

Chicago Cost Model

2025 Update- Final Report



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Acknowledgements:

The Center for Early Learning Funding Equity (CELFE) has updated the cost model for center-based Childhood Education and Care (ECEC) programs that meet Chicago Early Learning Standards. Funded by the McCormick Foundation, this update is the first component of a three-part analysis of ECEC financing, which will also include a preliminary funding equity map and an assessment of ECEC participation. While this initiative is not a formal part of the City of Chicago's Early Learning Initiative, CELFE thanks the Mayor's Office, the Chicago Department of Family and Support Services (DFSS), and the Every Child Ready Chicago Committee for their thoughtful participation throughout the process.

This updated model delineates the full estimated cost of meeting Chicago Early Learning Standards (CELS), considering current market costs for staffing, occupancy, and purchased goods and services. The CELS focuses on best practices for child development and organizational management. They provide Chicago centers with a seamless set of expectations across several funding streams, and while generally aligning with the various funding stream requirements, they do not replace those requirements.

The cost model is not designed to specify the funding amount or budget for any one center, nor is it designed to specify the amount of funding needed from any specific funding stream. Instead, the tool is designed to help funders and policymakers better determine funding amounts from the various streams and consider how they work together.

Chicago is fortunate to have significant ECEC funding from three major public funding streams: federal Head Start/Early Head Start (HS/EHS), state Early Childhood Block Grant, including Preschool for All and Prevention Initiative (PFA/PI), and the federal/state Child Care Assistance Program (CCAP). DFSS distributes funding from each of these funding streams through contracts with community-based centers. While DFSS is the only source of Early Childhood Block Grant funds for Chicago centers, those centers might choose to apply directly to the federal Office of Head Start for HS/EHS funds. Often, they also enroll families with CCAP certificates (vouchers) provided through Illinois Action for Children. DFSS has taken an important step in weaving these funding streams into a unified set of performance standards. This cost model applies those unified standards in estimating unified costs to be supported by multiple funding streams.

Model Development Process

CELFE used a five-step process to construct the model, including:

- 1. Data collection and analysis**
- 2. In-depth interviews and budget reviews with a small number of programs**
- 3. Provider focus groups to gather reactions to initial findings**
- 4. Discussions with advocacy organizations, Every Child Ready Chicago, Chicago Department of Family and Support Services (DFSS), Chicago Public Schools (CPS), and the Mayor's Office**
- 5. Refining and finalizing the model**

Step 1. CELFE collected and analyzed from several sources:

The Illinois Network of Child Care Resource and Referral Agencies (INCCRRA) provided data for Chicago centers whose funding included at least one of the following sources: Head Start, Early Head Start, Preschool for All, and center-based Prevention Initiative. (PFA and PI are parts of the state Early Childhood Block program.) Almost all centers in the sample operated full-workday programs and received at least some Child Care Assistance Program funding. The INCCRRA data included the average numbers of leadership, teaching, and comprehensive services staff per site (sorted by site size), the average wages by position, the overall percentages of preschool and infant/toddler classroom staff members with Gateways credentials at each level, and the educational attainment (degree and credential) percentages by position.

The Chicago Early Childhood Integrated Data System (CECIDS) supported the cost model with classroom-level data on children served in classrooms with ECBG or Head Start funding. CELFE supplemented this information with data on the broader Chicago labor market provided by the Bureau of Labor Statistics.

CELFE then designed a survey that Illinois Action for Children distributed to Chicago programs with multiple funding streams. The survey was comprised of three parts: classroom-related questions (how many classrooms for each age group, etc.), staffing questions (how many staff members for selected job titles), and financial questions (the annual cost of a few budget categories, such as food). Unfortunately, only 18 programs responded to the survey, but those responses deepened CELFE's understanding of program cost.

Step 2. CELFE conducted “deep dive” interviews & budget reviews:

The “deep dive” interviews involved eight sites and provided more detailed information on current costs and expenditure lines that would need to be increased to continue meeting the standards. Sites that completed the deep dive process received a \$2,500 stipend.

Site selection. The CECIDS team proposed a sample group of sites to invite in order to achieve diversity in program size, population served, age groups, and status as either a direct grantee, a delegate agency, or a partner site. CELFE asked CECIDS to prioritize sites in United Way Neighborhood Network communities: Auburn Gresham, Austin, Brighton Park, Bronzeville, Englewood, Far South, Garfield Park, Little Village, and South Chicago.

Ultimately, CELFE invited 14 sites to participate. Three declined, three dropped out, and eight completed the process. Those eight included HS/EHS direct grantees, delegate agencies, and a partner site. Sites were located on the north, northwest, west, southwest, and south sides and served a variety of racial and ethnic groups. Site sizes ranged in licensed capacity from 32 to 233.

The Deep Dive Process

Sites were required to complete all of the following:

- Respond to the initial invitation.
- Have a conversation with the deep dive coordinator to introduce the scope of the commitment and ask questions.
- Attend a 90-minute webinar that explained the purposes and steps in detail.
- Complete the cost model survey.
- Send an FY24 expenditure statement for the site's classroom-based birth-to-five programs. If they feel comfortable sharing their internal salary scale, send it.
- Answer any preliminary questions to clarify the documents sent.
- Participate in a 2-hour in-depth interview with members of the CELFE cost model team.
 - That interview reviewed their survey responses in three categories: classroom information, staffing information, and financial (cost) information. It also reviewed their FY24 expenditure statements and included some questions on general operations. A total of 14 people from the 8 sites participated in the deep dive interviews, usually including a leading program person, such as the Program Director, and a leading finance person, such as the Finance Director or CFO.
- Follow up to answer any questions that arose as the team reviewed all documents.

Sites were assured that their individual site information would remain confidential and that only consolidated results would be shared outside of CELFE.

Step 3. CELFE conducted provider focus groups to gather reactions.

All Chicago center-based providers with multiple funding streams were invited to register for either of two focus groups. Leadership staff from nine centers participated. They discussed why they increased their number of birth to three classrooms, and they reacted to our initial findings about staffing structure and salaries. They discussed what salaries they wanted to pay to retain qualified staff, what salaries they were actually able to pay, and related concerns.

Step 4. CELFE held discussions with advocacy organizations.

CELFE discussed findings and recommended salary levels in a meeting with DFSS, CPS, and the Mayor's office. Finally, CELFE met with advocacy organizations and the Every Child Ready Chicago Executive Committee.

Step 5. CELFE refined and finalized the model.

CELFE used the findings and recommendations from steps 1-4 to refine the model assumptions. We then streamlined the spreadsheets and tested their functionality.

The Cost Model

Based on findings from data and current practitioners, CELFE has constructed a model that delineates costs in **two categories**:

1. **current** typical expenses incurred by centers as they work to meet CELS requirements while operating within current funding limitations.
2. the estimated costs of fully implementing the standards (called **"target"** costs) in view of the current labor market and cost increases across the economy.

In the **wages category**, current typical salaries generally exceed the minimum CELS salary standards but fall short of competitive "target" levels. In the **credentials and staffing patterns category**, current typical qualifications tend to fall short of CELS goals, but they do meet the requirements for waivers designed in response to the staffing crisis.

In calculating costs, the model considers the typical center size, hours of operation, and enrollment by age group. It takes account of the required staffing and non-personnel line items. Finally, it calculates total cost per child, per classroom, and per center. It allows users to change center characteristics and estimated line-item expenses to determine how those variations would affect the total revenue needed.

Wages

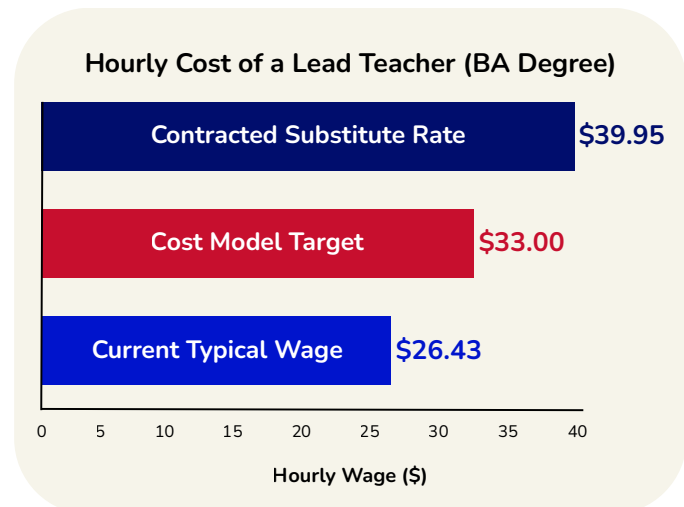
Labor market analysis confirmed that many Chicago businesses outside of the ECEC field are paying significantly higher wages to individuals with qualifications comparable to those required by center-based programs. This fact appears to be the key driver of a **staffing crisis** that affects children's experiences and programs' ability to comply with the standards. Competition with the public school system was especially a concern for attracting and retaining teachers.

Program leaders pointed to the staffing crisis as their greatest challenge, and they expressed the need for increased funding to raise wages.



Driven by the staffing crisis, many programs are heavily relying on contracted substitute services. While substitutes or floating teachers are important for any program, heavy use of substitutes can have a negative consequence on child learning. When a new adult appears in a classroom, each child must spend time and energy learning about the new personality and new expectations. Little energy is left for critical learning activities, including exploration, experimentation, and risk-taking. **Continuity of care** means that the same teacher stays with a child over more than one year, but it also means that staffing is stable and predictable throughout the day.

Furthermore, the use of contracted substitute services has resulted in higher staffing costs. For example, one commonly used service charges \$39.95 per hour for a Bachelor's degree teacher, while centers are paying an average of \$26.43 per hour for such teachers on their own payrolls. With fringe benefits, the average center cost is approximately \$34.00, still below the contract rate.



The \$39.95 contract figure is comparable to the recommended minimum (target) of \$33.00 per hour in this cost model when fringe benefits are added. By offering this wage directly, centers could potentially attract and retain permanent staff for the same price they are now paying the substitute service.

Table 1 below represents classroom staff salaries. In one column, it shows the average **current salaries paid by Chicago centers** with multiple funding streams (from INCCRRA data), and in the next column, it shows the **target minimum salaries suggested** by this the cost model. The target salaries are designed to achieve parity with those paid by the Chicago Public Schools (CPS). A new Head Start rule requires programs to develop a pay scale that moves toward public school parity, and participants in the deep dives and focus groups indicated that Chicago Public Schools is a major competitor.

Table 1

Position	Current Average Salary	Target Minimum Salary
Teachers – Birth to Three Classrooms		
ECE Level 5 + IT Level 5	44,034	69,680
ECE Level 5		68,640
ECE Level 4 + IT Level 4		54,080
ECE Level 4		53,040
Teachers – Preschool Clasrooms		
ECE Level 5 + PEL	54,974	74,880
ECE Level 5		68,640
ECE Level 4		53,040
Teacher Assistants		
ECE Level 4	37,939	46,800
ECE Level 3 + IT Level 3		42,120
CDA		38,480

The target salaries are meant to be base wages for entry level classroom staff with no additional qualifications. The scale does not stipulate steps for longevity or other factors. The target column uses the CPS 52-week annual step 1 salary (\$74,880) for a BA-level teacher with a professional educator license (PEL) and works backward to fill in the scale for other credential levels. The cost model itself calculates total staffing costs for classroom staff that are 10% higher than the minimums shown, assuming that actual salaries for each job title and credential will fall in a range between the minimum specified and 20% above that minimum.

Table 2 below reviews non-classroom salaries including site leadership positions and support staff. For the fiscal officer salary, the model uses the median 2024 wage of accountants and auditors according to the Bureau of Labor Statistics (BLS). For the clerical staff salary, the model uses the median BLS wage for office and administrative support occupations, and for Family Support Specialist it uses the median BLS wage for child, family, and school social workers. Executive staff, center director, and family support specialist positions are all set in as steps above teacher salaries.

Table 2

Position	Current Average Salary	Target Minimum Salary
Site Leadership		
Executive Staff	107,827	107,827
Center Director	60,736	89,856
Fiscal Officer	79,810	79,810
Support Staff		
Family Support Specialist	56,160	68,640
Professional Support Staff*	60,472	82,368
Clerical Staff	45,386	45,386

*Professional Support Staff includes positions focused on instructional support, child health, mental health, disabilities, nutrition (not incl kitchen staff), family services, & other professional fields.

Credentials and Staffing Patterns

CELS requirements for teaching staff credentials are especially important in this model. Those requirements reflect research findings and best practices. However, in recognition of the staffing crisis, the standards allow centers to apply for waivers if they cannot find qualified candidates. In the following table (Table 3), the “Current Average” columns represent the typical qualifications and salaries found by CELFE. Many centers are making use of waivers, especially at the higher qualification levels. The “Target” column is based on CELS requirements without use of waivers.

Also note that the target staffing levels in 2-year-old and preschool classrooms have been increased by 0.5 FTE over current practice and current CELS standards. Analysis of budgets for deep dive sites, followed by discussions with directors, revealed that classroom staffing is lean. CELS staff-child ratios apply to a 7.5 hour day, but most centers operate for 10 to 12 hours. Even with regrouping at the beginning and end of the day, programs operating 10 to 12 hours per day cannot count on every staff member being in place every day. Furthermore, little time would be available for reflection and planning with the current staffing pattern.

Table 3

Position	Current Average			Target		
	Number	Credential	Salary	Number	Credential	Salary
Site Leadership						
Executive Staff	1		107,827	1		107,827
Center Director	1		60,736	1	IDC Level 2	89,856
Fiscal Officer	1		79,810	1	IDC Level 2	79,810
Infant Classroom- 8 Children						
Teacher	1	ECE Level 4, AA	44,034	1	ECE Level 5, BA	69,680
Teacher Assistant	2	CDA	37,939	2	IT Level 3	42,120
2-year-old Classroom-8 Children						
Teacher	1	ECE Level 4, AA	44,034	1	ECE Level 5, BA	69,680
Teacher Assistant	1.5	CDA	37,939	1.5	IT Level 3	42,120
Teacher Assistant	-	-	-	0.5	CDA	38,430

Table 3 continued on next page

Table 3 (Continued)

Position	Current Average			Target		
	Number	Credential	Salary	Number	Credential	Salary
Preschool Classroom- 17 to 20 Children						
Teacher	1	ECE Level 5, BA	54,974	1	ECE Level 5, BA + PEL	74,880
Teacher Assistant	2	ECE Level 4, AA	37,939	2	ECE Level 4, AA	46,800
Support Staff						
Family Support Specialist <i>per 40 children</i>	1		56,160	1	FSS Level 5	68,640
Professional Support Staff <i>per classroom</i>	1		60,472	1	FSS, ECE, or IT Level 5	82,368
Clerical Staff <i>per center</i>	1.5		45,386	1.5		45,386

Note: The standard for preschool classrooms is 17 if the predominant age is 3, and 20 if the predominant age is 4. Among deep dive sites, half of the classrooms targeted each number. Therefore, cost model calculations use the midpoint of 18.5.

Other Costs

Current costs for employee benefits and non-personnel line items are shown in the Appendix. They are based on data from the survey, deep dives, and focus groups. The cost model assumes that current costs and target costs are the same.

Overall Cost Results

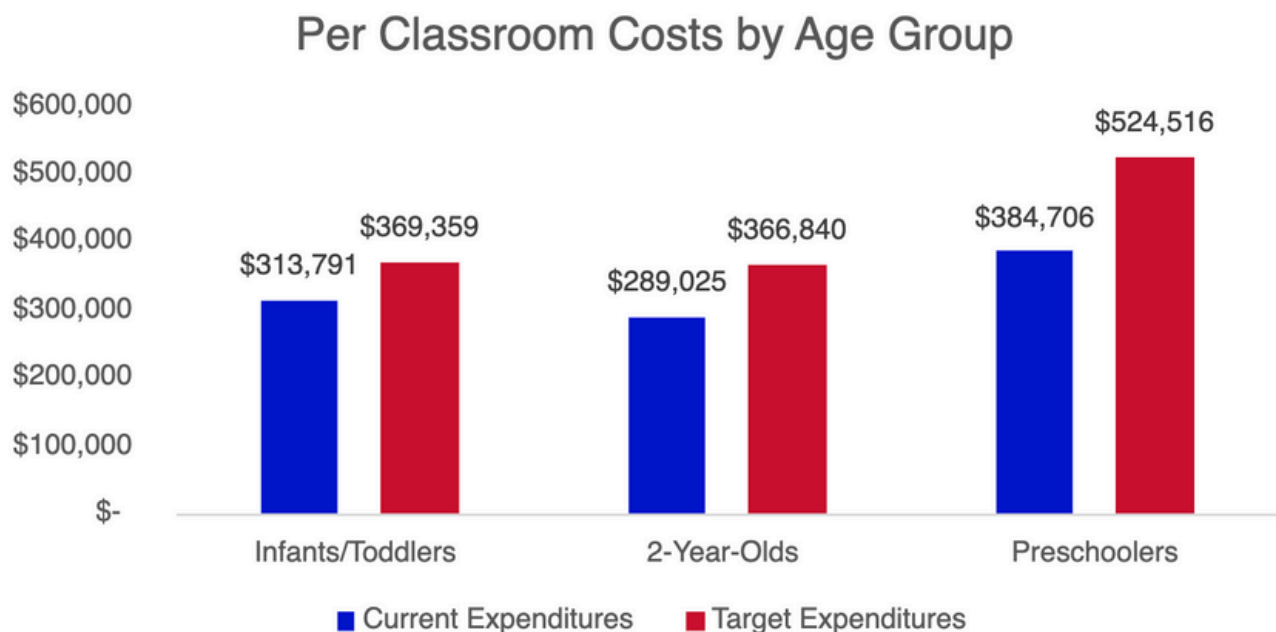
Using the inputs described previously, the cost model calculates the total current expenditures and total target costs for each age group. Totals are shown in three ways:

- per classroom
- per-child-served
- per-slot

The per-classroom totals are especially important because classroom operations (teachers, assistants, furnishing, supplies, etc.) are key to center budgets. The per-slot totals are based on the maximum group size permitted by the standards for each classroom. The per-child totals are based on average enrollment, not full capacity. They are slightly higher than the per-slot amounts because overall costs are distributed among a smaller number of children. The cost model uses the industry standard of 85% enrollment to calculate per-child amounts. Users can change the number of classrooms or number of staff per classroom or several other variables to see how the changes would affect total costs.

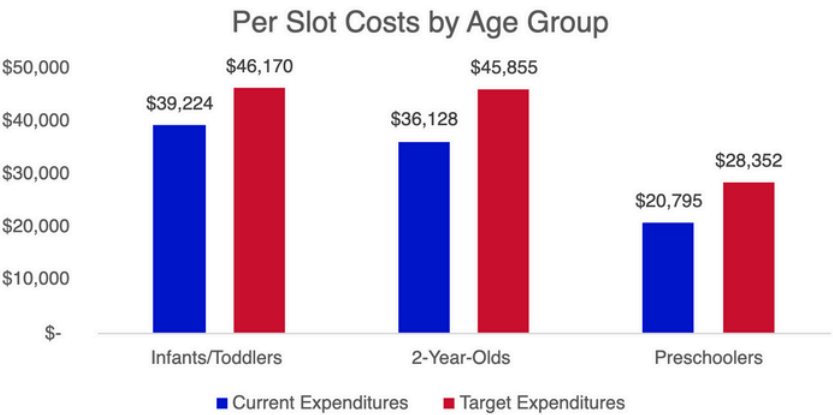
Overall results of this 2025 analysis are shown in the three following graphs.

Graph 1, Per Classroom Costs by Age Group

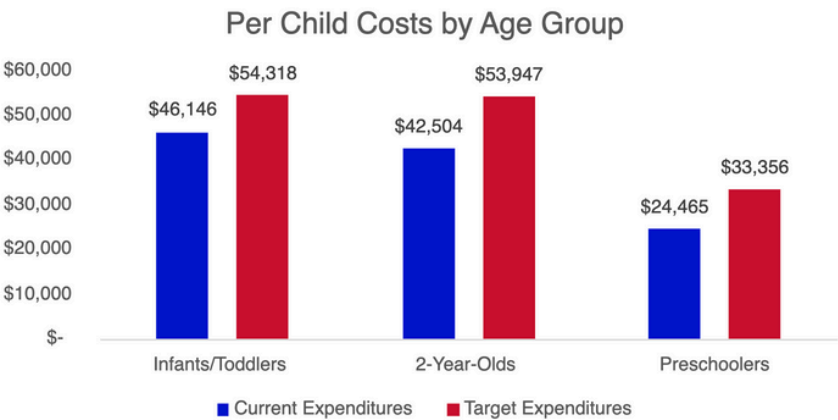


Overall Cost Results (Continued)

Graph 2, Per Slot Costs by Age Group



Graph 3, Per Child Costs by Age Group



The per-child slot and per child cost increases from the current practice to the updated targets are:

	Per Slot	Per Child
For Infants and Toddlers	\$6,946	\$8,172
For 2-Year-Olds	\$9,727	\$11,443
For Preschoolers	\$7,557	\$8,891

These increases are driven primarily by changes in the labor market and the resulting target salary scale, helping programs attract and retain staff members, including those with full credentials rather than waivers.

The cost increases are also associated with more adequate classroom staffing patterns. Note that in both graphs, the Current Expenditures for two-year-olds are lower than those for infants and toddlers, even though the standards are essentially the same. This is because programs reported staffing the infant/ toddler classrooms with 0.5 FTE more dedicated staff than two-year-old classrooms. The expenditure calculations add 0.5 FTE for two-year-old and preschool classrooms to maintain adequate staffing for the full workday. This change increases the per-child cost more dramatically for 2-year-olds than for preschool because the additional FTE is distributed among only 8 children in the 2-year-old classrooms vs. 18.5 in the preschool rooms.

Other Findings

Higher Proportion of Birth-to-Three Classrooms

Many centers have responded to community needs by increasing the percentage of birth to three children served. Serving younger children carries increased costs. The totals in this cost model reflect those higher costs in both the current expense and target cost categories. The typical center size is shown as 4 birth-to-three classrooms and 3 preschool classrooms.

Declining Use of Child Care Assistance Program

CCAP revenue is critical to programs because it is the only funding stream that can be used to build cash reserves or to cover unexpected immediate needs without going through a budget amendment process. CCAP is designed to help low and moderate-income families buy into the child care market. Unlike other funding streams, it purchases child care through per-diem rate payments for eligible children rather than reimbursement of specific costs incurred. Programs may use these payments to support any business-related cost. Historically, CCAP revenue has provided a flexible layer of program funding.

CELFE was surprised to find wide variation in CCAP usage at deep dive sites, ranging from 5% to 81% of enrolled children. Most sites said that despite working to increase their percentage of children who receive CCAP, the percentage has been declining. It's not clear what has driven this change. Some sites noted that new arrivals and undocumented families are reluctant to get formal employment that would qualify them, and others might simply be reluctant to complete the family application. Other sites pointed to the prevalence of unusual work hours or noted that some of their lowest-income families are not working. On the positive side, most sites said that CCAP reimbursement is timely.

It would be useful to collect more information on the reasons for the decline and on the wide variation in usage among programs serving similar communities. The decline might represent commendable efforts to enroll the highest need families, including new arrivals and families in deep poverty. On the other hand, it might simply represent a misunderstanding of the CCAP system or a lack of center personnel to facilitate families' participation. Although this cost model does not address specific revenue streams, it will be important for policymakers to consider this change in CCAP utilization when determining funding amounts.

Deferred Building Maintenance and Repairs.

Most sites said they struggle to keep up with building maintenance and repairs, including everyday items like painting, and deferred longer-term needs such as heating and ventilation system upgrades and new roofs. The cost model has not targeted increases in these areas, but future work to learn more could be useful.

Inclusion Aides.

Directors said that while laws and Head Start standards require serving children with disabilities and developmental delays, and the programs do enroll those children, additional aides are needed to meet their needs. Future work to analyze these needs and estimate needed revenue could be useful as well.

Discussion

Chicago centers are experiencing an unprecedented staffing crisis that disrupts child learning and impedes staff development and quality improvement work. The overarching cause of this crisis is post-Covid inflation and changes in the broader labor market, including large wage increases in other sectors and competition from CPS.

The target salary scale has the potential to address this crisis, and higher wages are surely the most important need revealed by the cost modeling work.

Chicago is fortunate to have many strong center-based programs supported by multiple funding streams. Across the country, federal, state, and local ECEC leaders are seeking ways to coordinate the funding streams to support an overall financing strategy. The Chicago Early Learning Standards, applied across funding streams, serve as a national model for moving in this direction. This 2025 cost model builds on those standards by identifying the cost of meeting them. It can serve as an essential resource for policymakers in developing an overall financing strategy.



Appendix: Other Expense Assumptions

Benefits/ Payroll Taxes

Category	Cost	Unit
FICA (Social Security and Medicare)	7.65%	Per Salary Amount
Health Insurance	\$8,951	Per FTE
Workers Compensation	0.75%	Per Salary Amount
Retirement	3%	Per Salary Amount
State Unemployment Tax	\$516.42	Per FTE
Federal Unemployment Tax	\$42.00	Per FTE

Non-Personnel Costs

Non-personnel costs were largely based on the CELFE Survey, deep dives, and the focus groups. The cost model assumes that current costs and target costs are the same.

Category	Cost	Unit
Food & Food Prep	\$2,000	Per child
Kitchen Supplies	\$194	Per child
Classroom Supplies	\$538	Per child
Office Supplies & Equipment	\$443	Per child
Teacher Training	\$150	Per teacher
Rent/Lease/Mortgage	\$34,560	Per classroom
Utilities	\$4,647	Per classroom
Building Insurance	\$2,560	Per classroom
Maintenance, Repair, and Cleaning	\$5,120	Per classroom

Appendix: Other Expense Assumptions

Enrollment Efficiency

ECEC programs do not typically operate at 100% full enrollment throughout the year. In calculating per-child costs, the model uses the industry standard of 85% enrollment. Therefore, the per-child costs are higher than the per-slot costs because there are fewer children than slots.

Days of Care

The model assumes a 240-day (48 week) year.

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