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Memorandum of Support

New York should conduct a cost estimation study that will determine the cost of quality child care

A.0580 (Jaffee)/S.0245A (Kennedy)

One way for states to promote the healthy development of children from low-income families is to assure that the payment rates for subsidized child care are sufficient to support high quality early care and learning. The federal government has encouraged states to use methods other than the market rate survey to determine the cost of providing quality care. 42 USC 9858C(c)(4)(B)(i),(ii); 45 CFR 98.45(c)(2). This Child Care Cost Estimation Study bill would require that New York State take the first step in this process by implementing a cost estimation study which would gather information that establishes the actual cost of providing high quality child care to New York's most vulnerable children. The state will then have data to assess the cost of quality care, and to set goals for future reimbursement rates.

This bill, which has passed the Assembly in 2016, 2017 and 2018, would authorize the development of a cost estimation model which would identify and take into account cost drivers including, but not limited to: employee salary and benefits, enrollment levels, facility costs and compliance with statutory and regulatory requirements. The cost estimation model will also take into account the cost of providing services at each level of quality. Since many providers in New York State find it increasingly difficult to meet high quality standards at the current market rates, this model would provide critical information.

An example of a cost estimation model is the Provider Cost of Quality Calculator (PCQC), an easy-to-use, dynamic Web-based tool that calculates the cost of quality-based on site-level provider data.ⁱ The tool helps state policymakers understand the costs associated with delivering high-quality early care and education. The tool can demonstrate whether there is a gap between the cost of providing quality services and the revenue sources available to support a program. Knowing the size of the gap at different quality levels for various provider types can inform the design of financial support and incentive packages.

The PCQC is useful to states that have a Quality Rating and Improvement System (QRIS) and to

states that want to understand the cost of operating a particular type of quality program, such as prekindergarten. The tool can model the cost of quality for any jurisdiction (state, county, city). A user can manage and share multiple scenarios and provider profiles, and store and print reports. Over a dozen states and local governments, including California, Kentucky, Louisiana, New Jersey, Ohio, Oregon, Pennsylvania, Rhode Island, North Carolina, Washington, and the District of Columbia have used the PCQC to develop a set of dynamic models to estimate the cost of operating early learning programs at various levels of quality consistent with the state's QRIS.ⁱⁱ Local governments that have used the PCQC include Kansas City, Miami, New Orleans, and San Francisco. Tarrant (Fort Worth) and Dallas counties in Texas did a joint study.

The cost of doing a modest initial study in a state the size of New York should be reasonable and cost between \$100,000-\$300,000. Additionally, the [National Center on Early Childhood Quality Assurance](#) is available to provide modest technical assistance to states on cost studies upon the request of the state child care administrator.

This modest investment will provide critical information that should help planners and policymakers improve child care quality and increase the number of low-income children in quality child care. For these reasons, Empire Justice Center supports A.0580 (Jaffee)/S.0245A (Kennedy).

This memorandum was prepared by:

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ⁱ Available at: <https://www.ecequalitycalculator.com/Login.aspx?ReturnUrl=%2f&AspxAutoDetectCookieSupport=1>

ⁱⁱ E-mails from Anne Mitchell, Executive Director of Early Childhood Finance dated March 8 and 9, 2019 (On file with the Empire Justice Center) See: <http://www.earlychildhoodfinance.org/finance/cost-modeling>