Center for Early Learning Funding Equity
NORTHERN ILLINOIS UNIVERSITY

Understanding Cost Drivers for Quality

July 17, 2026

Prepared for NAFCC Conference

Project Overview

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WeVision Early Ed: Our Work Together

Goal: To build a better understanding of the cost of the 'ideal state of quality care' in child care centers and licensed family child care homes

Two complementary methods:

1) In-depth budget “deep dives” to understand the practices and costs of real-life programs
2) A cost-estimation study that modeled the cost of care at varying levels of quality: licensing, NAEYC and NAFCC accreditation across four states

Budget Deep Dives

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What defines quality, and what does quality cost?

CELFE began by diving deeper into the budgets and program models of 10 WeVision partner programs (5 center-based and 5 home-based), selected in partnership with the Bainum Foundation.

The programs selected met various definitions of quality:

- All centers were NAEYC-certified, and all home-based programs were NAFCC-accredited.
- Programs received high ratings in their state Quality Rating and Improvement Systems, although the specific requirements of these QRIS systems differed.

However, not all aspects of quality are easily measured, and not all are costly. This project aimed to investigate how programs defined and invested in quality for themselves, to help guide the field in making strategic financing decisions

Process Quality vs Structural Quality

Structural Quality

The Building Blocks

Easily **measurable and concrete** aspects of quality such as:

- Ratios
- Group Size
- Teacher Qualifications

Structural quality is **necessary but not sufficient** to support children's development.

Indirect relationship to child development
Direct relationship to cost

Process Quality

The Key to Learning

The interactions and relationships that drive children's healthy development

- Language-rich learning environments
- Warm and nurturing relationships
- Serve-and-return interactions to support brain development

Direct relationship to child development
Often doesn't have direct cost implications

We found the cost drivers related to **staffing** to be most important for family child care providers.

Home-based programs vary widely in:

- Community needs and demographics
- Owner philosophy and pedagogical practices
- Regional cost structures
- Availability and use of public and private funding streams

But, we found consistent drivers of cost and quality:

- **Staffing ratios exceed licensing standards,** and every program has at least one assistant
- **Comprehensive fringe benefits for owners and assistants,** including health insurance, vacation, and paid sick leave
- **Professionalized compensation practices,** with assistants at two sites paid on a salaried rather than hourly basis

Diving Deeper With Cost Estimation

Based on these initial findings, CELFE worked with Bainum to design a cost-estimation study that would contribute to our understanding of the cost of the common structural quality components found at WeVision Early Ed sites.

1. How does accreditation (NAEYC and NAFCC) impact costs over and above state licensing standards?
2. Do these cost findings vary by state, particularly when comparing states with different staffing patterns defined by licensing standards?

Cost Model Findings

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What a cost model is, and what it is not:

The cost model is:

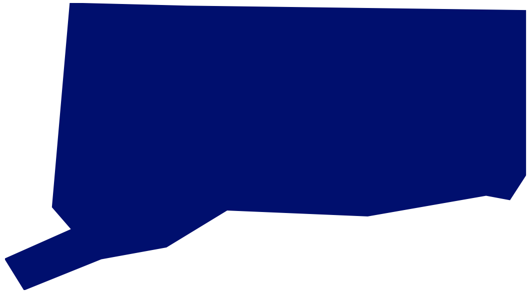
- A representation of a 'typical' child care center or home-based program using strong business practices
- Aligned with the Provider Cost of Quality Calculator (PCQC) data points
- Meant to inform systemic funding and policy decision-making

A cost model is not:

- A program-by-program representation of actual daily costs of any one child care center or home
- Meant to be used by providers for budgeting purposes

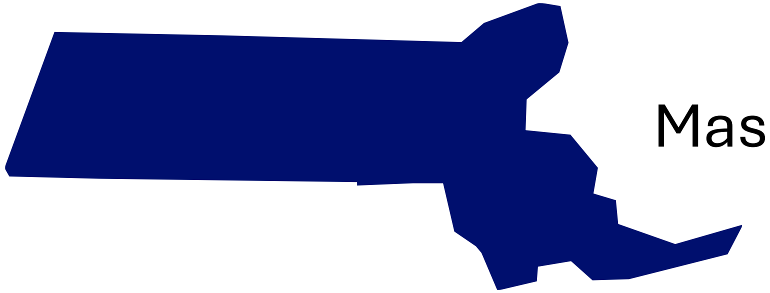
	MODEL COST	MODEL COST
	Scenario 1	Scenario 2
FACILITY SIZE & STAFF		
Family Child Care Home Sizes		
Scenario Weight	60.00%	20.00%
Staffing/Enrollment		
Staffing Pattern		
Owner/FCC Educator	1.00	1.00
Assistant	0.50	0.75
Enrollment Capacity		
Under age 2	3.00	3.00
Ages 2-5	3.00	3.00
School Age	-	2

Identified four states for which to model the cost of an ideal state of quality care:



Connecticut

Florida



Massachusetts

Illinois

Cost Estimation Study Findings

1

Becoming accredited through NAEYC doesn't necessarily cost more. When modeling for the spirit of these standards, costs increased as more teachers were needed to meet higher staffing ratios, and higher credentialing necessitated higher compensation.

2

NAFCC accreditation requires a smaller group size, which did increase costs.

3

Geographic variations in licensing standards did impact costs, with states with stronger teacher-child ratios having higher costs.

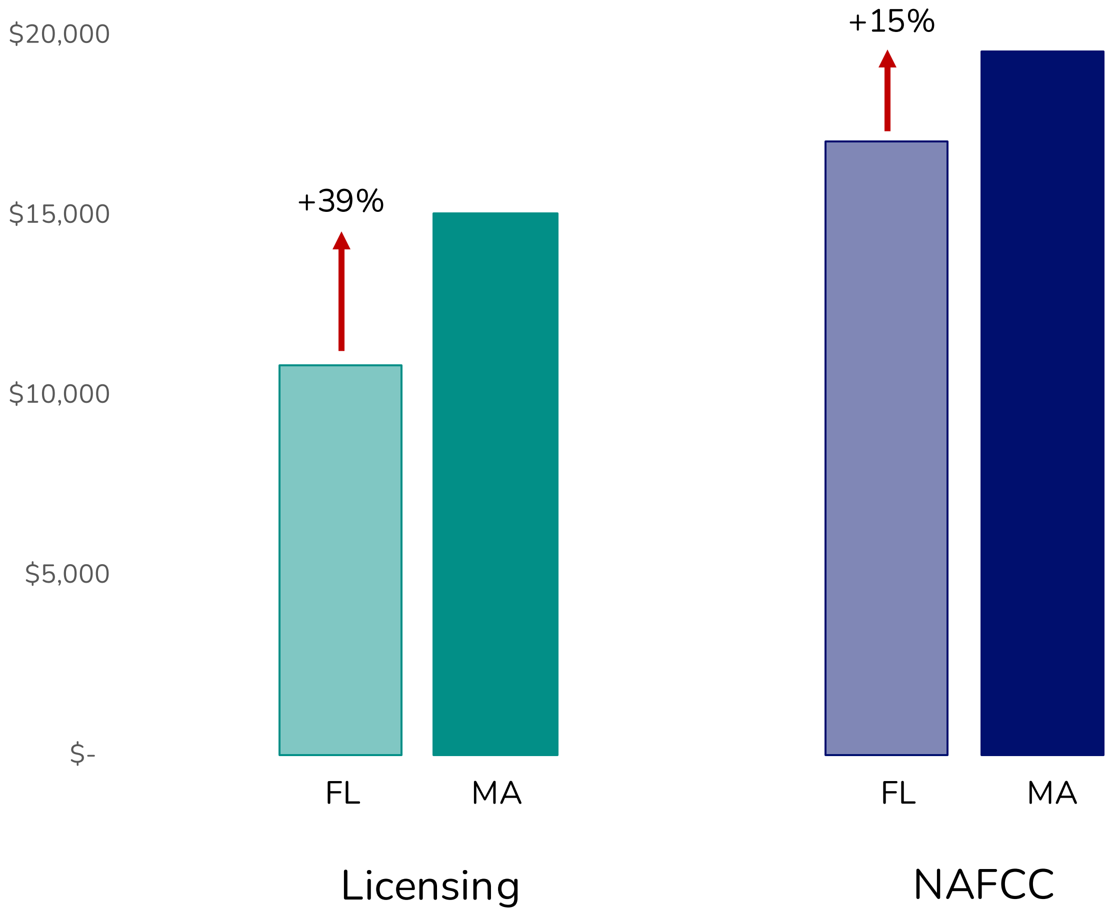
4

Compensation estimates are a primary driver of program costs, and understanding fair, market-competitive wages is important and challenging.

When looking at per-child costs for smaller programs, there is significant geographic variation between states.

- **Florida** has the lowest per-child costs, driven by state wage and occupancy differences and higher maximum group sizes (10, vs. 8-9 in other states) with standard licensing.

- NAFCC's uniform maximum group size (6 across all states) narrows the cost gap between states.



Issues For Further Consideration

Compensation remains the field's most consequential, least settled cost question. Better methods are needed to estimate market-competitive wages for the ECE workforce at varying levels of qualifications.

Fair, adequate compensation is important for

- Recruitment of a well-qualified workforce
- Retention of staff
- Provider wellbeing

FCC providers are small business owners. Their compensation is the net revenue from their business.

Revenue
- Tuition
- Subsidy
- CACFP
- Public Pre-K

−

Expenses
- Wages for assistants
- Space and Utilities
- Supplies
- Food
- Insurance

=

Net Revenue and Provider Compensation

1. **Providers bring in revenue from several sources.**
2. **Their business must cover operating expenses.**
3. **A provider's take-home pay is what remains after expenses are paid.**

Enrollment is capped by regulation.
Many other quality improvements (e.g., curriculum, screening) directly increase the provider's expenses and do not increase revenue, thereby decreasing the provider's net revenue/ compensation.

Result: A system subsidized by low provider compensation. Providers must balance their ability to pay themselves with a quality program.

Cost modeling allows us to make funding decisions based on fair compensation for FCCs.

Net Revenue and Provider Compensation

+

Expenses
- Wages for assistants
- Space and Utilities
- Supplies
- Food
- Insurance

=

Total Revenue
- Tuition
- Subsidy
- CACFP
- Public Pre-K

1. **Start with a "target" take-home pay for the provider.**
2. **Subtract the business's costs of operating.**
3. **Understand what revenue would be needed to**

Result: Funding is based on fair compensation for the FCC provider, in parity with like-qualified occupations.

Thank you!

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