

Memo



To: Chad Allgood, Mississippi Department of Human Services
From: Jeanna Capito and Karen Rhinehardt, Prenatal to Five Fiscal Strategies
Date: June 25, 2024
Re: Mississippi Narrow Cost Analysis

Child Care and Development Fund (CCDF) Lead Agencies are required to complete a Narrow Cost Analysis (NCA) as part of the FY2025-2027 CCDF State Plan. The Mississippi Department of Human Services partnered with Prenatal to Five Fiscal Strategies (P5FS) to complete an analysis meeting the CCDF requirements for a Narrow Cost Analysis, including building a child care cost model for the state. P5FS is pleased to present this memo detailing the results of the NCA, which includes estimates of the cost of care necessary to support (1) child care providers' implementation of the health, safety, quality, and staffing requirements, and (2) higher quality care.

This memo is organized around the relevant questions in the FY 2025-2027 CCDF State Plan, section 4.2.2.

a. How did the Lead Agency conduct a narrow cost analysis (e.g., a cost model, a cost study, existing data or data from the Provider Cost of Quality Calculator)?

The Mississippi Department of Human Services partnered with Prenatal to Five Fiscal Strategies (P5FS) to carry out their narrow cost analysis. The process involved building a child care cost model for Mississippi. The Mississippi Child Care Cost Model uses a similar methodology to the Provider Cost of Quality Calculator but is customized to the state context. The development of the cost model was supported by cost study activities including adding cost questions to the Market Rate Survey and provider input sessions where qualitative factors of cost and program operations were explored. These cost study activities engaged both center and family child care programs. Through the survey process, 1,360 center based programs participated and 102 home based, or family child care programs, participated. As cost questions were not required for completion of the survey, the data on cost was not gathered from every participant. In addition, eleven input sessions were held at different times and days of the week in early 2024, this process generated additional input on cost and operations from 71 center-based providers and seven home based programs.

b. In the Lead Agency's analysis, were there any relevant variations by geographic location, category of provider, or age of child?

The Mississippi Child Care Cost Model includes variations for provider type, covering child care centers and family child care sites. The model also includes variation by age of child, aligned with Mississippi's licensing definitions, and variation by program type. The model also includes geographic variation in the cost estimate, following the state categories of Metro and Non-Metro. Counties are organized in to these two groupings and access subsidy rates based on these categorization. Cost information gathered from programs was analyzed following these geographic breakdowns. Additionally, extant data from sources including the Bureau of Labor Statistics and the MIT Living Wage Calculator was analyzed according to the Metro and Non-Metro categories, in order to understand differences in cost by geography.

As demonstrated in the tables included with this memo, the differences in cost of care at the licensing level and with current salaries are the greatest across the ages of children served. The regional differences for Metro and Non-Metro regions are not as significant at the licensing level, even once the

cost of care is informed by the cost-of-living wage data. The other demonstrable difference in cost is seen when measures of higher quality are used. The cost difference between licensed care and child care meeting Early Head Start/Head Start Performance Standards or higher compensation levels is the biggest increase in cost.

c. What assumptions and data did the Lead Agency use to determine the cost of care at the base level of quality (e.g., ratios, group size, staff compensations, staff training, etc.)?

The Mississippi Child Care Cost Model uses the state's child care licensing regulations as the definition of the base level of quality. P5FS reviewed the licensing regulations and identified the key cost drivers associated with meeting this standard. In the model, these standards are used to determine the ratio and group size assumptions, the required training, and the materials and physical space required to meet the needs of children in the program. The staffing model for centers is based on the typical staffing model identified to meet Mississippi's licensing requirements. Annual training/professional development is included at 24 hours per teaching staff member per year to meet licensing requirements. Default data from the PCQC is used to determine values for non-personnel expenses, including classroom materials. Occupancy costs are based on licensing requirements for square foot per child of indoor space and outdoor space.

Salary assumptions are informed by data analysis from the survey for current salaries, Bureau of Labor Statistics as an extant source representing the current market for positions in the field, and the MIT Living Wage Calculator for salaries representing the cost of living in the state.

In the family child care setting, an annual salary is built into the model for the provider/owner. While many home-based providers do not pay themselves a salary, the Mississippi Child Care Cost Model includes a salary to ensure the cost estimates for home-based care incorporate the need for provider/owners to make a living, and not rely solely on what is left over after all expenses have been paid. During the survey process, current salary information was collected from a small number of providers. The analysis of survey data showed salary rates far below the state minimum wage of \$7.25 per hour, at \$2.30 an hour for Non-Metro areas and \$4.30 an hour for Metro. In addition to using the current salary information from the survey, the model includes a provider/owner in a home receiving an hourly rate equivalent to the average of a Director and Assistant Director in center-based setting.

Benefits are included at the base level in the model for licensed providers, in recognition of the need for providers to offer a competitive compensation package. At the base level, the model includes 10 days paid sick leave and 10 days paid leave as well as a contribution to health insurance. Paid time off is accounted for as a cost in the model by including the cost of a floater or substitute to cover while the employee is on leave. The cost of the employer contribution to health insurance is based on data from the Kaiser Family Foundation for the average employer contribution to employee health insurance in Mississippi. These benefits apply in both the licensed child care center and licensed home-based models.

Default scenarios were created for each setting. In the center-based programs, the default scenario includes five classrooms, serves infants, toddlers, twos, preschoolers, and school-age children, and has a total capacity of 74 at the licensing level. For the purposes of understanding the cost of quality in the state, which does not have a quality rating system, quality was defined as meeting Early Head Start/Head Start Program Performance Standards; the default scenario at this higher level of quality has four classrooms, infants, toddlers, twos, and preschoolers, serving 41 children. The small family home setting uses a default capacity of six children, including two school-age children. The large family home setting uses a default capacity of 12 children, including four school-age children.

d. How does the Lead Agency define higher quality and what assumptions and data did the Lead Agency use to determine cost at higher levels of quality (e.g., ratio, group size, staffing levels, staff compensation, professional development requirements)? A Lead Agency can use a quality improvement system or other system of quality indicators (e.g., accreditation, pre-Kindergarten standards, Head Start Program Performance Standards, or State-defined quality measures).

After review of current state quality regulations, Head Start Program Performance Standards review, and data analysis from the survey and input sessions, a determination was made to analyze higher quality from two perspectives in the narrow cost analysis. The first measure of quality used are the Early Head Start/Head Start Program Performance Standards. An additional measure of quality is the consideration of higher staff compensation in the cost of care, as research has shown that higher compensation can lead to staff retention which can have a direct positive impact on the caregiver-child relationship to have consistency in their caregiver. The state does not have a standalone Quality Rating and Improvement System.

The following adjustments are made in the model to account for higher quality under Early Head Start and Head Start:

In centers the group size for infants, toddlers, and two-year-olds is capped at eight total children, with a teacher to child ratio of 1 to 4. The preschool group size is reduced from 20 at licensing to 17 under Performance Standards, and a 1 to 8 ratio for teacher to children. There were no changes to group size or ratio for family child care settings, as the number of birth to three children in these scenarios already meets Early Head Start regulations.

An additional 96 hours of professional development is included annually for all staff/providers. The cost of a floater or substitute is included to cover the time that staff are engaged in professional development.

Three family-teacher conferences annually are included under Early Head Start/Head Start. The model includes time for the teacher to prepare and lead the conference, with the cost of a floater or substitute included to maintain ratios/group size while the teacher is leading a conference.

Planning release time is included to provide teachers with dedicated time to plan lessons and analyze data. For lead teachers in a child care center and provider/owners in a home-based program, three hours per day is included in the model under Early Head Start/Head Start. An additional two hours per day is included for assistant teachers. The cost of this time is accounted for through a substitute or floater to cover the classroom while the teachers are engaged in planning.

The cost of educational materials and equipment to meet Performance Standards is included at \$300 per child and an additional \$3,000, annually, per classroom or home. For child health requirements under Performance Standards, \$200 per child annually is included, as well as staff time for a health consultant. To meet inclusion requirements under Early Head Start/Head Start Program Performance Standards, \$250 per child, per year, is included, along with 10 hours of aid time per week, per child. developmental screening is included for all children at the higher quality level.

For considering higher compensation as a feature of a higher qualified staff, or a higher quality program, the MIT Living Wage Calculator values for all of the positions in the programs (director, assistant director, teachers, assistants, floaters, and provider/owners) have been utilized.

e. What is the gap between cost and price, and how did the Lead Agency consider this while setting payment rates? Did the Lead Agency target any rate increases where gaps were the largest or develop any long-term plans to increase rates based on this information?

The Lead Agency will use the Mississippi Child Care Cost Model to estimate the true cost to provide licensed child care and to meet higher quality standards as defined by Early Head Start/Head Start Program Performance Standards and higher compensation for staff. The tables below show the gap between Mississippi's current CCDF payment rates and the estimated cost of care, based on the cost model at both the licensing level and the higher-quality level. The tables show the cost and gap at both Metro and Non-Metro, with separate tables for centers, small, and large family homes. Costs and subsidy amounts are based on full-time care for infants, toddlers, and preschoolers. School-age costs are based on 60% attendance over the course of a year (accounting for before/after school only during school year) and are therefore compared to the part-time subsidy rate. The following tables present the results of the narrow cost analysis, with comparisons of the monthly cost of care to the current subsidy rates. Note, the gap indicates by how much subsidy is under/over the cost of care. A negative gap number indicates the subsidy rate is less than the estimated cost of care. A positive gap number indicates the subsidy rate is more than the estimated cost of care. At this time, the Lead Agency will not be increasing subsidy rates based on the results of the Narrow Cost Analysis. The Lead Agency intended to conduct the Narrow Cost Analysis for the public of information gathering only at this point. The Lead Agency will be using the results of the Narrow Cost Analysis to examine what the subsidy reimbursements would look like if the state were to move in the direction of using a cost of quality model vs. a market rate-based model for establishing reimbursement rates. At present, the Lead Agency has determined that setting rates based on cost of quality vs. the market-rate without additional funding would create a situation in which the attrition of participation in the Child Care Payment Program would be too great. Therefore, the Lead Agency will be using the results of the recent Market Rate Survey to establish subsidy rates.

Child Care Centers

Cost of Care Analysis, Metro Region

	Monthly Subsidy Rate, Metro	Monthly Cost Per Child, Licensing Current Salaries	Gap	Monthly Cost Per Child, Licensing Living Wage Salaries	Gap	Monthly Cost Per Child, EHS/HS, Current Salaries	Gap
infant	\$658	\$1,583	(\$925)	\$2,347	(\$1,689)	\$2,279	(\$1,621)
toddler	\$658	\$1,583	(\$925)	\$2,347	(\$1,689)	\$2,279	(\$1,621)
twos	\$628	\$1,305	(\$677)	\$1,910	(\$1,282)	\$2,279	(\$1,651)
preschool	\$585	\$1,097	(\$512)	\$1,582	(\$997)	\$1,623	(\$1,039)
school-age	\$563	\$533	\$30	\$747	(\$184)		

Cost of Care Analysis, Non-Metro Region

	Monthly Subsidy Rate, Non-Metro	Monthly Cost Per Child, Licensing Current Salaries	Gap	Monthly Cost Per Child, Licensing Living Wage Salaries	Gap	Monthly Cost Per Child, EHS/HS, Current Salaries	Gap
infant	\$541	\$1,532	(\$990)	\$2,271	(\$1,730)	\$2,191	(\$1,649)
toddler	\$541	\$1,532	(\$990)	\$2,271	(\$1,730)	\$2,191	(\$1,649)
twos	\$520	\$1,265	(\$745)	\$1,850	(\$1,330)	\$2,191	(\$1,671)
preschool	\$520	\$1,065	(\$545)	\$1,534	(\$1,014)	\$1,561	(\$1,041)
school-age	\$476	\$519	(\$43)	\$726	(\$250)		

Family Child Care Homes

Cost of Care Analysis, Metro Region, small family child care home

	Monthly Subsidy Rate, Metro	Monthly Cost Per Child, Licensing Current Salaries	Gap	Monthly Cost Per Child, Licensing Living Wage Salaries	Gap	Monthly Cost Per Child, EHS/HS, Current Salaries	Gap
infant	\$498	\$739	(\$241)	\$2,351	(\$2,849)	\$1,057	(\$559)
toddler	\$498	\$739	(\$241)	\$2,351	(\$2,849)	\$1,057	(\$559)
twos	\$520	\$739	(\$220)	\$2,351	(\$2,871)	\$1,057	(\$537)
preschool	\$520	\$739	(\$220)	\$2,351	(\$2,871)	\$1,057	(\$537)
school-age	\$411	\$370	\$42	\$1,176	(\$1,587)		

Cost of Care Analysis, Metro Region, large family child care home

	Monthly Subsidy Rate, Non-Metro	Monthly Cost Per Child, Licensing Current Salaries	Gap	Monthly Cost Per Child, Licensing Living Wage Salaries	Gap	Monthly Cost Per Child, EHS/HS, Current Salaries	Gap
infant	\$498	\$763	(\$265)	\$1,886	(\$2,384)	\$1,138	(\$640)
toddler	\$498	\$763	(\$265)	\$1,886	(\$2,384)	\$1,138	(\$640)
twos	\$520	\$763	(\$243)	\$1,886	(\$2,406)	\$1,138	(\$618)
preschool	\$520	\$763	(\$243)	\$1,886	(\$2,406)	\$1,138	(\$618)
school-age	\$411	\$382	\$30	\$943	(\$1,354)		

Cost of Care Analysis, Non-Metro Region, small family child care home

	Monthly Subsidy Rate, Metro	Monthly Cost Per Child, Licensing Current Salaries	Gap	Monthly Cost Per Child, Licensing Living Wage Salaries	Gap	Monthly Cost Per Child, EHS/HS, Current Salaries	Gap
infant	\$407	\$647	(\$240)	\$2,255	(\$1,848)	\$1,091	(\$684)
toddler	\$407	\$647	(\$240)	\$2,255	(\$1,848)	\$1,091	(\$684)
twos	\$424	\$647	(\$223)	\$2,255	(\$1,831)	\$1,091	(\$667)
preschool	\$459	\$647	(\$188)	\$2,255	(\$1,796)	\$1,091	(\$632)
school-age	\$342	\$324	\$18	\$1,128	(\$785)		

Cost of Care Analysis, Non-Metro Region, large family child care home

	Monthly Subsidy Rate, Non-Metro	Monthly Cost Per Child, Licensing Current Salaries	Gap	Monthly Cost Per Child, Licensing Living Wage Salaries	Gap	Monthly Cost Per Child, EHS/HS, Current Salaries	Gap
infant	\$407	\$717	(\$310)	\$1,813	(\$1,406)	\$1,091	(\$684)
toddler	\$407	\$717	(\$310)	\$1,813	(\$1,406)	\$1,091	(\$684)
twos	\$424	\$717	(\$293)	\$1,813	(\$1,389)	\$1,091	(\$667)
preschool	\$459	\$717	(\$258)	\$1,813	(\$1,354)	\$1,091	(\$632)
school-age	\$342	\$359	(\$16)	\$907	(\$565)		