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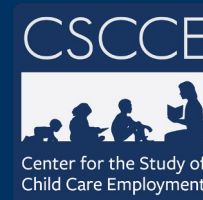
# Bold on Early Educator Compensation

Convening #7: Cost Modeling and  
Contracts

May 20, 2022

**Center for the Study of  
Child Care Employment**

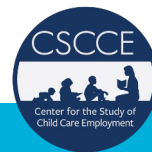
University of California, Berkeley  
email@berkeley.edu | cscce.berkeley.edu



# Today's Desired Results

Learning Community will:

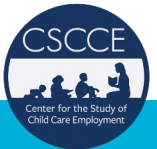
- Understand the importance of cost modeling and contracts as strategies to increase child care compensation
- Learn about approaches being taken in Learning Community States
- Discuss approaches to using cost modeling and contracts to increase child care compensation



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# Agenda for today

- Icebreaker: share Hooray moments!
- State Answers to Questions from Last Meeting
- Cost Modeling & Contracts Framing
- Homework Recap and Discussion
- Illinois Presentation
- Large Group Discussion
- Wrap Up & Next Steps
- Adjourn



# HOORAY MOMENT



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# State Answers to Questions from Last Meeting

# You Asked:

- For your state's 2019 Paid Family and Medical Leave Act, it sounds like the benefit is funded through employer and employee contributions via a payroll tax. Does this mean that the family CC providers pay both portions or is it that the state pays the employer portion?
- What was the biggest pushback in MA on the retirement benefit proposal? Why did it ultimately fail?
- What was the biggest pushback in MD on the paid family and medical leave proposal? What was the biggest pushback on the other six child care related bills?
- Would you say there's a bipartisan or partisan government in MD? Did either case (bipartisanship or partisanship) play a role in the outcome of the bills? How did bipartisan or nonpartisan status affect how your organization advocated for these bills?

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# Financing Mechanisms to Increase ECE Compensation

Caitlin McLean

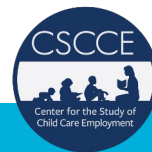
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# Figuring out the cost

- What am I trying to understand?
  - Current costs?
  - Costs of a transformed system (where educators have appropriate salaries and access to benefits?)
- What am I hoping to do with this information?
  - Advocate for increased investment?
  - Move to alternative rate-setting for child care subsidies through CCDF?
  - Determine specific costs of proposed change/legislation?

## Key resource

[Prenatal to Five Fiscal Strategies cost modeling materials](#)





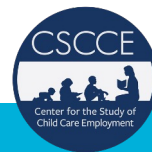
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# Figuring out the cost (continued)

## Key resource

[Financing Early  
Educator Teacher  
Quality \(CSCCE\)](#)

- What assumptions am I making about the workforce? E.g.,
  - Wage levels for different roles, education, experience...
  - Benefits (health insurance, paid leave, retirement)
  - How will educators and owners receive these benefits? Through the individual program? Through the state?
  - Other aspects of working environment (appropriate ratios/number of staff, paid time for planning/professional development, etc.)



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# How do I get the \$ to programs?

- Vouchers alone won't cut it. Contracts? Grants?
- How will I fill gaps between what federal child care subsidies will cover and the rest of the cost?
- What accountability measures are in place to ensure educators are receiving what is intended?

## Key resource

[Using Contracts to Support the Child Care Workforce \(Urban Institute\)](#)

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# Homework Recap and Discussion

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# Homework Questions

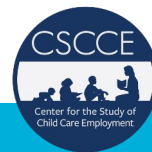
- Has your state completed, or is currently working on, a cost modeling of the true cost of child care?
- How is provider compensation being modeled?
- What experience or plans do you have to use contracts or grants to deliver funding to child care programs to cover the costs of increased compensation as a result of cost modeling?



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# Homework Questions (continued)

- If your state has completed a cost modeling of the true cost of child care, is there a commitment to the modeling being used (as opposed to just being completed)?
- What else would you like us to know about your state's efforts on cost modeling the true cost of child care?

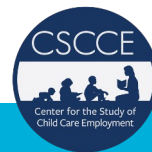


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# Questions for States

## Massachusetts:

- Can you talk about your state's use of both grants and contracts as vehicles to support child care programs?
- Can you talk about the bill that has been reported out of the legislature's Education Committee that includes the use of both contracts and grants?



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# Questions for States

## Washington State:

- **We understand that there is CCAoA educator engagement around the new salary scale. Can you share more info on how DCYF is thinking about this and how it relates to the cost model?**



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# Questions for States

## Vermont:

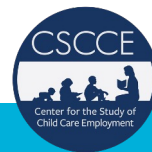
- **Let's Grow Kids is doing a cost study, and the state is planning to do one this summer. Can you describe the relationship between the two studies? How did this timeline come about?**
- **What do you perceive are the barriers of getting from point A (doing a cost model) to point B (implementing cost model)?**



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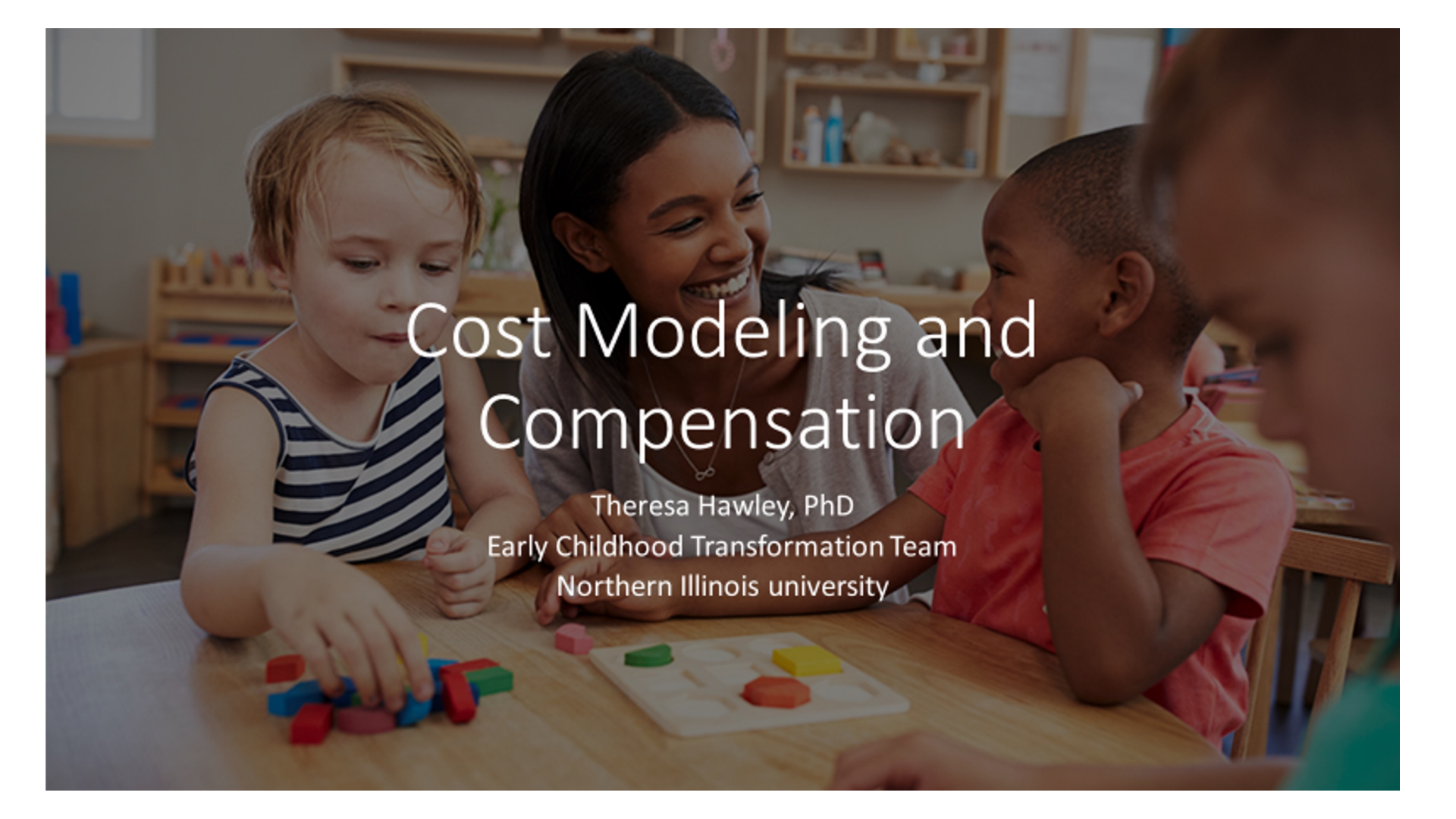
# Questions for States

- What questions do you have for any of the states that completed the homework assignment?
- Would anyone like to say something about what your state is doing?



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# Illinois Presentation Theresa Hawley

A photograph of a woman with dark hair, smiling warmly at two young children. They are sitting at a light-colored wooden table. The child on the left is a young boy with light hair, wearing a blue and white striped shirt, looking down at colorful geometric toys. The child on the right is a young girl with dark hair, wearing a pink shirt, looking towards the woman. On the table are various toys including colorful blocks and a white board with shapes. The background shows a shelf with various items, suggesting a classroom or playroom setting.

# Cost Modeling and Compensation

Theresa Hawley, PhD  
Early Childhood Transformation Team  
Northern Illinois university

## Cost modeling is a powerful policy development tool



In essence, cost modeling is building estimated budgets for “typical” programs



### Main components:

- Staffing structure
- Salary schedule
- Benefits schedule or “fringe rate”
- Non-personnel costs



You can use the cost model to zero in on the impact of raising compensation on the cost of services



Example:  
Costofcare.org  
“pay teachers the  
same as  
kindergarten  
teachers”


CostofChildCare.org

About Us Take Action Learn More

### Illinois

You are on your way to designing an early educational experience. Select a child care setting, then toggle through the sliders to improve its quality. Next, watch the effects on monthly tuition without additional federal investments.

We don't need to exempt the burden of these costs. Let your elected officials know Congress must fund child care.



**Pay teachers the same as kindergarten teachers**

Pay teachers the same as kindergarten teachers to reduce the toxic stress that comes from living in poverty.

SELECT NEW STATE

Index Classroom Teacher Classroom Preschool Classroom or Home-Based Family Child Care

**Monthly cost per child: \$1,368**

- ☒ Reduce children per teacher
- ☒ Increase salaries
- ☒ Pay teachers the same as kindergarten teachers
- ☒ Provide additional benefits
- ☒ Increase contribution to health insurance
- ☒ Provide meal times for teachers or plan catering
- ☒ Make the classroom bigger
- ☒ Increase procedures for classroom cleanliness

[Read more about the impact of these recommendations](#)

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With a cost model,  
you can identify  
the “delta”  
required for better  
compensation

Then you can figure out  
strategies for specifically  
attacking the delta



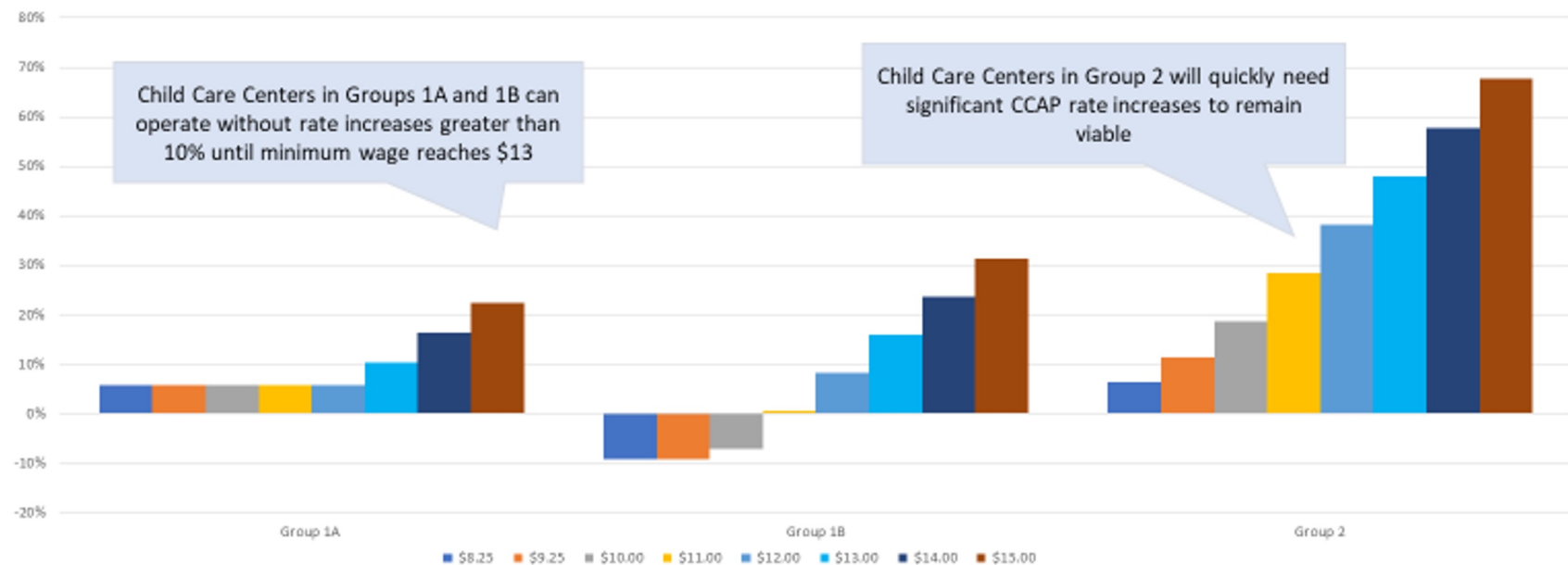
## An example: Illinois and the rising minimum wage

- We created a cost model that would allow us to calculate and visualize the impact of our rising min wage (from \$8.25 to \$15 over 5 years) on the cost of care in centers in our 3 geographic regions
- This prompted us to immediately raise reimbursement rates by over 20% in our rural counties



# We calculated the impact of the rising minimum wage on cost by geographic region to identify where rate increases were most urgently needed

CCAP Rate Increase Necessary for 2 Classroom per Age Child Care Center to Break Even by Minimum Wage Level In A "No Wage Compression" Simulation







## Subsidy rates alone won't solve the compensation challenge

- There's a temptation to believe that doing a cost model and then setting subsidy rates to cover the "true cost of care" will be enough to address the compensation problem
- BUT
  - Most of the child care market is private pay, not subsidized
  - Even in programs that are mostly or all subsidized, without some policy lever to ensure increased funds are invested in staff salaries, they could be used for any purpose by providers

Cost models  
of the “delta”  
can help you  
think about  
other ways of  
addressing the  
challenge

- Example: Look at the cost per classroom of raising staff salaries, and think about how you might be able to fund that
- In Illinois, we estimated the cost of moving from current average salaries to a “desired salary scale” as about \$20,000 per classroom
- That allowed us to develop a strategy within our Strengthen & Grow Child Care grants to target compensation
  - Recipients must spend at least 50% of the grants (which average around \$26,000 per classroom) on increased compensation or other new staff-related expenses
  - We are now looking at how to extend the grants and further focus on compensation

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# Questions for Illinois

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# Large Group Discussion

# Questions for Large Group Discussion

1. We learned that in Wisconsin's CCDF plan, the use of contracts is limited to the care of children of migrant farm workers. Are there any other states that aim to prioritize who gets served or who operates a program with a contract?
1. On a related note, have any states applied an equity approach to contracting/granting? What has been learned so far?
1. Are there any states that have considered or studied the administrative burdens (e.g., reducing burdens on providers/applicants) related to grants vs. contracting? What has been learned so far?
1. Are there any states that have used an accountability approach/frame -in rate setting, stabilization grants, or other mechanisms to ensure that public investments in child care are actually going towards compensation or the workforce?

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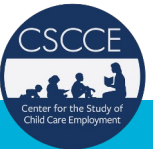
# Next Steps

- **Next Meeting: June 17 - Financing Strategies**
- **Keep sending us Hooray Moments!**

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# Adjourn

# Thank you!



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