

INTRODUCTION

The state agencies that oversee child care typically base subsidy payment rates on the family tuition that providers charge – the market rate – and not on what it actually costs to provide care. In South Carolina, the state agency is the South Carolina Department of Social Services (SCDSS). However, states have the flexibility to base rates on an [alternative methodology](#) instead of using the market rate. This method includes a cost model to help decide what the child care subsidy payment rate should be.

A cost model is an adjustable tool, such as an Excel workbook or online calculator, that can add up the true costs of an early childhood program, service, or system. A cost model helps make sure all factors of running a child care program are included when determining the true cost and deciding subsidy payment rates.

The alternative methodology process will help South Carolina:

- Understand how much it costs providers to deliver early care and education and stay in business.
- Develop a tool to help estimate the cost of care based on information collected from providers and other sources.

The term “**provider**” refers to early care and education providers and owners. That includes those who operate child care centers, family child care homes, and tribal programs. “Provider” also includes people providing license-exempt family, friend, and neighbor care.

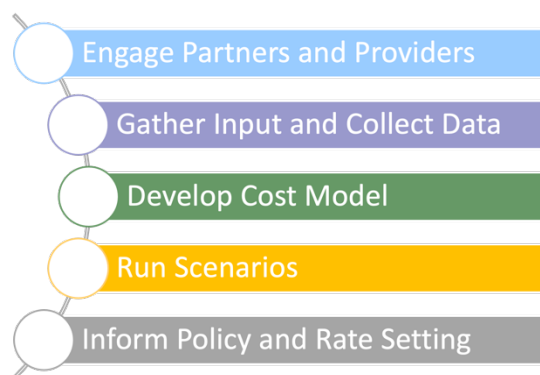
APPROACH

The alternative methodology process gathers financial and programmatic information from South Carolina’s child care providers to develop a cost model. The model will help to understand how much money is really needed to deliver high-quality child care. The process will look at the impact of licensing and quality requirements, as well as different program characteristics.

These characteristics include staff pay and benefits, rent and utilities, curriculum and materials, health and safety – all the parts of program operations. Because cost models can be adjusted based on different standards and regulations, and other program or quality enhancements, administrators will better understand how changes affect costs.

SCDSS is working with Prenatal to Five Fiscal Strategies (P5FS), to design and implement an alternative methodology using a collaborative process with engagement by state and local partners, as well as providers. This approach uses the five-step process for cost modeling established by P5FS:

1. Convene an advisory group of state and local partners, as well as providers, to inform the process.
2. Engage with child care center, family child care home, group child care home, and legally-exempt providers to collect information through surveys, input sessions, and interviews.
3. Develop a tool that uses that information to estimate the cost of care.
4. Analyze the findings to understand variations in the cost of care.
5. Inform how the state sets rates and policies.



ENGAGEMENT

To be successful, input is needed from providers to help policymakers understand what it really costs to provide high-quality child care, and how far current resources go to covering that cost. Providers have **many ways** to participate and provide input. Using existing data to not burden providers, additional information is collected through online surveys, input sessions, and individual interviews, as needed.

1. Online survey – asks about main expenses including pay, benefits, rent/mortgage and utilities, as well as program characteristics such as staffing, group size and ratios, and ages of children enrolled. The survey will be available in multiple languages.
2. Input sessions – one-hour small group virtual meetings to share experiences delivering early care and education including program operations and quality.
3. Individual interviews – one-on-one interviews with providers to share their particular expertise, especially for providers operating multiple sights.

All information provided and data collected will be kept confidential and not attributed to any one person or program. Only combined information summaries will be shared.

TECHNICAL WORKGROUP MEMBERSHIP

The South Carolina Alternative Methodology Technical Workgroup is convened in partnership with SCDSS to advise and inform South Carolina's Alternative Methodology process including how best to engage providers in the process and development of the cost model. Membership includes representation from groups representing providers as well as agencies and organizations supporting early care and education in South Carolina, including:

- SC Department of Social Services
- SC Child Care Resource and Referral
- SC Inclusion Collaborative
- SC Program for Infant/Toddler Care
- Early Childhood Advisory Committee
- SC Provider Associations
- Other Technical Experts

BACKGROUND

The Child Care Development Fund (CCDF) is the main source of federal funding to help low-income working families access child care. Each state develops a CCDF plan describing how the state plans to spend funds for child care subsidies and systemic child care improvements. Within this plan, each state or territory sets the payment rates child care programs receive when serving a child eligible for subsidies. South Carolina's alternative methodology will be used to inform the rate setting process outlined in the CCDF plan.

ABOUT PRENATAL TO FIVE FISCAL STRATEGIES

South Carolina's Alternative Methodology Process is being developed as part of South Carolina's Child Care Development Fund plan. SCDSS has partnered with Prenatal to Five Fiscal Strategies, a national non-profit that helps states conduct cost studies and develop cost model tools using a comprehensive approach grounded in relationships. P5FS has led states' alternative methodology processes for over eight years. The team brings deep knowledge and experience directing child care programs, teaching in classrooms, and working with family child care home providers.

MORE INFORMATION

To learn more about the process and ways to provide input into the alternative methodology:
www.prenatal5fiscal.org/SouthCarolina.