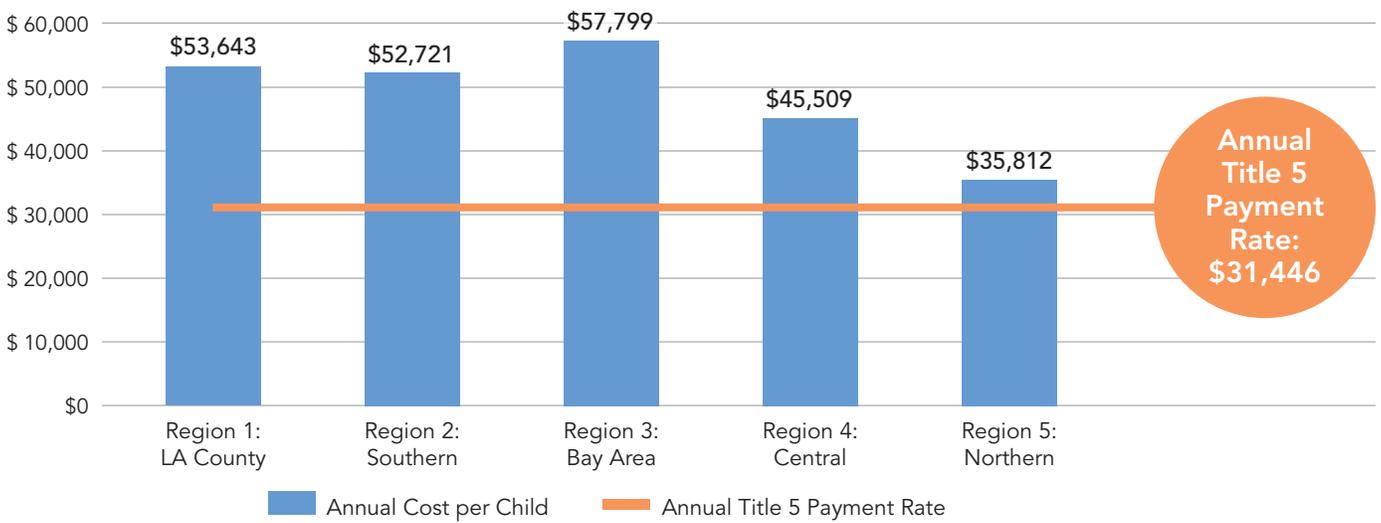
Source: Cost data from P5FS California Cost of Quality Model, 2022. RMR data based on rate ceilings posted by California Department of Social Services, available at <https://rcsc.adm.dss.ca.gov>. Regional rate computed based on average across counties within regions.

**Figure 14: Comparison of Cost of Quality and RMR, School Age, Child Care Center, Title 22, by Region**



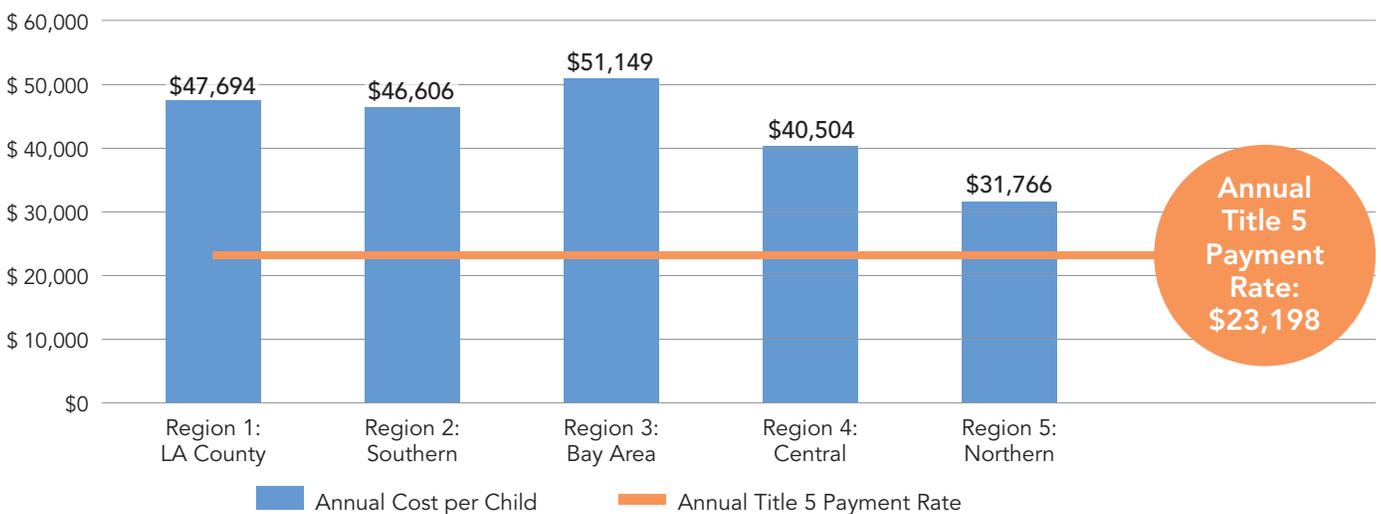
Source: Cost data from P5FS California Cost of Quality Model, 2022. RMR data based on rate ceilings posted by California Department of Social Services, available at <https://rcsc.adm.dss.ca.gov>. Regional rate computed based on average across counties within regions.

**Figure 15: Comparison of Cost of Quality and Title 5 Payment Rate, Infant, Child Care Center, Title 5, by Region**



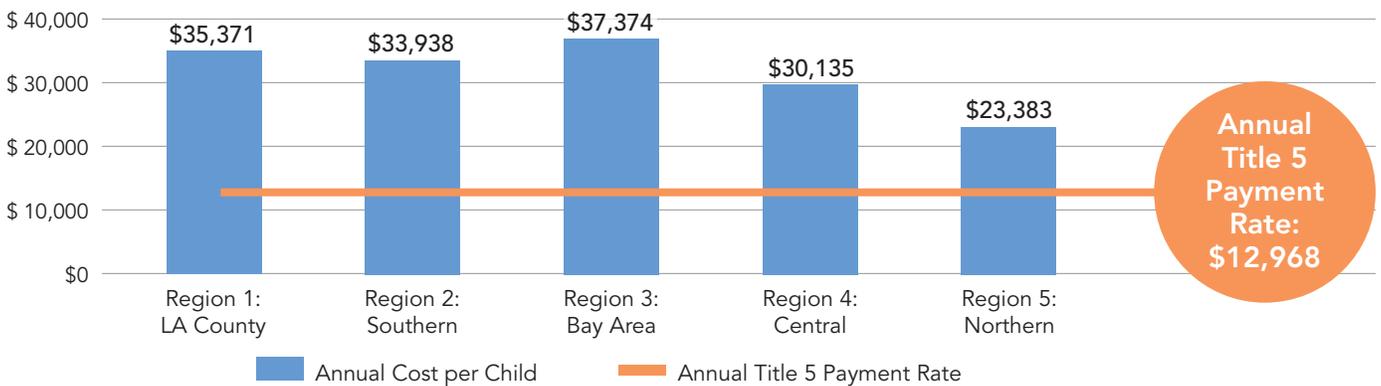
Source: Cost data from P5FS California Cost of Quality Model, 2022. Payment rates from California Department of Social Services, available at [https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet\\_111821\\_rj\\_as.pdf?ver=2021-11-18-163317-783](https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet_111821_rj_as.pdf?ver=2021-11-18-163317-783).

**Figure 16: Comparison of Cost of Quality and Title 5 Payment Rate, Toddler, Child Care Center, Title 5, by Region**



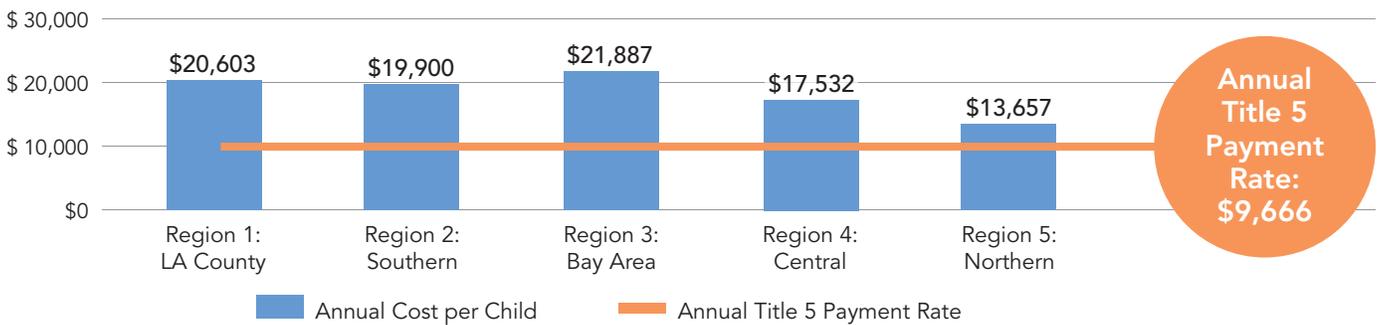
Source: Cost data from P5FS California Cost of Quality Model, 2022. Payment rates from California Department of Social Services, available at [https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet\\_111821\\_rj\\_as.pdf?ver=2021-11-18-163317-783](https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet_111821_rj_as.pdf?ver=2021-11-18-163317-783).

**Figure 17: Comparison of Cost of Quality and Title 5 Payment Rate, Ages 3 & 4, Child Care Center, Title 5, by Region**



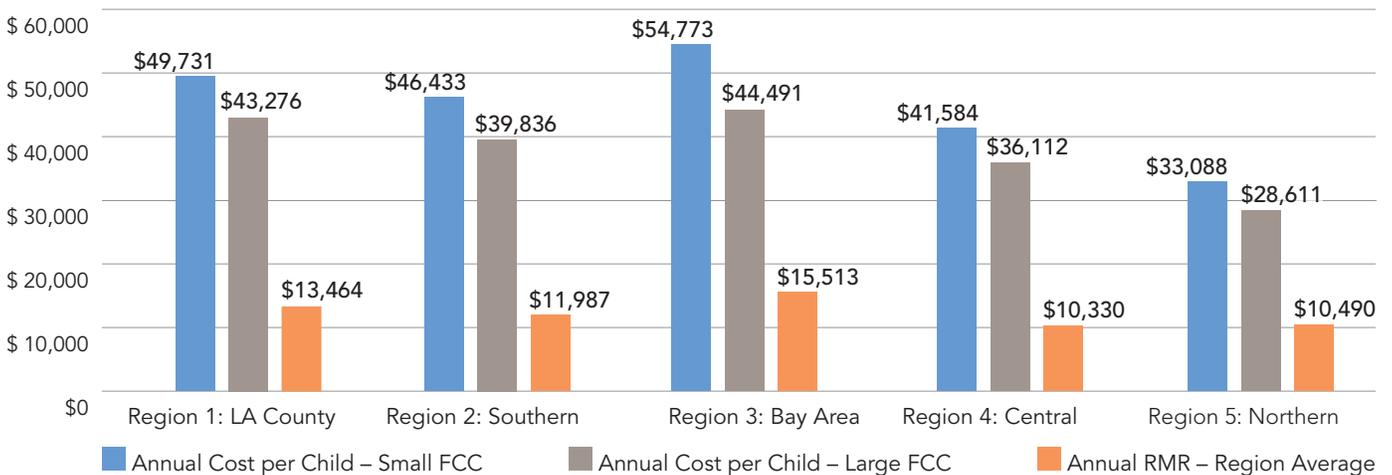
Source: Cost data from P5FS California Cost of Quality Model, 2022. Payment rates from California Department of Social Services, available at [https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet\\_111821\\_rj\\_as.pdf?ver=2021-11-18-163317-783..](https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet_111821_rj_as.pdf?ver=2021-11-18-163317-783..)

**Figure 18: Comparison of Cost of Quality and Title 5 Payment Rate, School Age, Child Care Center, Title 5, by Region**



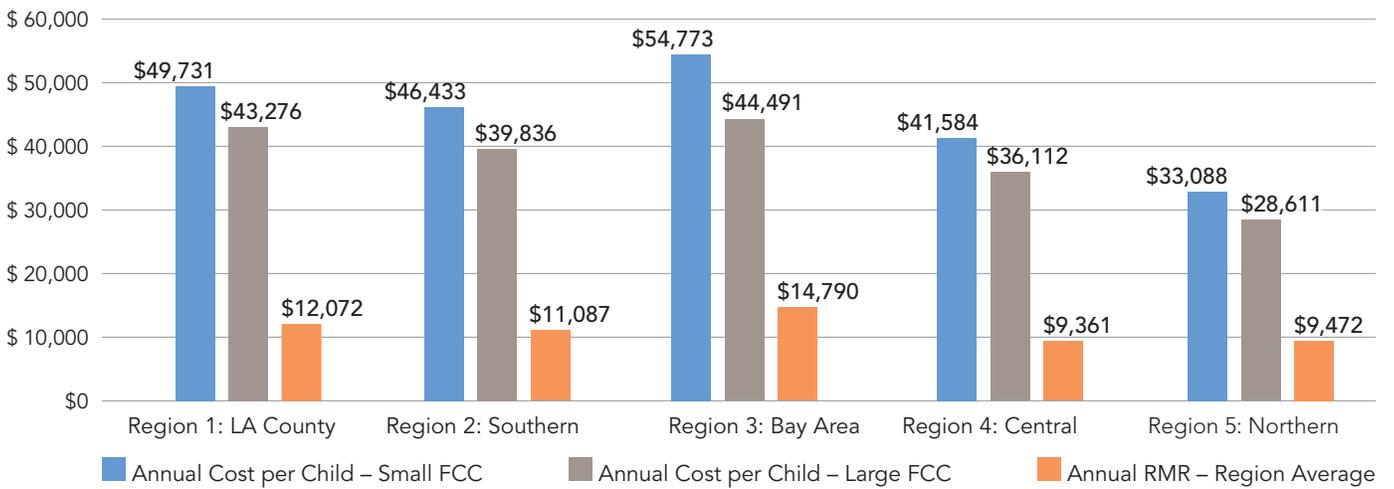
Source: Cost data from P5FS California Cost of Quality Model, 2022. Payment rates from California Department of Social Services, available at [https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet\\_111821\\_rj\\_as.pdf?ver=2021-11-18-163317-783..](https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet_111821_rj_as.pdf?ver=2021-11-18-163317-783..)

**Figure 19: Comparison of Cost of Quality and RMR, Family Child Care Home, Infant/Toddler, by Region**



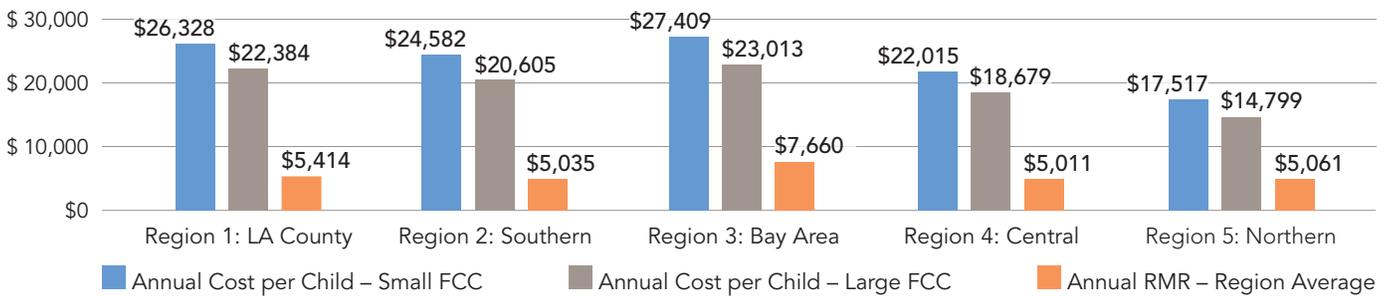
Source: Cost data from P5FS California Cost of Quality Model, 2022. RMR data based on rate ceilings posted by California Department of Social Services, available at <https://rcsc.adm.dss.ca.gov>. Regional rate computed based on average across counties within regions.

**Figure 20: Comparison of Cost of Quality and RMR, Family Child Care Home, Preschool, by Region**



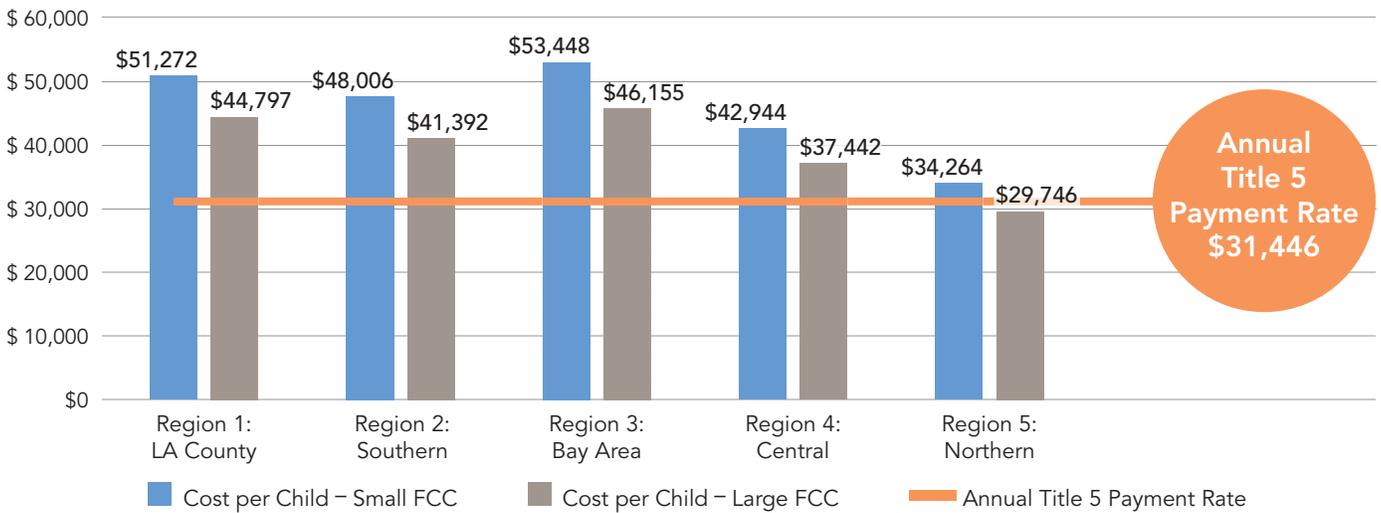
Source: Cost data from P5FS California Cost of Quality Model, 2022. RMR data based on rate ceilings posted by California Department of Social Services, available at <https://rcsc.adm.dss.ca.gov>. Regional rate computed based on average across counties within regions.

**Figure 21: Comparison of Cost of Quality and RMR, Family Child Care Home, School Age, by Region, Small and Large FCC**



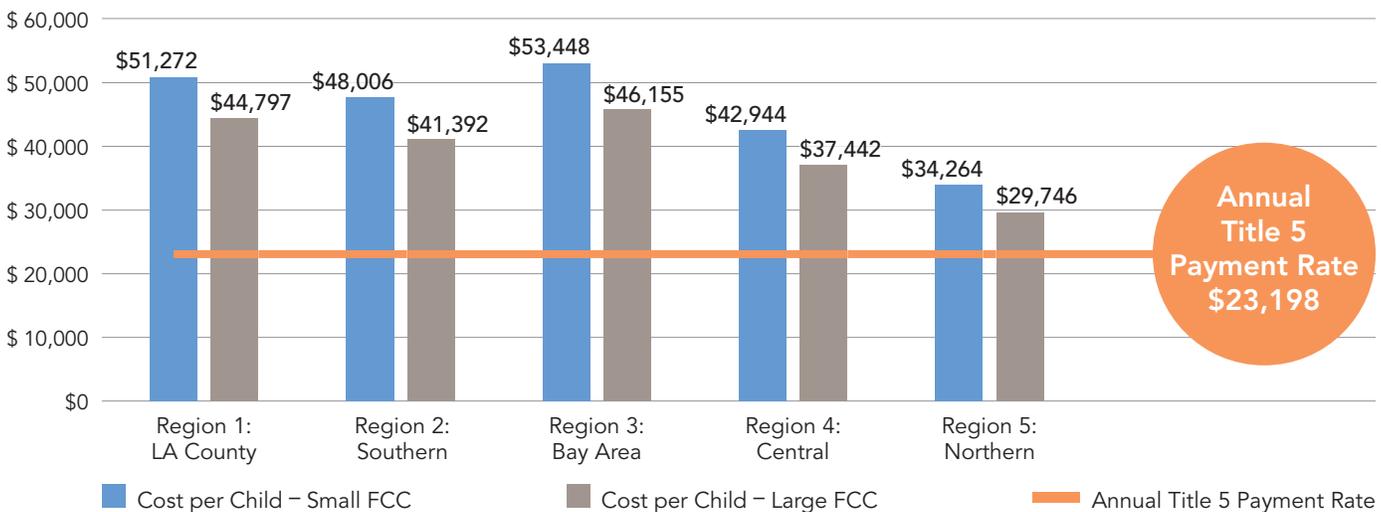
Source: Cost data from P5FS California Cost of Quality Model, 2022. RMR data based on rate ceilings posted by California Department of Social Services, available at <https://rcsc.adm.dss.ca.gov>. Regional rate computed based on average across counties within regions.

**Figure 22: Comparison of Cost of Quality and Title 5 Payment Rate, Family Child Care Home Meeting Title 5 Regulations, Infant, by Region**



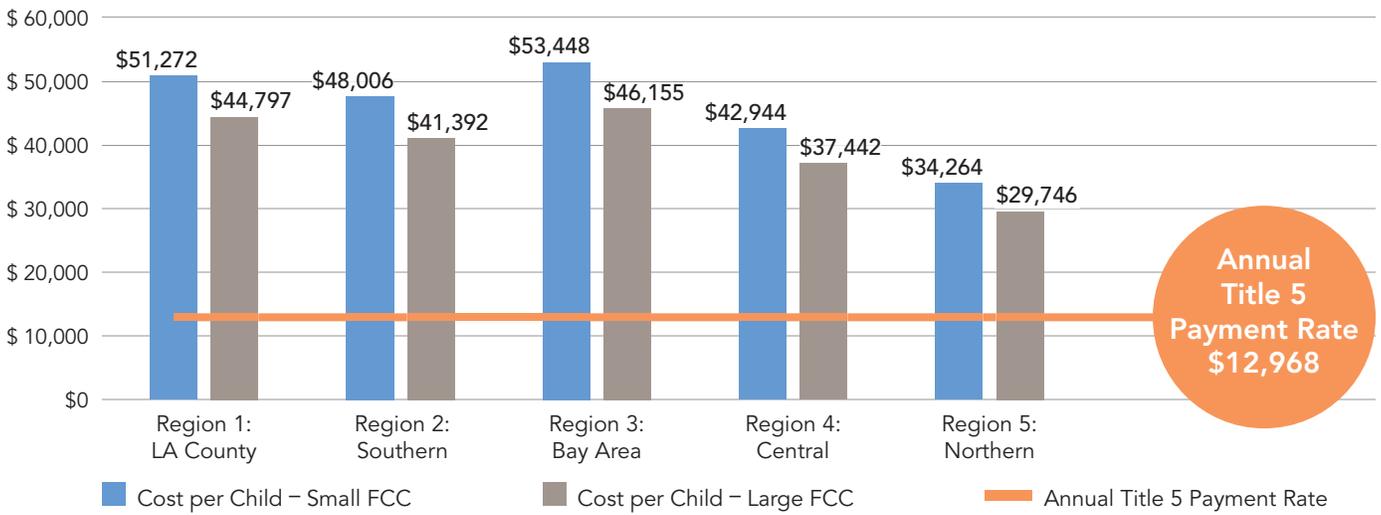
Source: Cost data from P5FS California Cost of Quality Model, 2022. Payment rates from California Department of Social Services, available at [https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet\\_111821\\_rj\\_as.pdf?ver=2021-11-18-163317-783](https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet_111821_rj_as.pdf?ver=2021-11-18-163317-783).

**Figure 23: Comparison of Cost of Quality and Title 5 Payment Rate, Family Child Care Home Meeting Title 5 Regulations, Toddler, by Region**



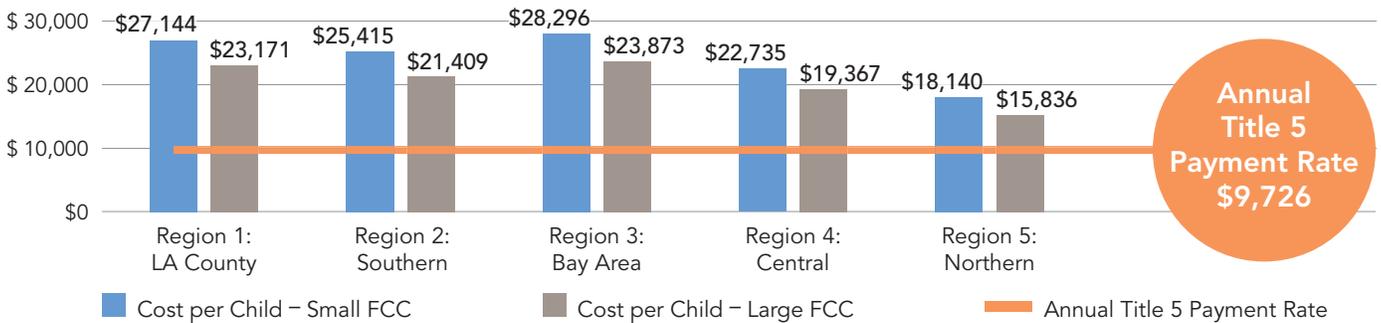
Source: Cost data from P5FS California Cost of Quality Model, 2022. Payment rates from California Department of Social Services, available at [https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet\\_111821\\_rj\\_as.pdf?ver=2021-11-18-163317-783](https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet_111821_rj_as.pdf?ver=2021-11-18-163317-783).

**Figure 24: Comparison of Cost of Quality and Title 5 Payment Rate, Family Child Care Home Meeting Title 5 Regulations, Preschool, by Region**



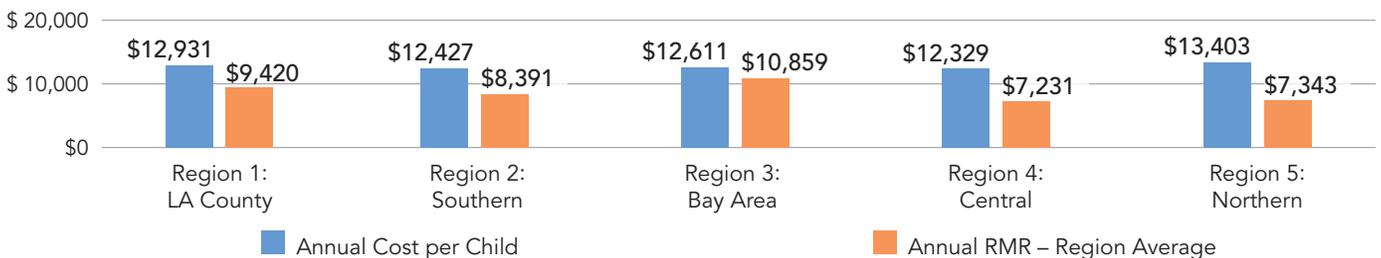
Source: Cost data from P5FS California Cost of Quality Model, 2022. Payment rates from California Department of Social Services, available at [https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet\\_111821\\_rj\\_as.pdf?ver=2021-11-18-163317-783](https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet_111821_rj_as.pdf?ver=2021-11-18-163317-783).

**Figure 25: Comparison of Cost of Quality and Title 5 Payment Rate, Family Child Care Home Meeting Title 5 Regulations, School Age, by Region**



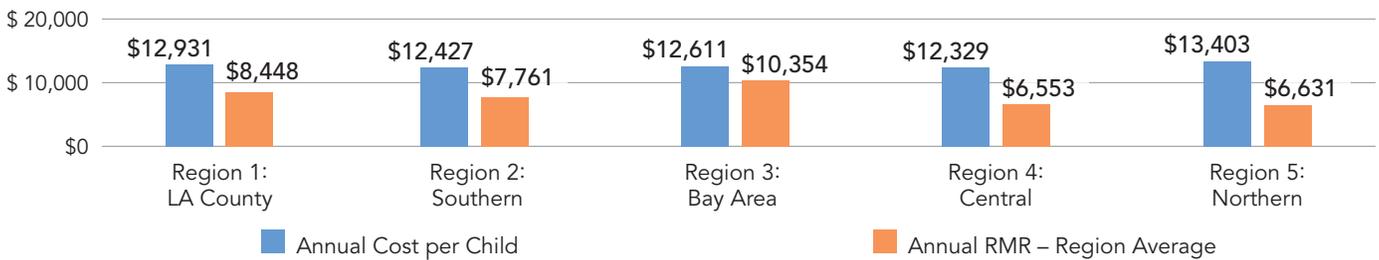
Source: Cost data from P5FS California Cost of Quality Model, 2022. Payment rates from California Department of Social Services, available at [https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet\\_111821\\_rj\\_as.pdf?ver=2021-11-18-163317-783](https://cdss.ca.gov/Portals/9/CalWORKs/CCT/CCDD/2021-22ReimbursementFactSheet_111821_rj_as.pdf?ver=2021-11-18-163317-783).

**Figure 26: Comparison of Cost of Quality and RMR, Family Friend and Neighbor/Trustline, Infant/Toddler, by Region**



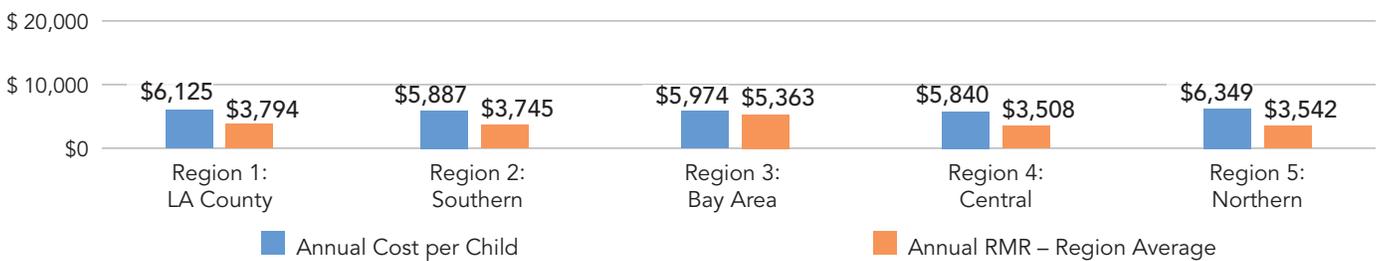
Source: Cost data from P5FS California Cost of Quality Model, 2022. RMR data based on rate ceilings posted by California Department of Social Services, available at <https://rcsc.adm.dss.ca.gov>. Regional rate computed based on average across counties within regions.

**Figure 27: Comparison of Cost of Quality and RMR, Family Friend and Neighbor/Trustline, Preschool, by Region**



Source: Cost data from P5FS California Cost of Quality Model, 2022. RMR data based on rate ceilings posted by California Department of Social Services, available at <https://rcsc.adm.dss.ca.gov>. Regional rate computed based on average across counties within regions.

**Figure 28: Comparison of Cost of Quality and RMR, Family Friend and Neighbor/Trustline, School Age, by Region**



Source: Cost data from P5FS California Cost of Quality Model, 2022. RMR data based on rate ceilings posted by California Department of Social Services, available at <https://rcsc.adm.dss.ca.gov>. Regional rate computed based on average across counties within regions. School age annual rate computed to account for full-time during summer and school breaks, and part-time during the school year.

**Figure 29: Comparison of Cost of Quality and RMR, Family Friend and Neighbor/Trustline, Serving 2 Children, Preschool, by Region**



Source: Cost data from P5FS California Cost of Quality Model, 2022. RMR data based on rate ceilings posted by California Department of Social Services, available at <https://rcsc.adm.dss.ca.gov>. Regional rate computed based on average across counties within regions.

# Conclusion

California has an opportunity to make real change for children, families, and child care providers across the state. As detailed in this report, the current approach to setting child care subsidy rates, based on a broken market, has resulted in rates that are far below the true cost of care and disproportionately disadvantage home-based providers, providers serving infants and toddlers, and providers in low-income communities. Through the work of the Rate and Quality Workgroup and informed by the cost estimation model discussed in this report, California can move to a different way of determining rates. Using the flexibility under CCDF to set rates via an alternative methodology can ensure that rates are based on what it actually costs providers to meet state regulations and to compensate educators at a living wage.

Using a cost-based approach through a cost estimation model, will provide the state with a single approach for rate setting, one that accounts for the costs incurred by different types of providers in dif-

ferent parts of the state, but one that is based on a common methodology. In addition, this approach provides transparency to providers, policymakers, and families, offering a detailed methodology and the cost of individual components that drive the overall cost of care.

The cost estimation model developed by Prenatal to Five Fiscal Strategies employs an approved methodology that has been used for subsidy rate setting in the District of Columbia, New Mexico, and Virginia and is aligned with the Provider Cost of Quality Calculator, the tool offered by the federal Office of Child Care to support CCDF rate setting. California's model has been customized to reflect the state context and integrates data from thousands of California child care providers. The tool can, and should, be updated as program requirements change, and as additional provider data are available to ensure that the model outputs continue to reflect the true cost of child care in California.

# Appendices

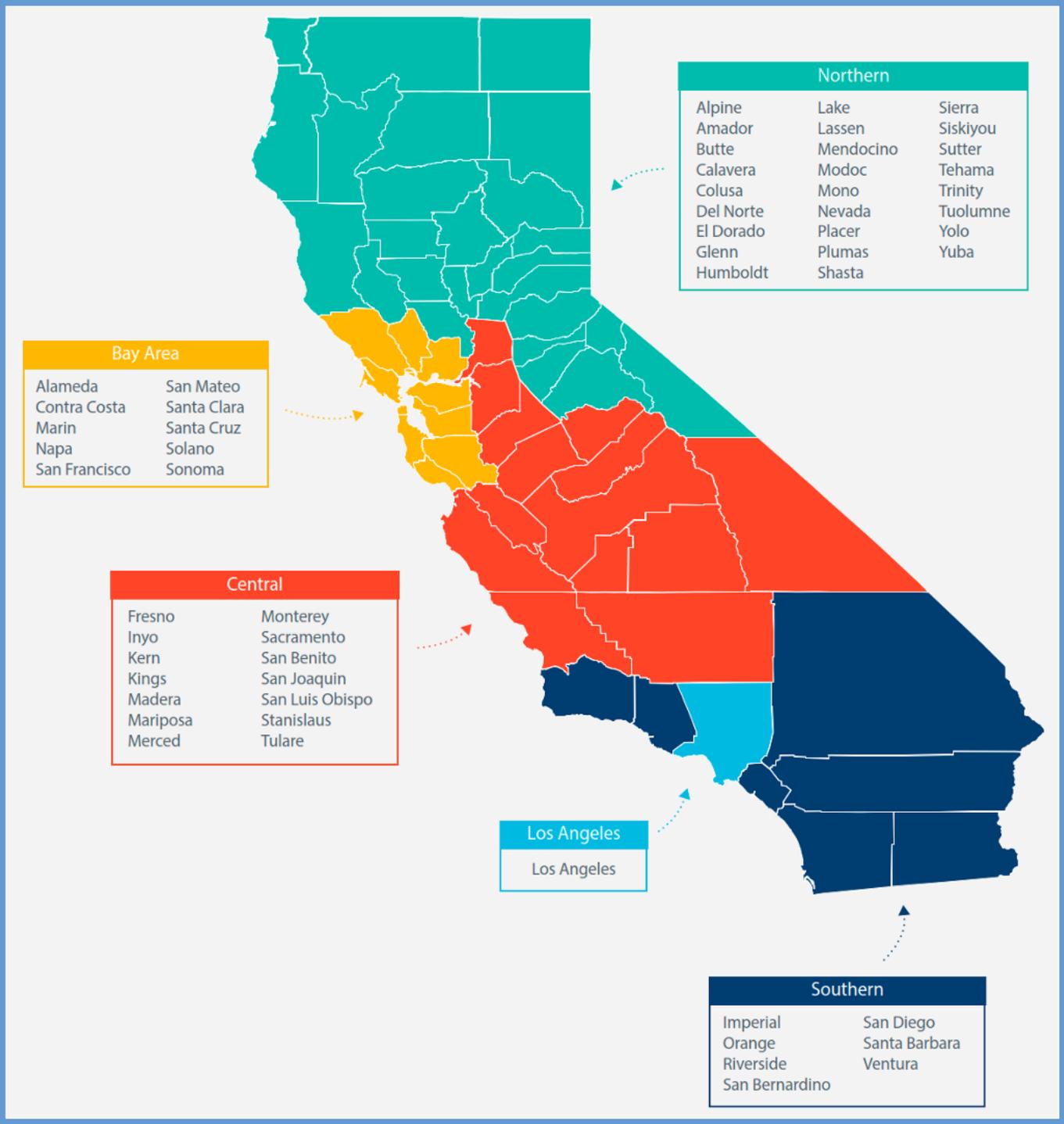
## I. Salary Data Used in Default Scenarios

**Table A1: MIT Living Wage Option 1 Salary Data**

	Region 1: LA County		Region 2: Southern		Region 3: Bay Area		Region 4: Central		Region 5: Northern	
	Title 22	Title 5	Title 22	Title 5	Title 22	Title 5	Title 22	Title 5	Title 22	Title 5
<b>Director</b>	\$125,518	\$154,388	\$129,035	\$158,714	\$140,316	\$172,589	\$105,615	\$129,906	\$85,385	\$105,023
<b>Asst. Director/ Staff Supervisor</b>	\$103,734	\$127,593	\$106,641	\$131,168	\$115,964	\$142,635	\$87,285	\$107,360	\$70,566	\$86,796
<b>Financial Manager</b>	\$69,883	\$85,956	\$71,979	\$88,535	\$78,269	\$96,271	\$58,802	\$72,326	\$47,538	\$58,472
<b>Admin Asst.</b>	\$45,531	\$53,452	\$43,900	\$54,781	\$54,388	\$71,410	\$37,929	\$46,347	\$35,534	\$50,293
<b>Lead Teacher</b>	\$85,028	\$104,584	\$87,411	\$107,515	\$95,052	\$116,914	\$71,545	\$88,000	\$57,841	\$71,144
<b>Asst. Teacher</b>	\$65,406	\$80,450	\$67,239	\$82,704	\$73,117	\$89,934	\$55,035	\$67,693	\$44,493	\$54,726
<b>Floater/ Substitute</b>	\$65,406	\$80,450	\$67,239	\$82,704	\$73,117	\$89,934	\$55,035	\$67,693	\$44,493	\$54,726
<b>FCC Provider / Owner</b>	\$132,774		\$134,607		\$148,428		\$111,721		\$90,321	
<b>FCC Assistant</b>	\$65,406		\$67,239		\$73,117		\$55,035		\$44,493	

Source: P5FS calculations based on MIT Living Wage Calculator, available at <https://livingwage.mit.edu/states/06/locations>

# II. Map of CA Workforce Regions

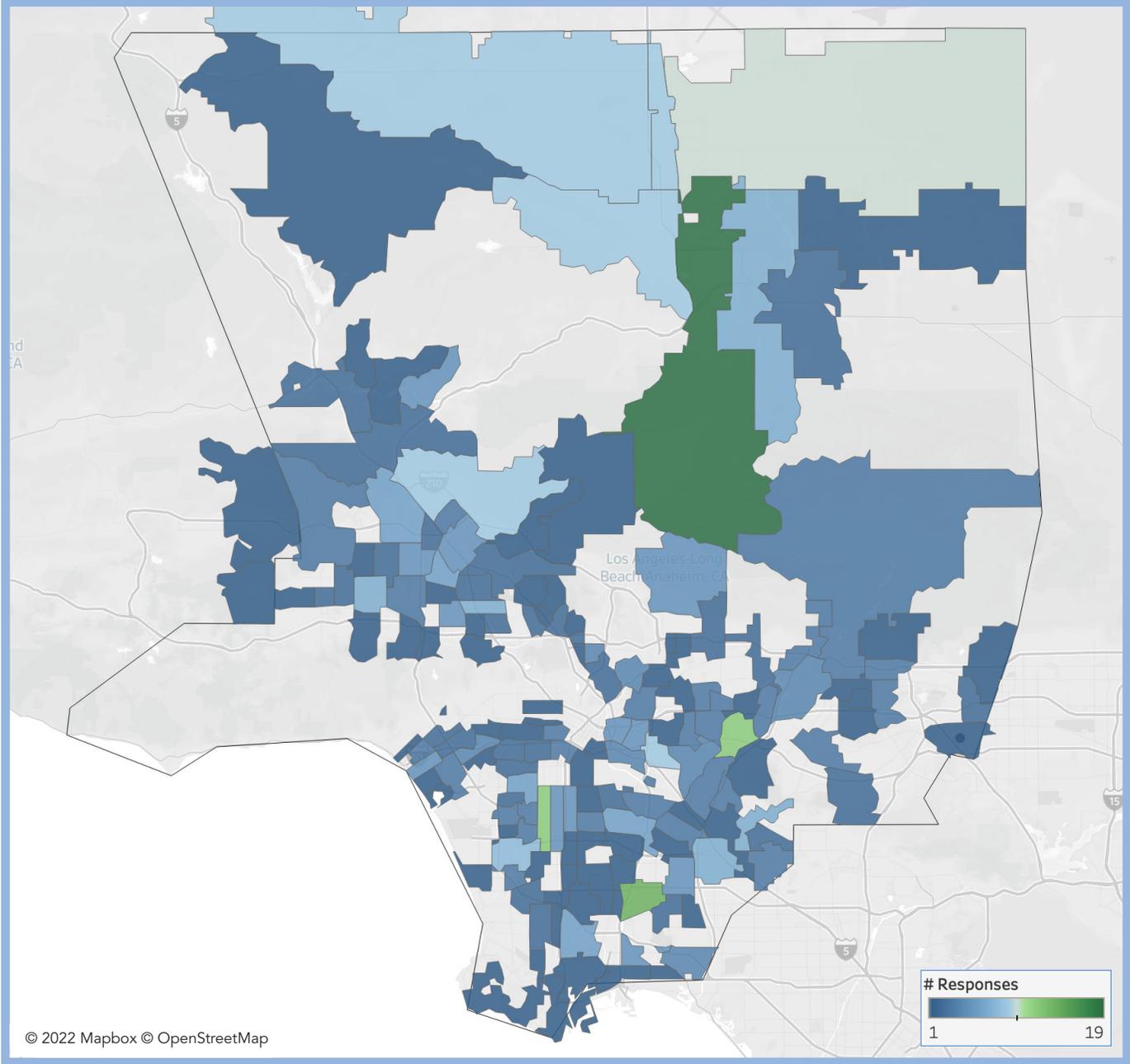


Source: Center for the Study of Child Care Employment.

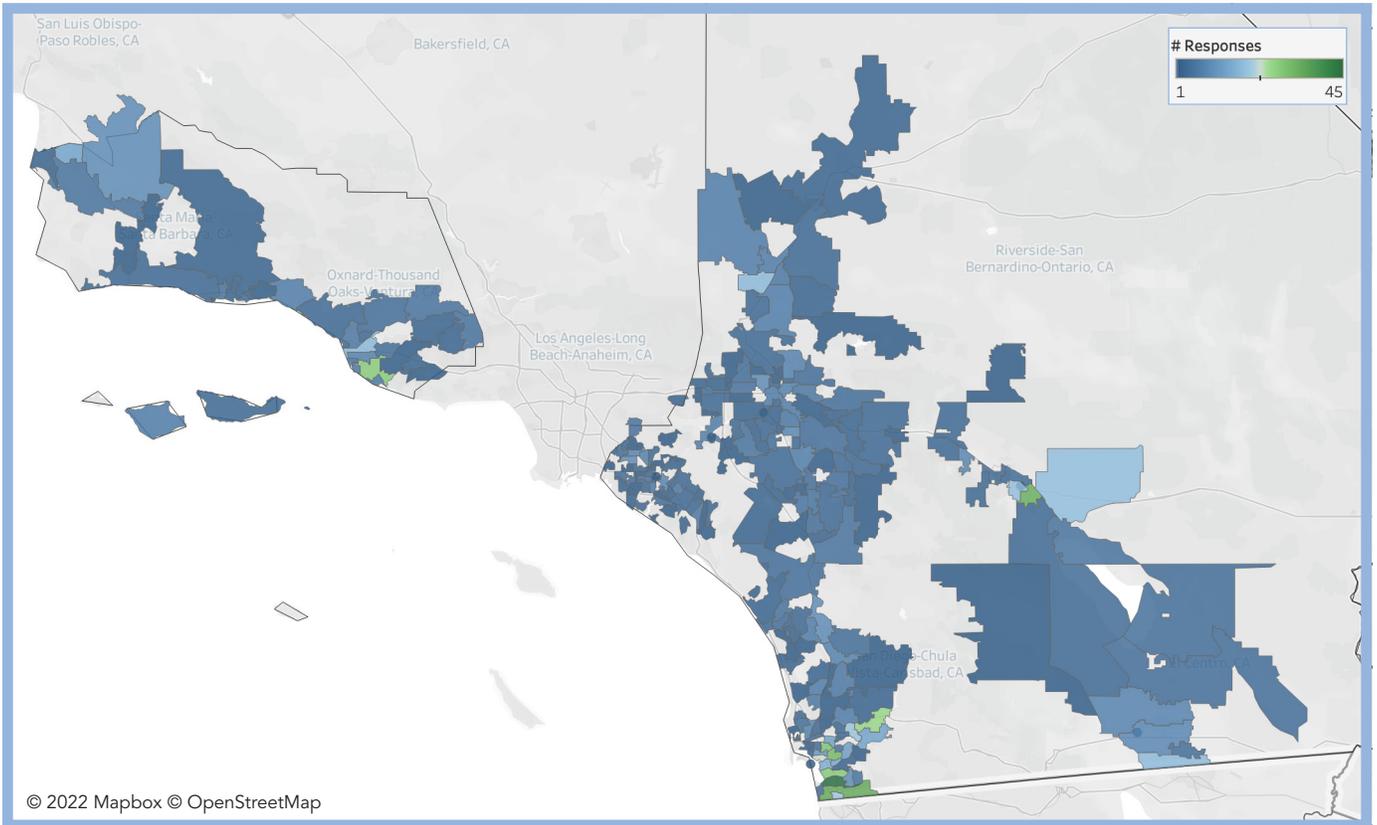
# III. Regional Response Rate Maps

Source: Geomapping provided by Agile Visual Analytic Lab at the UCLA Luskin School of Public Affairs, using response data from the California cost of quality survey.

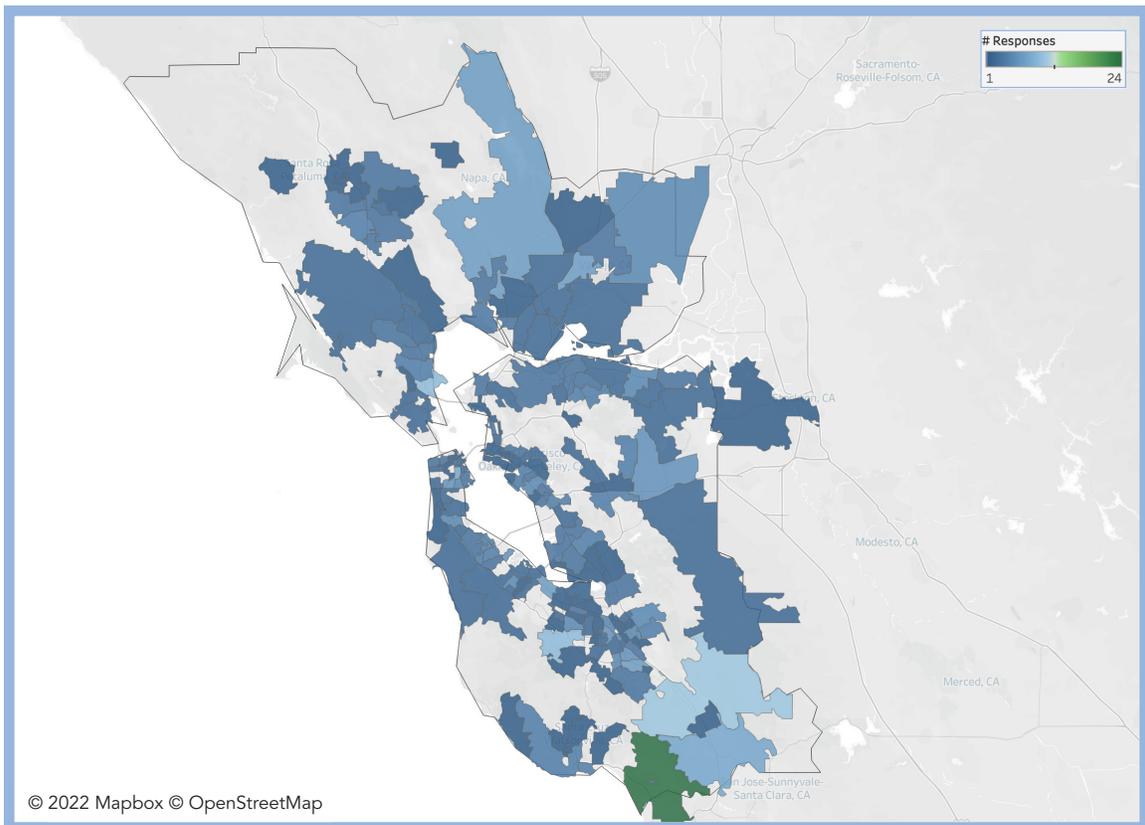
## Region 1: Los Angeles County



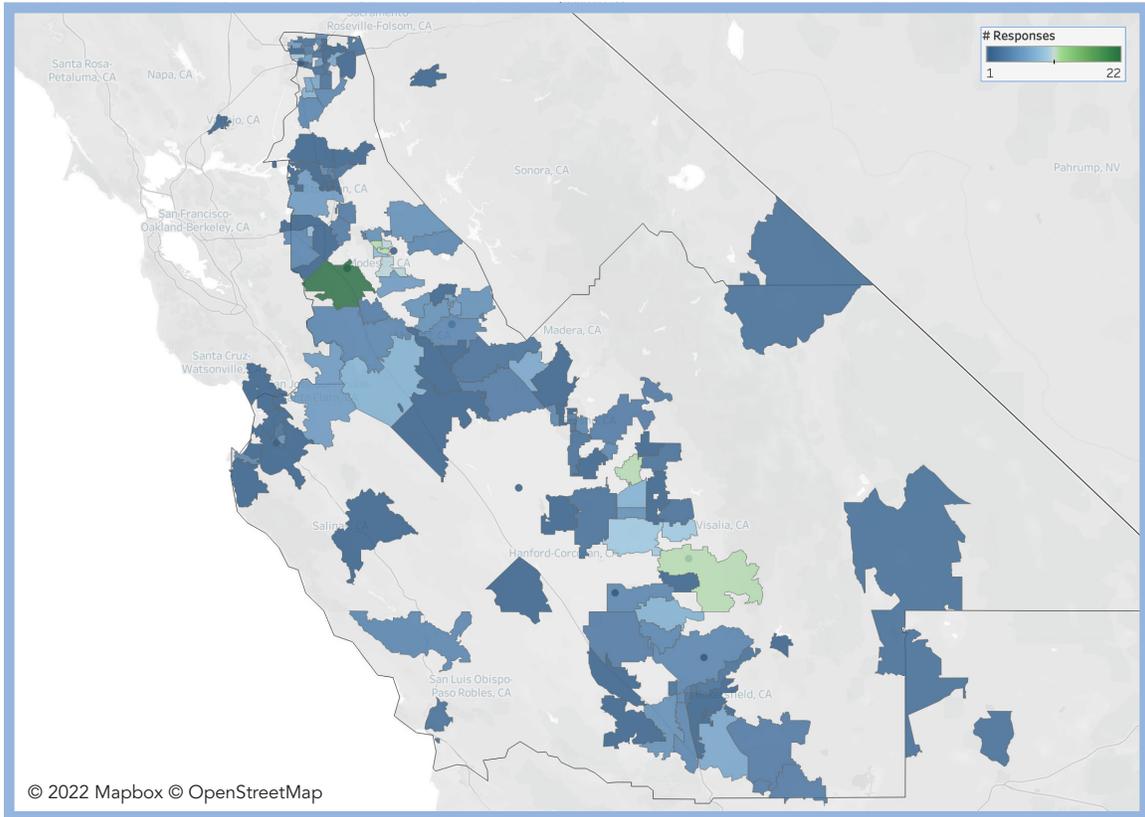
## Region 2: Southern



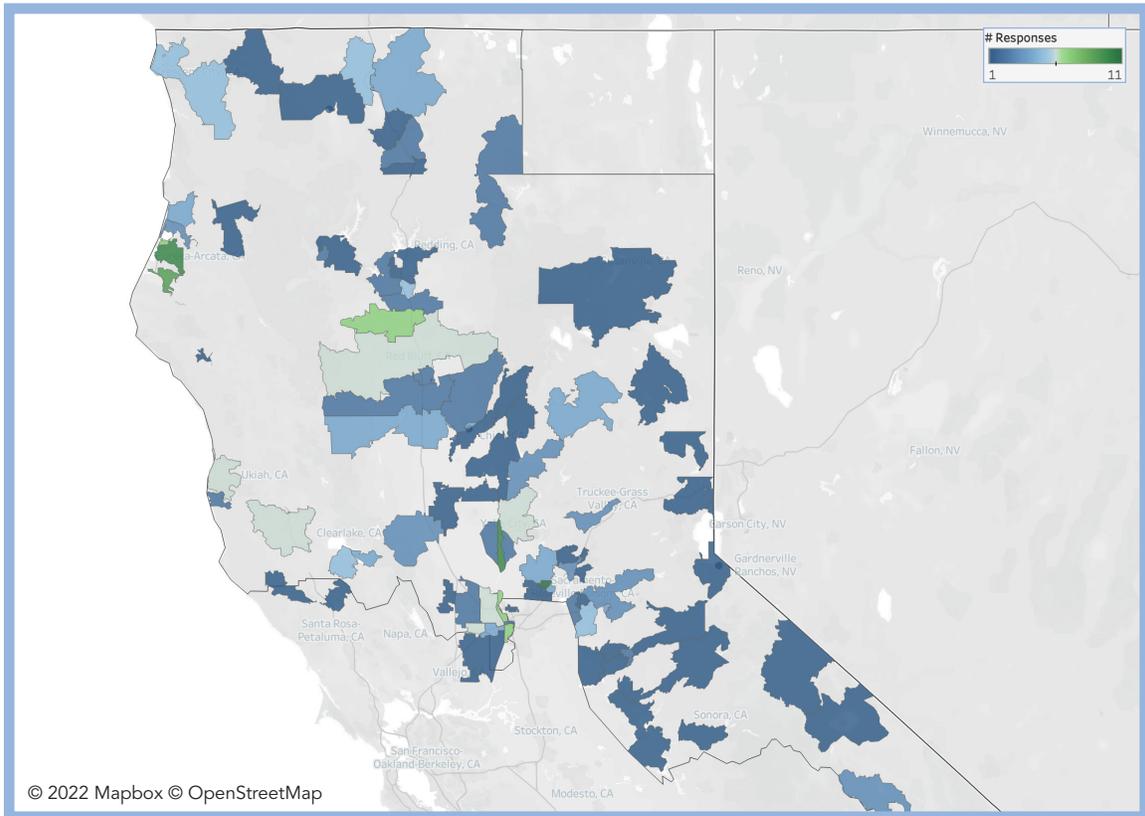
## Region 3: Bay Area



## Region 4: Central



## Region 5: Northern



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