

# Policy Roundtable for Child Care & Development Commission

A graphic of three overlapping silhouettes of human heads in profile, facing right, rendered in various shades of blue against the dark blue background.

January 10, 2024

# Introductions: Name & Organization

# Comments from the Chair

# General Business

Approval of Minutes – December 13, 2023

# Public Policy

# Understanding Current California Child Care Costs: Reimbursement Rate Methodology and Cost Estimate Model Update

- **What surprised you about the data?**
- **How can this information guide policy recommendations for ECE?**

# Our Unified Strategic Plan in Motion



## Planning in a Shifting ECE Landscape An Update on the Infant/Toddler Blueprint and UPK LA





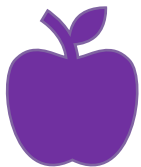
## Increase parents' knowledge about early education choices

- Access/Parent Engagement Ad Hoc launched on 12/14
- Ad Hoc met with LPI about parent survey questions



## Establish local partnerships between LEAs and ECE mixed delivery system

- OAECE and CCALA developing contract to support parent choice campaign and strengthening LEA partnerships



## Increase supports for workforce

- Workforce Ad Hoc scheduled to launch in 01/18
- Presentation on report from Center for Child Care Employment on ECE workforce issues

## Purpose of a motion

- Identify an issue and direct a department to propose a solution

## Infant/Toddler Blueprint Motion approved 09/12

- Directs DPH-OAECE to develop a blueprint identifying immediate and long-term efforts to **fortify the infant and toddler care system**
- In collaboration with the **Department for Economic Opportunity** and in partnership with **early care and education stakeholders**
- Report back to the Board of Supervisors in **180 days.**

## Report Format

- Includes narrative, data, partners and recommendations

## Timeline

- Typically 90 days, but negotiated 180 days

## Role of OAECE

- Lead and primary author, submitted by Dr. Ferrer

## Role of Department of Economic Development

- Partner department named in motion

## Role of Policy Roundtable, Planning Committee and other ECE Stakeholders

- Input, ideas, and feedback on recommendations

## Infant/Toddler ECE System Issues

- Limited licensed infant/toddler spaces
- High cost of care/low wages for workforce
- Stress of pandemic recovery
- Impact of Transitional Kindergarten expansion

## Urgency of Policy Recommendations

- Transitional Kindergarten ramp up
- Elevating County opportunities for FY 24-25
- Intersection with Spring 2024 legislative season
- Influence on FY 24-25 State budget

## Phase I - Issue Identification

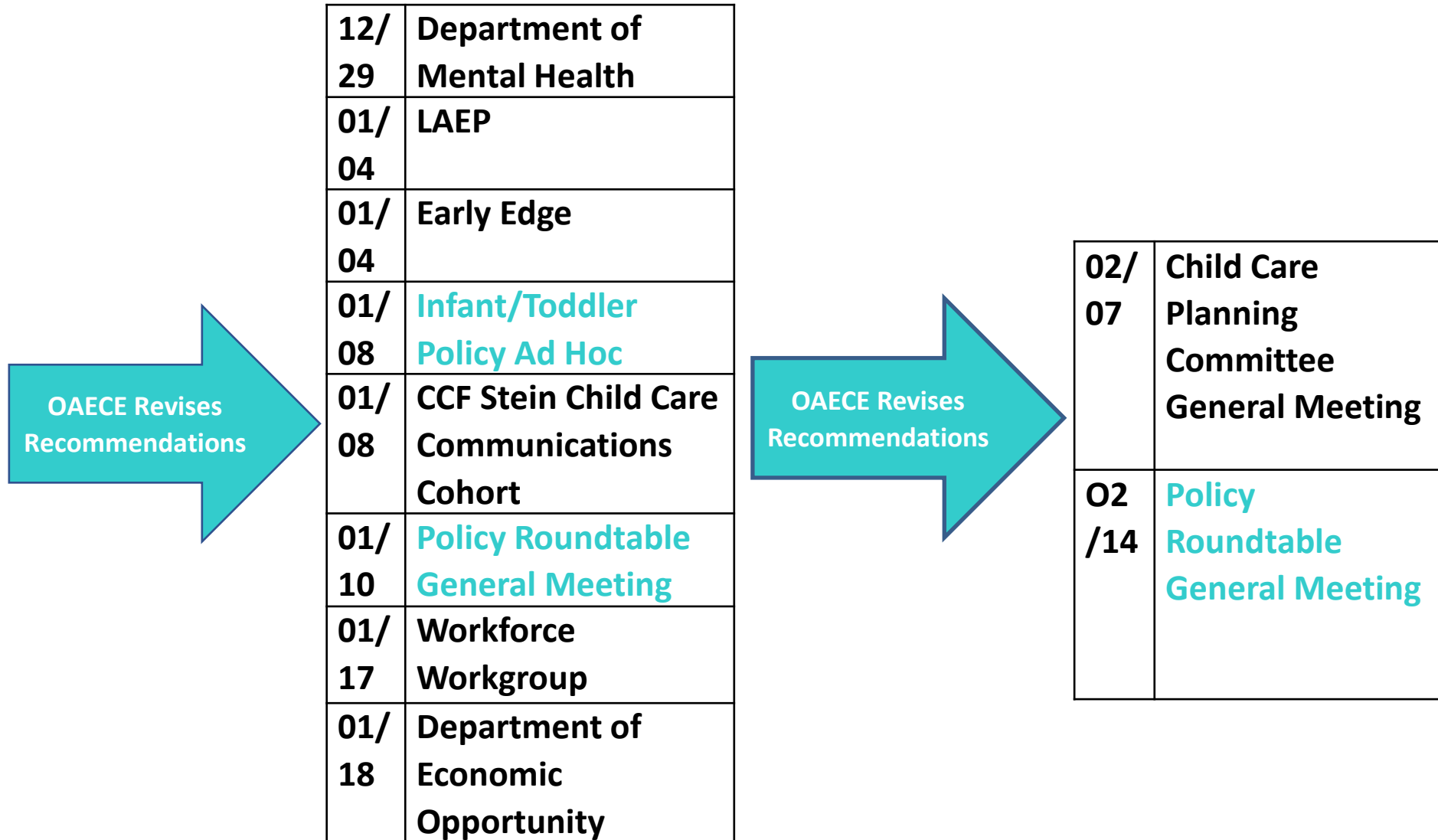


10/24	Every Child California Conference
11/01	Infant/Toddler Listening Session
12/03	Long Beach ECE Committee
12/05	Infant/Toddler Policy Ad Hoc
12/05	Santa Monica Early Childhood Task Force

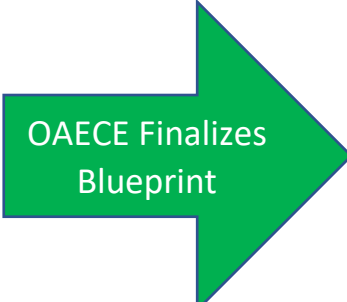


12/13	Policy Roundtable General Meeting
12/19	Infant/Toddler Policy Ad Hoc
12/20	Department of Economic Development

## Phase 2 - Policy Recommendations




## Phase 3 - Finalize Report and Submission



OAECE Finalizes  
Blueprint

<b>02/ 19</b>	<b>Submit to the DPH Leadership for review</b>
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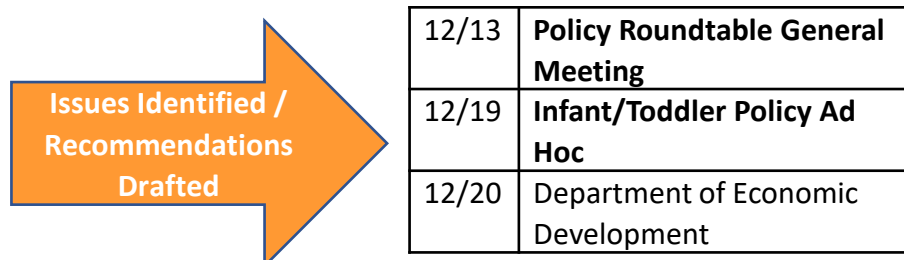
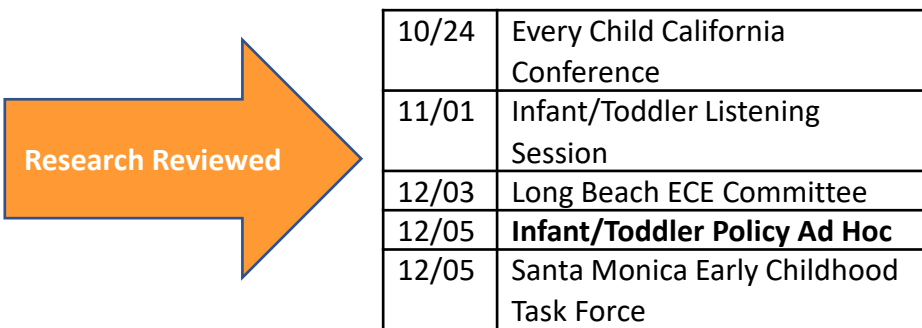
OAECE Finalizes  
for Submission

<b>03/ 11</b>	<b>Submit to the Board of Supervisors</b>
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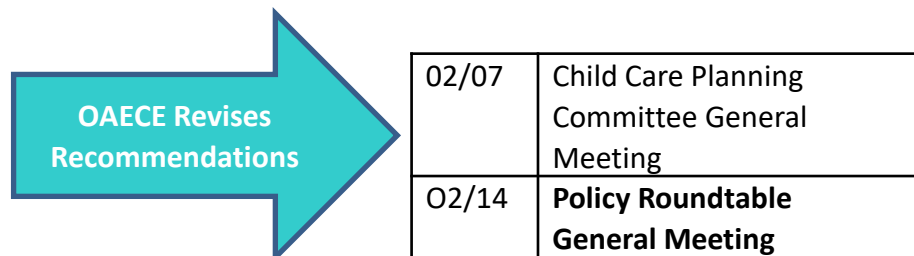
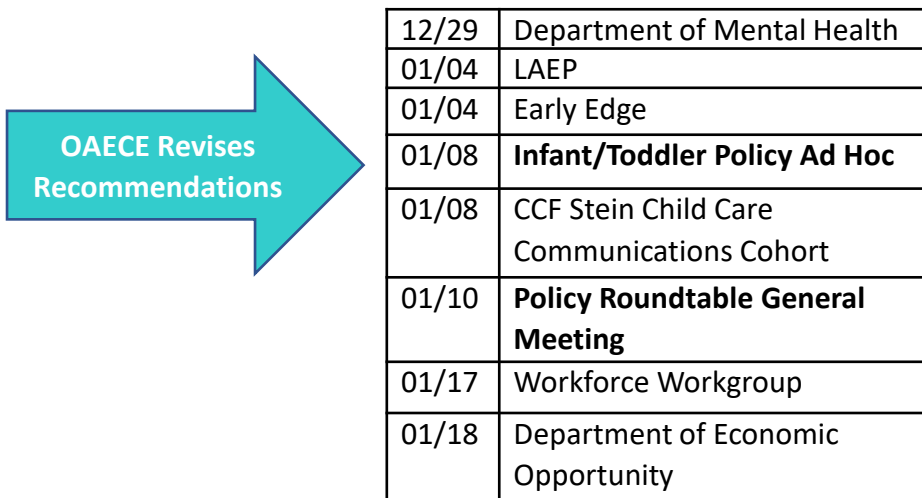


# Infant/Toddler Blueprint Timeline

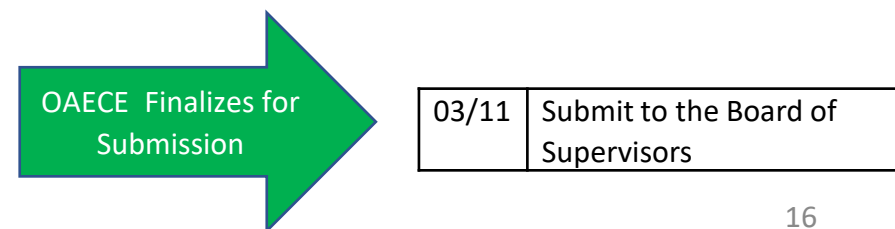
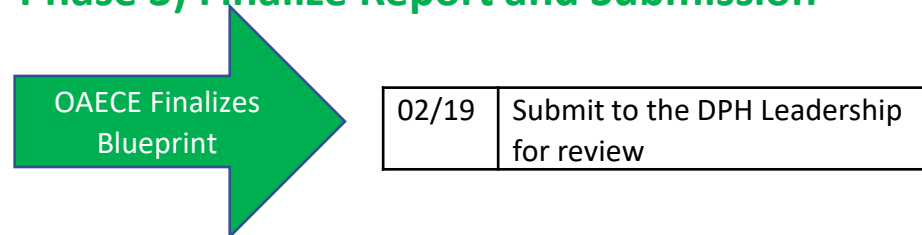
## Phase 1) Issue Identification



## Phase 2) Policy Recommendations



## Phase 3) Finalize Report and Submission



## 1) Review recommendation revisions

- Access
- Capacity
- Cost

## 2) Explore new recommendations

- Workforce
- Quality

## 3) Check-in on Blueprint timeline

## Policy Roundtable Commission: Infant Toddler Child Care Policy Ad Hoc



## Ad Hoc Commission Members

1. Luis Bautista
2. Fran Chasen
3. Jennifer Cowan
4. Ofelia Medina
5. Kanchi Tate

## Ad Hoc Meetings

- Tuesday, 12/19/23
- Monday, 1/8/24

## Ad Hoc Activities

- Examined drafted recommendations
- Provided feedback about recommendations
- Suggested additional recommendations

## 1) Infant Toddler Early Care and Education (ECE) Capacity

**NEW Language:** There is not enough child care spaces for infants and toddlers

## 2) Cost of Infant Toddler ECE

**NEW Language:** Families have difficulty paying for infant toddler ECE services

## 5) Access to Infant Toddler ECE Services

- 5.1) It is difficult for parents to navigate the complex subsidy system, and as a result, many subsidized programs are experiencing low enrollment of infants and toddlers
- 5.2) Age range for infants is not consistent across subsidy program definitions and licensing requirements which causes operational challenges when braiding funding



Are there additional recommendations for  
CAPACITY, COST, and/or ACCESS  
you would like to propose?

## Category

1. Infant/Toddler Early Care and Education (ECE) **Capacity**
2. **Cost** of Infant/Toddler ECE
3. Infant/Toddler ECE **Workforce Compensation**
4. **Quality** Infant/Toddler ECE Programs
5. **Access** to Infant and Toddler ECE Services

## Recommendations

### Type of Policy Lever:

- Legislative
- Administrative
- Programmatic

### Level

- Local Education Agencies
- County
- State
- Federal

## Rationale

**#3.1**  
**Wages**  
**are low for**  
**infant/toddler**  
**child care**  
**providers in**  
**LA County**

## DRAFT Recommendations

### 3.1 A) State (Legislative)

**Increase State reimbursement rate** for early care and education providers, especially those who care for infants and toddler, that covers LA County's true cost of care

### 3.1 B) County (Administrative)

**Establish wage scale** approved by the Board of Supervisors to set a standard of wage parity across the infant/toddler child care system

### 3.1 C) County-Unincorporated Areas Only (Administrative)

Establish a LA County **minimum wage** that covers the true cost of care for early education providers that serve infants and toddlers

### 3.1 D) County (Legislative)

Explore the feasibility of a **local ongoing revenue source** to subsidize compensation for infant/toddler child care providers

### 3.1 E) Federal (Legislation)

Establish legislation that supports **Family, Friends, and Neighbors (FFN)** serving infants/toddlers to **qualify for earned income tax credit**



## Rationale

## DRAFT Recommendations

**#3.2**  
**Infant/toddler  
ECE workforce  
receives few  
benefits**

### 3.2 A) County (Administrative)

Establish mechanism to **track LA County's investments in early childhood services** that support infants and toddler child care

### 3.2 B) State (Legislation)

**Waive child care fees** for the children of early care and education providers who care for children in subsidized programs

### 3.2 C) State/Federal (Legislative)

Provide **financial relief** to infant/toddler child care providers through **stipends, bonuses, tax credits, home buying assistance**

## Rationale

**#4**  
It is difficult  
for the  
infant/toddler  
ECE workforce  
to participate  
in professional  
development

## DRAFT Recommendations

### 4.1) State (Legislative)

Expand **workforce stipends** for professional development and college credit to providers who care for infants toddlers in subsidized child care

### 4.2) County (Programmatic)

Invest in innovative "**earn and learn**" strategies for infant/toddler child care providers, such as apprenticeship programs

### 4.3) County (Programmatic)

Partner with Department of Economic Opportunity to provide **business management training, coaching, and mentoring for FCCHs**

### 4.4) County (Programmatic)

Conduct **campaign to promote free professional development** and training opportunities, particularly targeting home-based providers that care for infants and toddlers

## Rationale

**#4**  
**It is difficult for the infant/toddler ECE workforce to participate in professional development**

## DRAFT Recommendations

4.5) County (Programmatic)

Develop **professional development resource guide** for infant/toddler ECE providers to increase the quality of care

4.6) County (Programmatic)

Partner with Department of Mental Health **to provide well-being and mental health supports** to infant/toddler ECE workforce

4.7) State (Legislative)

Revise Child Development **Teacher Permit to require successful completion of at least one infant/toddler development course**



## Are we on the right track?

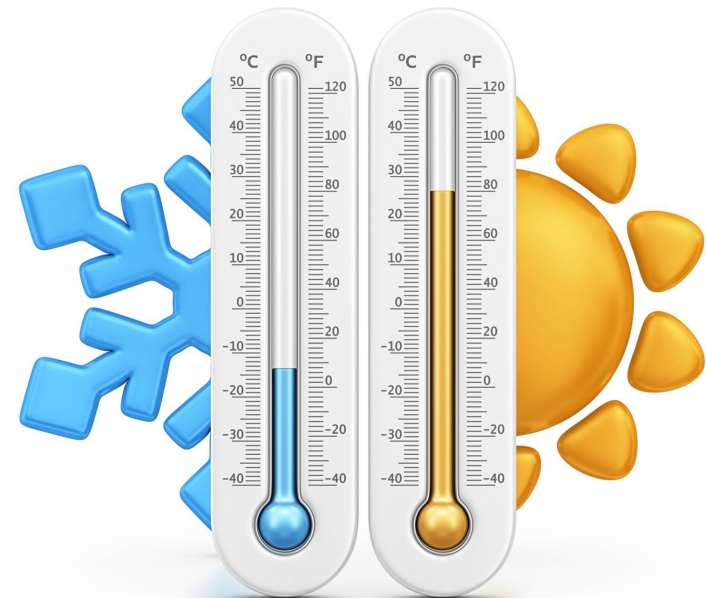


**Are there any other recommendations you have  
or is there a recommendation missing?**



**Are there current efforts  
you know of the  
Ad Hoc and/or the OAECE  
should explore or consider?**

**Are we on-track to submit  
the infant/toddler  
blueprint report in  
March?**



# Creation of Ad Hoc




# Announcements and Public Comment

# Meeting in Review and Call to Adjourn



# Policy Roundtable for Child Care & Development Commission



**Understanding Current CA  
Child Care Costs:  
*Reimbursement Rate  
Methodology and Cost  
Estimate Model Update***  
Policy Roundtable

Jeanna Capito, Katie Kenyon  
January 10, 2024



**P5**  
Fiscal  
Strategies

# Prenatal to Five Fiscal Strategies



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

- Initiative focused on addressing the broken fiscal and governance structures that exist within the P5 system
- Founded on a set of shared principles that center the needs of children, families, providers, and the workforce and fundamentally re-thinks the current system in order to better tackle issues of equity of funding and access.
- Provides national leadership and direct support to states and communities.
- Led by Jeanna Capito and Simon Workman, supported by a team of expert consultants.
- Developed cost models for more than a dozen states and led the alternative methodology process in New Mexico, California, and the District of Columbia

# Agenda

**Understanding Current  
Rate Setting**

**Cost Modeling**

**What's Next**

**01**

# Understanding Current Rate Setting

# Current reality: The child care market is broken

## Private pay

- Families are price-sensitive consumers
- Higher quality ECE costs more than most families can afford, which lowers demand for quality
- ECE market encourages price competition – low tuition fees – which discourages supplier investment in quality.

Child care is a broken market that disincentivizes quality

## Subsidy

- Setting subsidy rates via market rate survey embeds the market failures in the system
  - Providers in low-income areas must set rates low, but then receive low subsidy rate
- Very few state sets rates at the recommended percentile of the current market rate, decreasing the value of the voucher even further.





# The difference between price, cost, and true cost

## Price

Reflects what the market can bear, what families can actually pay

## Cost

Reflects the actual expenses a program incurs in order to operate

## True cost

Reflects the estimated cost to operating a program at high-quality with increased workforce compensation

# Child Care and Development Fund and Rates

- The Child Care and Development Fund (CCDF) is the primary source of child care assistance for low-income working parents.
- States are required to assess the cost of delivering high-quality services and then use this data to inform rates for subsidized child care every three years.
- The State—in consultation with the State Advisory Council on Early Childhood Education and Care, local program administrators, resource and referral agencies, and other appropriate entities—must develop and conduct:
  - A statistically valid and reliable **survey of the market rates** for child care services in the State that reflects variations in the cost by geographic area, type of provider, and age of child,
  - or
  - An **alternative methodology**, such as a cost estimation model, which has been approved in advance.



# What is Alternative Methodology?

## Alternative to using a market rate study to inform setting public subsidy rates

### **An alternative methodology approach should:**

- Engage diverse body of child care constituents in all elements of process (vetting assumptions and model building, data collection, review of findings and more)
- Estimate the cost of providing care at varying levels of quality and the resources needed for a provider to remain financially solvent (key cost factors such as salaries and benefits, training and professional development, curricula and supplies)
- Examine the impact of program and facility size, ages of children served, geographic region, enrollment, bad debt, and other factors
- Demonstrate the impact of funding from multiple sources

# Understanding Inputs: Cost Approach

## Market Rate Approach

Uses tuition prices to set rates

Supports understanding the prices charged to families

*Sources:*  
Market Rate Survey

## Cost Model Based Approach

Uses current cost information

Supports understanding the insufficiency of current rates

Uses true cost of care information

Supports understanding funding level needed for maintaining and growing programs to inform rate setting

*Sources:*

Primary data collection: survey; provider interviews and input sessions; advisory bodies

Secondary data: BLS data; other local provider cost data collection



# Cost Modeling

# What is a Cost Model?

## Tool to understand the cost of providing services

- Estimates the cost of providing services aligned with user selections
- Identifies the gap between the costs and the revenue sources
- Uses multiple data sources and points, which are driven by the selections that the user makes in running the tool

## Will I get the same answer or a single answer from the cost model?

- You will only get the same answer from the cost model if you make the exact same selections.
- A cost model does not generate a single cost answer. Cost answers vary by:
  - Program type
  - Program size
  - Ages of children served
  - Program regulations
  - Equity and quality enhancements

# Model Functioning

- Serving children birth to school age
- Includes all mandatory employer taxes and coverage for breaks
- Meets health and safety standards under licensing, as well as costs related to program enhancements
- Include all program expenses, including non personnel expenses:
  - Education materials and supplies, child and staff amounts;
  - Occupancy;
  - Program administration;
  - Transportation.



# How a Model Works

Program Characteristics – number and age of children served:

SIZE of CENTER					
# of classrooms	Age	Ratio and Group Size Selection	Ratios	Group size	# Children/Age
1	Infants	Licensing	4	8	8
1	Toddler I	Licensing	6	12	12
0	Toddler II	Not Used	0	0	0
1	Age 3	Licensing	10	20	20
1	Age 4	Licensing	12	24	24
1	School age	Licensing	15	30	30
<b>5</b>	<b>Total classrooms</b>			<b>TOTAL Children</b>	<b>94</b>

CHILDREN SERVED	
Ratio and Group Size Selection	Licensing
# of children	Age
2	Infant (0-18 mos)
1	Toddler
1	3 year olds
1	4 year olds
1	School age
<b>6</b>	<b>Total children</b>
<b>Max Size</b>	<b>7</b>



# How a Model Works

## Salary options:

Salary Selection		
Select salary point	Salary input	MIT Living Wage
		<ul style="list-style-type: none"> <li>BLS</li> <li>Curent Wages</li> <li><b>MIT Living Wage</b></li> <li>Self-Sufficiency</li> </ul>

Salary Override		
	Position	Annual Salary
	Lead Teacher	\$ 50,000.00
	Asst Teacher	\$ 40,000.00
	Program Director	\$ 90,000.00

## Additional enhancements:

Quality Enhancements: Additional Cost Drivers	
	Select level
Family Engagement	Meets Licensing Standards
Professional Development Supports	Meets Licensing Standards
Curriculum Implementation Supports	2 conferences/year
Educational Materials	3 conferences/year
Comprehensive Health and Development	3 conf/year + FamEngage Spec
Inclusion Materials	N/A
Inclusion Supports Instructional Aide	0

# How does a cost model function?

Formulas in the model run based on those inputs, using data specific to the selections

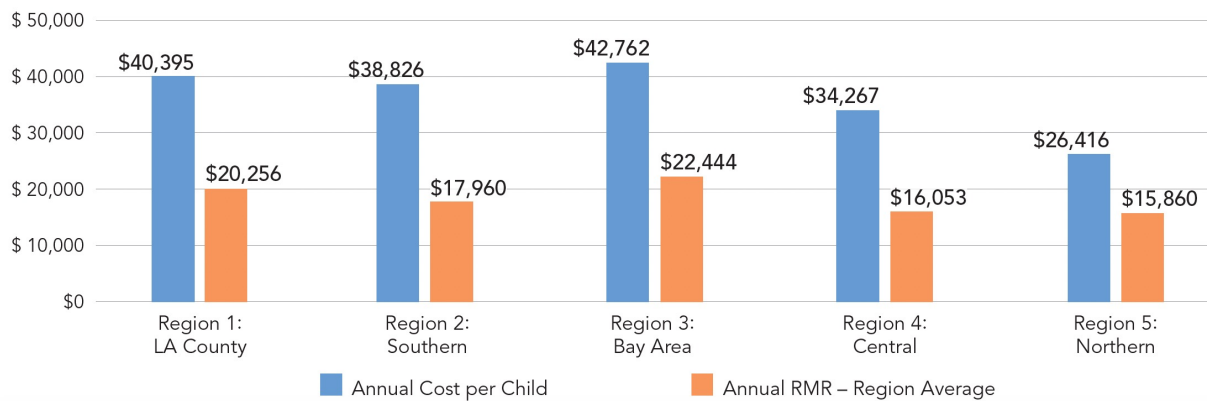
Answers are displayed:

- ✓ cost per child, for each age of child included in the selection,
- ✓ total scenario's expenses and revenues, and
- ✓ comparison of cost per child to available revenue by child

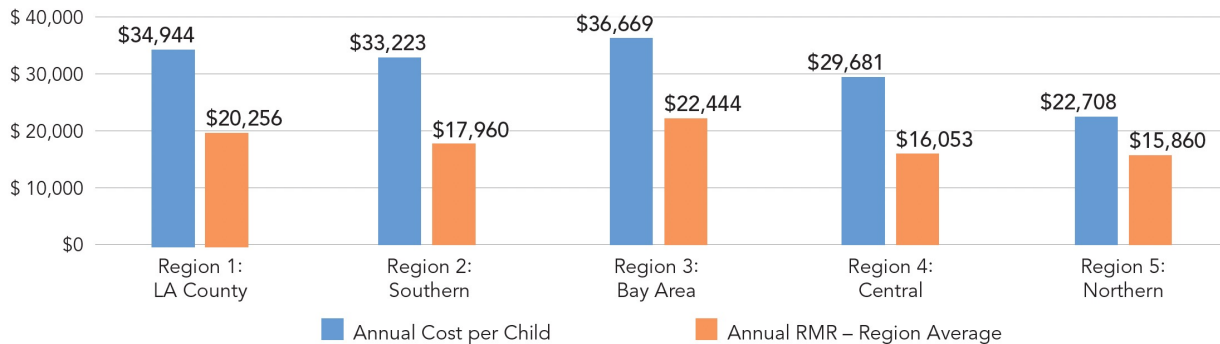


# Infant and Toddlers Costs, compared to Rates, Licensed (2022)

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



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



*From: Understanding the True Cost of Child Care in California: Building a cost model to inform policy change (August 2022)*

# Infant and Toddler Costs, compared to Rates, Title 5 (2022)

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

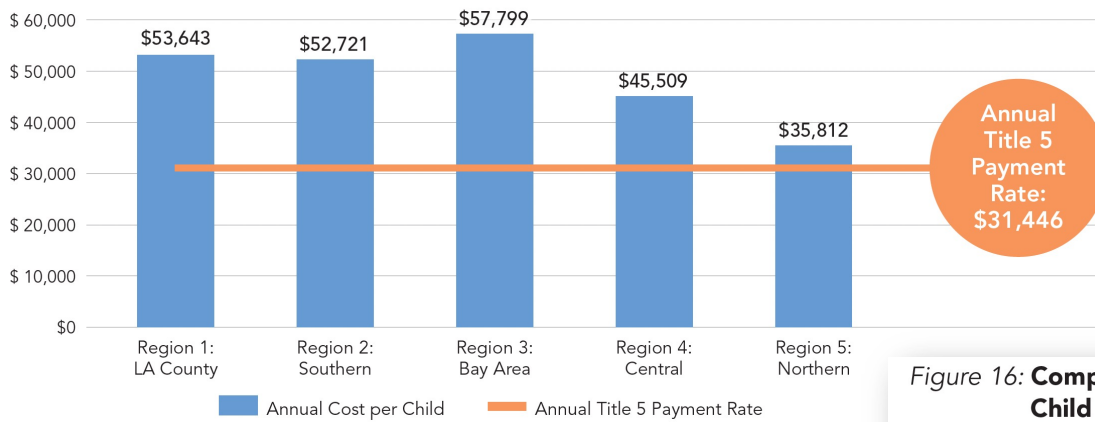
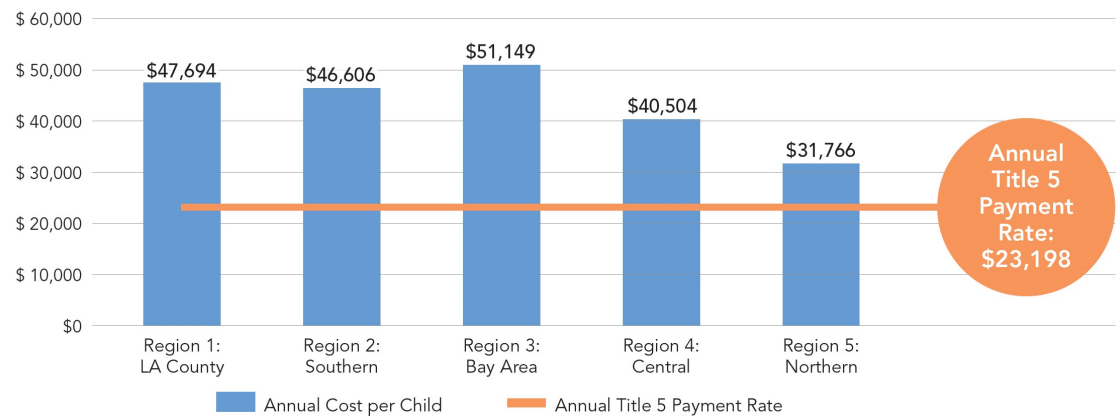


Figure 16: Comparison of Cost of Quality and Title 5 Payment Rate, Toddler, Child Care Center, Title 5, by Region



From: *Understanding the True Cost of Child Care in California: Building a cost model to inform policy change (August 2022)*

## 2022 CA Model Results: Identifying the Breadth of Need

Scenarios from the cost model illustrate there is a significant gap between currently available revenues and the true cost of care, in all regions of California.

- *The gaps in true cost for programs meeting title 22 and currently available public payment rates are:*
  - *Small FCC, from \$22,598 (Northern) to \$39,260 (Bay Area)*
  - *Large FCC, from \$18,121 (Northern) to \$29,812 (Los Angeles County)*
  - *Centers, from \$10,556 (Northern) to \$20,886 (Southern)*



*From: Understanding the True Cost of Child Care in California: Building a cost model to inform policy change (August 2022)*

## 2022 CA Model Results: Identifying the Breadth of Need

The annual true cost of care for a program meeting Title 5 regulations is

- *between \$4,366 (Northern) and \$26,353 (Bay Area) more per child than current Title 5 contract rates for a center, and*
- *between \$2,818 (Northern) to \$22,978 (Bay Area) more per child than current Title 5 rates for a small family home.*



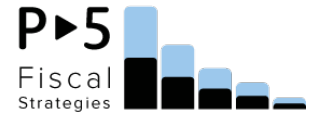
*As a result of the cost study, the Rate and Quality Workgroup recommended, and CDSS agreed, that California should move to setting child care reimbursement rates based on a cost estimation model, rather than market prices (aka using alternative methodology).*

*From: Understanding the True Cost of Child Care in California:  
Building a cost model to inform policy change (August 2022)*



**What's Next**

# California Alternative Methodology Timeline



## Uplifting Community Voices (Ongoing)

- Provider conversations, state, regional, and local level engagement, ongoing input on process, and advice on gathering data and building cost model.

## Cost study (July 2023 – November 2023)

- Collect provider data on cost to provide care, identify cost drivers and true cost
- Gather and analyze data sources

## Cost modeling (October 2023 – February 2024)

- Develop dynamic cost model tool, informed by data

## Rate setting & Implementation (February 2024 – TBD)

- State and CCPU agreement on rate-setting based on cost estimation tool
- CDSS submits next CCDF State Plan by July 1, 2024 (and subsequently, any amendments as needed)
- Implementation of rates, at date subject to ACF approval, agreement by State and CCPU, legislative action. Accounting for regulatory and policy guidance, training for contractors, and updates to contracts and necessary data systems.





Questions?

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