Center for Early Learning Funding Equity
NORTHERN ILLINOIS UNIVERSITY

Cost Estimation Study Final Report

PREPARED FOR THE MAINE OFFICE OF CHILD AND FAMILY SERVICES

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Center for Early Learning Funding Equity

Center for Early Learning Funding Equity (CELFE) builds capacity for assessing adequacy and equity in early learning funding systems through research and transformative partnerships. We create innovative approaches and funding mechanisms that support the diverse needs of children and families. We bring decades of experience in developing and implementing early learning systems at the state and local levels and are driven by our deep belief in the power of early experiences to shape the trajectory of children's lives. To learn more about CELFE, please visit celfe.org

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This report was prepared by Center for Early Learning Funding Equity (CELFE) for the Maine Office of Child and Family Services. It does not necessarily reflect future proposals of the Department of Health and Human Services or convey support for specific legislation. The Department will continue to engage internally and with partners on specific initiatives as appropriate.

EXECUTIVE SUMMARY

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The Maine Office of Child and Family Services (OCFS) is committed to supporting access to affordable, high-quality early education and care for children and their families throughout the state. The state made nation-leading investments to sustain child care providers through the COVID-19 pandemic and continues to explore effective approaches to supporting child care providers' ability to attract and retain a qualified workforce and provide high-quality experiences that meet children's and families' needs. Understanding the cost of early childhood education and care (ECEC) services—and the key cost drivers experienced by child care providers—is an essential first step in developing an overarching and effective financing strategy for Maine's child care system.

OCFS engaged an external consulting and research firm, Center for Early Learning Funding Equity (CELFE)[1], to 1) study and develop a model to understand the cost of providing child care in the state and 2) use this research to provide recommendations on the child care subsidy rate structure and other strategies for improving the child care funding system. This work aims to address ongoing challenges, such as improving child care affordability, raising compensation for the child care workforce, and ensuring access to high-quality child care across the state. Maine joins a small but growing number of states that are completing in-depth studies of the cost of child care to inform their child care funding policy.

A "Cost Model" refers to a comprehensive modeling tool to estimate the cost of providing child care.

A "cost estimation study" refers to an analysis completed with a cost model tool using a set of parameters, or assumptions, decided upon after data analysis and stakeholder feedback.

To estimate the cost of providing child care services, CELFE created cost models to study the cost of care and investigate to what extent there are revenue-expense gaps for typical providers under current market conditions. CELFE created separate cost estimation studies for two primary provider types in Maine—Center-Based and Family Child Care (FCC)—to capture the unique cost drivers for these different business models.

1 Center for Early Learning Funding Equity. "Home | Center for Early Learning Funding Equity." Accessed July 5, 2023. https://celfe.org/.

A cost model is a tool for states and system administrators to use to inform their overall financing strategy, including:

Understanding child care financial assistance reimbursement rates

Identifying and quantifying specific 'cost-drivers' in a child care program

Understanding the difference between the typical costs providers incur and the prices they charge *(prices are studied separately in a Market Rate Survey)*

A cost model is not a reflection of any individual child care program's costs nor is it meant to be used by providers as a reflection on their day-to-day costs in administering their programs. Instead, the cost model aggregates data from a wide range of child care programs, and—after refinement following stakeholder input and feedback—provides a systems-wide view of the cost of providing care given current conditions. The model further allows exploration of the likely cost of quality improvements, improved compensation, comprehensive services such as health and family engagement services, and other improvements to the child care system that states are interested in exploring. The models serve as an important tool for OCFS to develop an average per-child cost of care using extensive data, research, and provider feedback.

The cost estimation study leveraged the expertise of the ECE Business Collaboratory, an advisory body made up of advocates, provider representatives, and state agency staff that OCFS convened in 2020 as part of a technical assistance opportunity with First Children's Finance convened to promote coordination within child care systems.[2] To validate assumptions made in this cost estimation study, CELFE conducted multiple listening sessions and interviews with different types of providers and experts in early care and education (ECE) across the state to inform decisions on cost model inputs. CELFE also relied on OCFS Licensing and other program support staff to advise on licensing requirements and additional cost-drivers. The CELFE and OFCS teams, in partnership with the Governor's Office of Policy Innovation and the Future and Maine Department of Education Early Learning Team, reached a consensus on the inputs to the cost estimation study throughout the year-long development process.

Finally, CELFE recommended next steps for research on the cost of child care in Maine and suggested implications OCFS might consider as they use the results of this current research to inform the future development of their funding system for early childhood education and care. CELFE will provide OCFS with focused training and documented use cases so that OCFS can use the cost models effectively in the future as conditions change and updates are needed.

2 Strategic Action to Change Child Care Forever!" https://ececollaboratory.org/. Accessed June 10, 2024.

CENTER-BASED MODEL

The Center-Based cost model is structured as a set of "profit and loss statements" that generate estimates of the cost of providing child care services in a center-based setting at the program, classroom, and per-child levels. The categories of assumptions built into the model include staffing patterns (e.g., number of full time staff, FTEs, per classroom), personnel costs (e.g., salaries, health insurance, retirement, etc.), and non-personnel costs (e.g., food, occupancy costs, educational supplies, insurance/liability, etc.). The model breaks out cost by age group and provides estimates for each region for three different operating scenarios.

Operating Scenarios

1. **Model 1**
   Star 2 (Current Salaries)
2. **Model 2**
   Star 4 (Current Salaries)
3. **Model 3**
   Star 4 (Target Salaries)

Our review of licensing and Rising Stars for ME regulations shows that a program that meets licensing standards will be rated as a Star 2 program. A Star 4 program has curriculum, assessment, and administrative requirements that support a higher quality setting for children and merit modeling costs for these separately. Additionally, a Star 4 program is required to have at least 50% of all regular staff at least a level 5 or above on the MRTQ Direct Care Lattice, which corresponds to at least a CDA or Maine state approved credential and 6 years of experience.

In light of the challenge of low early care and education workforce compensation (and resulting staffing shortages) in Maine and nationally, OCFS was interested in understanding what the cost of care would be if salaries and benefits were high enough to attract and retain an adequate workforce. CELFE developed a set of "desired" salary inputs for each geographic region that were anchored by estimates of a "living wage" (for entry-level assistants) and parity with public school teachers (for BA-level teachers) to illustrate the resources that would be needed to raise compensation across the field. While the desired salaries are not intended to be directly included in policy at this time, they help inform the "north-star" vision for the early childhood workforce while also recognizing the current compensation (and related recruitment and retention) challenges that the early childhood field faces. For the methodology used to develop our target salaries, see Appendix E.

FAMILY CHILD CARE

The Family Child Care cost model is structured as a series of aggregate "profit and loss statements" for two types of FCC programs to account for the common staffing and enrollment patterns with which FCC homes typically operate. The categories of assumptions built into the model include staffing patterns, personnel costs, and non-personnel costs. For FCC providers, the cost estimate is based on a target "salary" (or small business profit) for the FCC Educator/Owner that is equal to the current median salary of a center assistant director. The available data on market prices, enrollment patterns, and FCC operational costs suggest that most FCC Educator/Owners currently earn significantly less than this, but OCFS was interested in understanding the cost of an adequate level of compensation rather than current conditions. Like the Center-Based model, the FCC model generates an estimate of the cost of providing child care services in a family child care home by region and by age of child. Unlike the Center-Based model, where costs can be attributed to age-specific classrooms, the FCC model allocates costs evenly across all children enrolled. The model then provides cost estimates for each region for three different FCC provider staffing/enrollment patterns. The staffing/enrollment patterns are as follows:

Staffing and Enrollment Patterns Studies for Family Child Care

Pattern 1: FCC Educatory Only

Capacity of 8 that assumes six children under age six plus 2 school-age children

Pattern 2: FCC Educator with Full-Time Assistant

Capacity of 12 that assumes eight children under age six plus 4 school-age children

The model creates a weighted average of the costs produced for the above staffing/enrollment patterns to generate an overall estimate of the cost of care for family child care programs in each region. CELFE developed the weights for the average cost across the FCC models by analyzing data from the 2024 Market Rate Survey on staffing patterns and enrollment of FCC providers, which showed that approximately 60% of providers match Pattern 1, and 40% match Pattern 2.

For more detailed information on the model assumptions and process to vet the models with providers and other key stakeholders, please see the full report.

Summary of Cost Estimation Results

CENTER-BASED COST ESTIMATE RESULTS

For center-based child care, the full cost study produced a daily cost per child for each age group, county group, and model scenario type. We found:

- Infant and Toddler weekly costs per child are substantially higher than Preschool and School-Age weekly costs across all county groups and all model scenario types.
  - Compared to serving Preschoolers, the cost of serving Infants is approximately 73-85% more in all county groups, and the cost of serving Toddlers is 43-54% more. This is mainly because serving Infants and Toddlers in centers requires higher staffing levels than serving older children.
- The higher salaries in Model 3 resulted in 13% to 15% higher costs per child across the various age groups and county groups compared to Model 2.
- Costs in County Groups 3 and 4 (Sagadahoc, York, and Cumberland) were the highest across scenario types and age groups.
  - These higher costs align with the higher cost of living in this region and were primarily driven by the higher wages in these counties.
  - Compared to the lowest-cost region (County Group 1), the highest-cost region (County Group 4) was 3-4% more expensive for children under age 5.

In addition to our cost study, CELFE modeled revenue to understand how the Child Care Affordability Program's subsidy rate compares to the cost of care. CELFE analyzed the per-child and center-level revenue with the current subsidy rate (set at the 75th percentile of the 2021 MRS) and found that:

- 2021 Reimbursement rates varied widely across Maine's 16 counties.
  - The weekly rate for full-time center-based care for infants in Cumberland was 64% more than in Aroostook, Piscataquis, and Somerset and approximately 80% more for toddlers and preschoolers.
- The adequacy of the current subsidy reimbursement rate to meet the cost of care varies across geography.
  - In most cases, the current (2021) OCFS child care subsidy rate was lower than the estimated current cost of care for Star 2 programs (Model 1). The exception to this was preschoolers in Kennebec and Cumberland Counties, where the current subsidy rate is higher than the estimated cost.
  - The current OCFS rate is lower than the estimated per-child cost for programs meeting Star 4 standards with current wages (Model 2) or target wages (Model 3) at every age group in every county.
  - The 2021 rates were closest to meeting the cost of care in Cumberland and York counties.

Setting payment rates to the 75th percentile based on the 2024 Market Rate Survey would only widen disparities between rural and poor counties and between Cumberland and York counties.

- Setting the subsidy rate at the 2024 Market Rate 75th percentile would give a much larger rate increase to the counties with the highest rates, whose rates were already the closest to the cost of care.
- For several counties, using the 2024 75th percentile to set the subsidy rate would bring the rate near the Model 1 cost of care for all age groups. Other counties would be left far behind, with a marginal increase that would not approach the cost of care for any age group.
- Increasing rates to the 75th percentile would bring Cumberland and York counties far above Model 1 cost. Sagadahoc, Knox, Waldo, and Hancock's revenue would be near Model 1 cost, and the rest of the state would have revenue below cost.
- Increasing rates to the 75th percentile would still bring Cumberland's revenue far above Model 2 cost. York's revenue would be near Model 2 cost, and revenue for the rest of the state would be far below cost.
- Model 3 cost would only be met in Cumberland County by increasing rates to the 2024 75th percentile of the market rate.

FAMILY CHILD CARE COST ESTIMATES

For Family Child Care, the cost study produced a weekly cost per child for each age group and subsidy region using a weighted average across the three staffing/enrollment patterns that were studied.

Key highlights from the cost estimation results include:

- Across all age groups, the weekly cost per child is highest in County Groups 3 and 4 (Cumberland, Sagadahoc, and York). These higher costs align with the higher cost of living in this part of the state.
- The cost difference between the highest- and lowest-cost regions for all ages was approximately 10%. In contrast, the current reimbursement rate for the Cumberland region is 50% higher for infants and toddlers and 80% higher for preschoolers than counties with the lowest reimbursement rates.
- The cost for serving Infants, Toddlers, Preschoolers, and School-Age is similar in this cost study because of how costs were allocated across age groups. However, it should be noted that costs would be significantly higher per child if a home only served Infants and Toddlers, as per-home costs would remain nearly the same but would be divided across fewer children because licensing regulations limit the number of young children served (see Sensitivity Analysis section on page 32).
- The cost per child varied across scenarios, with Pattern 2 (Full-time assistant and 12 children) resulting in a total that is approximately 11% higher than the cost of care in Pattern 1 (no assistant).
- In both Scenario 1 and 2, the total cost of an FCC was higher than the revenue generated by the current OCFS reimbursement rate for child care subsidy in all county groups and age groups compared.
- The revenue increase from updating rates to the 2024 75th percentile of the private market rate would approach the cost of care in Cumberland and York counties but would widen inequities among the rate structure.

Recommendations and Next Steps

The full cost estimation study provides OCFS with important information about the cost of providing child care services in various regions of the state. The cost estimates produced by the study can be used with other information sources, such as the Market Rate Survey, to design and inform the early childhood financing strategy. Based on information gathered through this study, CELFE presents the following recommendations for consideration:

Simplify the Subsidy Rate Structure to Better Align with Economic Indicators	At the time of this study, Maine had ten different subsidy regions with a wide range of reimbursement rates paid for child care financial assistance across those regions. Specifically, center-based rates in Cumberland County were 64% higher than rates in Somerset, Piscataquis, and Aroostook County for infants and 80% higher for toddlers and preschoolers. In contrast, the estimated cost in Cumberland County was only 3-4% more than those counties for children under 6. While economic diversity exists and should inform the child care reimbursement rate, the cost estimate data does not support having ten rate regions. This finding provides OCFS with the opportunity to simplify the reimbursement rate structure by reducing the number of regions. OCFS should also consider giving larger rate increases to communities whose current rates are the furthest from meeting the cost of care.
Use Cost Information to Inform Rates	The results of the cost estimation study are just one part of the information that OCFS can consider as it sets rates. Simply setting reimbursement rates to the cost estimate developed through this cost estimation study could have the unintended consequence of driving up the cost of care for infants and toddlers well beyond the level that most parents could afford. The results of the cost estimation study should be considered alongside information about prices in the private-pay child care market as OCFS develops its rate structure.
Continue to Help Providers Maintain Enrollment	The cost models quantify the significant economic impact that under-enrollment can play on a program's overall financial viability. As OCFS considers strategies to support the provider workforce, supporting providers to maintain full enrollment can be an important strategy for improving providers' financial viability. OCFS should continue to focus on infrastructure support and investments to connect families needing care with providers with current openings.
Consider Child Care Subsidies as Just One Part of an Overall Early Childhood Funding Strategy	Children need stable, high-quality early education and care to thrive, and providers need stable sources of revenue to operate the programs families rely on. Child care subsidies can play a critical role in providing low-income families access to care but are not the only strategy for ensuring an adequate supply of quality care. Innovative financing strategies like grants that support operational costs separate from voucher-based subsidy payments can address the gap between the prices the market will bear (to avoid out-pricing private pay families) and the actual cost of operating a high-quality child care program.

The current cost estimation study reflects conditions as of Fall 2023. The cost estimates can be kept current by updating the assumptions for staff salaries and non-personnel costs, and CELFE recommends conducting such an update annually, or as new cost data becomes available. In addition, if changes are made to key child care regulations or subsidy rate regions, a revised cost estimations study should be completed to align with these new policies. Finally, OCFS could consider developing a more robust model of child care provider revenues to better understand the resources that providers do and could access to meet the cost of providing care.

The cost estimates developed through this participatory process represent the collective wisdom of hundreds of child care providers and other early education professionals about the resources needed to effectively meet the needs of children and families across the state. The customized cost model tools developed for this project will enable OCFS to:

- Analyze the impact of various potential changes that may impact the cost of care, such as an increase in the state minimum wage, changes in regulatory requirements, and/or initiatives aimed at helping providers maintain higher enrollment or recruit and retain educators.
- Use the cost models to inform the design of additional investments to support a stable early education and care sector, such as the ECE Workforce Salary Supplements.
- Use the findings from this study, together with the recent Market Rate Survey findings that documented the current prices charged for child care throughout the state, as it continues to develop its transformative financing strategy to support access to high-quality early education and care throughout Maine.

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INTRODUCTION

The Maine Office of Child and Family Services (OCFS) is committed to expanding access to affordable, high-quality early education and care for children and their families throughout the state. The state made nation-leading investments to sustain child care providers through the COVID-19 pandemic and continues to explore effective approaches to supporting child care providers' ability to attract and retain a qualified workforce and provide high-quality services that meet children's and families' needs, such as the Early Childhood Educator Workforce Salary Supplements. Understanding the cost of early care and education (ECE) services—and the key cost drivers for providers—is an essential first step in developing an effective financing strategy for Maine's child care system.

OCFS engaged an external consulting and research firm, Center for Early Learning Funding Equity (CELFE)[3], to 1) study and develop a model to understand the cost of providing child care in the state and 2) use this research to provide recommendations on the child care subsidy rate structure and other strategies for improving the child care funding system to address ongoing challenges, such as improving child care affordability, raising compensation for the child care workforce, and ensuring access to high-quality child care across the state.

Historically, child care systems have set reimbursement rates based on an assessment of market rates. Maine is one of a few states that have implemented the federally recommended best practice of paying at the 75th percentile of the market rate survey, which was designed to ensure subsidized families have equal access to the child care market. Across the country, we have seen the reliance on market rates over the past 30 years leading to inequity in states across communities because the market rate is tied to what parents can afford in each community (or, in Maine's case, county), and not to the actual cost of providing care. In most states—as in Maine—there are significant differences in prices charged across communities compared to differences in the cost of providing services. To address these inequities, the federal government is encouraging states to also consider the *cost* of providing services when setting their rates.

Maine joins a small but growing number of states that are completing in-depth studies of the cost of child care to inform their child care funding policy. The work was organized into two phases. Phase I took place from June 2023 to June 2024 and consisted of completing a cost estimation study to calculate the cost of early learning experiences in the state using a cost modeling tool. Phase I also included an analysis of public revenue available to programs, including the adequacy of the Child Care Affordability Program (CCAP) subsidy to meet the cost of care. Phase II will use the cost model findings to make recommendations on a strategic financing plan to expand access to affordable, high-quality early education and care for children and their families throughout the state. This report provides the findings from Phase I.

A "Cost Model" refers to a comprehensive modeling tool to estimate the cost of providing child care.

A "cost estimation study" refers to an analysis completed with a cost model tool with a set of parameters, or assumptions, decided upon after data analysis and stakeholder feedback.

3 Center for Early Learning Funding Equity. "Home | Center for Early Learning Funding Equity." Accessed July 5, 2023. https://celfe.org/.

Overview of Cost Research

CELFE analyzed OCFS data and other publicly available state and federal datasets to develop a comprehensive estimate of the cost of providing child care across the state. Included in our work was the goal to identify potential challenges in the child care system, including the potential impact of fluctuations in revenue due to enrollment and potential structural gaps in funding.[4] Data used in our analysis included 1) data from the 2024 Market Rate Survey,[5] 2) data gathered from the Maine Roads to Quality Professional Development Network Registry,[6] 3) U.S. Department of Housing and Urban Development (HUD) Fair Market Rent data, and 4) the Provider Cost of Quality Calculator (PCQC).[7]

To estimate the cost of delivering child care services, CELFE created cost models to study the cost of care and investigate whether there are any revenue-expense gaps for typical providers under current market conditions. CELFE created Cost Estimation Studies for two primary provider types in Maine—Center-Based and Family Child Care (FCC)—to capture the unique cost drivers for each. The core structure of the cost model is a budget constructed to represent a typical provider's costs and revenues. The model is built to allow the user to change the input values for all key variables—e.g., the number of staff per classroom, the salary of staff, benefit rates, and the cost paid for non-personnel expenses such as food, supplies, and professional services—to see the impact of these inputs on the resulting overall cost of child care services. The Center-Based model allocates each expense across specific age groups to produce a cost per classroom and per child for Infants, Toddlers, Preschoolers, and School-Age children. The Family Child Care model allocates costs evenly across all children enrolled in each home.

The cost estimation study leveraged the expertise of the ECE Business Collaboratory, an advisory body made up of advocates, provider representatives, and state agency staff that OCFS convened in 2020 as part of a technical assistant opportunity with First Children's Finance convened to promote coordination within child care systems.[8] To validate assumptions made in this cost estimation study, CELFE conducted multiple listening sessions and interviews with different types of providers and experts in early care and education (ECE) across the state to inform decisions on cost model inputs. CELFE also relied on OCFS Licensing and other program support staff to advise on licensing requirements and additional cost assumptions. The CELFE and OCFS teams, in partnership with the Governor's Office of Policy Innovation and the Future and Maine Department of Education Early Learning Team, reached a consensus on the inputs to the cost estimation study.

4 "How to Initiate a Cost Model in Your State or Community." Community Change and Children's Funding Project, November 2022. https://communitychange.org/wp-content/uploads/2022/11/Part-1-How-to-Initiate-a-Cost-Model-in-Your-State-or-Community-2.pdf.

5 2024 Maine OCFS Child Care Market Rate Survey Final Report." https://www.maine.gov/dhhs/sites/maine.gov.dhhs/files/inline-files/2024%20Maine%20OCFS%20Child%20Care%20Market%20Rate%20Survey%20Final%20Report.pdf. Accessed June 10, 2024.

6 Maine Roads to Quality Professional Development Network. "Registry." https://www.mrtq.org/registry/. Accessed June 10, 2024.

7 Child Care Technical Assistance Network. "Provider Cost of Quality Calculator." https://childcareta.acf.hhs.gov/pcqc. Accessed June 10, 2024.

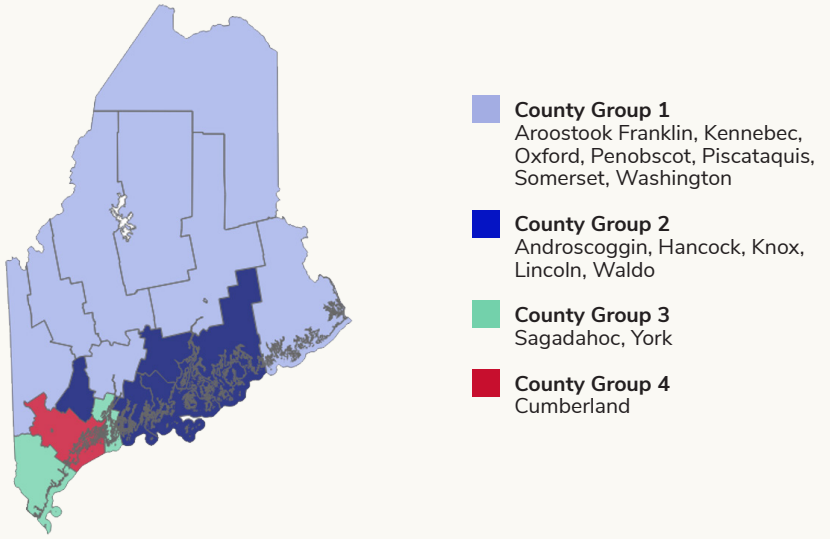
8 Strategic Action to Change Child Care Forever!" https://ececollaboratory.org/. Accessed June 10, 2024.

Methodology

This research includes 1) a cost estimation study with inputs developed through stakeholder engagement and data analysis; 2) a set of robust cost models (comprehensive modeling tools to estimate the cost of providing child care) that OCFS can use to conduct a range of analysis related to child care financing; and 3) an analysis on how adequately the current Child Care Affordability Program subsidy rates meet the cost of care.

To begin this research, CELFE identified four county groupings as the basis for our cost analysis. For simplicity and to ensure large enough sample sizes during our data analysis, CELFE chose to use county groups to identify how the cost of care differs across the state. CELFE analyzed state median income and housing data to combine Maine's 16 counties into four different county groups, which are shown in Figure 1.

Figure 1: Cost Model County Groups



Next, CELFE identified all relevant cost factors to include in the cost model through a review of the federally sponsored Provider Cost of Quality Calculator and a series of interviews with state agency representatives and Collaboratory members. The cost models were built as Excel workbooks that allow for all cost driver inputs to be changed, to allow maximum flexibility in analyzing the impact of each cost driver on the overall cost of child care.

CELFE then reviewed Maine licensing regulations to identify the staffing ratio, maximum group size requirements for specific age ranges for centers, and the allowable staffing and enrollment patterns for family child care homes. Next, CELFE analyzed Rising Stars for ME, the state's Quality Rating and Improvement System (QRIS), to identify how the models should reflect the range of program quality. Our review of licensing and Rising Stars for ME regulations shows that a program that meets licensing standards will be rated as a Star 2 program, and there are significant cost drivers at Star 3 and Star 4 that merit modeling costs for these three levels separately. (Note: An additional quality level, corresponding to Star 5 and including the comprehensive services required for Head Start programs, will be completed in a future phase of the research.) While the models allow the user to compare Star 2, 3, and 4 costs, only center-based Star 2 and Star 4 results will be covered in this report. Family child care results will be reported for a Star 2 program, with two different staffing and enrollment patterns.

The cost models include inputs related to classroom structure, enrollment, personnel, and non-personnel costs. Personnel cost inputs include the number of staff (tied to the number of classrooms and overall program size) and staff wage rates and benefits. Non-personnel cost inputs include but are not limited to food, office and classroom supplies, occupancy expenses, and staff training. The model calculates estimated program costs as the system currently exists, with costs based on current wages paid by early care and education programs. The model also calculates program costs with higher "target" wages using a salary scale developed by CELFE. CELFE developed each input in the cost estimation study using the best available data and reviewed inputs with stakeholders and OCFS staff to ensure that the cost study accurately estimates typical program costs.

Why use a salary scale?

Considering the challenge of low early care and education workforce compensation (and resulting staffing shortages) in Maine and nationally, OCFS was interested in understanding what the cost of care would be if salaries and benefits were high enough to attract and retain an adequate workforce. CELFE developed a set of "desired" salary inputs for each geographic region that were anchored by estimates of a "living wage" (for entry-level assistants) and parity with public school teachers (for BA-level teachers) to illustrate the resources that would be needed to raise compensation across the field. These target salaries were identified in partnership with the ECE Business Collaboratory and validated with providers during our listening sessions. While the desired salaries are not intended to be directly included in policy at this time, they help inform the "north-star" vision for the early childhood workforce while also recognizing the current compensation (and related recruitment and retention) challenges that the early childhood field faces. For the methodology used to develop our target salaries, see Appendix F.

CELFE used the following datasets to estimate assumptions:

- **Market Rate Survey.** The 2024 Maine Child Care Market Rate Study collected information from providers regarding the rates they currently charge private-pay families, their program's capacity and enrollment by age level, and cost data, including employee wages. The data was collected by provider type, age group, QRIS, and location. The 2024 Market Rate Survey had a response rate of 62.5% for Centers and 66.8% for FCCs. The Market Rate Survey was instrumental in CELFE's cost analysis and provided the most complete and detailed wage data available.
- **Maine Roads To Quality Professional Development Network.** MRTQ PDN manages the state's ECE workforce registry, using the program staff's work, education, and training history to assign a Level on the appropriate Career Lattice. CELFE relied on MRTQ data to design our target salary scale and estimate the cost of implementing it.
- **Provider Cost of Quality Calculator.** The Provider Cost of Quality Calculator (PCQC) is a tool created by the Child Care Technical Assistance Network and sponsored by the federal Office of Child Care within the U.S. Department of Health and Human Services. It provides national estimates for child care operating costs. CELFE relied on PCQC default data values when local/state data was unavailable.

The assumptions developed through data analysis were validated through listening sessions with providers and other stakeholders (see Stakeholder Engagement section). All assumptions in the final cost estimate study are detailed in Appendices A-G. CELFE also conducted a sensitivity analysis to understand better the impact of changes in various assumptions in the models on the cost of care. These analyses are described in the Sensitivity Analysis section beginning on page 32.

As a final step in our analysis, CELFE compared our cost results to the revenue a program would generate from the Child Care Affordability Program if that program relied entirely on subsidies through the CCAP. This aimed to determine the adequacy of the current CCAP rates to meet program costs. At the time of our study, the CCAP subsidy rates had last been set in 2021. Based on the federal recommended best practice, OCFS set subsidy rates at the 75th percentile of the market (i.e., the price that equals or exceeds the price charged by 75% of programs), using ten different rate regions. However, this strategy resulted in a rate structure with significant variation across counties. During our study, the updated 2024 Market Rate Survey was completed, allowing us to analyze the adequacy of the state's current rates (at the 2021 75th percentile) and analyze how rates would relate to costs if they were set at the 2024 Market Rate Survey 75th percentile. This helped OCFS understand whether raising rates to the 2024 75th percentile using the 2021 rate regions was the preferred strategy when updating the CCAP rates.

Stakeholder Engagement

CELFE met with the ECE Business Collaboratory nine times over 12 months to guide our process. The ECE Business Collaboratory was a preexisting group of advocates, provider representatives, and state agency representatives with vast knowledge of Maine's early childhood system. Meeting with the Collaboratory regularly allowed CELFE to test our assumptions along the way and ensure our analysis was grounded and aligned with current practice. For a list of Collaboratory members, see the acknowledgments.

Feedback from the early childhood field was critical in developing the model and providing important context for the quantitative data. CELFE met with center and family child care providers across Maine to better understand the available data, test assumptions, and learn more about on-the-ground costs to supplement our review of the quantitative data described above. CELFE, in partnership with OCFS, hosted listening sessions in January and February 2023 to learn more about the context around staffing patterns, program operating costs, and salaries for program staff directly from child care providers. In total, CELFE held six listening sessions with over sixty participants. Each session had a particular focus—center-based or family child care—so CELFE could dive deep into staffing patterns and other cost elements based on type of care. Providers were recruited from a list of providers who had completed the Market Rate Survey across the state.

Table 1: Listening Session Feedback

Themes	We heard...	We Changed...
 **Center-Based and Family Child Care**	Utilities are a significant cost and higher in child care than other businesses due to their nature, of caring for large groups of children which results in higher water and energy usage.	Utility estimates were increased.
	Food costs are higher in rural areas of the state.	County Groups 1 and 2 had an extra $200 per child in their food cost assumption.
 **Center-Based**	There was a huge need for administrative and "extra" help beyond the classroom for programs of all sizes. This is currently managed through volunteer hours and teachers and directors pitching in.	Changed our model to include an administrative assistant, regardless of program size.
	Programs always hire floaters at a lead teacher level qualification. Floaters are heavily relied on to enable teachers to take time off.	Modeled for a floater with lead teacher qualifications, not assistant floaters. CELFE also slightly increased the amount of floaters in a classroom.
 **Family Child Care**	FCC providers' price charged to families is primarily driven by what they feel families can afford rather than what providers need to cover costs or reach a target level of revenue or "salary." Providers often don't budget for a salary because they can't afford to.	Tied current and target wages to what an assistant director makes in the Center-Based cost model.

COST ESTIMATION STUDY RESULTS

Center-Based Cost Estimates

Using the assumptions detailed in the appendices, CELFE generated cost estimates for center-based child care at the center, classroom, per-child/per-year, and per-child/per week levels. These estimates were created for three scenarios described in the "Operating Scenarios" box.

Model 1—Star 2 (Current Salary)

Uses compensation data from the 2024 Market Rate Survey to inform salary inputs.

Uses cost assumptions for a Star 2 (licensed) program based on the Rising Stars for ME facility standards, the 2024 Market Rate Survey, Provider Cost of Quality Calculator, and listening session input.

Model 2—Star 4 (Current Salary)

Uses compensation data from the 2024 Market Rate Survey to inform salary inputs.

Uses cost assumptions for a Star 4 program based on the Rising Stars for ME facility standards, the 2024 Market Rate Survey, Provider Cost of Quality Calculator, and listening session input.

Model 3—Star 4 (Target Salary)

Uses target salaries constructed by CELFE and the Collaboratory as “desired” salary inputs.

Uses cost assumptions for a Star 4 program based on the Rising Stars for ME facility standards, the 2024 Market Rate Survey, Provider Cost of Quality Calculator, and listening session input.

Operating Scenarios

1 **Model 1**
Star 2 (Current Salaries)

2 **Model 2**
Star 4 (Current Salaries)

3 **Model 3**
Star 4 (Target Salaries)

Our review of licensing and Rising Stars for ME regulations shows that a program that meets licensing standards will be rated as a Star 2 program. A Star 4 program has curriculum, assessment, and administrative requirements that support a higher quality setting for children and merit modeling costs for these separately. Additionally, a Star 4 program is required to have at least 50% of all regular staff at least a level 5 or above on the MRTQ Direct Care Lattice, which corresponds to at least a CDA or Maine state approved credential and 6 years of experience.

The tables below provide the estimated weekly costs per child by age group and county group for each salary and quality scenario as estimated in each center-based operating scenario tested—Model 1—Table 2, Model 2—Table 3, and Model 3—Table 4. CELFE compared the cost estimates across regions, age groups, and operating scenarios. Notable findings include:

- Infant and Toddler weekly costs per child are substantially higher than Preschool and School-Age weekly costs across all county groups and all model scenario types.
  - Compared to serving Preschoolers, the cost of serving Infants is approximately 73-85% more in all county groups, and the cost of serving Toddlers is 43-54% more. This is mainly because serving Infants and Toddlers in centers requires higher staffing levels than serving older children.
- The cost of providing School-Age care before and after school was only about 17-23% lower than the cost of full-day care for these children.
  - This is because providers report similar staffing levels for their before-and-after-care and full-day care programs.
- Costs in County Groups 3 and 4 (Sagadahoc, York, and Cumberland) were the highest across scenario types and age groups.
  - These higher costs align with the higher cost of living in this region and were primarily driven by the higher wages in these counties.
  - Compared to the lowest-cost region (County Group 1), the highest-cost region (County Group 4) was 3-4% more expensive for children under age 5.
- The higher salaries in Model 3 resulted in 13% to 15% higher costs per child across the various age groups and regions compared to Model 2.

Table 2: Center-Based Model 1—Star 2 (Current Salaries) Weekly Cost Per Age Group

1		Infants	Toddlers	Preschool	School-Age (Part Day)	School-Age (Full-Day)
Model 1: Star 2 *(Current Salaries)*	Aroostook, Franklin, Kennebec, Oxford, Penobscot, Piscataquis, Somerset, Washington	$449	$377	$249	$165	$200
	Androscoggin, Hancock, Knox, Lincoln, Waldo	$459	$384	$252	$165	$201
	Sagadahoc, York	$443	$375	$256	$173	$210
	Cumberland	$467	$393	$257	$166	$218

Table 3: Center-Based Model 2—Star 4 (Current Salaries) Weekly Cost Per Age Group

2		Infants	Toddlers	Preschool	School-Age (Part Day)	School-Age (Full-Day)
Model 2: Star 4 *(Current Salaries)*	Aroostook, Franklin, Kennebec, Oxford, Penobscot, Piscataquis, Somerset, Washington	$519	$434	$284	$188	$227
	Androscoggin, Hancock, Knox, Lincoln, Waldo	$511	$431	$276	$197	$237
	Sagadahoc, York	$496	$424	$295	$206	$246
	Cumberland	$544	$454	$294	$191	$247

Table 4: Center-Based Model 3—Star 4 (Target Salaries) Weekly Cost Per Age Group

2		Infants	Toddlers	Preschool	School-Age (Part Day)	School-Age (Full-Day)
Model 3: Star 4 *(Target Salaries)*	Aroostook, Franklin, Kennebec, Oxford, Penobscot, Piscataquis, Somerset, Washington	$599	$500	$324	$212	$256
	Androscoggin, Hancock, Knox, Lincoln, Waldo	$577	$488	$315	$223	$268
	Sagadahoc, York	$567	$484	$337	$234	$280
	Cumberland	$627	$522	$335	$216	$279

In addition to our cost study, CELFE modeled revenue to understand how the Child Care Affordability Program's subsidy rate compares to the cost of care. Figures 2 (Infants), 3 (Toddlers), & 4 (Preschoolers) show:

- The current subsidy rate (set at the 75th percentile of the 2021 MRS)
- What the subsidy rate would be if OCFS used the 75th percentile of the 2024 MRS[9]
- The weekly cost per child in Models 1,2 and 3

The 2021 subsidy and 2024 75th percentile rates include a 10% infant/toddler bump and a $100 per child weekly infant stipend. Models 2 and 3 include a 5% rate increase for being a Star 4 program. These are based on current CCAP Reimbursement Initiatives.[10]

9 Health Management Associates (2024). 2024 Maine OCFS Child Care Market Rate Survey Final Report. https://www.maine.gov/dhhs/sites/maine.gov.dhhs/files/inline-files/2024%20Maine%20OCFS%20Child%20Care%20Market%20Rate%20Survey%20Final%20Report.pdf

10 Maine Child Care Subsidy Program (CCSP) Reimbursement Rates." Maine Department of Health and Human Services, https://www.maine.gov/dhhs/sites/maine.gov.dhhs/files/inline-files/CCSP%20Reimbursement.pdf. Accessed 26 June 2024.

Figure 2: Per Child Weekly Center-Based **Infant** Subsidy Reimbursement Rates Compared to Cost Model Estimates

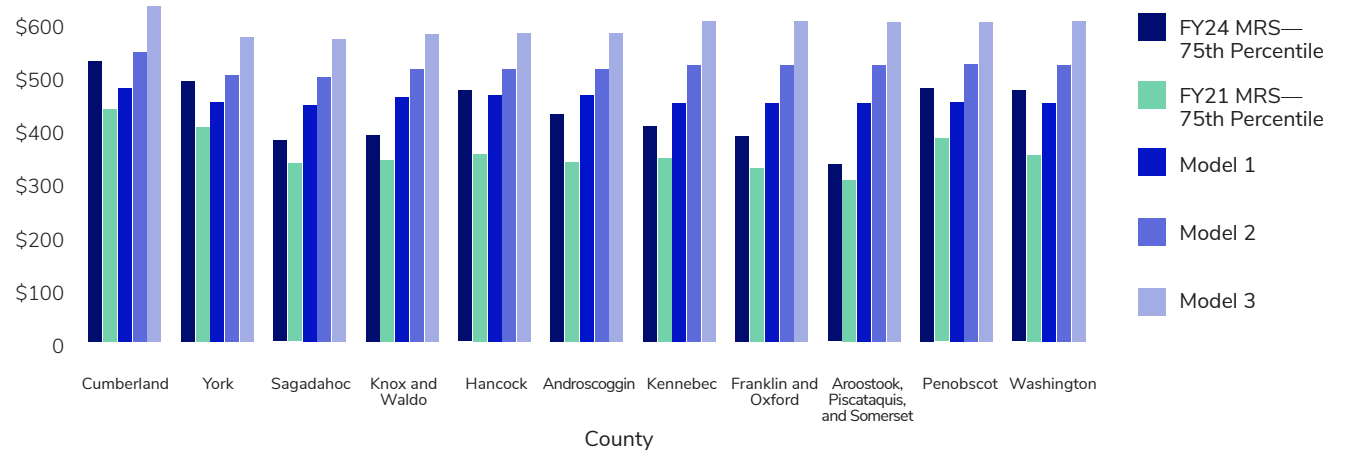


Figure 3: Per Child Weekly Center-Based **Toddler** Subsidy Reimbursement Rates Compared to Cost Model Estimates

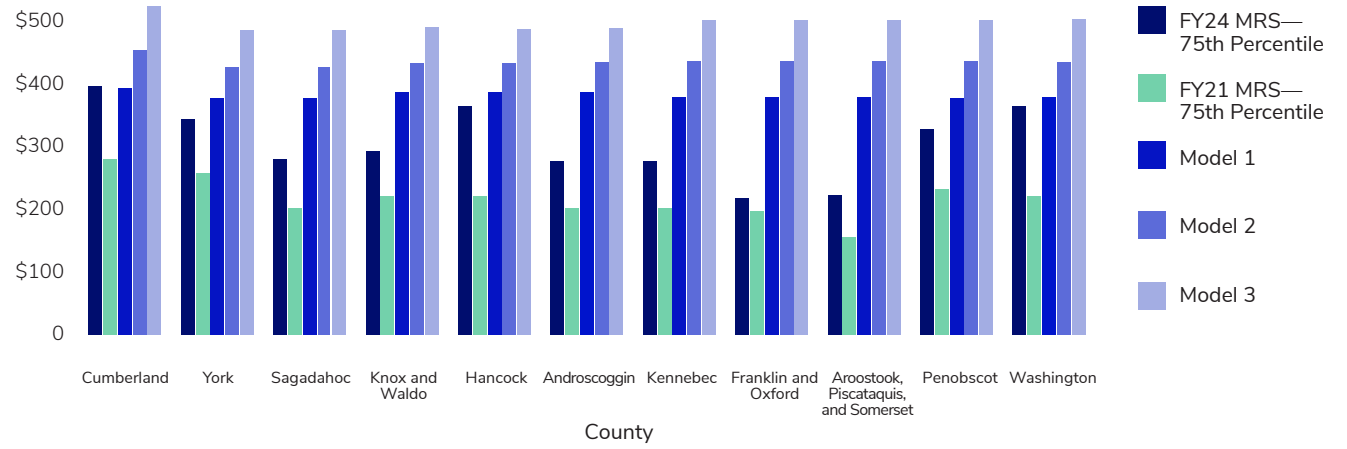
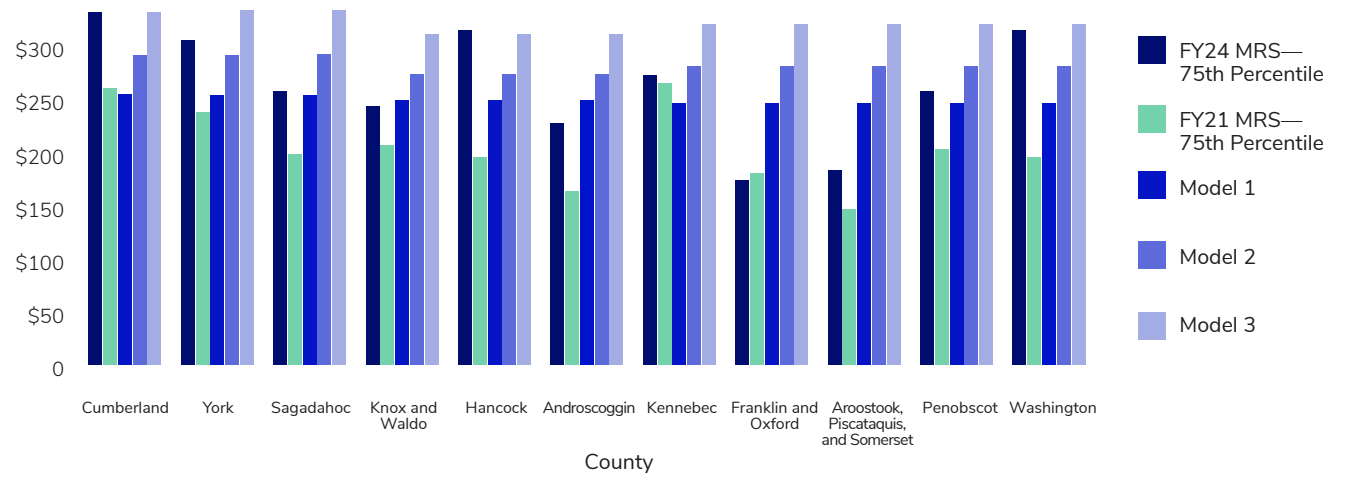


Figure 4: Current Per Child Weekly Center-Based **Preschooler** Subsidy Reimbursement Rates Compared to Cost Model Estimates



We found:

- 2021 Reimbursement rates varied widely across Maine's 16 counties.
  - The weekly rate for full-time center-based care for infants in Cumberland was 64% more than in Aroostook, Piscataquis, and Somerset and approximately 80% more for toddlers and preschoolers.
- The adequacy of the current subsidy reimbursement rate to meet the cost of care varies across geography.
  - In most cases, the current (2021) OCFS child care subsidy rate was lower than the estimated current cost of care for Star 2 programs (Model 1). The exception to this was preschoolers in Kennebec and Cumberland Counties, where the current subsidy rate is higher than the estimated cost.
  - The current OCFS rate is lower than the estimated per-child cost for programs meeting Star 4 standards with current wages (Model 2) or target wages (Model 3) at every age group in every county.
  - The 2021 rates were closest to meeting the cost of care in Cumberland and York counties.
- Setting the subsidy rate at the 2024 Market Rate 75th percentile would give a much larger rate increase to the counties with the highest rates, whose rates were already the closest to the cost of care.
  - For several counties, using the 2024 75th percentile to set the subsidy rate would bring the rate near the Model 1 cost of care for all age groups. Other counties would be left far behind, with a marginal increase that would not approach the cost of care for any age group.
  - A rate set by the 2024 75th percentile would not be sufficient to meet Models 2 and 3's infant or toddler care cost in any county.
  - For preschool care, the 2024 75th percentile of the market rate would meet the Model 2 cost of care in four counties. It would also nearly or entirely meet the Model 3 cost of care in three counties.

In some scenarios, setting the subsidy rate using the 2024 75th percentile would bring the rate at or over the cost of care for preschoolers. This is due to a national trend in which it is typical for providers to take a loss on infants and toddlers and make up for this loss on preschool and school-age children. Staffing costs are the biggest driver in the cost of delivering early childhood education and care across all settings and age groups. For infant and toddler care, licensing and best practices dictate a much lower adult-to-child ratio, making it significantly more expensive than care for preschool-aged children. This cost is much higher than what families could afford to pay. Providers frequently make up losses on infant and toddler care by charging more than the actual cost for preschoolers. This practice helps to smooth the cost of care for families who cannot shoulder the entire cost of infant and toddler care. For these reasons, subsidy rates can not solely be set based on the per-child cost of care. Because the child care market is primarily driven by the private market rather than subsidy, setting a preschool rate at actual cost would be to set that rate far below the market rate for a preschooler.

Because of these market (cost) forces, it is essential to analyze a program's total revenue across all ages, in addition to per-child costs. This analysis allows for a more accurate understanding of the holistic financial outlook of a program, regardless of whether it is taking a loss on infants and toddlers and a profit on preschoolers. Figures 5-7 illustrate a fully subsidized Model 1, 2, and 3 programs' total revenue at the 2021 75th percentile rate and with a subsidy rate increase to the 2024 75th percentile rate.

Figure 5: Center CCAP Revenue (If All Children were subsidized at 75th percentile of Market Rate) Compared to Cost—Model 1

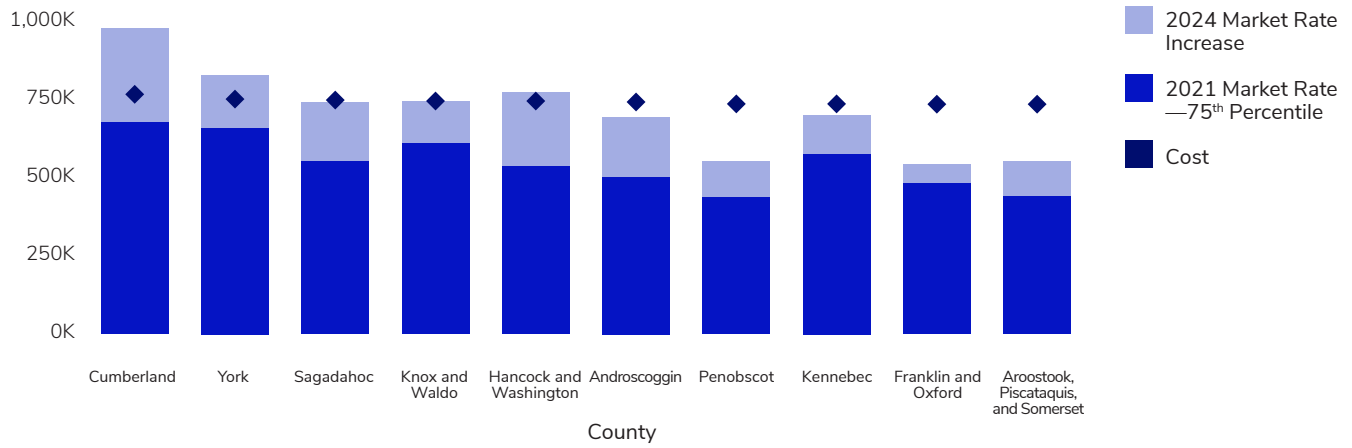


Figure 6: Center CCAP Revenue (If All Children were subsidized at 75th percentile of Market Rate) Compared to Cost—Model 2

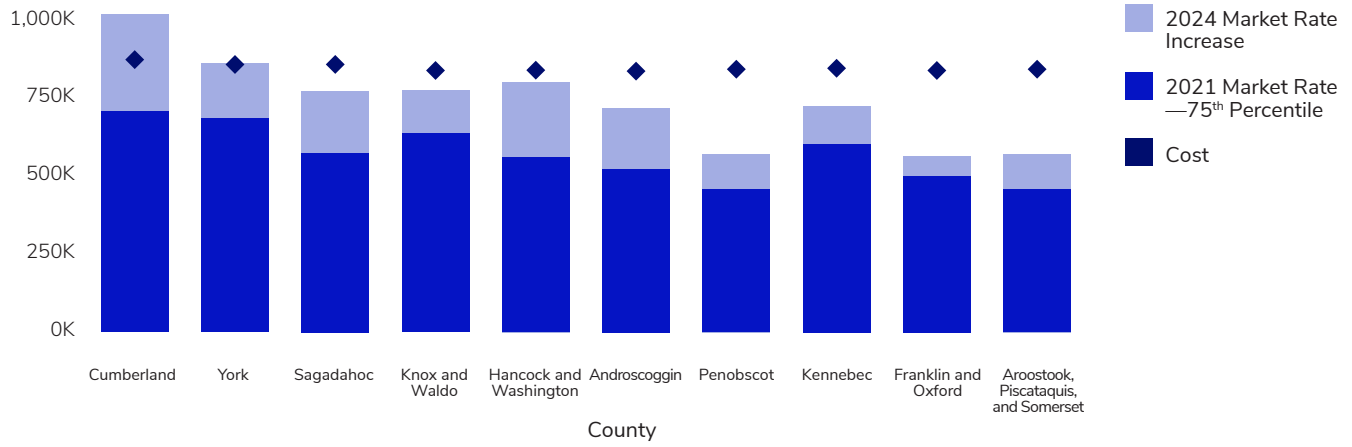
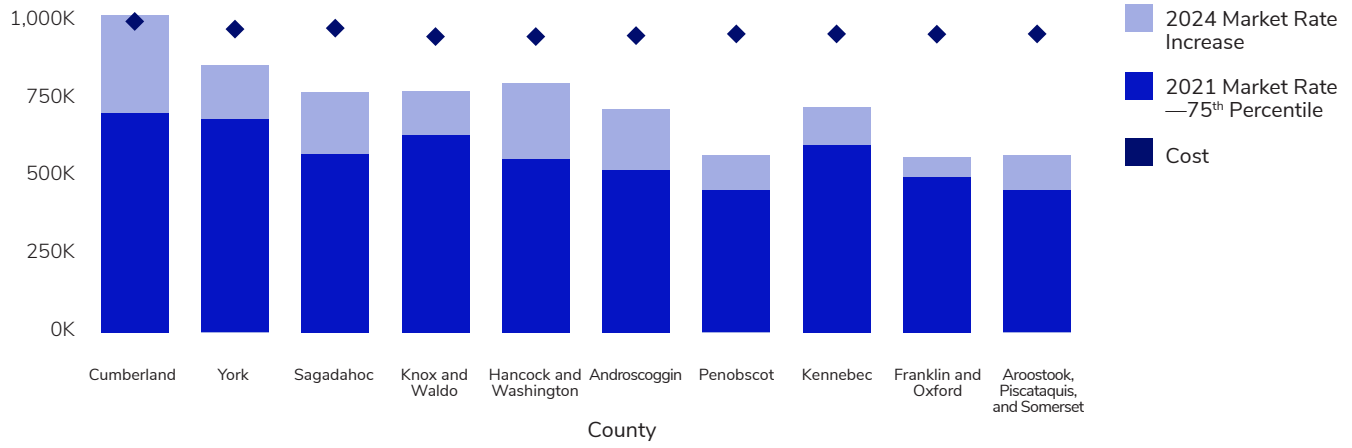


Figure 7: Center CCAP Revenue (If All Children were subsidized at 75th percentile of Market Rate) Compared to Cost—Model 3



If Maine increased its payment rates to the 75th percentile based on the 2024 Market Rate Survey:

- Revenue from the Child Care Affordability Program would only slightly increase for some counties while dramatically increasing for others. It would also widen disparities between rural and poor counties and between Cumberland and York counties.
- Increasing rates to the 75th percentile would also bring Cumberland's revenue far above Model 2 cost. York's revenue would be near Model 2 cost, and revenue for the rest of the state would be far below cost.
- Increasing rates to the 75th percentile would bring Cumberland and York counties far above Model 1 cost. Sagadahoc, Knox, Waldo, and Hancock's revenue would be near Model 1 cost, and the rest of the state would have revenue below cost.
- Model 3 cost would only be met in Cumberland County by increasing rates to the 2024 75th percentile of the market rate.

Family Child Care Cost Estimates

Using the assumptions for personnel and non-personnel costs detailed in the appendices, CELFE generated cost estimates for family child care at the program and per-child/per-year and per-child/per week levels for each of three common staffing/enrollment patterns (see "Staffing and Enrollment Patterns Studies for Family Child Care" box). The full cost study produced a weekly cost per child for each age group and county group using a weighted average across the two staffing/enrollment patterns. CELFE developed the weights for the average cost across the FCC models by analyzing data from the 2024 Market Rate Survey on staffing patterns and enrollment of FCC providers, which showed that approximately 60% of providers match Pattern 1, and 40% match Pattern 2.

Staffing and Enrollment Patterns Studies for Family Child Care

Pattern 1: FCC Educatory Only

Capacity of 8 that assumes six children under age six plus 2 school-age children

Pattern 2: FCC Educator with Full-Time Assistant

Capacity of 12 that assumes eight children under age six plus 4 school-age children

Table 5 shows the cost estimates for family child care for each county group and age group. Figures 8, 9, and 10 show for each region the 75th percentile from the 2024 Market Rate Survey, the current CCAP reimbursement rate,[11] and the weekly cost per child from the cost model (a weighted average across the two scenario studies) for each age group. Figures 11, 12, and 13 illustrate a fully subsidized home's total revenue at the 2021 75th percentile rate and with a subsidy rate increase to the 2024 75th percentile rate.

11 Both the 2021 subsidy rate and the 2024 75th percentile rate include a 10% infant/toddler bump and a $100 per child weekly infant stipend. Models 2 and 3 include a 5% rate increase for being a Star 4 program. These are based on current CCAP Reimbursement Initiatives.

Key findings for Family Child Care costs include:

- Across all age groups, the weekly cost per child is highest in County Groups 3 and 4 (Cumberland, Sagadahoc, and York). These higher costs align with the higher cost of living in this part of the state.
- The cost difference between the highest- and lowest-cost regions for all ages was approximately 10%. In contrast, the current reimbursement rate for the Cumberland region is 50% higher for infants and toddlers and 80% higher for preschoolers than counties with the lowest reimbursement rates.
- The cost for serving Infants, Toddlers, Preschoolers, and School-Age is similar in this cost study because of how costs were allocated across age groups. However, it should be noted that costs would be significantly higher per child if a home only served Infants and Toddlers, as per-home costs would remain nearly the same but would be divided across fewer children because licensing regulations limit the number of young children served (see Sensitivity Analysis section on page 32).
- The cost per child varied across scenarios, with Pattern 2 (Full-time assistant and 12 children) resulting in a total that is approximately 11% higher than the cost of care in Pattern 1 (no assistant).
- In both Scenario 1 and 2, the total cost of an FCC was higher than the revenue generated by the current OCFS reimbursement rate for child care subsidy in all county groups and age groups compared.
- The revenue increase from updating rates to the 2024 75th percentile of the private market rate would approach the cost of care in Cumberland and York counties but would widen inequities among the rate structure.

Table 5: Family Child Care Weighted Average Across all 3 Scenario Types

	Age Group	County Group 1	County Group 2	County Group 3	County Group 4
Weighted Average Across All 3 Scenario Types *Weekly Cost Per Child*	Infants	$222	$225	$234	$243
	Toddlers	$222.	$225	$234	$243
	Preschool	$219	$222	$231	$240
	School-Age (Before & After)	$167	$170	$176	$183
	School-Age (Full-Day)	$221	$224	$233	$242

Family Child Care Salary Assumptions

Family child care differs from a center-based care because the family child care provider often doesn't take a *salary*. Instead, the profit from the small business is the provider's compensation. During our listening sessions, it became clear that most family child care providers do not set their prices with a target salary in mind, and thus are not currently making a reasonable wage. Additionally, the market rate survey did not have a large enough sample size to accurately form an assumption on family child care assistant wages.

To capture the cost of care, CELFE used the same current wage assumptions as the center-based model (Appendix E), tying the FCC provider's compensation to that of an assistant director and an FCC assistant to an assistant teacher. If CELFE were to use the center-based target salary wages as our FCC wage assumptions (as in center-based Model 3), we would see an 11-13% increase in cost across the board.

Figure 8: Current Per Child Weekly FCC **Infant** Subsidy Reimbursement Rates Compared to Cost Model Estimates

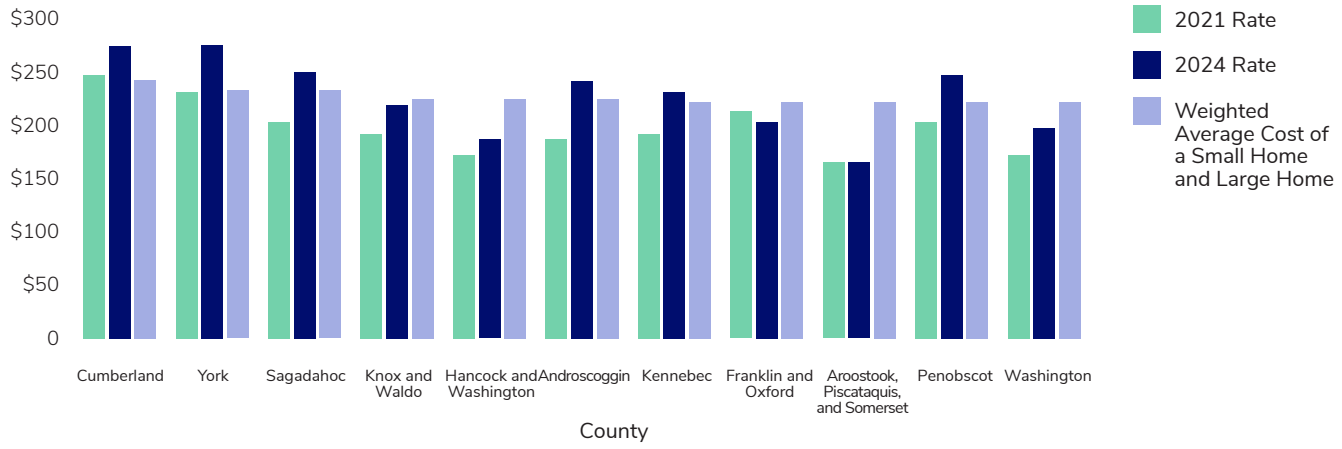


Figure 9: Current Per Child Weekly FCC **Toddler** Subsidy Reimbursement Rates Compared to Cost Model Estimates

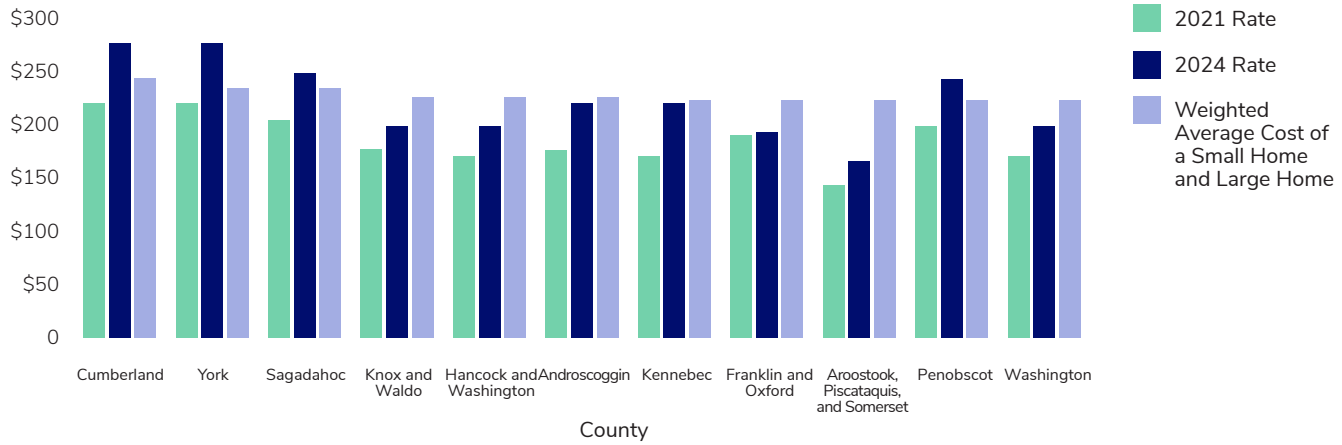


Figure 10: Current Per Child Weekly FCC **Preschool** Subsidy Reimbursement Rates Compared to Cost Model Estimates

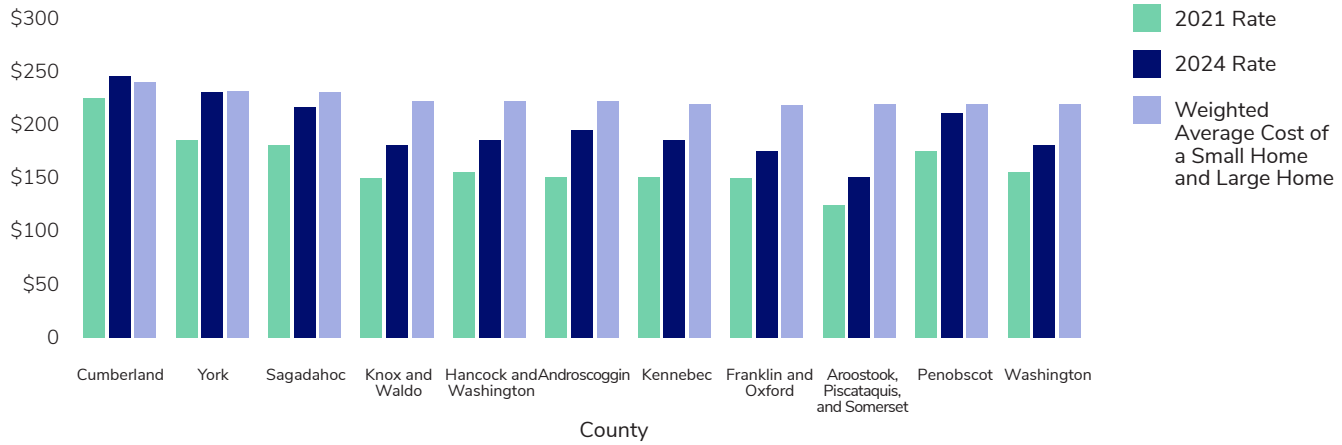


Figure 11: Total FCC Revenue and Expenses-Weighted Scenarios

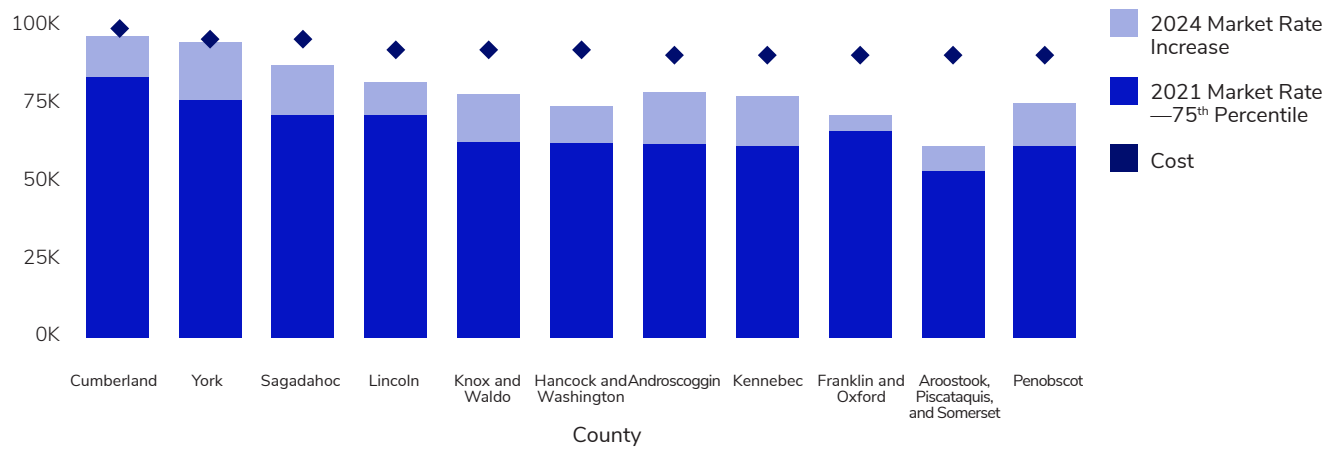


Figure 12: Total FCC Revenue and Expenses—Scenario #1 (8 Children, No Assistant)

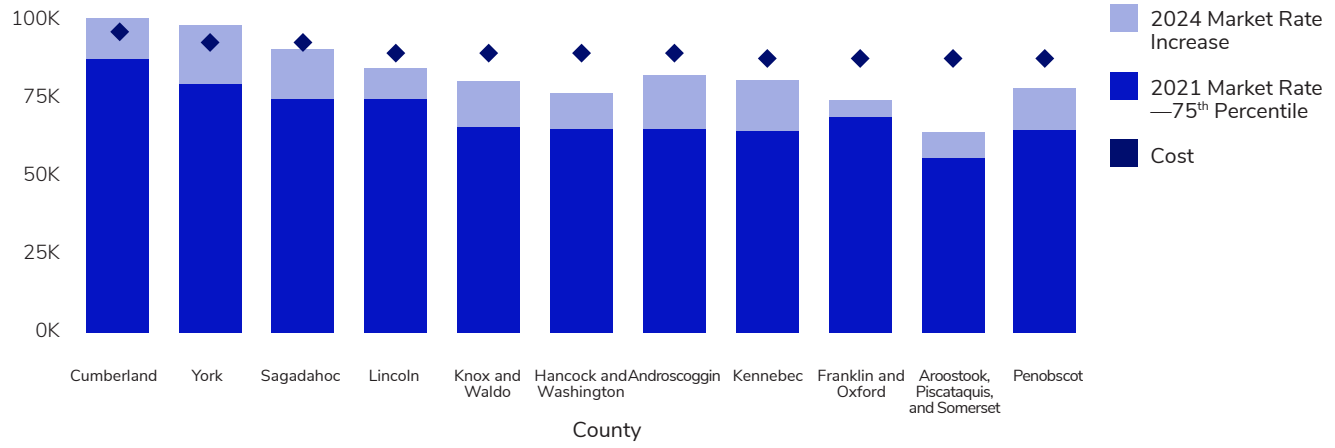
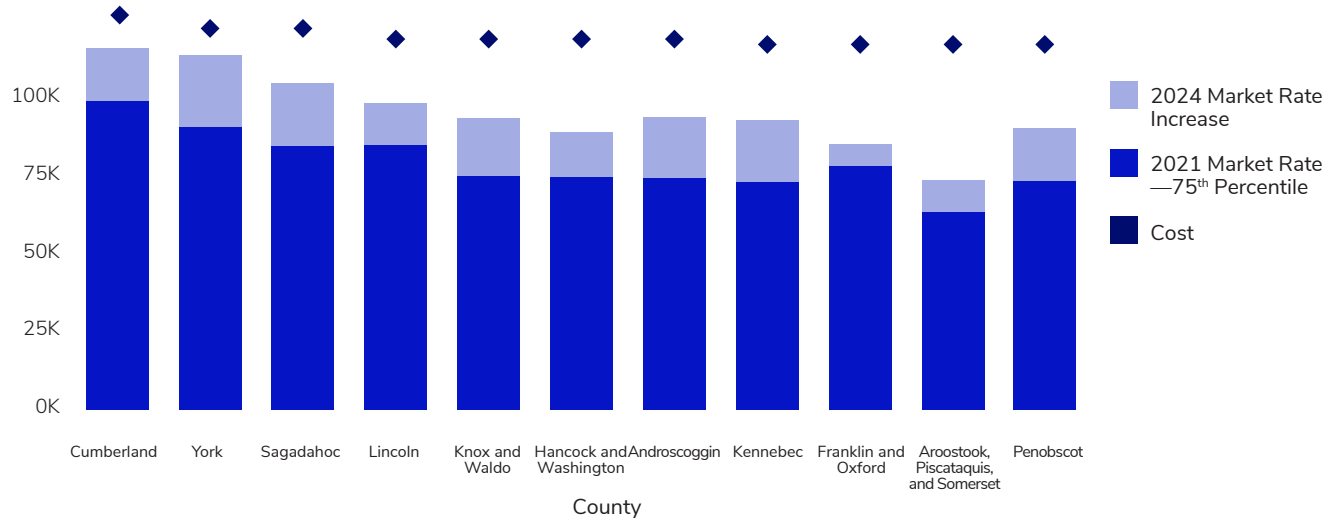


Figure 13: Total FCC Revenue and Expenses—Scenario #1 (12 Children, Assistant)



SENSITIVITY ANALYSES

CELFE conducted a series of sensitivity analyses to understand the impact of increasing or decreasing values for key model parameters. These analyses help to confirm the validity of the model and identify which variables have the highest impact on cost.

Center-Based Scenarios

Center Size	To test how sensitive per-child cost is to program size, CELFE ran a scenario with a center size that doubles the number of classrooms at each age level. Doubling the size of the center across each scenario type results in a decrease of 2% to 9% in costs per child across all county groups and all models for birth to five age groups. This small percentage range indicates that the model is relatively insensitive to changes in center size for children birth and can support analysis of a range of center sizes.
Age Group – Only Preschool	To examine different types of centers that may serve only one age group, CELFE modeled a center that only serves preschool children in four preschool classrooms. This resulted in cost estimates that decreased from the original model by between 2% and 4%. This small range indicates that the model is insensitive to changes in classroom type and can support rich analysis regarding different classroom types.
Age Group – Only Infant/ Toddler	To examine different types of centers that may serve only one type of age group, CELFE modeled for a center that only serves Infants and Toddlers with two Infant classrooms and two Toddler classrooms, everything else held constant. This resulted in cost estimates increasing from the original model by 7% to 16%. Because Infant/Toddler care is more expensive, this was expected and confirms the validity of the model.
Classroom capacity	The cost model assumes that the maximum classroom size for preschoolers is 18 children. This assumption is based on an analysis of Market Rate Survey data that revealed most centers were not attempting to fill their classrooms to the maximum licensing group size (20 children) for two adults. CELFE completed a sensitivity analysis that set the maximum group size of preschool classrooms to 20 children. This resulted in lower weekly costs per preschool child by approximately 7%. This shows the model is moderately sensitive to a larger preschool classroom size. CELFE recommends OCFS update the preschooler classroom size if data in the future shows that centers are using a maximum class size of 20.
Food Costs—Higher Cost of Food	Given providers' feedback about the high food cost in rural areas, CELFE completed an analysis that inflated the food input by 50%, keeping everything else constant. This resulted in weekly costs per child across all regions and model operating scenarios higher by approximately 2%-10%. This shows the model is moderately sensitive to higher food prices; therefore, CELFE recommends that OCFS update food costs in the model annually to keep up with rising inflation costs.

Food Costs—No Cost of Food	During our listening sessions and analysis of Market Rate Survey data, it became clear that many programs do not provide food for the children in their care, instead opting to have parents send it from home. CELFE completed an analysis that did not include a food cost assumption, with all else held constant. This resulted in weekly costs per child across all locations and model operating scenarios that were lower by approximately 5-20%. This suggests that food can be a significant driver of cost, particularly for preschoolers and school-aged children. OCFS may want to consider differentiating rates for programs that do and do not provide meals for attending children (taking into account the availability of USDA Child and Adult Care Food Program reimbursement).
Rent Costs	Given the feedback received from providers about the variation in rent/lease costs across the state, CELFE completed an analysis that inflated the rent/lease costs by 50%, holding everything else constant. This resulted in weekly costs per child that were higher by approximately 2%-4% across all regions. Like food costs, CELFE recommends that OCFS update the rent/lease cost assumptions annually to keep the model consistent with current market conditions.
Enrollment Efficiency – Under-Enrollment	The cost model is designed to produce a per-child cost estimate tied to an assumed level of enrollment for programs. If there is a higher "% full enrollment," there will be more children in each classroom or home to divide program costs across, thus a lower per-child cost. Very few costs in a typical center budget vary with enrollment—most costs are attached to the operation of a classroom and remain the same even if the classroom is under-enrolled. For this scenario, CELFE modeled the enrollment efficiency changing to 75% to estimate an under-enrolling center. In the model, the current enrollment efficiency is set to 85% across each age group.[12] Changing enrollment efficiency from 85% to 75% significantly impacts the weekly cost per child for Toddler, Preschool, and School-Age (full-day) groups with an estimated 10%–12% increase across all model operating scenarios. Given the importance of enrollment to a center's operational efficiency, this result was expected and confirms the model's validity.
Enrollment Efficiency – Higher-Enrollment	For this scenario, CELFE modeled the enrollment efficiency to a level of 95% to estimate a center enrolling at a higher rate than the initial assumption. In the model, the current enrollment efficiency is set to 85% across each age group. Changing the enrollment efficiency from 85% to 95% significantly impacted weekly cost per child across all age groups, with an estimated percentage decrease of 8% – 10% across all model scenario types. Similarly to the test of under-enrollment, this result was expected and confirms the model's validity.

12 Enrollment efficiency of 85% is a commonly held assumption and standard used by many cost researchers and used as a standard figure in the Provider Cost of Quality Calculator.

Family Child Care Scenarios

Age Group—Only Infant Toddler Care	As noted above, the cost model distributes costs evenly across all children enrolled. However, family child care is often a preferred option, especially for families with Infants and Toddlers, so it is essential to understand how costs might change if a home serves only Infants and Toddlers. The cost of care for a child in a family child care home that only serves Infants and Toddlers is over 50% more than the per-child cost in homes that serve the full range of ages considered in the cost model. This shows that the cost of family child care, in contrast to the Center-Based model, is highly sensitive to the age range of children served.
Food Costs—Higher Cost of Food	Given providers' feedback about the high food costs in some areas of the state, CELFE completed an analysis that inflated the food input by 50%, with all else held constant. This resulted in weekly costs per child across all locations and model operating scenarios that were higher by approximately 4%. This shows that the model is moderately sensitive to higher food prices; therefore, CELFE recommends that OCFS update food cost assumptions annually to keep up with rising inflation costs.
Food Costs—No Food Provided	During our listening sessions and analysis of Market Rate Survey data, it became clear that many state programs do not provide food for the children in their care; instead, they opt to have parents send it from home. CELFE completed an analysis that did not include a food cost assumption, with all else held constant. This resulted in weekly costs per child across all locations and model operating scenarios that were lower by approximately 18%. This suggests that food can be a significant driver of cost in FCCs. OCFS may want to consider differentiating rates for programs that do and do not provide meals for attending children (taking into account the availability of USDA Child and Adult Care Food Program reimbursement).
Rent Costs	Given the feedback received from providers about the variation in rent/lease costs across the state, CELFE completed an analysis that inflated the rent/lease costs by 50%, holding everything else constant. This increased weekly costs per child by approximately 3%–7% across all regions. Like food costs, CELFE recommends that OCFS update the rent/lease cost assumptions annually to keep the model consistent with current market conditions.

Enrollment Efficiency – Under-Enrollment	The cost model is designed to produce a per-child cost estimate tied to an assumed level of enrollment for programs. If there is a higher "% full enrollment," there will be more children in each home to divide program costs, thus a lower per-child cost. Few costs in a typical family child care budget vary with enrollment—most costs are attached to the operation of a home and remain the same even if the home is under-enrolled. Enrollment efficiency in the model dictates the assumed enrollment, and percentage differences are important to the stress test. In the model, the current enrollment efficiency is set to 85% across each age group. For this scenario, CELFE modeled the enrollment efficiency changing to 75% to estimate an under-enrolling center. Changing the enrollment efficiency from 85% to 75% significantly impacts the weekly cost per child for Infant, Toddler, Preschool, and School-Age (full-day) groups with an estimated percentage increase of 12% across all model operating scenarios. Given the importance of full enrollment in a home's operational efficiency, this sensitivity to enrollment efficiency was expected and confirms the model's validity.
Enrollment Efficiency—Higher Enrollment	For this scenario, CELFE modeled the enrollment efficiency at 95% to estimate home enrollment at a higher rate than the initial assumption. Changing the enrollment efficiency from 85% to 95% significantly impacted weekly cost per child across all age groups, with an estimated percentage decrease of 9% across all model scenario types. As with the test of under-enrollment, this result was expected and confirms the model's validity.

RECOMMENDATIONS

The full cost estimation study provides OCFS with important information about the cost of providing child care services in various regions of the state. The cost estimates produced by the study can be used in combination with other sources of information, such as the Market Rate Survey, to design and inform the early childhood financing strategy. Based on information gathered through this study, CELFE presents the following recommendations for consideration:

1

Simplify the Subsidy Rate Structure to Better Align with Economic Indicators

At the time of this study, Maine had ten different subsidy regions with a wide range of reimbursement rates paid for child care financial assistance across those regions. Specifically, center-based rates in Cumberland County were 64% higher than rates in Somerset, Piscataquis, and Aroostook County for infants and 80% higher for toddlers and preschoolers. In contrast, the estimated cost in Cumberland County was only 3-4% more than those counties for children under 6.

While economic diversity exists and should inform the child care reimbursement rate, the cost estimate data does not support having ten rate regions. This finding provides OCFS with the opportunity to simplify the reimbursement rate structure by reducing the number of regions. OCFS should also consider giving larger rate increases to communities whose current rates are the furthest from meeting the cost of care.

2

Use Cost Information to Inform Rates

The results of the cost estimation study are just one part of the information that OCFS can consider as it sets rates. It should be noted that, even in a well-functioning market, the relationship between prices and costs is not the same across all age groups. Because care for Infants and Toddlers is markedly more expensive than care for preschool- and school-aged children—nearly twice as expensive due to the higher staffing levels needed to care for very young children—providers typically "over-charge" for serving preschoolers so that they can offset some of the cost of serving infants and toddlers to "smooth" the cost of care for parents. This market reality makes it challenging to develop a reimbursement rate policy in a system where child care subsidies are intended as a replacement for parent-paid tuition. Simply setting reimbursement rates to the cost estimate developed through this cost estimation study could have the unintended consequence of driving up the cost of care for infants and toddlers well beyond the level that most parents could afford.

The relationship between cost and price is especially complex for family child care. The cost estimation study for family child care allocated costs similarly across all children enrolled in a program, resulting in the same cost estimates for infants, toddlers, and preschoolers. In the marketplace, however, charging families a higher price for the care of younger children than older children is common because licensing regulations do not allow a provider to care for more than three children under age two at one time (or six if there is a full-time assistant). As such, it would make sense for OCFS to set payment rates higher for serving infants and toddlers. This is especially true if universal, publicly-funded preschool for three and four-year-olds is available in the community, reducing the market for family child care services for preschool-age children.

3

Continue to Help Providers Maintain Enrollment

The cost models quantify the significant economic impact that under-enrollment can play on a program's overall financial viability. As OCFS considers strategies to support the provider workforce, supporting providers to maintain full enrollment can be an important strategy for improving providers' financial viability. OCFS should continue to focus on infrastructure support and investments to connect families needing care with providers with current openings. This strategy could help address the enrollment needs of programs while simultaneously addressing the waiting list for care that exists currently.[13]

4

Consider Child Care Subsidies as Just One Part of an Overall Early Childhood Funding Strategy

Children need stable, high-quality early education and care to thrive, and providers need stable sources of revenue to operate the programs families rely on.[14] Child care subsidies are structured as a 'per-child' funding approach, which alone is not likely to provide the financial stability programs need to invest in, such as adequate salaries and quality program features. Child Care subsidies can play a critical role in providing low-income families access to care but is not the only strategy for ensuring an adequate supply of quality child care across the state. Innovative financing strategies like grants that support operational costs separate from voucher-based subsidy payments can address the gap between the prices the market will bear (to avoid out-pricing private pay families) and the actual cost of operating a high-quality child care program. States and communities across the country are utilizing these foundational funding strategies, and Maine currently offers this type of funding through its Early Childhood Educator Workforce Salary Supplements.[15] Maine also successfully deployed foundational funding during the pandemic through its Child Care Provider Stabilization Grants, which used American Rescue Plan Act funds to provider grants to child care providers to stabilize their businesses.[16] OCFS now has cost estimation models to help better understand how different revenue sources can work together to meet the true cost of quality early education and care services.

13 According to the 2024 Market Rate Survey, at least 60% of providers have a waitlist.

14 National Academies of Sciences, Engineering, and Medicine. (2018). Transforming the Financing of Early Care and Education. Washington, DC: The National Academies Press. Doi: https://doi.org/10.17226/24984.

15 Center for Early Learning Funding Equity. "Foundational Funding for Child Care: The National Picture." https://celfe.org/resources/foundational-funding-for-child-care-the-national-picture/. Accessed June 10, 2024.

16 Maine Department of Health and Human Services. "ARPA Child Care Stabilization Grant Memo and Webinar 08312021." https://www.maine.gov/dhhs/sites/maine.gov.dhhs/files/inline-files/ARPA%20Child%20Care%20Stabilization%20Grant%20Memo%20and%20Webinar%2008312021.pdf. Accessed June 10, 2024.

NEXT STEPS AND ADDITIONAL RESEARCH

CELFE has created a robust set of tools for understanding the cost of providing child care in Maine. The current cost estimation study reflects conditions as of late 2023. The cost estimates can be kept current by updating the assumptions for staff salaries and non-personnel costs, and CELFE recommends conducting such an update annually, or as new cost data becomes available. As OCFS considers revisions to its child care financial assistance reimbursement rate structure and other changes to the funding system for early childhood services—including expansion of publicly-funded preschool—CELFE advises additional research on costs and program revenues, including:

STUDY ON THE COST OF SERVING HIGH-NEED POPULATIONS

This cost estimation study did not include some costs that are important to understanding the full cost of providing equitable access to high-quality early childhood education and care to children across the state. Future work should intentionally engage the Head Start and school-based Pre-K community to understand the additional costs associated with serving the poorest children. Costs associated with meeting the specific needs of English Language Learners and children with special needs were also not modeled but are important to consider when developing a financing strategy for an equitable system.

CONDUCT A STUDY ON CHILD CARE REVENUES

The current cost model engine includes a rudimentary estimate of the revenue that programs are receiving, enabling OCFS to look at funding gaps. However, little research has been conducted to understand actual program revenues and the range of state funding levels experienced by programs. It would be very helpful to understand typical revenue patterns better so that it can better design funding supports for programs. Topics for this research could include:

Patterns of Subsidy vs. Private Pay Enrollment

OCFS could benefit from an analysis of how the concentration of subsidized children in programs varies across regions and provider types, and how this relates to the rates providers charge tuition-paying families. For example, do providers serving a high percentage of subsidized children tend to charge rates that are closer to the 25th, 50th, or 75th percentile? Do providers with higher tuition prices tend to enroll fewer subsidized children?

USDA Child and Adult Care Food Program Usage

CACFP is a significant revenue resource for child care programs, especially those serving low-income families. However, in the listening sessions, CELFE heard that there is a range of participation in the program, and many providers reported that they did not find the benefits offered through CACFP worth the effort, instead choosing to have families send food from home. It would be helpful to better understand this important revenue source and to identify ways to maximize receipt of this federal funding by Maine providers.

Prevalence and Funding Levels of Other Public Funding

Many child care providers "blend and braid" funding from multiple public funding streams to provide comprehensive, high-quality early childhood education and care. It would be helpful to understand the prevalence of the use of funding streams such as Early Head Start, Head Start, local and state public Preschool funds, and other sources and how they are combined with child care subsidy funds to support high-quality programs.

Other Factors Impacting Revenue

The current cost model engine assumes some under-enrollment and a small amount of uncollected revenue but does not account for other factors that might impact revenues, such as programs providing financial scholarships or discounts to students, tuition waivers for the children of staff, temporary program closures, or other situations.

APPENDIX A.

Center-Based Cost Estimation Results—Total Classroom Costs (Current and Target Wages)

Appendix A includes a summary of the Center-Based annual total expenses per classroom by age group and subsidy region as estimated in Models 1,2 and 3.

Table 6: Center-Based Results for Model 1—Star 2 (Current Salaries)—Annual Total Expenses, Per Classroom

	Age Group	County Group 1	County Group 2	County Group 3	County Group 4
Model 1: Star 2 Current Salaries *Annual Total Expenses*	Infant	$158,637	$162,255	$156.547	$165,807
	Toddler	$166,580	$169,895	$165,909	$173,483
	Preschool	$198,350	$200,458	$203,359	$204,186
	School-Age (Before & After)	$127,350	$127,418	$133,469	$128,709
	School-Age (Full-Day)	$75,232	$75,526	$78,726	$81,986

Table 7: Center-Based Results for Model 2—Star 4 (Current Salaries)—Annual Total Expenses, Per Classroom

	Age Group	County Group 1	County Group 2	County Group 3	County Group 4
Model 2: Star 4 Current Salaries *Annual Total Expenses*	Infant	$183,410	$180,538	$175,251	$192,190
	Toddler	$191,968	$190,696	$187,191	$200,480
	Preschool	$226,199	$219,878	$234,952	$233,640
	School-Age (Before & After)	$145,560	$152,742	$159,393	$147,847
	School-Age (Full-Day)	$85,141	$88,912	$92,425	$92,947

Table 8: Center-Based Results for Model 3—Star 4 (Target Salaries)—Annual Total Expenses, Per Classroom

	Age Group	County Group 1	County Group 2	County Group 3	County Group 4
Model 3: Star 4 Target Salaries *Annual Total Expenses – Per Classroom*	Infant	$211,802	$204,141	$200,385	$221,796
	Toddler	$221,007	$215,723	$213,931	$230,777
	Preschool	$257,831	$250,596	$268,112	$266,702
	School-Age (Before & After)	$163,704	$172,449	$180,891	$166,760
	School-Age (Full-Day)	$96,329	$100,815	$105,365	$104,660

APPENDIX B.

Family Child Care Cost Estimation Results—Total Costs Per Home

Appendix B summarizes the total annual expenses per home for family child care (including the FCC Educator/Owner's target salary or profit) by county group. The weighted average across all patterns is presented first, followed by the estimates for each scenario.

Table 9: Family Child Care Results—Per Home

Staffing & Enrollment Scenario	County Group 1	County Group 2	County Group 3	County Group 4
Weighted Average Across Both Patterns	$89,800	$91,047	$94,383	$98,062
Scenario #1: No Assistant, 8 children	$72,242	$73,238	$76,323	$79,501
Scenario #2: Full-Time Assistant, 12 children	$116,137	$117,760	$121,472	$125,904

APPENDIX C.

Assumptions for Center-Based Model

Appendix C includes detailed assumptions in the Center-Based cost estimation model, which estimates the cost for a full-day (10 hours), year-round (260 days) program across age groups.

PROGRAM ADMINISTRATIVE PRACTICES

The below section provides a breakdown of the Center-Based model's size and administrative practices. It details the rationale and data source for each assumption included in the cost estimation study.

Classrooms

CELFE reviewed enrollment and classroom patterns in Maine using 2023 Stabilization Grant Application Data and 2024 Market Rate Survey data.

45%

45 % of providers serve all age groups (infants, toddlers, preschoolers, and school-agers)

14%

14% of providers serve toddlers, preschoolers, and school agers, but no infants

11%

11% of providers serve only preschoolers

30%

The other 30% of providers serve some other mix of age groups

4

The median number of classrooms reported by providers was 4

CELFE selected the classroom grouping below to represent a "typical center." CELFE conducted sensitivity analyses (see page 32), showing how estimated costs would vary if the number and age distribution of classrooms were different.

Table 10: Center-Based Classroom Assumptions

Age Group	Number of Rooms
Infant	1
Toddler	1
Preschooler	1
School-Age (Before and After)	1 (part year)
School-Age (Full Day, Summer)	1 (part year)

***Note:* School Age (Before & After) is weighted by the number of school year weeks of care, and School Age (Full-Day) is weighted by the number of summer-only weeks of care. Together, the total number of School-Age classrooms is one classroom.

Staffing structure

The cost estimation includes a staffing pattern for Star 2 and Star 4 programs. Staffing assumptions are based on feedback from listening sessions and Market Rate Survey data analysis on current staffing patterns across the Rising Stars for ME levels. Both staffing patterns account for the staff needed to meet licensing requirements for a 10-hour operating day and incorporate the additional staff time needed to cover paid time off (vacation and sick time) for employees.

Table 11: Center-Based Staffing Assumptions

Category	Position	Star 2	Star 4	Unit
Site Leadership	Director	1.00	1.00	Per Center
	Assistant Director	1.00	1.00	Per Center, If Classrooms>5
Classroom: Full Day	Teacher	1.00	1.00	Per Classroom
	Assistant Teacher	1.25	1.25	Per Classroom
Classroom: Part Day	Teacher	.75	.75	Per Classroom
	Assistant Teacher	.40	.40	Per Classroom
Support Staff	Floaters/Substitutes	.30	.60	Per Classroom
	Family Engagement Specialist	0.00	1.00	Per Center
	Food Aide	1.00	1.00	Per Center, If Enrollment >100 children
	Administrative Assistant	1.00	1.00	Per Center
	Maintenance Workers	.08	.08	Per Classroom

Note: The per-unit column helps the cost model user understand how CELFE calculated the FTE. For example, if the per-unit value for a given FTE is indicated as "Per Classroom," the calculation in the model is FTE*Number of Classrooms (for the associated age group).

Capacity

Table 12 reflects the maximum group sizes per Maine's Licensing regulations in a classroom with two staff members for Infant, Toddler, and School-Age care. Capacity for preschoolers is based on an analysis of current program enrollment, which suggests providers do not typically have a desired enrollment of 20 preschoolers per classroom (the maximum allowed per licensing) but instead choose to operate with smaller classes.

Table 12: Center-Based Licensed Per-Classroom Capacity Assumptions

Age Group	Licensed Capacity
Infant	8
Toddlers	10
Preschoolers	18
School-Age (Before and After)	26
School-Age (Full Day)	26

Enrollment Efficiency

Child care programs do not typically operate at 100% full enrollment throughout the year. Therefore, the model includes a factor to reflect this reality. As detailed in a national report, achieving 100% enrollment efficiency can be unattainable even for a provider with high-demand support supported by extensive waiting lists; such a provider might achieve 95% enrollment efficiency.[17] The industry standard is to keep enrollment at or above 85% of the desired capacity. The cost study set enrollment efficiency at 85% for all age groups and models. The PCQC default value for enrollment is 85%.

Days of care

Table 13 outlines the number of weeks used in the model by which CELFE divides the annual cost to result in weekly cost estimates in the cost estimation study. This corresponds with the weeks per year that OCFS typically pays subsidized care for a child enrolled in full-time, year-round care, as well as full-time summer care and before—and after-school care for school-age children.

Table 13: Center-Based Weeks of Care Assumptions

Category	Weeks
Full Year	52
Summer Only	17
School Year	35

17 "Office of Child Care, Administration for Children and Families. "Provider Cost of Quality Calculator (PCQC) Early Care and Education Characteristics." https://childcareta.acf.hhs.gov/sites/default/files/new-occ/resource/files/pcqc_ece_characteristics_final.pdf. Accessed June 10, 2024.

EXPENSES

Benefits/Payroll Taxes

Table 14 shows the benefits costs and payroll tax assumptions used in the Center-Based cost estimation model.

Table 14: Center-Based Benefits/Payroll Assumptions

Category	Cost	Unit	Source
FICA (Social Security and Medicare)	7.65%	Per Salary Amount	Federal requirement
Health Insurance	$0	Per FTE	See below
Worker's Compensation	0.64%	Per Salary Amount	
Retirement	0%	Per Salary Amount	See below
State Unemployment Tax	$262.80	Per FTE	2.19% on the first $12,000 of wages
Federal Unemployment Tax	$420	Per FTE	6% of first $7,000 wages

According to 2024 Market Rate Survey Data, less than 40% of providers offered retirement or health insurance benefits. Because of this, our model includes health insurance and retirement cost assumptions of 0.

Non-Personnel Assumptions

Non-personnel assumptions were largely based on the Provider Cost of Quality Calculator. PCQC estimates were used as a baseline, and Star 4 cost estimates were increased for several items based on an analysis of Rising Stars for Maine Program Standards and the input of the ECE Collaboratory. The use of child assessment tools, developmental screenings, formal curriculum materials, program accreditation, or self-assessments was not included in the Star 2 assumptions.

Table 15: Center-Based Non-Personnel Assumptions

Category	Star 2	Star 4	Unit	Source
Food (including food and kitchen supplies)	$1,485	$1,485	Per child	PCQC[18]
Classroom Supplies	$140	$150	Per child	PCQC
Education Supplies	$111	$125	Per child	PCQC
Office Supplies & Equipment	$111	$111	Per child	PCQC
Medical Supplies	$50	$75	Per child	PCQC
Insurance	$126	$126	Per child	PCQC
Advertising	$23	$23	Per child	PCQC
Child Assessment Tool	$0	$50	Per child	PCQC
Developmental Screening Tool	$0	$25	Per child	PCQC
Curriculum	$0	$35	Per child	PCQC

18 Estimates for food were increased by $200 per child in County Groups 1 and 2, based on analysis of Market Rate Survey data, Collaboratory, and Listening Session Feedback, that food costs were much higher in rural areas.

Category	Star 2	Star 4	Unit	Source
Staff Training	$140	$140	Per Classroom and site leadership staff	Collaboratory
Telephone and Internet	$5,150	$5,150	Per center	PCQC
Audits & Legal Fees	$3,434	$5,000	Per center	PCQC
Licensing Fees and Permits	$240	$240	Per center	Licensing Rules
Professional Services and Fees	$1,236	$1,236	Per center	PCQC
Accreditation and Self-Assessment Fees		$400	Per center	PCQC
Professional Membership and Subscription	$50	$100	Per center	2024 Market Rate Survey

Occupancy Costs

CELFE analyzed data from the Market Rate Survey and program start-up cost data from Coastal Enterprises Inc. to estimate rent and mortgage for child care centers. The data varied widely and was difficult to interpret, much like in other states CELFE has studied. CELFE used the per-square-foot estimates in Table 16 below, which approximate the mean cost of rent reported by programs. However, it should be noted that the cost of occupancy requires further study to develop better estimates of the range of costs that providers incur.

Utility estimates were first estimated using national estimates from the 2023 PCQC. During Provider Listening Sessions, CELFE received feedback that our utility estimates were too low, especially in rural areas, and therefore, the utility cost input was doubled.

Table 16: Center-Based Occupancy Assumptions

Category	County Group 1	County Group 2	County Group 3	County Group 4	Unit
Rent/Lease/Mortgage	$8	$8	$9	$10	Per square foot
Utilities	$6.48	$6.48	$5.55	$5.55	Per square foot
Building Insurance	$2	$2	$2	$2	Per square foot
Maintenance, Repair, and Cleaning	$4.10	$4.10	$4.10	$4.10	Per square foot

RESERVES

The model includes reserves of 5% of the total personnel and non-personnel costs. Reserves are a vital component of a viable business model—a program should not be designed to have zero net cash flow as it needs to be able to meet unexpected expenses, recoup capital costs, and weather unexpected revenue shortfalls. CELFE included a 5% reserve cost in cost models for other states.

APPENDIX D.

Assumptions for Family Child Care Model

Appendix D provides a detailed list of assumptions made in the Family Child Care cost estimation study, which assumed a full workday (10 hours), year-round program (261 days).

The below section provides a breakdown of the Family Child Care cost model's structure and details, along with the rationale and data source for each assumption used in the cost estimation study.

ENROLLMENT CAPACITY/STAFFING PATTERN

To determine the cost per child for family child care, it is essential to account for the variety of different types of FCC homes and the licensing regulations that determine the number of children of different ages that can be served in each home.

For the cost estimation study, CELFE used estimates for the two most common enrollment capacity/staffing patterns based on 2023 Stabilization Grant Application Data and 2024 Market Rate Survey data. These scenarios were used to calculate a weighted cost result based on prevalence.

Table 17: Family Child Care Enrollment and Capacity/Staffing Pattern Assumptions

Scenario	Staffing Pattern	Enrollment Capacity	Weighting
1	1 FCC Provider No Assistant 200 Substitute hours per year[19]	1 Infant 2 Toddler 3 Preschool 2 School Age	60%
2	1 FCC Provider 1 Full-time Assistant 300 Substitute hours per year	1 Infant 3 Toddler 4 Preschool 4 School Age	40%

ENROLLMENT EFFICIENCY

The cost model includes a factor that reflects that family child care programs typically do not operate at 100% full enrollment. As further described in the Center-Based cost model Appendix C, the PCQC default value for enrollment is 85%. The current cost study used an enrollment efficiency of 85% for all age groups and staffing/enrollment scenarios.

19 Substitute hours account for family child care provider and assistant vacation and sick time.

WEEKS OF CARE

Table 18 outlines the number of weeks used in the model by which CELFE divides the annual cost to result in weekly cost estimates in the cost estimation study. This corresponds with the weeks per year that OCFS typically pays subsidized care for a child enrolled in full-time, year-round care, as well as full-time summer care and before and after-school care for school-age children.

Table 18: Family Child Care Weeks of Care Assumptions

Category	Weeks
Full Year	52
Summer Only	17
School Year	25

BENEFITS/PAYROLL TAXES

Table 19 shows the benefits costs and payroll tax assumptions used in the cost estimation model.

Table 19: Family Child Care Benefits/Payroll Assumptions

Category	Cost	Unit	Source
FICA (Social Security and Medicare)	7.65%	Per Salary Amount	Federal requirement
Health Insurance	$0	Per FTE	See below
Worker's Compensation	0.64%	Per Salary Amount	
Retirement	0%	Per Salary Amount	See below
State Unemployment Tax	$262.80	Per FTE	2.19% on the first $12,000 of wages
Federal Unemployment Tax	$420	Per FTE	6% of first $7,000 wages

According to 2024 Market Rate Survey Data, less than 4% of FCC providers offered retirement or health insurance benefits. Because of this, our model includes health insurance and retirement cost assumptions of 0.

NON-PERSONNEL COSTS

Non-personnel assumptions were largely based on the Provider Cost of Quality Calculator. PCQC estimates were used as a baseline, and increased based on an analysis of Rising Stars for Maine Program Standards for Star 4 programs. The use of child assessment tools, developmental screenings, and consultation services was not included in the Star 2 assumption.

Table 20: Family Child Care Non-Personnel Assumptions

Category	Star 2	Star 4	Unit	Source
Food (include food and kitchen supplies)	$1,000	$1,000	Per child	PCQC*[20]
Educational materials	$120	$150	Per child	Market Rate Survey
Child assessment tool	$0	$50	Per child	Collaboratory
Developmental screening tool	$0	$25	Per child	Collaboratory
Advertising	$167		Per site annually	PCQC
Cleaning Supplies, etc.	$294		Per site annually	PCQC
Transportation/Vehicle Expenses	$676		Per site annually	See below[21]
Legal/Audit/Accounting support	$733		Per site annually	PCQC
Office Supplies	$222		Per site annually	PCQC
Insurance: Liability/Business	$700		Per site annually	Collaboratory
License and permits	$160		Per site annually	ME Licensing Fee
Professional membership dues/ Accred. fees	$75	$125	Per site annually	Collaboratory
Staff training & education	$278		Per site annually	Licensing Rules
Telephone & Internet	$2,400	$2,940	Per site annually	Sofi.com
Consultation Services	$0	$500	Per site annually	Collaboratory

20 Estimates for food were increased by $200 per child in County Groups 1 and 2, based on analysis of Market Rate Survey data, Collaboratory, and Listening Session Feedback, that food costs were much higher in rural areas.

21 20 miles per week at 65 cents per mile

OCCUPANCY

CELFE used the Market Rate Survey and Child Care Infrastructure Grant data from Coastal Enterprises Inc.[22] to inform our rent and mortgage assumptions for family child care homes. The data varied widely and was difficult to interpret, much like in other states where CELFE has worked.

CELFE has developed a novel approach to account for occupancy costs for family child care homes. CELFE used the county-level Fair Market Rent (FMR) for 3-bedroom apartments, as reported by the federal Department of Housing and Urban Development (HUD), to create a weighted average FMR for each of the four county groups. Because family child care programs likely have environmental needs beyond a standard residential home, such as extra storage and enough space for 8-12 children, the Fair Market Rent estimate was increased by 10% in recognition that apartments that can be used for child care may be harder to find and may have higher rent than the general market.

Baseline utility estimates were derived using a statewide average from Sofi.com. During Provider Listening Sessions, CELFE received feedback that our utility estimates were too low, especially in rural areas. As a result, the utility cost input was increased to $6,000 per home annually.

Table 21: Family Child Care Occupancy Costs Assumptions

Category	County Group 1	County Group 2	County Group 3	County Group 4	Unit	Source
Rent/Lease/Mortgage	$15,903	$18,447	$25,151	$28,895	Per Site Annually	FMR
Utilities	$6,000	$6,000	$6,000	$6,000	Per Site Annually	Focus Groups
Building Insurance	$1,020	$1,020	$1,020	$1,020	Per Site Annually	Nerdwallet.com
Maintenance, Repair, and Cleaning	$611	$611	$611	$611	Per Site Annually	PCQC

22 Coastal Enterprises, Inc. "Maine State Child Care Infrastructure Grant Program." https://www.ceimaine.org/financing/maine-programs/child-care-infrastructure-grant-program/. Accessed June 10, 2024.

APPENDIX E.

Current Salaries—Centers

SITE LEADERSHIP AND CLASSROOM TEACHERS

Appendix E includes a table of estimated current salaries of site leadership and classroom teachers according to the analysis CELFE conducted with the 2024 Market Rate Survey Data. The MRS is the richest data set OCFS has to examine program leadership and classroom teacher salaries. The MRS allowed CELFE to analyze wages based on geography and QRIS level. The MRS collected data on various child care positions, such as directors, assistant directors, lead and assistant teachers, subs, and education coordinators. This allowed CELFE to complete a more detailed analysis than the Bureau of Labor Statistics Occupational Wages and Employment Statistics, which does not provide a breakdown by detailed roles within the child care industry. Because of the small sample sizes in some county groups and QRIS levels, CELFE had to make certain data assumptions to provide a full description of the current salary landscape. Specifically, to calculate current salaries for Star 4 programs, CELFE determined on a statewide basis how much higher wages in Star 4 programs are compared to Star 2 programs and then applied this percentage to wages in each of the four-county groups. The "Notes" section of the table below details the source of each data wage point.

The following table details the complete list of current salaries and each associated calculation used to derive the salaries that are used in the cost estimate.

Table 22: Center-Based Current Wage Assumptions—Site Leadership and Direct Care

Position	County Group 1		County Group 2		County Group 3		Cumberland		Notes
	Hourly	Annual	Hourly	Annual	Hourly	Annual	Hourly	Annual	Data used from C3 application to estimate this wage
Model 1—Star 2 Program									**2024 Market Rate Survey Data**
Director	$23.25	$48,360	$ 23.63	$49,150	$24.00	$49,920	$51,480	$24.75	*Median of Center Director*
Assistant Director	$ 19.95	$41,496	$ 19.00	$39,520	$20.19	$41,995	$43,680	$21.00	*Median Assistant Director*
Lead Teacher	$16.50	$34,320	$ 17.00	$35,360	$17.50	$36,400	$36,920	$17.75	*Median of Lead Teacher*
Assistant Teacher	$15.50	$32,240	$ 15.75	$32,760	$16.00	$33,280	$34,320	$16.50	*Median of Assistant Teacher*
Floater	$15.50	$32,240	$ 15.75	$32,760	$16.00	$33,280	$34,320	$16.50	*Median of Lead Teacher*
Model 2—Star 4 Program									**Increase from Star 2 Wages**
Director	$26.51	$55,130	$26.94	$56,031	$27.36	$56,909	$28.22	$58,687	*Increase of 14%*
Assistant Director	$ 22.74	$47,305	$21.66	$45,053	$ 23.02	$47,875	$23.94	$49,795	*Increase of 14%*
Lead Teacher	$18.32	$38,095	$ 18.87	$39,250	$19.43	$40,404	$19.70	$40,981	*Increase of 11%*
Assistant Teacher	$16.59	$34,497	$16.85	$35,053	$17.12	$35,610	$ 17.66	$36,722	*Increase of 7%*
Floater	$15.89	$33,046	$16.14	$33,579	$16.40	$34,112	$16.91	$16.91	*Increase of 11%*

SUPPORT STAFF

Because the market rate survey did not collect detailed wage data on support staff positions for centers, our wage assumptions for these positions are based on the Bureau of Labor Statistics and Maine Department of Labor Occupational Wages and Employment Statistics data. Support staff wage assumptions were the same regardless of program quality level.

Table 23: Center-Based Current Wage Assumptions—Program Support Staff

Position	County Group 1		County Group 2		County Group 3		Cumberland		Notes
	Hourly	Annual	Hourly	Annual	Hourly	Annual	Hourly	Annual	Data used from BLS Occupational Wages and Employment Statistics
	Models 2 and 4								2024 Market Rate Survey Data
Family Engagement Employees	$28.87	$60,050	$28.79	$59,883	$29.96	$62,317	$62,712	$30.15	*Based on BLS wages for "Secretaries and Administrative Assistants, Except Legal, Medical, and Executive" Median Annual Wage*
Food Aide	$15.06	$31,325	$14.76	$30,701	$15.53	$32,302	$32,677	$15.71	*Based on BLS wages for "Food Preparation Workers" Median Annual Wage*
Administrative Assistant	$19.41	$40,373	$19.37	$40,290	$20.70	$43,056	$43,680	$21.00	*Based on BLS wages for "Building and Grounds Cleaning and Maintenance Occupations" Median Annual Wage*
Maintenance Workers	$16.65	$34,632	$16.69	$34,715	$17.43	$36,254	$36,504	$17.55	*Based on BLS wages for "Child, Family, and School Social Worker" Median Annual Wage*

APPENDIX F.

Target Salaries—Centers

Appendix F details CELFE's process to create target salaries for input in the Center-Based Model. In addition to updating cost assumptions, OCFS needs to understand the cost implications of the increased compensation levels needed to stabilize and expand child care services in the state. To estimate these costs, CELFE created a set of target salary assumptions to include in the model to support retention and recruitment. CELFE worked closely with OCFS, Maine Department of Education's Early Learning Team, the Governor's Office of Policy Innovation and the Future, and the Collaboratory to develop a set of target salaries that:

1. Honors a mixed delivery system
2. Supports higher pay for those with higher credentials and experience
3. Differentiates across roles, such as assistant teacher and lead teacher
4. Ensures all staff receive a "living wage"
5. Reaches parity with positions of similar expertise
6. Is anchored to and responsive to the current and future economy, with geographic variation
7. Aligns with and supports existing quality rating and improvement and professional development programs

CELFE conducted extensive data analysis to construct the target salaries. This process was guided by the expertise of the ECE Business Collaboratory and provider listening sessions to validate the assumptions with a diverse set of providers, incorporate provider feedback, and honor providers' lived experiences.

METHODOLOGY

CELFE used the following datasets to develop an initial set of target salaries:

1

Step 1. Complete analysis of state ECE workforce.

CELFE analyzed the Maine Roads to Quality (MRTQ) Provider Registry to understand the reported qualifications of ECEC teachers in the state. CELFE sought to align the salary scale to the MRTQ Career lattice where possible.[23] Additionally, CELFE sought to align the salary scale with OCFS's Early Childhood Educator Workforce Salary Supplement program, which provides monthly stipends to educators who provide direct care to children based on their MRTQ lattice level, using three tiers.[24] Because the three tiers have already been identified as a basis for increasing compensation, CELFE used them as benchmarks for the target salary scale.

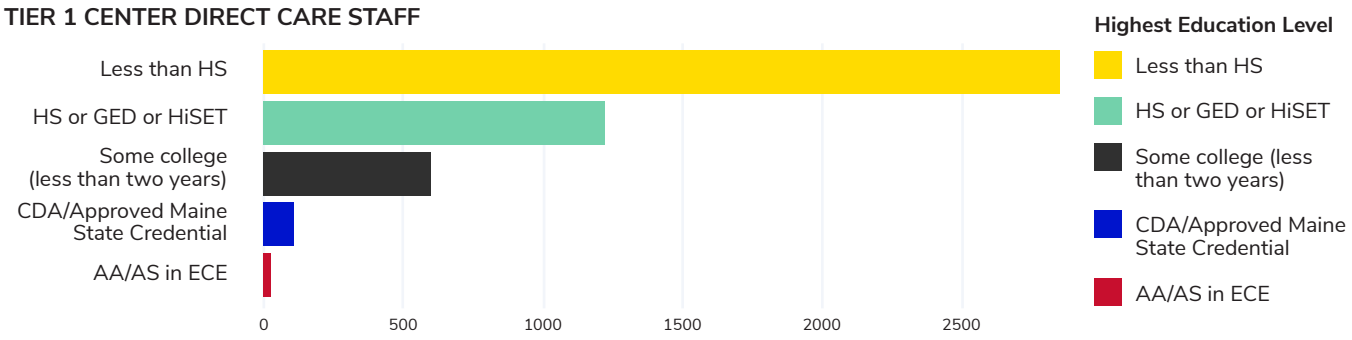
23 Maine Roads to Quality Professional Development Network. "MRTQ Lattices." https://www.mrtq.org/wp-content/uploads/2023/06/MRTQ_Lattices.pdf. Accessed June 10, 2024.

24 Maine Department of Health and Human Services. "Early Childhood Educator Workforce Salary Supplement System." https://www.maine.gov/dhhs/ocfs/provider-resources/early-childhood-educator-workforce-salary-supplement-program. Accessed June 10, 2024.

Tier 1:

Tier 1 corresponds to MRTQ PDN Lattices Levels 0-4. Most direct care staff employed by centers are at Tier 1. At the time of analysis, 94% of Tier 1 direct care staff in the salary supplement program had less than a college degree, Child Development Associate credential, or Maine-approved credential.

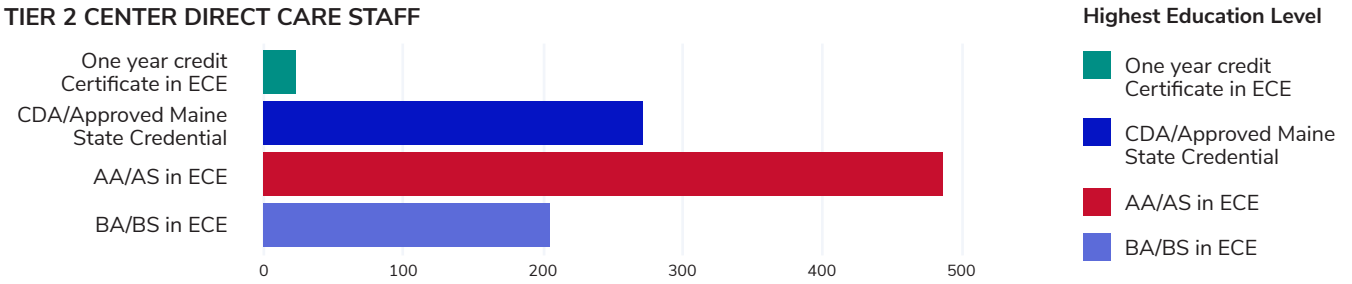
Figure 14: Highest Level of Education of Center-Based Tier 1 Direct Care Staff



Tier 2:

Under the Salary Supplement Rules, all direct care staff in Tier 2 have a minimum of an AA/AS in ECE, Social Services, or a related field with two years of experience. Most child care workers at Tier 2 have less than a bachelor's degree in ECE.

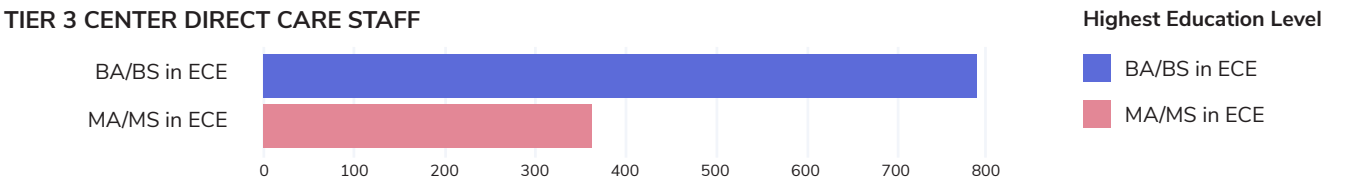
Figure 15: Highest Level of Education of Center-Based Tier 2 Direct Care Staff



Tier 3:

According to the Salary Supplement Rules, all direct care staff in Tier 3 have at least a bachelor's degree, and 29% of Tier 3 direct care staff have a master's degree. While bachelor's level staff with less than five years of experience might fall in Tier 2, according to the MRTQ registry data, most direct care staff with bachelor's degrees are currently in Tier 3.

Figure 16: Highest Level of Education of Center-Based Tier 3 Direct Care Staff



In summary, we conceptualize Tier 1 of the Salary Supplement Program as a teacher with less than a college degree, Child Development Associate credential, or Maine-approved state credential. Tier 2 corresponds to a teacher with a CDA or an associate degree in ECE, and Tier 3 is a teacher with a bachelor's degree or higher.

2

Step 2. Identify Base Salaries Using the MIT Living Wage Calculator.[25]

CELFE used the MIT Living Wage Calculator as the anchor for the entry-level target salaries (using 1 adult and 0 children as the defined family structure). These figures are updated annually, allowing the scale to be updated and anchored to future economic conditions.

- Note on the Unit of Geography: The MIT Living Wage Calculator offers data at the county level. Using the county population, a weighted living wage was calculated for each county group.
- Note on Family Structure: There is no readily available data to understand the average family composition for the ECE workforce. Therefore, the family structure used was 1 adult and 0 children as a baseline input. CELFE has made similar decision points on family structure when conducting cost estimation work in other states. In other states, cost modelers have made the same assumption on family structure when using the same economic measurement tool.[26]

This living wage anchor was used as a starting Tier I wage for an assistant teacher, ensuring a livable wage floor for all ECE workers.

3

Step 3. Identify Parity Salaries for Teachers Using K-12 District Contracts.

CELFE conducted an analysis to find a weighted average (based on district enrollment) salary for K-12 Teachers (BA +5). This methodology is consistent with other state and national policy and advocacy benchmarks and with the highest quality tier recommended by the national cost calculator, the PCQC.

CELFE used data prepared by the Maine Education Association that was based on contracts submitted to the MEA for the 2022-23 school year.[27] Then, weighted averages were calculated based on each district's enrollment to calculate the average salary for teachers with a Bachelor's degree and five years experience (BA+5). CELFE chose BA+5 as our benchmark because to reach Tier III on the Maine ECE Workforce Salary Supplement, a teacher would need to be on Level 7 of the MRTQ Lattice, which requires a bachelor's degree in ECE or a related field and five years of experience. Because the ECE workforce typically works on a 12-month schedule vs the typical K-12 10-month schedule, the weighted average was multiplied by 120% to reflect the additional months of work in a full-year child care program.

25 Living Wage Calculator. "Counties and Metropolitan Statistical Areas in Maine." https://livingwage.mit.edu/states/23/locations. Accessed June 10, 2024.

26 Capito, Jenna, Katie Fallin Kenyon, and Simon Workman, "Understanding the True Cost of Child Care in California: Building a cost model to inform policy change," Prenatal to Five Fiscal Strategies, 2022.

27 Maine Education Association. (2023). 2023 MEA Salary Guide. Retrieved from https://maineea.org/mea-salary-guide/2023-mea-salary-guide/

4

Step 4. Decide the difference between lead and assistant teachers.

Based on consultation with the ECE Business Collaboratory and OCFS and an analysis of current wage trends from the 2024 Market Rate Survey, CELFE set a 10% differential between lead and assistant teachers (i.e., wages for teachers were estimated to be 10% higher than assistant teachers at the same credential tier).

5

Step 5. Create a Step Between the Two Benchmarks—Living Wage and K-12 Salaries.

Steps 1-3 established average wages for Tier I and Tier III assistant and lead teachers for the salary scale used in the cost estimation study. CELFE then worked with the Collaboratory to determine an intermediate step for Tier II teachers. The intermediate step was set at 18% above the Tier I wage. This left the Tier III wage as a 22% increase above the Tier II wage. The decision to have a larger increase from Tier II to Tier III was to recognize the time, money, and effort it takes to obtain a bachelor's degree and incentivize the workforce to move up in Tiers.

6

Step 6. Establish Geographic Variation.

CELFE analyzed Bureau of Labor Statistics OEWS data to understand how wages in competing industries, such as retail, healthcare, and education, differ across the state. While CELFE found about a 20% variation in teacher wages, other industries' wages only vary by about 5-6%. Because we want our target wages to be responsive and anchored to the broader economy, as well as working towards equity across the state, the Collaboratory opted to use the wage of a K-12 BA +5 teacher in Cumberland County as our County Group 4 Tier III benchmark and include total of 6% variation across county groups by decreasing 2% for each group, rather than the 20% variation that would occur if each county group had its Tier III wage benchmarked to K-12 parity in that county group's districts.

7

Step 7. Establish Assistant Director and Director Wages.

Current Market Rate Survey data says that directors make about 40% more than lead teachers, and assistant directors make about 18% more than lead teachers. CELFE set target director wages on the salary scale at a 40% increase of target teacher wages and set target assistant director wages at 18% higher than target lead teacher wages.

Table 24: Center-Based Target Salaries

Position		County Group 1		County Group 2		County Group 3		County Group 4		Notes
		Hourly	Annual	Hourly	Annual	Hourly	Annual	Hourly	Annual	
Site Leadership										
Director	*Tier III*	$38.50	$80,080	$39.20	$81,536	$40.25	$83,720	$40.95	$85,176	40% more than lead teacher wages
	Tier II	$31.50	$65,520	$31.85	$66,248	$32.55	$67,704	$33.60	$69,888	
	Tier I	$28.00	$58,240	$28.35	$58,968	$29.05	$60,424	$29.75	$61,880	
Assistant Director	*Tier III*	$32.45	$67,496	$32.45	$67,496	$33.93	$70,574	$34.52	$71,802	18% more than lead teacher wages
	Tier II	$26.55	$55,224	$26.55	$55,224	$27.44	$57,075	$28.32	$58,906	
	Tier I	$23.60	$49,088	$23.60	$49,088	$24.49	$50,939	$25.08	$52,166	
Classroom Teachers										
Lead Teacher	*Tier III*	$27.50	$57,200	$27.50	$57,200	$28.00	$58,240	$29.25	$60,840	*Anchored to K-12 Parity BA +5*
	Tier II	$22.50	$46,800	$22.50	$46,800	$22.75	$47,320	$24.00	$49,920	*22% Less than Tier III*
	Tier I	$20.00	$41,600	$20.00	$41,600	$20.25	$42,120	$21.25	$44,200	*10% more than living wage*
Assistant Teacher	*Tier III*	$24.75	$51,480	$24.75	$51,480	$25.25	$52,520	$26.25	$54,600	*10% Less than K-12 Parity (BA +5)*
	Tier II	$20.25	$42,120	$20.25	$42,120	$20.50	$42,640	$21.50	$44,720	*22% less than Tier III*
	Tier I	$17.25	$35,880	$17.25	$35,880	$17.50	$36,400	$18.50	$38,480	*Anchored to Living Wage*
Floater	*Tier III*	$24.75	$51,480	$24.75	$51,480	$25.25	$52,520	$26.25	$54,600	Same as Assistant Teacher
	Tier II	$20.25	$42,120	$20.25	$42,120	$20.50	$42,640	$21.50	$44,720	
	Tier I	$17.25	$35,880	$17.25	$35,880	$17.50	$36,400	$18.50	$38,480	

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