

MEMO

To: Jennifer Nizer, Maryland State Department of Education
From: Jeanna Capito, Prenatal to five Fiscal Strategies
Date: March 8, 2022
Re: Maryland Narrow Cost Analysis



Child Care and Development Fund (CCDF) Lead Agencies were required to complete a Narrow Cost Analysis in their three year plan, running FY22 through FY24. Maryland State Department of Education partnered with Prenatal to Five Fiscal Strategies to complete an analysis meeting the requirements of the Narrow Cost Analysis. We are pleased to present this memo as the detailed report of the Narrow Cost Analysis which estimates the cost of care (including any relevant variation by geographic location, category of provider, or age of child) necessary to support (1) child care providers' implementation of the health, safety, quality, and staffing requirements, and (2) higher quality care.

The Narrow Cost Analysis process meets the CCDF State Plan requirements; Maryland's Narrow Cost Analysis is detailed herein following the questions in the FY 2022 – 2024 CCDF Plan.

- a. *Describe the methodology the Lead Agency used to conduct, obtain, and analyze data on the estimated cost of care (narrow cost analysis), including any relevant variation by geographic location, category of provider, or age of child (98.45 (f)(ii)).*

Maryland State Department of Education (MSDE) completed the narrow cost analysis by using the Provider Cost of Quality Calculator (PCQC), a web-based tool that calculates the cost of quality child care based on site-level provider data. The PCQC relies on Excel spreadsheets that are aligned with the State's unique reimbursement rate variations including a range of quality and other funding factors.

The PCQC helps users understand the discrete costs of delivering child care services at different quality levels, along with differences in cost related to the type of provider, the age of the children served and the geographic region of the state, when regionalized expense data is entered. The PCQC is the federally approved tool to support narrow cost analysis and alternative methodology for subsidy rate setting. The PCQC demonstrates if a gap exists between the provider's cost of producing services at a given quality level and the revenue sources that are available to support service delivery.

Maryland (MD) has seven regions which the child care system is divided in to, these regions have different reimbursement rates, as informed by years of market rate survey work. Expense data in the model is based on a combination of nationally validated default data from the Bureau of Labor Statistics (personnel data) and averaged cost data for non-personnel, in the PCQC, and salary data collected as part of the market rate survey. Every year, MSDE completes a child care provider survey; this data collection is completed by Maryland Family Network, the child care resource and referral support entity. Data collected from over 900 staff across the state through an online survey conducted in Fall 2021 furnished by region salary data for: Directors, Teachers, Aides and Family Child Care providers. The salary data provided by these regions informs the narrow cost analysis with a deeper understanding of geographic differences in child care expenses which may exist.

In the PCQC, each region of the MD system was analyzed, after inputting the regional variances for the director, teacher, aide and family child care provider positions. Additionally center-based and family child care scenarios were conducted, across all the regions.

- b. *Describe how the methodology addresses the cost of child care providers' implementation of health, safety, quality and staffing requirements (i.e. applicable licensing and regulatory requirements, health and safety standards, training and professional development*

standards, and appropriate child to staff ratio, groups size limits, and caregiver qualification requirements (98.45 (f)(ii)(A)).

The PCQC input was adjusted to reflect Maryland's child care licensing regulations and quality standards, in order to account for key cost drivers associated with meeting these standards. PCQC uses this data to inform the cost estimates for licensed centers and family child care homes, with child to staff ratios, group size limits and caregiver qualifications being the primary requirements that impact cost. Annual training/professional development is included at \$250/year per teaching staff member to meet licensing requirements and health and safety standards.

c. Describe how the methodology addresses the cost of higher-quality care, as defined by the Lead Agency using a quality rating and improvement system or other system of quality indicators, at each level of quality (98.45 (f)(ii)(B)).

The PCQC model allows for setting quality standards at different levels for staffing patterns, staff qualifications, staff compensation, family engagement, professional development supports, and planning/release time. The PCQC inputs were modified to reflect Maryland's quality standards. For the narrow cost analysis, the PCQC was ran at the base level of quality, then modified for anticipated higher costs based on the Maryland quality rating and improvement system, Maryland EXCELS.

There are two cost drivers related to higher levels of quality in EXCELS which could be modeled in the narrow cost analysis, although there is not actual provider data to verify these higher expenses. Under EXCELS increased staff qualifications are required at each level, in this cost analysis the salary line was increased by 5% for each level of quality to reflect salaries commiserate with higher levels of required qualifications. Additionally, at level 5 in EXCELS, the expectations of development assessment and planning in response to this assessment is higher than the other levels, therefore substitute coverage was increase by 30% at level 5 to cover these increased planning and development assessment and teaching response expected at level 5. A summary of these higher costs of quality, at EXCELS levels 2 through 5, is included in the Additional Tables: Cost of Care, by level of quality, after the comparison of level 1 costs to the current CCDF payment rate tables.

d. Describe the gap between costs incurred by child care providers and the Lead Agency's payment rates based on findings from the narrow cost analysis.

MSDE used the PCQC to estimate the true cost providers incur to provide licensed child care. The table below shows the gap between Maryland's current CCDF payment rates and the estimated cost of care, based on the PCQC. Maryland's use of child care subsidy funds, under CCDF, is called the Maryland Child Care Scholarship.

The tables below reflect where there are gaps between cost and scholarship payment rates, across the seven regions of the MD Child Care Scholarship system, with separate tables for center-based and family child care settings, both small and large. Costs and Scholarship amounts are based on full-time care for infants, toddlers, and preschoolers. School age cost are based on costs assigned to school age classrooms with a modification of the full time Scholarship rate based on units of attendance typical of school aged care. The seven regions by name and coverage area are:

Region B - Baltimore City

Region U - Cecil, Queen Anne's, St. Mary's, Talbot and Washington counties

Region V - Caroline, Dorchester, Kent, Somerset and Wicomico counties

Region W - Anne Arundel, Calvert, Carroll, Charles and Prince George's counties

Region X - Howard and Montgomery counties

Region Y- Baltimore, Frederick and Harford counties

Region Z - Allegany, Garrett and Worcester counties

Center-based/Letter of Compliance

Annual cost per child, by age, by geographic region	Region B	Region U	Region V	Region W	Region X	Region Y	Region Z
Infant	\$23,125	\$22,973	\$22,580	\$24,374	\$24,591	\$23,010	\$22,739
Toddler	\$16,082	\$15,980	\$15,719	\$16,915	\$17,059	\$16,005	\$15,825
Two year olds	\$12,561	\$12,484	\$12,288	\$13,185	\$13,293	\$12,503	\$12,368
Three and Four year olds	\$8,335	\$8,289	\$8,171	\$8,709	\$8,774	\$8,300	\$8,219
School aged	\$6,222	\$6,191	\$6,113	\$6,472	\$6,515	\$6,199	\$6,145
Revenue, by age, by region	Region B	Region U	Region V	Region W	Region X	Region Y	Region Z
Infant (0-24 mos.)	\$13,259	\$12,895	\$10,815	\$15,599	\$21,890	\$17,159	\$11,907
Child (24 mos and up)	\$8,943	\$9,203	\$8,111	\$11,231	\$17,419	\$11,751	\$8,319
School aged	\$4,467	\$4,597	\$4,052	\$5,610	\$8,701	\$5,870	\$4,156
Difference between cost and subsidy rates	Region B	Region U	Region V	Region W	Region X	Region Y	Region Z
Infant	9866	10078	11765	8775	2701	5851	10832
Toddler	2823	3085	4904	1316	4831	1154	3918
Two year olds	3618	3281	4177	1954	4126	752	4049
Three and Four year olds	608	914	60	2522	8645	3451	100
School aged	1755	1594	2061	862	2186	329	1989

Family Child Care Home

Annual cost per child, by age, by geographic region	Region B	Region U	Region V	Region W	Region X	Region Y	Region Z
Infant	\$ 8,749	\$ 8,803	\$ 7,198	\$10,350	\$11,262	\$10,677	\$ 8,676
Child	\$ 8,749	\$ 8,803	\$ 7,198	\$10,350	\$11,262	\$10,677	\$ 8,676
School aged	\$ 5,249	\$ 5,249	\$ 5,249	\$ 5,249	\$ 5,249	\$ 5,249	\$ 5,249
Revenue, by age, by region	Region B	Region U	Region V	Region W	Region X	Region Y	Region Z
Infant	\$ 9,359	\$ 8,579	\$ 7,799	\$11,959	\$15,599	\$10,919	\$ 6,863
Child	\$ 7,799	\$ 7,435	\$ 5,980	\$ 9,723	\$12,999	\$ 9,359	\$ 6,344
School aged	\$ 3,896	\$ 3,714	\$ 2,987	\$ 4,857	\$ 6,493	\$ 4,675	\$ 3,169
Difference between cost and subsidy rates	Region B	Region U	Region V	Region W	Region X	Region Y	Region Z
Infant	610	224	601	1609	4337	242	1813
Toddler	950	1368	1218	627	1737	1318	2332
School aged	1354	1535	2263	393	1244	574	2081

Large Family Child Care Home

Annual cost per child, by age, by geographic region	Region B	Region U	Region V	Region W	Region X	Region Y	Region Z
Infant	\$14,258	\$14,312	\$12,687	\$15,876	\$16,801	\$16,203	\$14,188
Child	\$14,258	\$14,312	\$12,687	\$15,876	\$16,801	\$16,203	\$14,188
School aged	\$ 8,555	\$ 8,587	\$ 7,612	\$ 9,526	\$10,081	\$ 9,722	\$ 8,513
Revenue, by age, by region	Region B	Region U	Region V	Region W	Region X	Region Y	Region Z
Infant	\$ 9,359	\$ 8,579	\$ 7,799	\$11,959	\$15,599	\$10,919	\$ 6,863
Child	\$ 7,799	\$ 7,436	\$ 5,980	\$ 9,724	\$13,000	\$ 9,360	\$ 6,344
School age	\$ 3,896	\$ 3,714	\$ 2,987	\$ 4,857	\$ 6,493	\$ 4,675	\$ 3,169
Difference between cost and subsidy rates	Region B	Region U	Region V	Region W	Region X	Region Y	Region Z
Infant	4899	5733	4888	3917	1202	5284	7325
Toddler	6459	6876	6707	6152	3801	6843	7844
School age	4659	4873	4625	4669	3588	5047	5344

Additional Tables: Cost of Care, by child age, by level of quality
Center-based/Letter of Compliance

Region B	Infants	Toddlers	Two year olds	Three and Four year olds	School age
Level 2	\$23,948.82	\$16,631.20	\$12,972.40	\$8,581.83	\$6,386.55
Level 3	\$24,738.20	\$17,157.46	\$13,367.09	\$8,818.65	\$6,544.42
Level 4	\$25,527.58	\$17,683.71	\$13,761.78	\$9,055.46	\$6,702.30
Level 5	\$26,409.71	\$18,271.80	\$14,202.84	\$9,320.10	\$6,878.72

Region U	Infants	Toddlers	Two year olds	Three and Four year olds	School age
Level 2	\$23,757.30	\$16,503.53	\$12,876.64	\$8,524.38	\$6,348.24
Level 3	\$24,537.56	\$17,023.70	\$13,266.77	\$8,758.45	\$6,504.30
Level 4	\$25,317.83	\$17,543.88	\$13,656.90	\$8,992.53	\$6,660.35
Level 5	\$26,190.83	\$18,125.88	\$14,093.40	\$9,254.43	\$6,834.95

Region V	Infants	Toddlers	Two year olds	Three and Four year olds	School age
Level 2	\$23,338.48	\$16,224.31	\$12,667.23	\$8,398.73	\$6,264.48
Level 3	\$24,098.80	\$16,731.19	\$13,047.39	\$8,626.83	\$6,416.54
Level 4	\$24,859.12	\$17,238.07	\$13,427.55	\$8,854.92	\$6,568.61
Level 5	\$25,712.18	\$17,806.78	\$13,854.08	\$9,110.84	\$6,739.22

Region W	Infants	Toddlers	Two year olds	Three and Four year olds	School age
Level 2	\$25,216.31	\$17,476.20	\$13,606.15	\$8,962.08	\$6,640.05
Level 3	\$26,066.05	\$18,042.69	\$14,031.02	\$9,217.00	\$6,809.99
Level 4	\$26,915.79	\$18,609.19	\$14,455.89	\$9,471.92	\$6,979.94
Level 5	\$27,858.27	\$19,237.51	\$14,927.13	\$9,754.67	\$7,168.44

Region X	Infants	Toddlers	Two year olds	Three and Four year olds	School age
Level 2	\$25,446.85	\$17,629.89	\$13,721.41	\$9,174.73	\$6,686.15
Level 3	\$26,307.57	\$18,203.70	\$14,151.77	\$9,174.73	\$6,858.30
Level 4	\$27,168.28	\$18,777.52	\$14,582.13	\$9,174.73	\$7,030.44
Level 5	\$28,121.74	\$19,413.16	\$15,058.86	\$9,174.73	\$7,221.13

Region Y	Infants	Toddlers	Two year olds	Three and Four year olds	School age
Level 2	\$23,796.22	\$16,529.48	\$12,896.10	\$8,536.05	\$6,356.03
Level 3	\$24,578.34	\$17,050.89	\$13,287.16	\$8,770.69	\$6,512.45
Level 4	\$25,360.46	\$17,572.30	\$13,678.22	\$9,005.32	\$6,668.87
Level 5	\$26,235.32	\$18,155.54	\$14,115.65	\$9,267.78	\$6,843.85

Region Z	Infants	Toddlers	Two year olds	Three and Four year olds	School age
Level 2	\$23,507.96	\$16,337.30	\$12,751.97	\$8,449.57	\$6,298.38
Level 3	\$24,276.35	\$16,849.56	\$13,136.16	\$8,680.09	\$6,452.05
Level 4	\$25,044.74	\$17,361.82	\$13,520.36	\$8,910.61	\$6,605.73
Level 5	\$25,905.87	\$17,935.91	\$13,950.92	\$9,168.95	\$6,777.96

Family Child Care Home

Region B	Infant	Child	School Age
Level 2	\$9,350.99	\$9,350.99	\$5,610.59
Level 3	\$9,710.81	\$9,710.81	\$5,826.49
Level 4	\$10,070.63	\$10,070.63	\$6,042.38
Level 5	\$10,731.83	\$10,731.83	\$6,439.10

Region U	Infant	Child	School Age
Level 2	\$9,409.62	\$9,409.62	\$5,645.77
Level 3	\$9,772.23	\$9,772.23	\$5,863.34
Level 4	\$10,134.85	\$10,134.85	\$6,080.91
Level 5	\$10,798.83	\$10,798.83	\$6,479.30

Region V	Infant	Child	School Age
Level 2	\$7,665.74	\$7,665.74	\$4,599.44
Level 3	\$7,945.31	\$7,945.31	\$4,767.19
Level 4	\$8,224.89	\$8,224.89	\$4,934.93
Level 5	\$8,805.83	\$8,805.83	\$5,283.50

Region W	Infant	Child	School Age
Level 2	\$11,090.62	\$11,090.62	\$6,654.37
Level 3	\$11,533.28	\$11,533.28	\$6,919.97
Level 4	\$11,975.95	\$11,975.95	\$7,185.57
Level 5	\$12,719.98	\$12,719.98	\$7,631.99

Region X	Infant	Child	School Age
Level 2	\$12,081.65	\$12,081.65	\$7,248.99
Level 3	\$12,571.51	\$12,571.51	\$7,542.90
Level 4	\$13,061.36	\$13,061.36	\$7,836.82
Level 5	\$13,852.59	\$13,852.59	\$8,311.55

Region Y	Infant	Child	School Age
Level 2	\$11,446.07	\$11,446.07	\$6,867.64
Level 3	\$11,905.65	\$11,905.65	\$7,143.39
Level 4	\$12,365.24	\$12,365.24	\$7,419.14
Level 5	\$13,126.20	\$13,126.20	\$7,875.72

Region Z	Infant	Child	School Age
Level 2	\$9,271.59	\$9,271.59	\$5,562.95
Level 3	\$9,627.63	\$9,627.63	\$5,776.58
Level 4	\$9,983.68	\$9,983.68	\$5,990.21
Level 5	\$10,641.09	\$10,641.09	\$6,384.66

Large Family Child Care Home

Region B	Infant	Child	School Age
Level 2	\$15,266.91	\$15,266.91	\$9,160.15
Level 3	\$15,869.75	\$15,869.75	\$9,521.85
Level 4	\$16,472.60	\$16,472.60	\$9,883.56
Level 5	\$17,678.19	\$17,678.19	\$10,606.91

Region U	Infant	Child	School Age
Level 2	\$15,326.13	\$15,326.13	\$9,195.68
Level 3	\$15,931.79	\$15,931.79	\$9,559.07
Level 4	\$16,537.45	\$16,537.45	\$9,922.47
Level 5	\$17,745.86	\$17,745.86	\$10,647.52

Region V	Infant	Child	School Age
Level 2	\$13,559.88	\$13,559.88	\$8,135.93
Level 3	\$14,081.44	\$14,081.44	\$8,448.86
Level 4	\$14,602.99	\$14,602.99	\$8,761.79
Level 5	\$15,727.29	\$15,727.29	\$9,436.38

Region W	Infant	Child	School Age
Level 2	\$17,024.83	\$17,024.83	\$10,214.90
Level 3	\$17,711.38	\$17,711.38	\$10,626.83
Level 4	\$18,397.93	\$18,397.93	\$11,038.76
Level 5	\$19,687.23	\$19,687.23	\$11,812.34

Region X	Infant	Child	School Age
Level 2	\$18,030.48	\$18,030.48	\$10,818.29
Level 3	\$18,764.91	\$18,764.91	\$11,258.95
Level 4	\$19,499.35	\$19,499.35	\$11,699.61
Level 5	\$20,836.54	\$20,836.54	\$12,501.93

Region Y	Infant	Child	School Age
Level 2	\$17,379.68	\$17,379.68	\$10,427.81
Level 3	\$18,083.13	\$18,083.13	\$10,849.88
Level 4	\$18,786.58	\$18,786.58	\$11,271.95
Level 5	\$20,092.78	\$20,092.78	\$12,055.67

Region Z	Infant	Child	School Age
Level 2	\$15,190.88	\$15,190.88	\$9,114.53
Level 3	\$15,790.10	\$15,790.10	\$9,474.06
Level 4	\$16,389.32	\$16,389.32	\$9,833.59
Level 5	\$17,591.29	\$17,591.29	\$10,554.78