

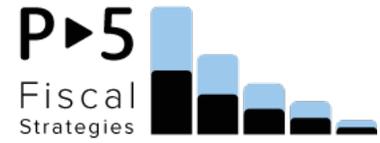
# California Cost of Quality Project

Information Session

April 27, 2022



# Prenatal to Five Fiscal Strategies



- Initiative focused on addressing the broken fiscal and governance structures that exist within the P5 system
- Founded in 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
- California team includes Katie Fallin Kenyon, Jessica Rodriguez Duggan and Casey Amayun

- P5FS is developing a cost model to support the Rate and Quality Work Group and Joint Labor-Management Committee (JLMC)
  - Model designed to understand revenue and expense at different levels of system, sufficiency of revenue streams, impact of different program characteristics and quality variables.
  - Designed to move beyond current broken market, to model better system
  - Can be used to inform public rate setting
- The work is supported by private foundations

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**Children's Initiative**



**01**

# **Cost of Child Care and Rate Setting**

# 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.

## 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.

Child care is a broken market that disincentivizes quality



# The difference between price and 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

# Current Approach to Rate Setting in California

## Rate Setting

- Market rate surveys report prices (tuition) charged, not necessarily what it actually costs
- Embeds current low wages and inequity
- Not reflective of costs at:
  - Licensing OR
  - Quality
- Complex and lacking transparency

Data on cost and expectations of true cost

Equity cost drivers to inform subsidy rates, not tuition

Process of deep engagement with providers, long term change in approach

- Functioning model, all elements and data points available for public review
- Then translated to rates

Continually used for rate setting, more provider engagement and rates that reflect equity, state values and true cost of care

## Market Rate Approach

Uses tuition prices to set rates

Supports understanding the prices charged families

Sources:  
Market Rate Survey

## Cost Model Based Approach

Uses current cost information

Supports understanding the insufficiency of current rates

Sources:

Primary data collection:

- COQ survey and Provider Interviews and focus groups

Additional data inputs:

- BLS data; CA Workforce Survey; other local provider cost data collection
- Rate and Quality WG and JLMC

Uses true cost of care information

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

# What is a cost model?

A tool to understand the cost of providing services

## *This tool:*

Demonstrates the impact of funding from multiple sources  
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

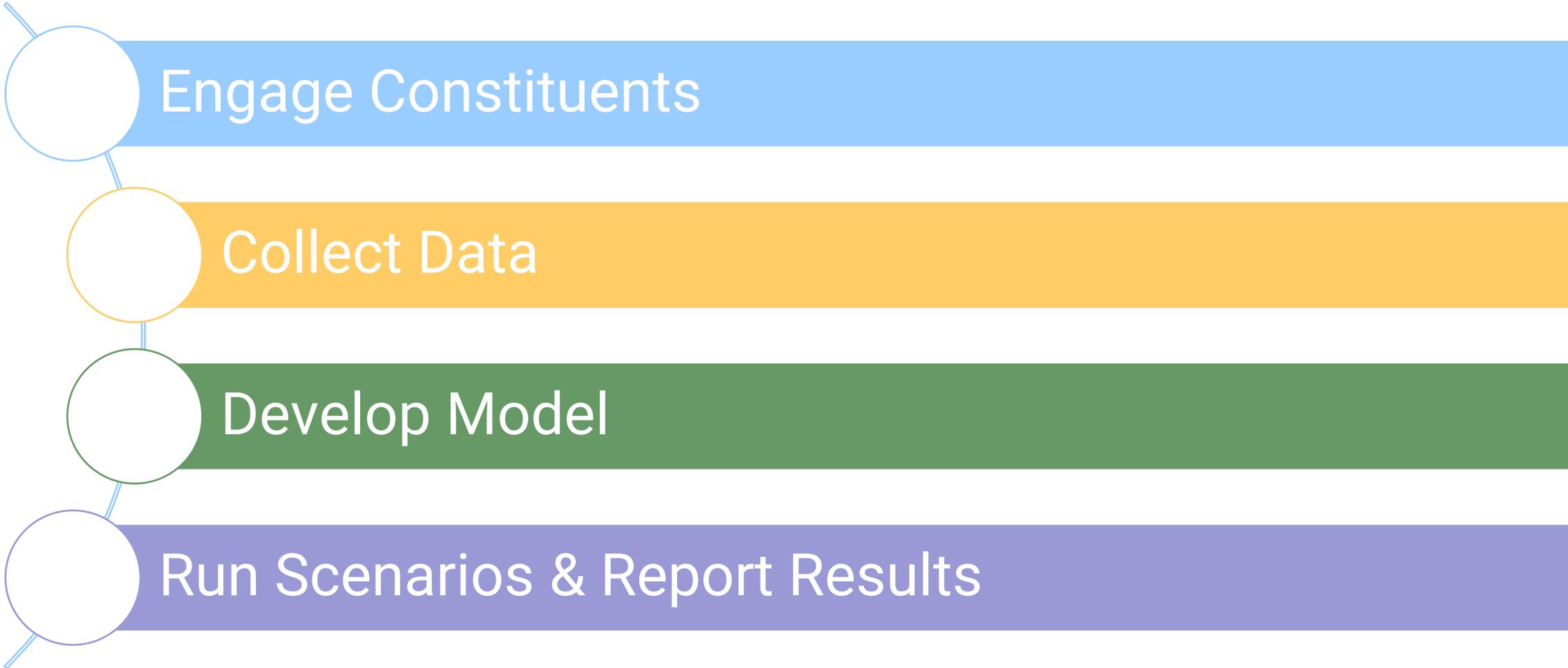
## *Tool output:*

No single 'answer' provided by the tool, depends on the selections you make related to program characteristics.

**02**

# **Model Development**

# Key steps in developing a cost model



Engage Constituents

Collect Data

Develop Model

Run Scenarios & Report Results

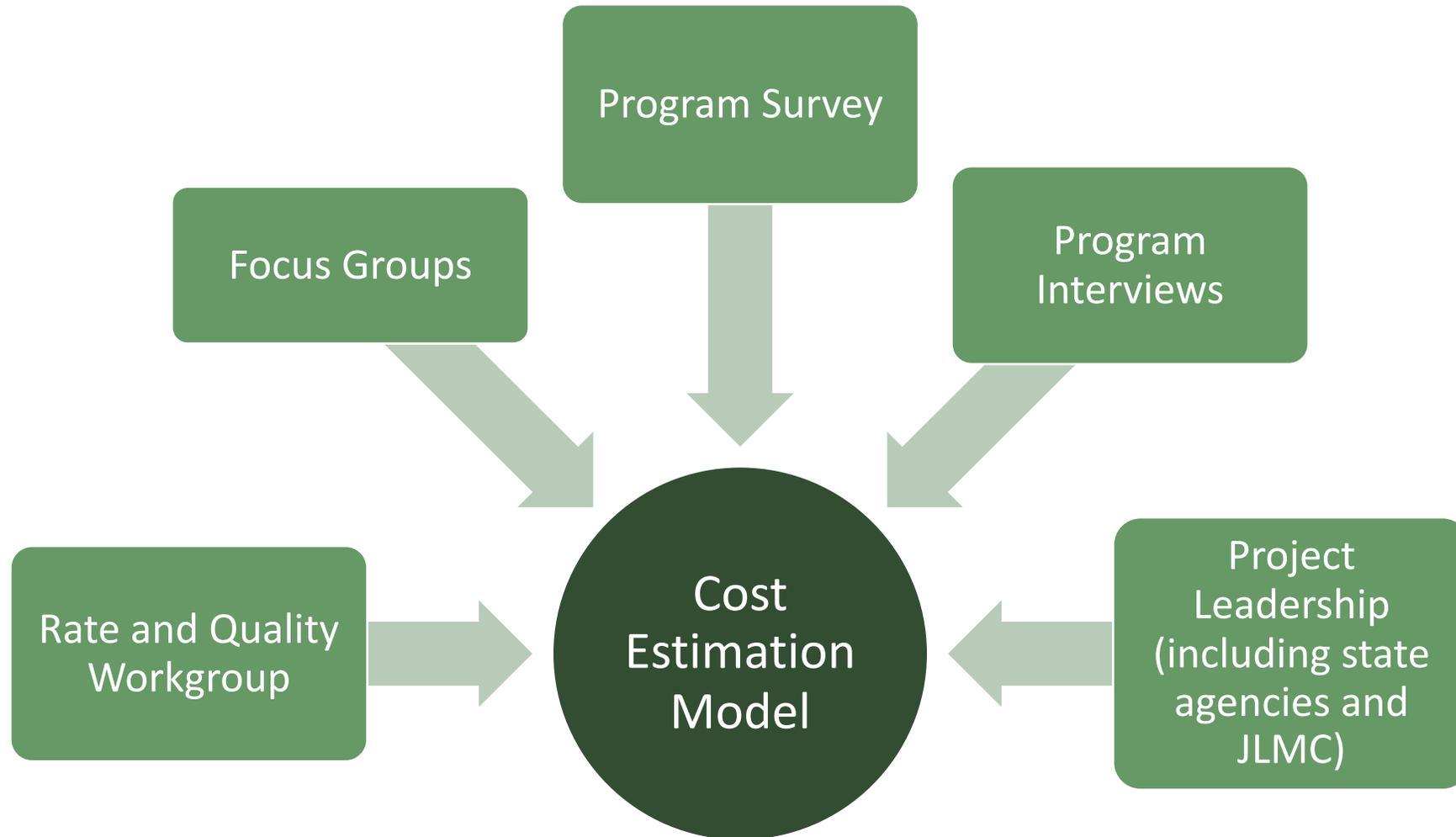
## Engage Constituents

- Multiple points of contact with a variety of constituents
- Multiple methods for participation: surveys, community meetings, focus groups, provider interviews
- Engagement as an ongoing feedback on model development, important difference in approach to one time, or limited, constituent engagement

## Collect Data

- Engage providers to gather financial data on real costs of operating the program
- Include all provider types, including family child care providers
- Cover all regions of state and variances in context experienced by providers

# Opportunities for constituent input



# Fiscal Modeling



**Program data is key**

**Provides baseline, and values for individual cost drivers**

**Ensures California-specific results**

**03**

# Provider Engagement

- Provider data will be used in multiple ways to inform the study and model
- Data will be analyzed to
  - determine baseline assumptions
  - identify trends, including regional variations and variations by program type
  - understand implementation of quality
  - create multiple selection points in model reflective of equity and quality cost drivers
- Intention is to build model informed by data
  - Will not reflect any one individual program, rather provide model that can be used to estimate cost and understand impact of program characteristics and policies.
- Provider input gathered through Work Group meetings, JLMC meetings, provider interviews and provider focus groups, both regional and ensuring voice of providers serving all populations

## Provider Survey

*Audience:* Child care centers, family child care homes and family friend and neighbor care settings, statewide

*Purpose:* Gather data on key cost drivers, including salary, benefits, staffing patterns, and occupancy

*Format:* Online, skip logic, multiple languages

## Provider Interviews and Focus Groups

*Audience:* Child care providers, statewide representation

*Purpose:* Better understand the finances of providers and their operations, including cost to meet quality standards, higher standards. Have providers share input on equity and cost drivers

*Format:* Video call, telephone, multiple languages.

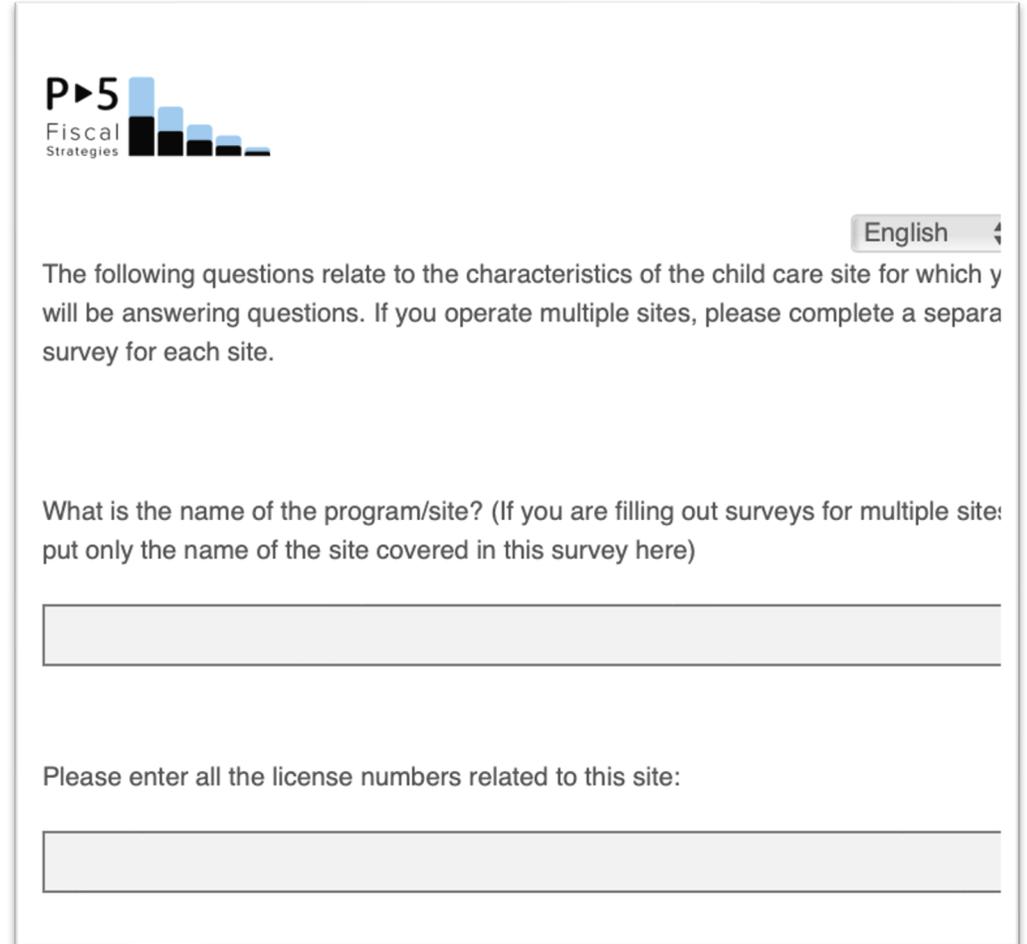
- Only P5 Fiscal Strategies team will have access to the full cost data with program identifiers
- Data will only be publicly reported in the aggregate – rolled up to ensure confidentiality when small sub-groups
- When data is shared with state, all identifiable information will be removed



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



The screenshot shows the landing page for the California Cost of Quality Study. At the top left is the P>5 Fiscal Strategies logo. To its right is a navigation menu with links for Home, Comprehensive Approach, Resources, State Projects, About, and More. The main heading is "CALIFORNIA COST OF QUALITY STUDY" in large green letters. Below this is a green sidebar with the text "STUDY BACKGROUND AND OVERVIEW" and a paragraph: "P5 Fiscal Strategies is leading the California Cost of Quality study to develop a cost model that can be used to inform child care subsidy reimbursement rates. More details about the study can be found in the one-page overview linked below in multiple languages." To the right of the sidebar is a photograph of a young child with curly hair playing with toys.



The screenshot shows the survey questions. At the top left is the P>5 Fiscal Strategies logo. On the right is a language dropdown menu set to "English". The text reads: "The following questions relate to the characteristics of the child care site for which you will be answering questions. If you operate multiple sites, please complete a separate survey for each site." Below this is a question: "What is the name of the program/site? (If you are filling out surveys for multiple sites: put only the name of the site covered in this survey here)" followed by a text input field. Below that is another question: "Please enter all the license numbers related to this site:" followed by another text input field.

# Survey Details

- Survey is available online, in multiple languages
- Employs 'skip-logic' which tailors the questions based on answers, minimizing irrelevant questions
- One submission per site, ideally Director/Owner/Financial Manager completes
- Distributed via multiple channels – maximum possible reach



*Program Characteristics:* size, ages, type of program, funding streams

*Personnel:*

- Program staffing
- Teaching staffing
- What is the average annual salary for each of the following positions?
  - Are your current salaries sufficient to attract and keep the staff you need to provide a high-quality program?
  - If no, what salary would you ideally pay for a Lead Teacher and Assistant Teacher

*Nonpersonnel:*

- Occupancy (rent/mortgage, utilities, landscaping), supplies/equipment, insurance, professional services, food, etc.

## Family Child Care Homes

- Licensed capacity, enrollment, hours of care
- Additional hours per week on running program?
- Program expenses
- Owner compensation
- Staff compensation
- Are your current salaries sufficient to attract and keep the staff you need to provide a high-quality program?

## Trustline/Relative Care

- Number of children, hours of care, related or not
- Additional hours per week on running program?
- How much do you spend annually on:
  - Occupancy (rent, mortgage)
  - Supplies (food, cleaning, toys, diapers, paper, books, all materials and supplies)?
  - Vehicle expenses?
- How much do you spend on training or education? How much of this cost is reimbursed by the state of California?

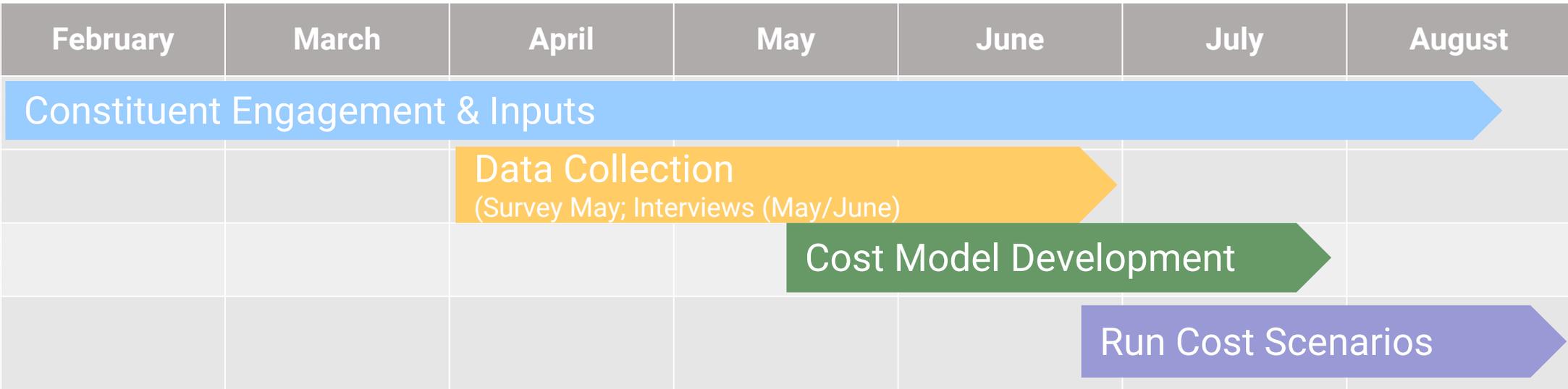
# Partnering in this Work

- Complete the survey
  - About 15-20 minutes
  - Available online, in multiple languages, desktop and mobile
  - Gather budget documents, financials before starting survey
- Share survey link with other providers in your network and validate the benefits of participating in the survey
- Volunteer or help identify programs for interviews and focus groups in May and June
  - 1-hour virtual interviews and focus groups
  - Deeper dive into budget and discussion of how true cost of quality care and what it *should* cost
  - Check the CA landing page for sign up:  
[www.prenatal5fiscal.org/california](http://www.prenatal5fiscal.org/california)



# California Cost of Quality Timeline

Prior work informing the process includes Master Plan, Rate WG, Blue Ribbon Commission





# Questions?



**P ▶ 5**  
Fiscal  
Strategies

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