Testimony of Katie Soucy on behalf of Starting Strong
In support of LD 1726 An Act to Build Maine's Economy by Supporting Child Care and Working Families

Senator Baldacci, Representative Meyer, and distinguished members of the Health and Human Services Committee, my name is Katie Soucy and I am the director of a coalition of organizations in Portland called Starting Strong Starting Strong works to improve outcomes for children and families in our community I am also the parent of a four year old and a child care consumer I am here today to testify in favor of LD 1726 I will be brief in my testimony but want to add my voice to the choir of support you are hearing

Over the past four years, Starting Strong has focused our efforts on increasing access to high quality early childhood care and education as a key strategy towards supporting the overall success of young children, their families and our entire community Our commitment to ensuring that children and families receive high quality early childhood care and education is based on research which points to the positive long-term success of such programming and the significant gaps which exist in Portland

As a local coalition, we quickly came to realize that the child care crisis is a problem which not only plagues some families, but has slowly and certainly impacted our city, our state and nation as a whole As I am sure you will hear today, the issue of "solving childcare" is extremely complex and includes differences of perspective and approach I am here today to emphasize for you some of the key elements in LD1726 which Starting Strong has identified as invaluable for moving forward together

To begin, I would like to highlight for the committee the absolute reality that the cost to providers of providing high-quality child care is well beyond what the majority of families can afford The crisis we see today is very simply the result of a market failure The truth is that for most families to access even the most basic of care, early childhood educators charge rates that yield unlivable wages for themselves (the average early childhood education teacher wage in Cumberland County is $15 05/hr) This reality, while seemingly new for those a bit removed from the child care sector, has been anticipated by many in the field for decades And so, here we are Seemingly at our tipping point with more and more families needing care in order to work and fewer and fewer early childhood educators entering or remaining in the field due to the dire financial outlook and competitive job market

LD 1762 has the potential to play a critically needed role in both directly intervening to help limit the impact of the current crisis, as well as building a foundation to address the market failure that is at the heart of the problem

Specifically, I would like to draw your attention to the inclusion of cost modeling and analysis in the bill and its role and importance in developing and assessing future policy-based solutions for the child care sector Cost modeling the true cost of early childhood care and education across a variety of settings and under various policy scenarios (such as wage supplements, investments to improve quality , or

supporting providers with shared services hubs) can help our state better understand and ensure that supports are optimally allocated and effective. In 2020, Starting Strong worked with national consultants to develop a Portland-specific cost modeling tool to assist us locally in our efforts. We engaged providers from across settings and quality levels in its development. And together, we have used the tool and our 2020 analysis to develop local strategies and policy solutions to support child care providers in maintaining financial sustainability in an evolving market. (A copy of our report is attached.)

At the state-level, cost modeling can be used for child care subsidy rate-setting and to allow us to make more effective investments to improve quality and address market failure. When paired with the thoughtful collection and analysis of data related to accessibility of care (such as enrollment by age, market rates, etc) we can use cost modeling to understand how much and where key investments would best enable us to meet the demand for high quality early care and education in our communities. LD1726 ensures accountability to this process at a state level by outlining key considerations to include and key stakeholders to engage in a cost modeling process.

While the time has passed to prevent this crisis, the path forward is made clearer with this bill. Thank you to President Jackson for your effort and to this committee for your consideration of it here today.

P▶5
Fiscal
Strategies

UNDERSTNADING THE COST OF QUALITY
CHILD CARE IN PORTLAND, MAINE
OCTOBER 2022

JEANNA CAPITO & SIMON WORKMAN
PRENATAL TO FIVE FISCAL STRATEGIES
www prenatal5fiscal org

Table of Contents

I   Background

Portland Maine early care and education leaders engaged Prenatal to Five Fiscal Strategies (P5FS) in 2020 to develop a child care cost model The purpose of the cost model is to better understand the true cost of high-quality child care in Portland and how these costs vary based on different program characteristics To support this work, P5FS worked with local leaders to populate a small advisory work group which provided input to the development of the model

Led by national early childhood finance experts Jeanna Capito and Simon Workman, P5FS has developed cost estimation models for several states and communities These models have informed child care subsidy rate setting and other early childhood policies and are aligned with cost model guidance provided by the U S Office of Child Care for rate setting under the Child Care Development Block Grant

This report identifies the revenue streams available to early care and education providers in Portland, details the development of the cost model, and provides recommendations informed by scenarios ran in the cost model   Beyond this report, the cost estimation model is a dynamic tool that can be used by local leaders to inform child care policy and updated periodically as new data becomes available to ensure that the model results continue to be relevant

II   Fiscal Analysis Methodology

Understanding the revenue streams available to support child care providers in Portland Prenatal to Five Fiscal Strategies (P5FS) engaged in fiscal mapping to identify currently available funding sources for birth to five services and their specific characteristics This includes the source of the funds (federal, state, local, private, etc) and the administering organization, the services, goals and population served, and the reach or capacity of the funding Fiscal mapping, and related analysis of the results, supports and guides stakeholders to answer questions related to policies and regulations of funding streams, levels of investments, and whether investments are successfully targeted at children and families who are the most vulnerable and at risk The mapping process increases knowledge of funding in order to support decision makers in considering how to leverage funding, where to focus efforts to address gaps in funding and where there may be possibilities to increase the efficiency of funding administration and implementation

Through this mapping and analysis approach, key stakeholders gain knowledge about current investments supporting both the birth to five system and individual programs, including a clear tracking of the funds that serve families The analysis can also identify how these investments are, or could be, layered to make the maximize the potential of each funding source Additionally, the fiscal analysis provides an intentional lens on the issue of access to services for the most vulnerable children and their families

The first aspect of fiscal mapping is information gathering and investigation to fully understand the funding mix that supports the delivery of birth to five services to children and families in the specific community, region or state To support this work, a common rubric tool is used to gather answers about the funding streams, entities and types of programming The research and investigation, across systems and funding entities, begins with reviewing written materials and documentation This was augmented by discussions with stakeholders on the funding sources and administration of the funds to better understand the context The common rubric guides this process ensuring data is collected on ages served, types of services, eligibility (child, family, provider), policies and regulations associated with the funding, administering entity, payment method, qualifications of providers, areas of alignment or conflict across funding, and more

Fiscal mapping for Portland found three primary public funding streams accessed by child care providers

1   **Child Care Subsidy Program (CCSP)**
Maine's child care subsidy program, CCSP is funded by the federal Child Care Development Fund (CCDF), administered by the Maine Department of Health and Human Services CCSP helps families afford child care, based on income guidelines (at or under 85% of state median income) and eligibility requirements (parent/guardian must be employed, in school or job training or retired) Payment rates under CCSP are set based on a market rate survey, conducted every three years as part of the federal CCDF requirements

2   **Child and Adult Care Food Program (CACFP)**
The federal Child and Adult Care Food Program (CACFP) provides reimbursement to child care providers for some of the cost of food for children who qualify free, reduced-price, and paid meals based on family income

3   **State PreK**

The Maine Department of Education administers the state PreK program While the PreK program is primarily offered in public schools, school districts can enter into partnerships with community-based organizations (CBOs) to provide public preK services in private child care settings

The limited funding streams available to child care providers in Portland leaves child care programs relying heavily on private tuition As a result, the ability of providers to generate revenue is tied closely to parental ability to pay, which varies across Portland communities

Understanding the true cost of quality in Portland

Identifying the true cost of providing programming for young children and families is critical to addressing the underfunding of the system as well as addressing the capacity needs of current and potential early care and education programs In the early care and education space, public funding amounts have been determined based on the market price of child care, which in turn is constrained by what families can afford to pay The result is an inequitable system, where providers who operate in higher-income neighborhoods can set tuition rates closer to the actual cost of programming, which in turn generates a higher subsidy reimbursement rate, while those in low-income communities have to set tuition rates lower in order to be accessible to their community, resulting in a lower subsidy reimbursement rate This approach also acts as a disincentive for programs to serve children where the gap between what it costs to provide care and the amount families can afford to pay is greatest

The process for funding the services and programs in the prenatal to five period represent a fragmented and broken model, funding that has never met the reality of the cost of the services Policymakers and early childhood leaders are increasingly recognizing the deficiencies of the market price-based approach to rate setting As states and communities across the country consider ways to stabilize and strengthen their early childhood systems, they are seeking ways to develop a deeper understanding of the true costs of operating high-quality child care and how public subsidies can cover those costs To that end, states and communities are seeking to develop cost estimation models as dynamic tools to estimate the true cost of care and understand how this cost varies based on program characteristics and policy choices

A cost estimation model (CEM) can be used to understand the cost of providing child care in different types of programs and at varying levels of quality Distinct from a budgeting tool which would account for specific characteristics of a given program, a cost estimation model is intended to provide policymakers with an estimate of the cost of operating a child care program in their geographic region, is informed by provider data and representative of various types providers Cost estimation models can also integrate revenue modeling to understand if the revenue streams available to providers can cover the actual cost of care and to identify any gaps between revenue and expense Importantly, cost estimation models are dynamic tools that can show both the current cost of operating, and the cost of operating a program with higher quality standards

Prenatal to Five Fiscal Strategies led a process to develop a cost estimation model with child care revenue and expense components for Portland This process has four distinct stages as detailed in figure 1 The first component entails engaging key community stakeholders to support the process, connect with child care providers, and provide input into the assumptions that underpin the model

Figure 1 Cost estimation model development process
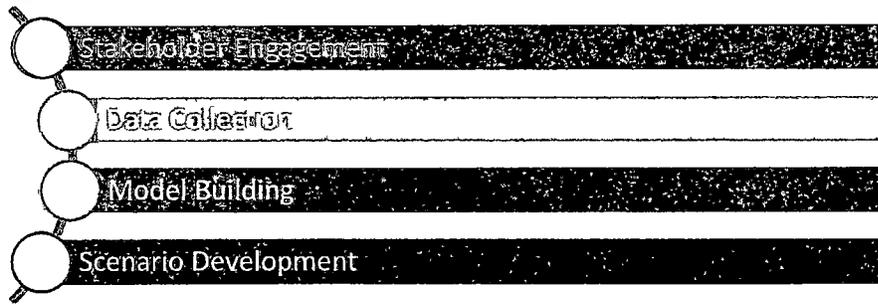
A small work group of early care and education stakeholders was populated to support fiscal analysis efforts The group advised on the review of revenue sources process, planned for and reviewed the cost model and discussed recommendations from the overall fiscal analysis process Organizations represented on this work group included child care providers, community based organizations, Portland School District and the local Head Start/Early Head Start grantee

Second, data was collected from licensed child care providers on their current expenses as well as the expenses they would incur in order to meet higher quality standards The study team conducted interviews directly with child care providers across Portland in the winter of 2020/2021 The interviews allowed the study team to fully understand the expenses providers incur as well as how quality standards impact these costs For example, the interviews allowed for a deeper understanding of staffing patterns, how programs manage quality-related activities, and the link between compensation and staff recruitment and retention This data, combined with data from the federal Provider Cost of Quality Calculator was used to develop a customized excel-based model to estimate the cost of care in Portland

The development of a cost estimation model requires two primary inputs First, expense and revenue data from providers, as discussed above, which was gathered through interviews The second input is a quality frame, which identifies the key cost drivers within the standards programs are required to meet To develop this quality frame for Portland's model, close review of state licensing standards, and quality requirements under Maine Roads To Quality, the state's quality rating and improvement system were completed The quality requirements that come with a cost were identified, and then a value was assigned, which were informed by the provider data gathering This model was vetted with the stakeholder advisory group

Finally, in order to demonstrate the impact of different variables, the model was used to run several scenarios, illustrating the cost of care for programs with different characteristics These scenarios inform the recommendations detailed in this report As part of the model development and scenario running work, outputs and analysis from the cost model was brought to several stakeholder groups in the Portland community The input of these stakeholder presentations informed the functioning of the model and the recommendations developed for the Portland early care and education community

Using Portland's cost estimation model

Revenue and expense models are tools used to understand the relationship between the expense of delivering early care and education and the available revenues P5FS developed two revenue and

expense model for Portland, one for center-based settings and one for family child care home-based programs The models' output includes estimates of total revenues and expenses at the provider level and at the individual child level to fully explicate variations in expenses and revenues for different ages of children Expense data in the model is based on a combination of data collected from providers across Portland through individual interviews and nationally validated default data from the federal Provider Cost of Quality Calculator (PCQC) The model uses Maine state licensing requirements and quality variables within Maine Roads to Quality (MRTQ) in order to estimate the true cost of quality Both licensing and MRTQ requirements were reviewed with the work group in order to identify cost drivers within these standards_Table 1 in the Appendices details the licensing or quality requirements that were identified as having a cost associated with them

Revenue data includes the revenue streams available to providers in Portland, including private tuition The model allows the user to modify various quality-related elements as well as select default quality levels aligned with Maine Roads to Quality standards

III   Recommendations

1   Maximizing available funding streams and community system role in supporting this effort

Quality early care and education services cost far more than any one funding source can cover It is imperative that providers are able to maximize all available funding in an attempt to cover the gap between revenue and expense This strategy includes drawing in the available funding sources and maximizing enrollment of children under the various sources First, an underutilized federal source that could be maximized, especially with the addition of provider supports to access the dollars, is the Child and Adult Care Food Program (CACFP) This funding stream is available to all child care providers serving low income children and reimburses providers for food expenses Providers may report that accessing this funding, and the associated reporting, is an additional burden Portland's early care and education system is able to be a support infrastructure to enable providers to access this funding, as we know it can make a difference significant difference in the bottom line for providers

Figure 2 Impact of CACFP revenue on annual net revenue, Child Care Center
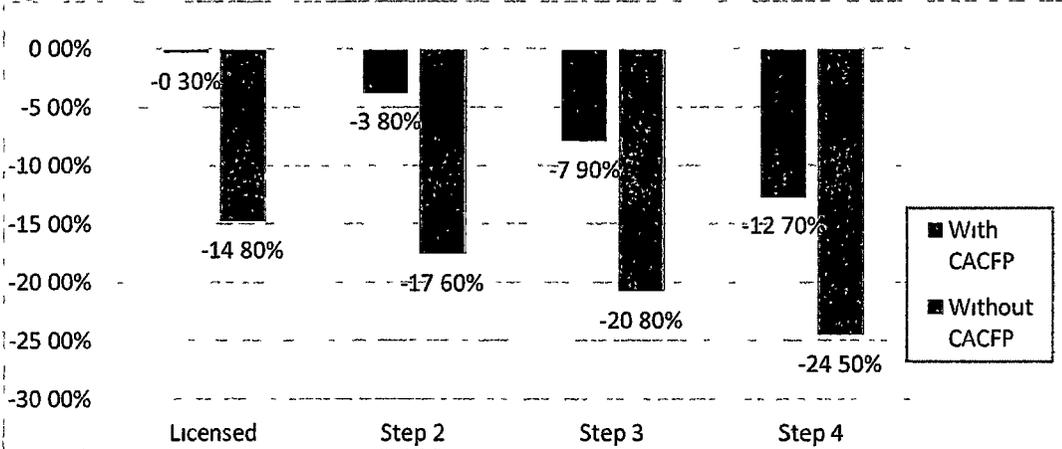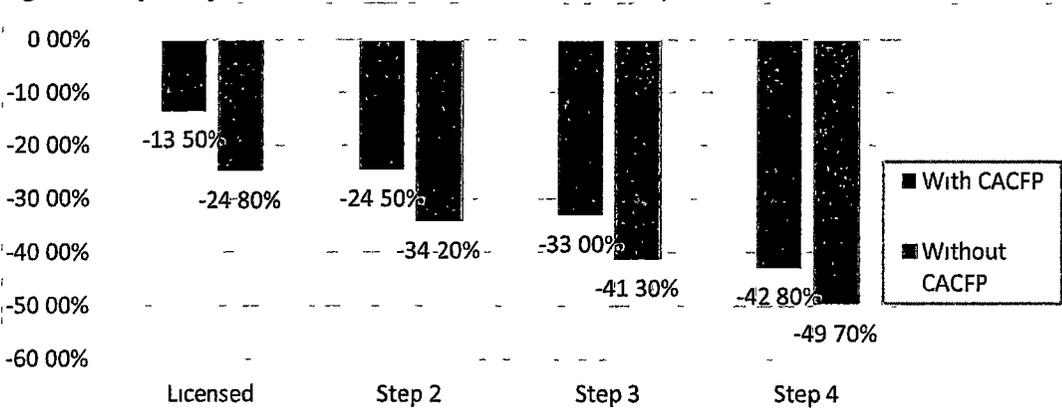

Figure 3 Impact of CACFP revenue on annual net revenue, Small FCC

Another theme of maximizing all funding is related to the strength of the business model operated by the providers and whether they are able to maximize enrollment Enrollment ties directly to whether

providers receive payment for the child care slots they have available Inefficiency in enrollment impacts the amount of revenue a program brings in, in the case of every available funding source Typically, even when a provider is under enrolled they are unlikely to be spending less on operations, as they cannot decrease teaching staff for two to three open slots Finding strategies to support providers in full enrollment, such as coordination across stakeholders on program openings, outreach and intake staff, centralized waiting lists, and addressing business practices to shorten the period that openings go unfilled, are all part a community response to increasing enrollment efficiency

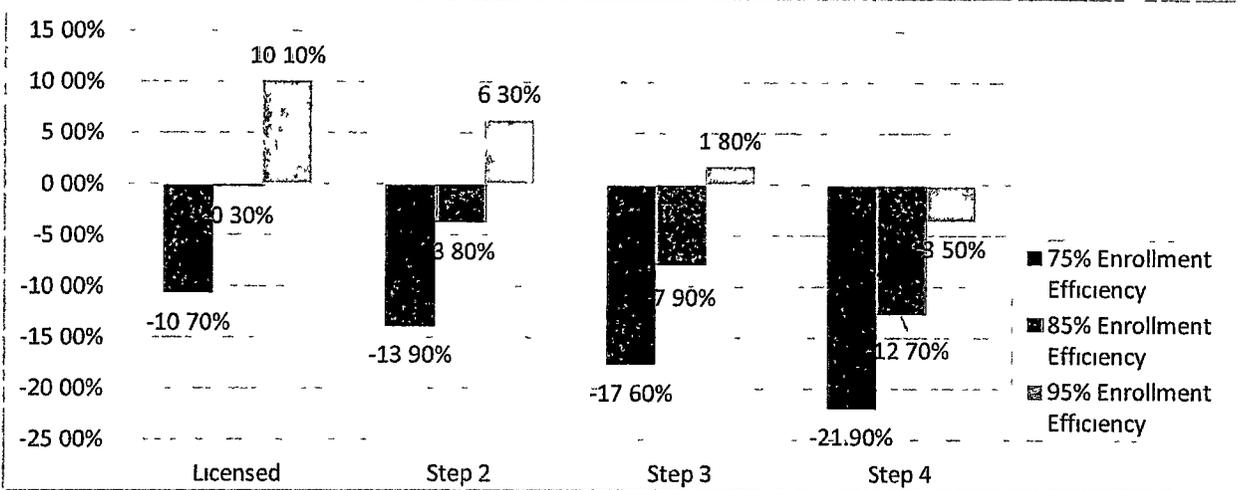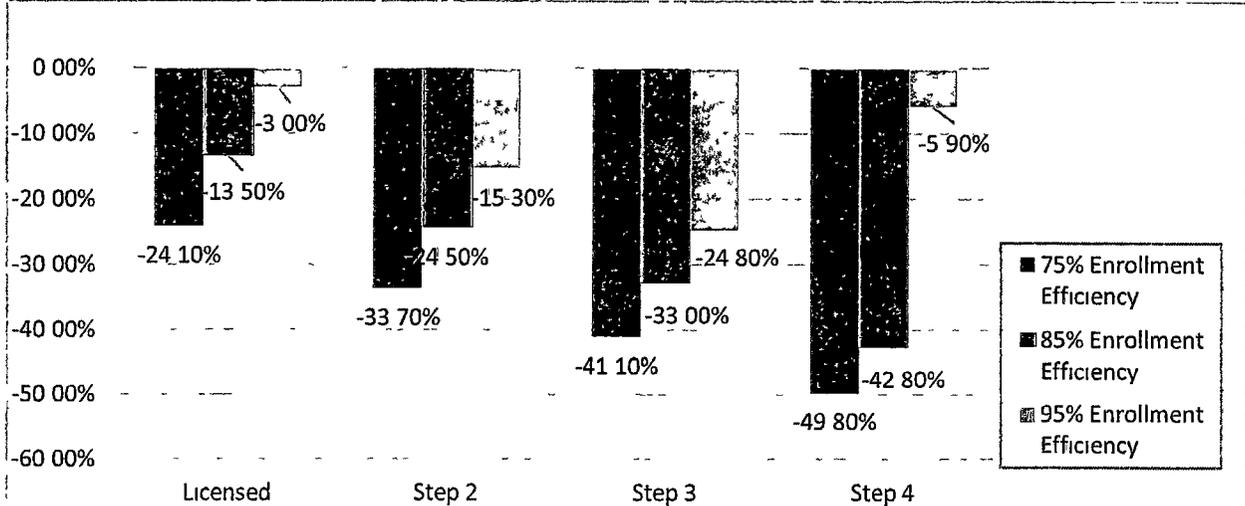**Figure 4 Impact of Enrollment Efficiency on Annual Net Revenue, Center**

Figure 5 Impact of Enrollment Efficiency on Annual Net Revenue, Small FCC

Supporting good business practices   Providers are further supported in full enrollment through community-based supports that focus on their overall business model These may include trainings and coaching on budgeting, fiscal operations, administration of public funding, and other child care specific topics Frequently these are offered as part of the state quality support system, Portland has the opportunity to assess whether these supports are sufficient in meeting the needs of Portland providers

and develop localized support to enhance as necessary For instance, localized supports may be able to reinforce specific business practices from the context of the experience of Portland providers how bad debt impacts the bottom line in Portland or budgeting with an understanding of actual cost data and the role a complete budget plays in planning for program operations Further, supporting good business practices also involves understanding when a provider may need a different model of supports Leveraging community networks, or hubs, to access back office supports, such as external accounting, billing services, payroll and human resources, may be the better solution for Portland providers As a early care and education community, Portland needs a complement of strategies to support a strong business model, as one size does not fit all across the diverse needs of child care programs

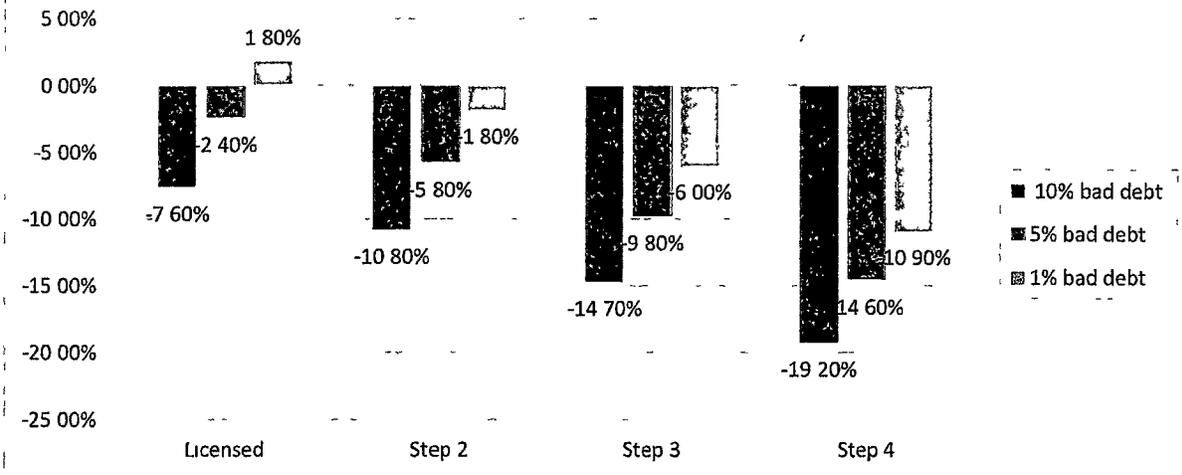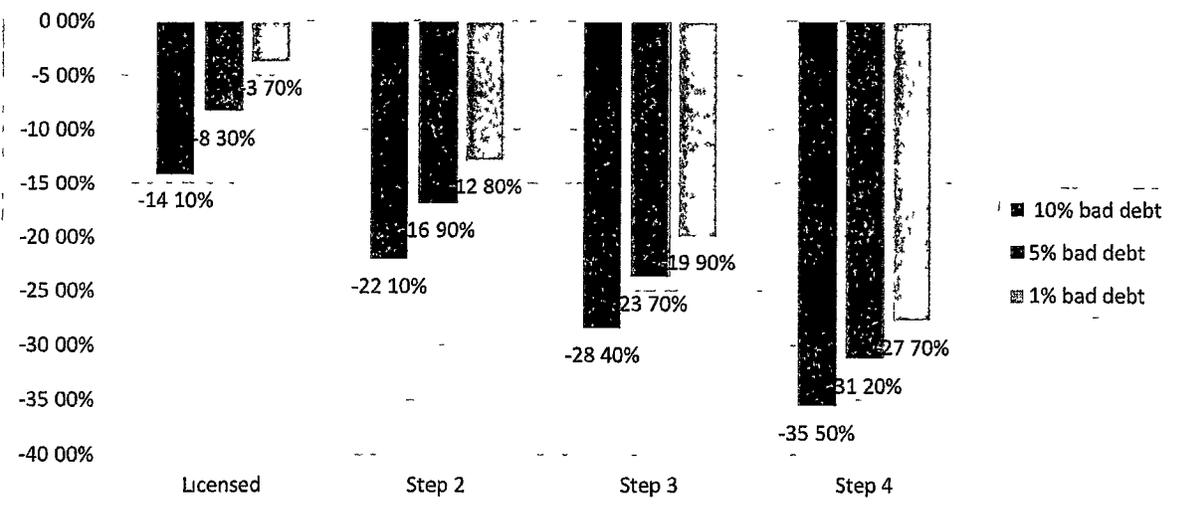**Figure 6 Impact of Bad Debt on Annual Net Revenue, Child Care Center**

Figure 7 Impact of Bad Debt on Annual Net Revenue, Large FCC

EXAMPLE Shared service approaches may allow the Portland community to achieve some of the cost benefits that come with larger program size and streamline or strengthen organizational business practices with staff dedicated to these roles, shared by multiple sites The shared service framework involves centralized administration of many child care business operations across multiple family child care homes, classrooms or center These models have proven results in supporting enrollment efficiency and minimizing bad debt, while assuming some of the burden of maximizing funding streams, as they may also administer the federal child care food program to the sites Two examples of sites using the shared-service framework for central administration and shared business supports include Sound Child Care Solutions, a Seattle- based nonprofit that created a shared back office that supports nearly 30 classrooms in diverse neighborhoods across the city and offers high quality care Chambliss Center, a nonprofit in Chattanooga, uses a similar framework to Sound Child Care Solutions and includes classrooms located at local public schools that are managed and supervised by staff in the Chambliss central office

2   Supporting Mixed Delivery System

Ensure adequate financing for the mixed delivery system approach both direct service and quality investments   Begin with a frame that includes a system-wide approach to accountability addressing service quality, quality supports and funding This frame has two main components, one, the commitment to the idea that programs should be reimbursed for the actual cost of quality early care and education services, and two, quality and quality improvement is a systemic focus and goal that all programs are working on and the system is built to respond to quality needs of programs

For the first component, use revenue and expense model and analysis from ECE fiscal analysis to set base quality and funding amount and to understand the actual gap between cost of high-quality services and the available revenues Armed with this information, pursue financing strategies (e g , philanthropy support initial pilots, public investments through ballot measures) that reflect an approach to fill this gap Figures 8, 9 and 10 demonstrate the gap between the current payment rate from subsidy and the true cost of care, a starting place to inform work to address the gap

Figure 8 Gap between true cost and current subsidy rate, monthly, child care center
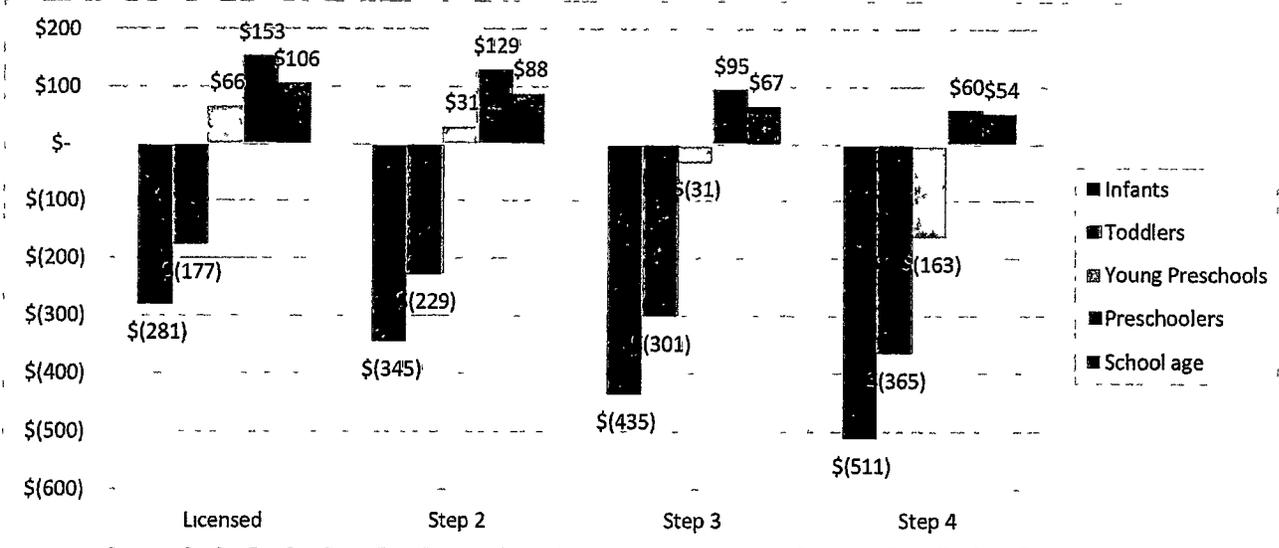
Figure 9 Gap between true cost and current subsidy rate, monthly, small FCC
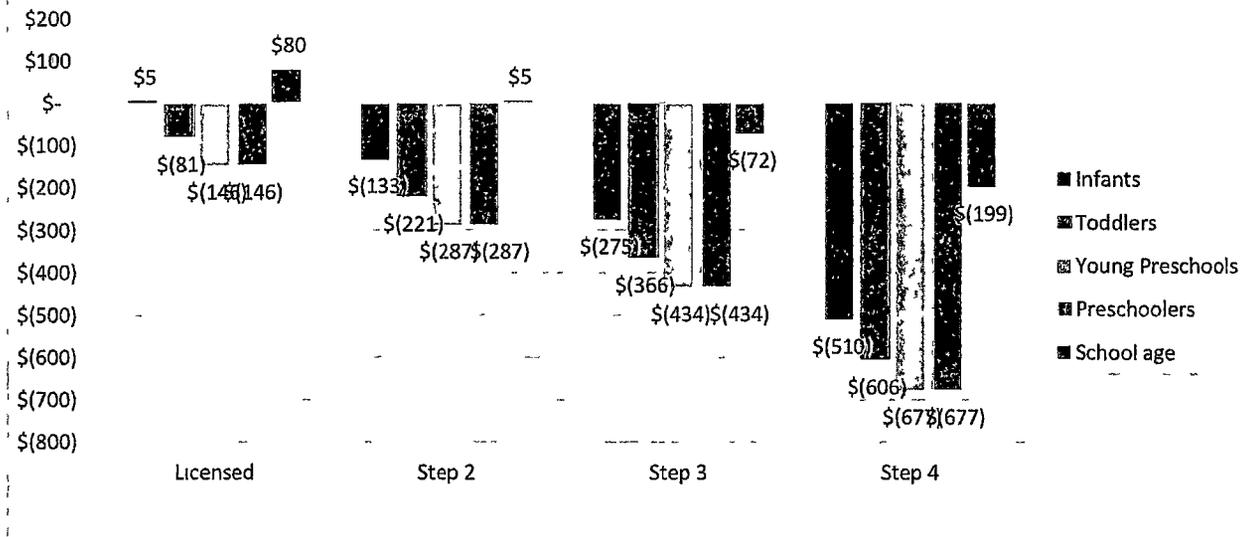
Another core consideration of understanding the cost of care is to understand the impact of serving mixed age groups of children While a mixed delivery system may not inherently include ensuing a mix of ages of children are served by the different programs, analysis from the cost model demonstrates that programs do fare better when they serve children from birth through preschool, or birth through school age Movement of preschool programming to school based programs, from community based programs, has a detrimental impact on the ability of those community based programs to balance their operations

Figure 10 Impact of Program Size and Ages Served on Annual Net Revenue, Child Care Center
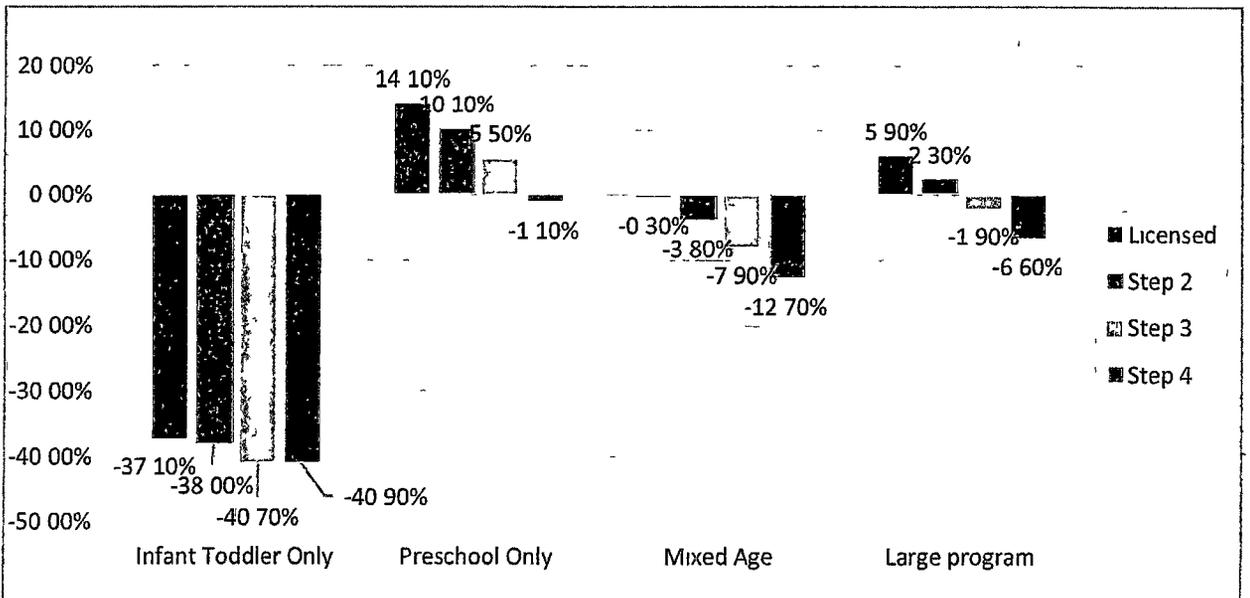
To address the second component, recognize that providers function at different points on the quality spectrum and the system needs to encompass supports to address these variances in capacity. Leverage the quality improvement system (MRTQ) that already functions as a quality framework for programs. Analysis of how the available quality supports are meeting current need will involve partnering with state partners around supports offered, uptake by Portland providers and input from Portland providers on how these supports increase and maintain their quality services. This analysis may uncover places where local investment is needed to shore up the quality capacity building needed by Portland providers. Leverage available state supports alongside the needs of Portland providers provides the foundation for developing a system-level quality support model. Linking participation in this quality support system to the enhanced direct service funding model then support providers to trust in the connection between funding for quality services and their work to increase the quality of services.

As part of seeking to address the quality of care in an early care and education system, Portland leaders must focus on the reality that the current payment rates have had a direct impact on compensation. Due to revenue that does not cover the cost of the program, even when that program includes low wage staff and little to no expenses for employee benefits, such as health insurance, paid time off or retirement supports, programs have been forced to attempt to balance their budgets on through the personnel lines. Personnel makes up the largest proportion of any child care budget, typically between 60-80% of the operating budget, therefore without sufficient revenue to cover costs, personnel expenses are kept far lower than is fair or equitable for their work, in order to 'balance' the budget. Additionally, staff make accommodations (e.g. use of personal funds for materials, working nights and weekends, management staff working in classrooms to maintain coverage etc.) to maintain the work and attempt to meet family needs that are untenable, at best. Child care providers face a disincentive to invest in quality because the current funding approach fails to compensate providers for the higher costs of operating at higher quality levels. Not only does this approach impact the availability of quality early care and education opportunities for young children but it also places a heavy burden on the workforce. In analyzing the current delivering of early care and education in Portland, an acknowledgment must be made that lower compensation does not necessarily mean lower quality programming, given the external market forces that have led to lower compensation.

Address the role of other community-based structures and system supports to maintain and strengthen the mixed delivery approach System supports share the goals of addressing specific prevention or intervention needs, increasing the training, education and capacity of providers, and the quality of the services delivered to children and families. System supports emanate from many sectors including health, education, and social services and require coordination. Aligning across existing system supports available to providers in the mixed delivery system and analyzing gaps in access to the available supports or gaps in types of supports available is an important next step in ensuring a comprehensive approach to mixed delivery system.

EXAMPLE   Maintaining small programs (centers and FCCs) by having hub style support structures The needs of small programs, both centers and family child cares, are different than programming ran by larger non profit or school district entities Community, or service, hubs are a way to offer supports needed by all early care and education programs, in a manner responsive to small programs For instance, a hub may house an outreach and intake coordinator that is shared across several programs, supporting the sites to stay fully enrolled by doing the work of maintaining a list of families seeking ECE programming and matching these families to available sites Another example of hub resources for programs meets the needs of quality supports in a way that small programs are unlikely to be able to secure or afford on their own mental health consultation Through a hub approach, the buying power of a birth to five trained mental health consultant is increased Each entity puts in resources for the amount of mental health consultation their program needs and combined together, the hub may then be able to secure a part- or full-time mental health consultant to meet the participating program needs

Understand and respond to the impact of policy changes   The cost model can be used to understand the fiscal impact on providers of many different policy or programmatic changes For example, the model includes several different salary options by default, including statewide and Portland specific data at both current salary levels and salary levels aligned with kindergarten salaries Users can run scenarios at each of these salary options to understand the impact of higher salaries on the cost of care The model also includes the ability to input a user-defined salary at any level which can be used to estimate the cost of specific policies related to salaries, including minimum wage ordinances or compensation initiatives With this data, policymakers can better understand the gap between what families can afford to pay, what provider can currently generate in revenue, and what it truly costs to provide high-quality child care with a well-compensated workforce Figures 11, 12 and 13 demonstrate the impact on cost from increased compensation at levels of the quality system, MRTQ This modeling is just one example of the different policy changes that can be costed in in the cost estimation tool

Figure 11 Monthly Cost per Child, Child Care Center, at each level of quality
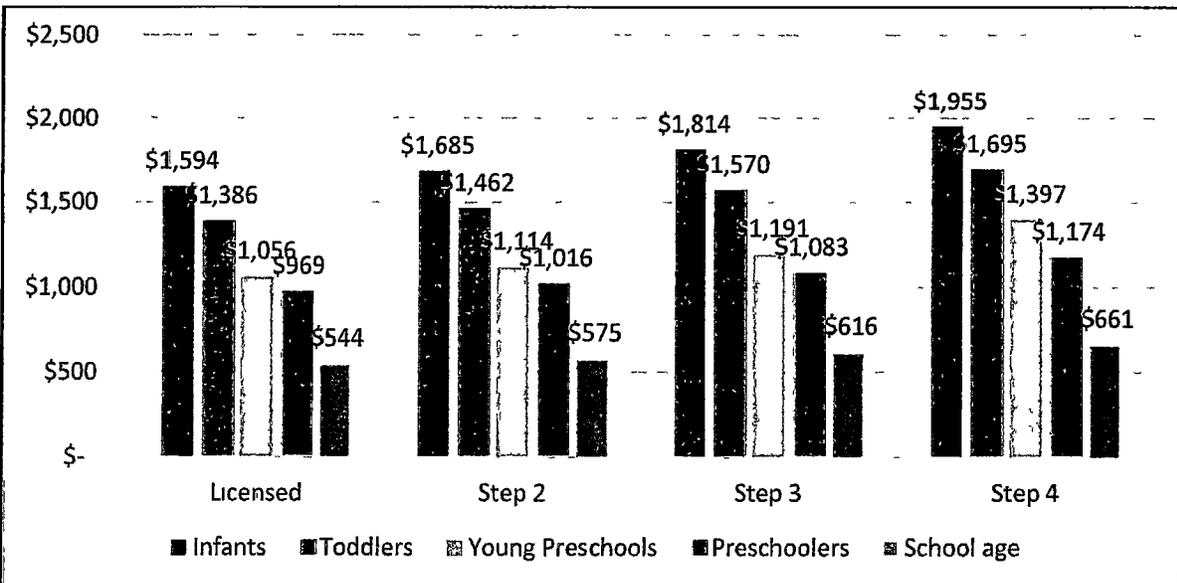
Figure 12 Monthly Cost per Child, Small Family Child Care, at each level of quality
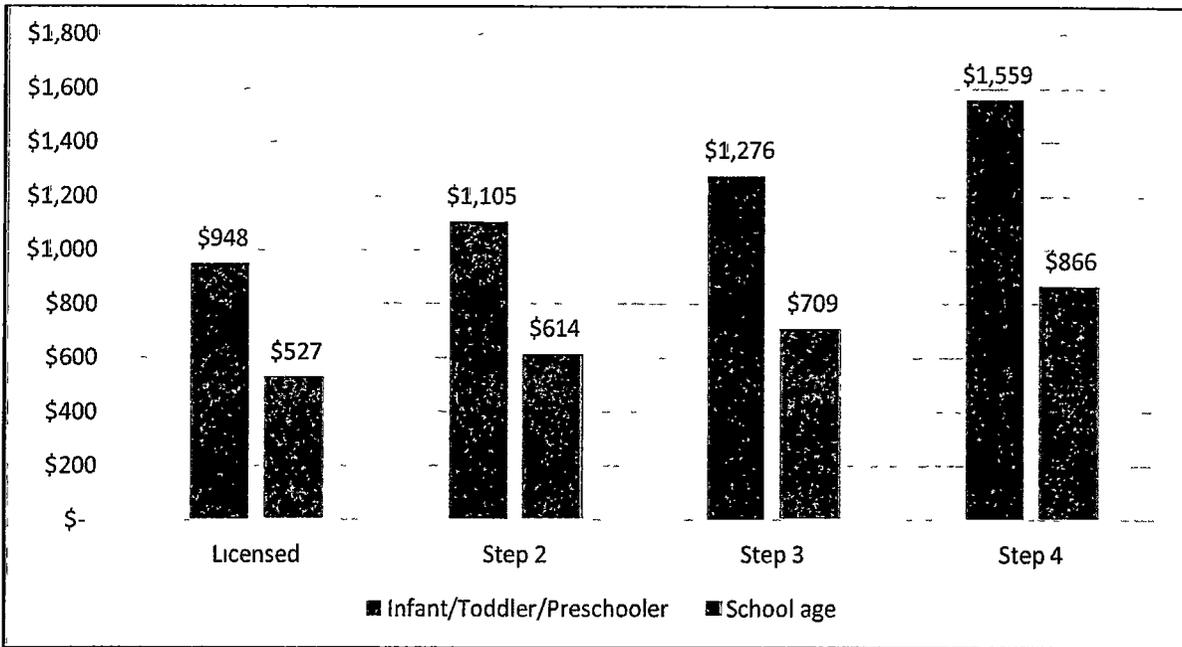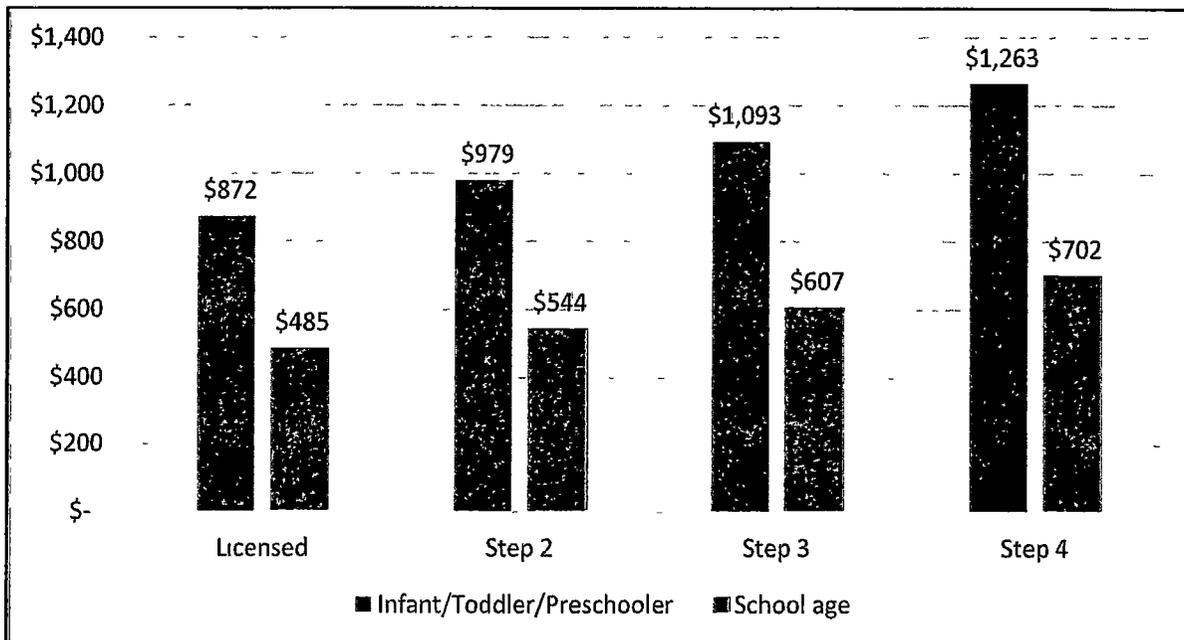

Figure 13 Monthly Cost per Child, Large Family Child Care, at each level of quality

IV Appendices

A Cost Estimation Model Quality Frame

Ratio and Group Size		Steps 1-3		Step 4
Center-based				
Age Group	**Staff to child ratio**	**Maximum Group size**		
6 weeks - 1 year	1 4	8		EHS Birth to 3 years,
1 year - 2 ½ years	1 4 1 5	12 or 10		1 4, group size 8
2 ½ years - 3 ½ years	1 7	21		NAEYC (maximums) 2 8
3 years – Not yet school age (5 years)	1 8 1 10	24 or 20		infants, 2 10 toddlers, 2 20 preschoolers
School age (5 years - 15 years)	1 13	n/a		
Family Child Care				
Age Group	**Staff to child ratio**	**Maximum Group size**		
all under 2	1 4	8		
2-5 years	1 6 1 8	12 8		3 12
All over 5 years	1 12	12		

Staff Qualifications	Step 1	Step 2	Step 3	Step 4
	CB DIRECTOR Small CC (3-12 children) GED/HS diploma, 6 months prior experience CB (13-20) HS/Degree with hours in ECE, or CDA CB (21-49) Degree with hours or CDA, 5 years experience (over 50 children, 7	CB 50% of Lead Teachers are Level 5 on MRTQ Career Lattice FCC Owner/Director is at level 3 or above on the MRTQ Direct Care Career Lattice	CB At least 50% of staff members in direct care positions are at least a level 5 on MRTQ Career Lattice or meet NAEYC candidacy requirements FCC Owner/Director is at level 4 or above on the MRTQ Direct Care Career Lattice CB/FCC All staff (FCC, Owner/Director) have a	CB Director is at a level 5 or above on the MRTQ Administrative/Management Coordination Career Lattice OR at a level 6 or above on the MRTQ Direct Care Career Lattice AND 50% of lead teachers are at level 6 or above on MRTQ Direct Care Career Lattice (Programs that meet NAEYC candidacy requirements may substitute verification of candidacy for the aforementioned professional development standard) FCC Owner/Director is at a level 4 or above on MRTQ Direct Care Career Lattice

years experience) | professional development plan prepared annually and 10 hours of professional growth activities per year above the regulatory minimum | and holds a valid CDA or college degree in ECE or related degree

CB ALL OTHER STAFF GED/HS, 18 years

FCC 18 years of age

Compensation Assumptions		Child Care Cost Survey Data (FY19 Data)	Step 1	Step 2	Step 3	Step 4
Director		$57,687	$45,936	$51,040	$56,144	$61,248
Assistant Director		$48,021	$36,748	$40,832	$44,915	$48,998
Administrative Assistant	$12 15 min wage	$25,940	$25,272	$25,272	$27,799	$30,326
	$15 min wage		$31,200	$31,200	$34,320	$37,440
Lead Teacher		$30,830	$35,028	$38,920	$42,812	$46,704
Assistant Teacher	$12 15 min wage	$27,704	$25,785	$28,650	$31,515	$34,380
	$15 min wage		$31,200	$31,200	$34,320	$36,440
Floater	$12 15 min wage	$25,940	$25,272	$25,272	$27,799	$30,326
	$15 min wage		$31,200	$31,200	$34,320	$37,440
Family Child Care Home Provider		$35,028	$38,920	$42,812	$46,704	$46,704

Additional Staff Benefits	Step 1	Step 2	Step 3	Step 4
Discretionary Benefits	-	$1,500/FTE	$6,035/FTE	$6,035/FTE
Paid Time Off	-	10 sick 10 vacation	10 sick 10 vacation	10 sick 10 vacation

Planning/ Release Time (For training as well as planning and quality activities)	Step 1	Step 2	Step 3	Step 4
	Training Hours. Small CC 12 hours CB (13-49 children, over 50) under 5 FTE, 18 hours, over 5 FTE 30 hours FCC 12 hours	**Training Hours:** Small CC 12 hours CB (13-49 children, over 50) under 5 FTE, 18 hours, over 5 FTE 30 hours FCC 12 hours CB/FCC Evidence collected 2 times per year, child development/progress FCC add 125 FTE asst to cover (5 hours per week)	**Training Hours** Small CC 12 hours CB (13-49 children, over 50) under 5 FTE, 18 hours, over 5 FTE 30 hours FCC 12 hours CB 50 hours (1 hour/week), each teacher and assistant (staff responsible for curriculum planning) in addition to licensing (CB/FCC Evidence collected 3 times per year, child development/progress) FCC add 25 FTE assistant to cover (10 hours a week)	**Training Hours.** Small CC 12 hours CB (13-49 children, over 50) under 5 FTE, 18 hours, over 5 FTE 30 hours FCC 12 hours CB 100 hours (2 hours/week), each teacher and assistant (staff responsible for curriculum planning) in addition to licensing (CB/FCC Evidence collected 4 times per year, child development/progress) FCC add 0 5 FTE asst to cover (20 hours per week)

B Salary data

BLS - Portland Selection

	Licensed/Step 1	Step 2	Step 3	Step 4
Director	$42,102	$46,780	$51,458	$56,136
Assistant Director	$33,682	$37,424	$41,166	$44,909
Administrative Assistant	$25,272	$25,272	$27,799	$30,326
Lead Teacher	$35,748	$39,720	$43,692	$47,664
Assistant Teacher	$27,045	$30,050	$33,055	$36,060
Floater/Assistants	$25,272	$25,272	$27,799	$30,326
FCC Provider/Owner	$35,748	$39,720	$43,692	$47,664
FCC Assistant	$27,045	$30,050	$33,055	$36,060

BLS - Maine Selection

	Licensed/Step 1	Step 2	Step 3	Step 4
Director	$43,731	$48,590	$53,449	$58,308
Assistant Director	$34,985	$38,872	$42,759	$46,646
Administrative Assistant	$25,272	$25,272	$27,799	$30,326
Lead Teacher	$34,002	$37,780	$41,558	$45,336
Assistant Teacher	$26,793	$29,770	$32,747	$35,724
Floater/Assistants	$25,272	$25,272	$27,799	$30,326
FCC Provider/Owner	$34,002	$37,780	$41,558	$45,336
FCC Assistant	$26,793	$29,770	$32,747	$35,724

Kindergarten Parity Selections

	K-Parity, Portland	K-Parity, Maine
Director	$71,001	$69,647
Assistant Director	$56,800	$55,718
Administrative Assistant	$31,200	$31,200
Lead Teacher	**$60,170**	**$53,990**
Assistant Teacher	$37,280	$34,086
Floater/Assistants	$31,200	$31,200
FCC Provider/Owner	**$60,170**	**$53,990**
FCC Assistant	$37,280	$34,086

C Technical Manual

The revenue and expense model developed for Portland is a tool to understand the cost of delivering early care and education services and to identify any gaps between this cost and the available revenues P5FS developed this excel-based model customized with data specific to Portland, ME The models output includes estimates of total revenues and expenses at the provider level and at the individual child level to fully explicate variations in expenses/revenues for different ages of children Expense data in the model is based on a combination of data collected from providers across Portland through individual interviews and nationally validated default data from the federal Provider Cost of Quality Calculator (PCQC) Revenue data includes the revenue streams available to providers in Portland, including private tuition

The model allows the user to modify various quality-related elements as well as select default quality levels aligned with Maine Roads to Quality standards

Using the model
Throughout the model, cells that can be changed by users are shaded yellow To model different program profiles, change the data entered in these cells either by using the drop down or typing over the yellow cell

Variables
Select settings for the key variables on with the [VariablesINPUT-CTR] tab or the [VariablesINPUT-FCC] tab Different settings can generate a very wide range of situations Each variable is explained below

Quality Level The model includes default quality variables based on Maine Roads to Quality (MRTQ) step levels Users select the quality level to model in cell G1

Size of Center/Enrollment In the center setting, size is represented as the number of classrooms by age range—infants (6 weeks to 1 year), toddlers (1 to 2 ½ years), young preschoolers (2 ½ to 3 ½ years), preschoolers (3 to 5 years), state PreK (4 years) and school age (6 years+) Input the number of classrooms for each age group in Column G The number of children in each classroom is determined by staff-to-child ratios and group-size data with variations based on quality level chosen In the FCC setting, input the number of children of each age served by the program, up to a maximum of 12 children

Efficiency No program is 100% full 100% of the time To accurately capture the true revenue that programs receive to help cover their costs, the user can modify the percent of enrollment efficiency – which is how full the program is on average across the year, and the bad debt – which is how much of expected revenue is not collected Industry defaults are 3% bad debt, and 85% enrollment efficiency

Salaries Users can select from four default salary levels to use in the model Two categories use data from the Bureau of Labor Statistics (BLS) based on the following categories, with data either drawn statewide for Maine, or from the Portland metropolitan region [1]
- **Director** – 11-9031, Education Administrator
- **Lead Teacher** – 25-2011, Preschool Teachers, Except Special Ed

---

[1] BLS data is available at https //www bls gov/oes/current/oes_76750 htm

- **Assistant Teacher** – 39-9011, Child Care Worker

In addition, users can select salaries at a kindergarten parity level. Under this scenario, lead teacher salaries are aligned with kindergarten parity, with the option to use either statewide data or Portland metropolitan area data. Other salaries in this scenario are adjusted proportionally to the lead teacher salary at the same ratio as in the non-kindergarten parity scenario. For kindergarten parity, the model uses BLS category 25-2012.

In the FCC model, a salary for the provider/owner is included at the level of a lead teacher in a center-based program. While home-based providers may not pay themselves a salary, this ensures the model includes funds to support the owner as either a salary or business income.

Salary Override In addition to the four default salary categories, users can override these defaults and input a different salary. Simply select "User added" from the drop down and then input salaries at an hourly wage in the box to the right of the screen.

Benefits Users can select if the program offers discretionary health benefits, such as employer-paid health insurance, and can select the number of sick and paid leave days offered to employees.

Revenue To accurately project revenues for your model program, enter the number of children at each age level who receive child care subsidy and state preK funds. The private tuition column will automatically update with the balance of enrollment not covered by public funds. Note that the table must be changed when the size of a program is changed.

Results – Cost per child
The green table provides the cost per child results based on the user selected inputs. Results are included on an annual, monthly and weekly basis for each age group. The orange table shows the current child care subsidy or state PreK rates at the level of quality selected, and then the red tables calculate the monthly gap between the estimated cost per child, and the current subsidy or PreK rate.

Model Methodology

The revenue and expense model relies on a detailed methodology that is based on the Provider Cost of Quality Calculator, but adjusted for the specific context of Portland, ME. Details of this methodology are as follows.

Personnel Expenses

The personnel section uses a standard staffing pattern typical of most centers, with the following assumptions built in

- Program Director (1 full time)
- Assistant Director (0 5 FTE if less than 30 children, 1 FTE if 31-100, 1 25 FTE if over 100 children enrolled)
- Administrative Assistant (0 5 FTE if less than 30 children, 1 FTE if 31-100, 1 25 FTE if over 100 children enrolled)
- Lead Teachers (1 per classroom)
- Assistant Teachers (based on group size/ratios)

- State PreK Lead Teachers (1 per classroom)
- State PreK Assistant Teachers (based on group size/ratios)
- School Age Lead Teachers (1 per classroom, at 60% FTE)
- School Age Assistant Teachers (based on group size/ratios, at 60% FTE)
- Floater-Assistant Teachers (for coverage throughout the day, based on 0 2 FTE per teaching personnel default, which can be updated in cell F12)

The FCC-based program includes a provider/owner, with an assistant included at higher quality levels, when more infants are served, or when the program serves up to 12 children

Wages

Wages for each position are driven by the Quality Level selected in the [Variables INPUT-CTR] tab or based on the user override The Floater/Assistant position is calculated based on an assistant teacher wage Substitute expenses are calculated based on the number of sick days and paid time off the user input on the [Variables INPUT-CTR] tab Sub hourly rates are based on an hourly rate that aligns with an assistant teacher

Mandatory and Discretionary Benefits

All federal and state mandatory benefits are contained in the model These include federal and state requirements, including unemployment insurance and workers compensation

By default 10 days paid sick leave and 10 days paid leave is included for all staff

If the discretionary benefits option is selected on the input tab, the model includes $6,035 per FTE, which is the average annual employer contribution to health insurance, based on Kaiser Family Foundation data for Maine [2] This figure is used as a proxy dollar amount which individual providers could choose to deploy in different ways, including health insurance contribution, retirement contribution or other discretionary benefits

Annual training/professional development is also included at 30 hours per teaching staff member per year to meet licensing requirements

Quality Variables

Based on the quality levels chosen on the input tab, the model includes cost drivers related to Planning/Release Time and other factors related to meeting Maine Roads to Quality

Nonpersonnel Expenses

These expenses are aggregated into four categories
1. *Education Program for Children and Staff*, which includes
   - Education/Program—Child Food/food related, classroom/child supplies, medical supplies, postage, advertising, field trips, family transportation, child assessment materials
   - Education/Program—Staff Professional consultants, training, professional development, conferences, staff travel

---

[2] 2019 average employer contribution to employer-based health insurance   https //www kff org/other/state-indicator/single-coverage/ ?currentTimeframe=0&sortModel=%7B%22colId%22 %22 Location%22, %22sort%22 %22asc%22%7D

2 *Occupancy* Rent/lease or mortgage, real estate taxes, maintenance, janitorial, repairs, and other occupancy-related costs

3 *Program Management and Administration* Office supplies, telephone, internet, insurance, legal and professional fees, permits, fundraising, memberships, administration fees

4 *Contribution to Operating Reserve Fund* Annual contributions to an operating reserve fund—a practice that contributes to long-term financial sustainability—can be included as a percentage of total expenses The amount is set at 5% by default but can be updated

Values for each of these categories is based on data collected from Portland child care providers Table X summaries the default per child values used in the model

Table X Default annual per child nonpersonnel expenses used in model

	Center	FCC
Ed Program for Children and Staff	$1,281	$1,708
Occupancy	$1,413	$931
Program Management and Administration	$658	$1,265

Revenue Sources
The model is set up to use the revenue sources available to a typical child care center in Portland The following revenues sources are included in the model

* The federal **Child and Adult Care Food Program (CACFP)** is used for children of all ages at the current rates for free, reduced-price, and paid meals based on family income

* **Private tuition** is used for children of all ages who are not covered by a public funding stream Rates are based on the 2018 Market Rate Survey, using Cumberland County rates To account for differences in tuition at different quality levels the following market rate percentiles are used at each level Step 1, 50th percentile, Step 2, 60th percentile, Step 3, 75th percentile, Step 4, 90th percentile

* **Child Care Subsidy Program (CCSP)** rates are used for the user-entered number of infants, toddlers, preschoolers and school age children on the input tab, with rates based on the age of child Rates are based on DHSS maximum rates effective as of 6/30/18 and use a full-day, full-year rate for Cumberland County

* **State PreK** revenue is accounted for at $35,000 per classroom

* Some programs may have revenue from other sources such as grants, fundraising events, etc This is included as a revenue line and can be entered by the user as a total annual amount