



Analysis of Cost Models

Research Brief Series Overview

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Overview

Early care and education cost modeling has gained increased attention as communities and states work to better understand the true cost of implementing high-quality child care. In this overview, I sought to capture the range of approaches used by communities and states for early care and education cost modeling. The purpose of this Research Brief series is to 1) provide information to communities and states looking to commission and/or update cost models, 2) promote equitable approaches to cost modeling, and 3) support alignment across the array of cost modeling consultants and organizations conducting these models.

Methods

A mixed-methods design was utilized to conduct this analysis. First, the Prenatal to Five Fiscal Strategies [Fiscal Modeling Studies](#) map was used to access a total of 25 cost model reports and cost models across the country. Additional models accessed were publicly posted on city or state websites as well as directly from cost modelers who agreed to share their models. Each model was individually reviewed and coded according to a set of defined variables. *Variables* are defined as characteristics, or attributes, of the cost models and final reports. These results were then used to develop a database of these variables. The coded database for each respective community and/or state was then sent to each cost modeling organization to validate the results, and/or provide additional context and information.

Snapshot

Cost models, or Cost Estimation

Models, are defined as analyses that assist communities and states in understanding the current and true costs of providing services. They may also include an analysis of the total funding necessary to accomplish established goals.

Approach

- 25 cost models analyzed
- Models were conducted by 13 national cost modeling organizations/institutions.

Model Focus

Cost of Pre-K: <i>What it costs for an average Pre-K classroom.</i>	2
True Cost of Care: <i>What it costs for licensed providers to implement the regulations.</i>	8
Cost of Quality (QRIS): <i>What it costs to increase quality ratings.</i>	9
Workforce Models: <i>What it costs to increase compensation not tied to QRIS.</i>	2
Comprehensive System: <i>Cost analysis included costs to fully comprehensive services within child care.</i>	4

Report Publication Dates

- 2023-2024: 10
- 2021-2022: 3
- 2019-2021: 7
- Prior to 2019: 5

Together, these findings have been coupled with results from a survey completed by cost modelers. A total of 12 cost modelers completed a cost modeler version of the survey. Another survey was disseminated to leaders in communities and states commissioning models. Thirteen local and state leaders across 10 distinct localities responded to the survey, including three that did not specify their location. State and local leader survey respondents were also invited to participate in a series of Focus Groups, as were members of the Prenatal-to-Three Capacity-Building Hub (PN-03 XChange) who had completed models. Cost modelers were also invited to share the opportunity to participate in the survey among their clients and networks. Focus groups were designed to capture lessons learned from those who have developed or commissioned cost models.

This research brief series is informed by the results of this analysis.

High-Level Lessons Learned

Cost Modeling is gaining momentum in the field of early care and education given the March 2024, Child Care Development Fund (CCDF) final rule on [Improving Child Care Access, Affordability, and Stability in the Child Care and Development Fund](#) updating CCDF regulations (45 CFR Part 98) administered by the Administration for Children and Families Office of Child Care. In addition, in January 2025, the Administration for Children and Families Office of Child Care also released a Program Instruction titled [Guidance on Cost-Based Alternative Methodologies and Evaluation Criteria for Establishing Subsidy Payment Rates](#). Together, this final rule and program instruction “encourages Lead Agencies to consider proposing cost-based alternative methodologies.”¹

States and communities are eager for information to help guide their procurement of cost modeling services and the management of contracts to conduct models. For example, agency staff want guidance on what states should ask for and to include within their models, as well on how best to use and report findings. There is a strong desire to learn from peers and colleagues as more and more localities and states undertake this work.

States and communities participating in this research who have commissioned models report the act of commissioning models has led to important impacts in their systems. They reported having been able to set reimbursement rates at the cost of care, increase compensation for educators, increase the

¹ Office of Child Care (2018). Guidance on alternative methodologies and cost analyses for purposes of establishing subsidy payment rates. [Guidance on alternative methodologies and cost analyses for purposes of establishing subsidy payment rates | The Administration for Children and Families \(hhs.gov\)](#)

number of programs participating in the subsidy program, engage in discussions with their legislators regarding the gap in funding, and ensure rates are reflected appropriately in each geographic region.

Findings also demonstrated that there are many differences among the ways variables are defined within models, as well as the level of detail provided in public-facing reports. This lack of consistency and transparency in reporting can make it challenging to truly understand how results were determined and to replicate methodology when updates are needed.

This analysis found that the goals for commissioning cost models vary. The primary objectives are to understand the current costs of care and the aspirational resources needed to increase reimbursement rates, compensate educators appropriately, and increase participation within public programs. In some instances, the results of cost models have helped to inform discussions with the Legislature and Governor's office around the resources necessary to supplement federal funding.

Cost modelers are aware of and report numerous factors that influence what they publish. The validation process highlighted that many variables not found in published reports were, in fact, part of the model assumptions and methods. The decision regarding what to publish and in what format is driven by the community and state commissioning the model. I recognize that cost modelers respond to funding opportunities and implement scopes of work that shape final reports and that these contracts may constrain their ability to report a level of detail. Additionally, the organizations and private consultants doing cost modeling also have desires to safeguard their tools and approaches, seeing this as intellectual property. Releasing too much information may pose challenges to the business models of these consulting firms. It may also become an unmanageable amount of information for the general consumer. However, releasing too little can make it unclear how cost estimates were derived. For these reasons, I **recommend a set of guidelines to help support greater alignment in definitions and approaches, while also allowing for the flexibility each context requires.**

Next Briefs

There are four accompanying **Research Briefs**, where I explore these tensions and the opportunities.

Overview Brief – An Analysis of Cost Models

Research Brief #1 – How Greater Transparency Can Further Support Equity

Research Brief #2 – Scope, Structure, and Data Collection Methods

Research Brief #3 – Parameters and Details Provided Within Reports

Research Brief #4 – The Impact of Cost Models

This research was conducted by Allison Comport while serving as a visiting Predoctoral Fellow with CELFE in 2024. To learn more about this Research Brief series and to view the other briefs in this series, please visit celfe.org.

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