

The true cost of quality child care in Washington

Recommendations to make care more accessible for families and sustainable for providers



2022 Child Care Collaborative Task Force report to the Legislature and governor under Chapter 368, Laws of 2019

**COMMUNITY ENGAGEMENT
AND OUTREACH,
DIRECTOR'S OFFICE**

December 15, 2022

Report to the Legislature

Director Lisa Brown

Acknowledgments

This report was developed by the Child Care Collaborative Task Force, task force guest participants, Prenatal to Five Fiscal Strategies, and Department of Commerce and Department of Children, Youth, and Families employees.

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This report is dedicated to the memory of Tim Jaasko-Fisher, whose leadership is forever imprinted on Washington's child care system. As facilitator of the Child Care Collaborative Task Force, Tim designed inclusive and effective meetings. He was wise, kind, strategic, patient and accepting – and absolutely brilliant. We unexpectedly lost Tim in October. His ability to create a trusting and collaborative space allowed the task force to come to agreement on these significant recommendations, as well as those in our previous reports. He is missed by us all.

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Letter from Director Lisa Brown, Department of Commerce

The COVID-19 pandemic has laid bare what parents have long known: When child care doesn't work for families, families can't work. In 2020, 71% of parents reported that difficulty finding child care affected their ability to work. Even before the pandemic, 63% of Washington children lived in child care deserts, areas with inadequate supplies of licensed child care. For families that have been fortunate enough to access care options, costs can be exorbitant.



Lisa Brown, PhD

Barriers to care are only worsening and, as the Child Care Collaborative Task Force has long noted, workforce insecurity is at the heart of the crisis. The gap between fair pay for child care workers and what parents can actually afford to pay is huge. It is time to address this gap that has always been part of our child care system. Quality early childhood education is a public good that leads to better outcomes for children, while also allowing parents to fully participate in the workforce.

Licensed child care programs operating on razor thin margins simply don't have resources to compete with larger employers in today's hiring market. Despite their love for the children and families they serve, many child care professionals are understandably choosing other employment opportunities with significantly higher wages and benefits that support their own economic security. At a time when families in our state are eager to reenter the workforce, too many early learning classrooms are empty and too many waitlists are full.

If children and families are to fully reap the benefits of access to high-quality early learning, we must urgently address child care workforce recruitment and retention. Currently, the child care workforce turns over at a rate of 43% per year. These high levels of churn are unsurprising since child care providers rank in the third percentile of occupational wages (below pet groomers). In fact, 39% of Washington's child care providers rely on one or more sources of public assistance to make ends meet. Continuity of care between children and providers – and the responsive, nurturing, and consistent relationships that result – is one of the most important indicators of high-quality early learning. The stakes of inaction on child care workforce compensation are too high and we cannot defer action any longer.

Over the last four years, the task force has studied and recommended strategies to increase access for families, and we've made important progress. Most notably, the Fair Start for Kids Act expands affordable child care for thousands of families and increases reimbursement rates for providers accepting Working Connections Child Care subsidies. These changes are essential and yet, on their own, they don't go far enough.

We must work together to build a child care system that makes it possible for all Washingtonians to benefit from our shared prosperity. The Cost of Quality Care study recommendations provide a roadmap to do just that. I am grateful to the Child Care Collaborative Task Force for its continued commitment to understanding the complex dynamics of our child care system, and for recommending a path forward.

A handwritten signature in blue ink that reads "Lisa J. Brown". The signature is written in a cursive, flowing style.

Lisa Brown, PhD

Director

Department of Commerce

Letter from the Tri-Chairs

Child care was essential to our state's frontline response to COVID-19 and it is essential for our state's economic recovery. Child care has always been essential for children, families, and economies. Four years of research and recommendations by the Child Care Collaborative Task Force – and learning from one another's lived experiences – has made clear that, in addition to nurturing our most precious loved ones, the child care industry is propping up other industries in Washington .

The [percentage of families that reported difficulty finding space in licensed child care](#) increased dramatically from 22 percent in December 2021 to 58 percent in January 2022. Without intervention, these gaps in access to high-quality care – [and their disproportionate impacts on women](#) – could grow. Licensed child care programs face significant challenges recruiting and retaining staff in a tight labor market amid competition from retail, hospitality, and service sectors that offer higher wages and benefits. In the meantime, while parents look to return to the workforce and employers look to fill their rosters, licensed child care providers are forced to close entire classrooms and, in some cases, permanently close their doors.

The good news is that we know what works! 62,370 child care slots were maintained in Washington through [\\$400 million in stabilization grants funded through the federal American Rescue Plan Act](#). Stabilization grants serve as proof of concept that public funding can help licensed child care programs stay afloat, but these were short-term relief programs that have already come to an end.

These policies, along with the commitment and resourcefulness of child care providers, have helped the child care sector persevere through the public health emergency. However, the hardships endured over the past three years illustrate the challenges of child care business models and the need for public policies and funding that support the financial viability of the industry going forward. This study on the cost of quality care in Washington comes at a crucial moment. The cost of quality care estimation model has allowed the task force to consider policy and budget solutions to stabilize and grow the industry.

Together, we recommend adoption of a cost of quality care rate setting model that incorporates a living wage floor and salary scale and delivers publicly funded wage boosts to staff in public and private licensed child care settings. We have deferred action on compensation for too long. We must act now to preserve our child care infrastructure and to build back stronger than before. Even in the best of times, poverty wages for the child care workforce perpetuate the very economic inequalities our child care system is meant to address. Our children and the parents and providers who care for them deserve systemic solutions to this crisis. Indeed, our state depends on them.

Amy Anderson

Association of Washington Business

Luc Jasmin (served until Oct. 2022)

Washington Childcare Centers Association & Parkview Early Learning Center

Ryan Pricco

Child Care Aware of Washington

Letter from Secretary Ross Hunter

Department of Children, Youth, and Families



STATE OF WASHINGTON
DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES
OFFICE OF THE SECRETARY

1500 Jefferson Street, SE • P.O. Box 40975 • Olympia WA 98504-0975



Ross Hunter

December 1, 2022

Dear Child Care Collaborative Task Force:

As the work of the Child Care Collaborative Task Force draws to a close, I want to thank the members past and present for their tireless efforts. Their passion and dedication continue to help advance the high-quality child care and early learning system in Washington. Ensuring that all children are ready for kindergarten, regardless of their race or family income, is a bold mission that the task force's work since 2018 has helped to further.

Our most vulnerable children and families, disproportionately those of color, face an untenable financial burden for child care. Providers, also disproportionately women of color, face insufficient wages and long work hours because families cannot afford to pay, and child care subsidies do not support, what it costs to provide high quality care sustainably. The cost model completed on behalf of this task force is a major milestone for early learning in Washington. We now have a useful tool for the state to understand this gap between what it truly costs to provide the high-quality care our state has championed, and what families can afford to pay.

These existing barriers were exacerbated by COVID-19. During the pandemic, families experienced unexpected and jarring fluctuations in child care needs, and providers moved mountains to keep their programs open to meet them. Federal stimulus investment provided more than \$400 million in temporary supports for stabilization grants, complex needs funds, and temporary copay relief for families. The Fair Start for Kids Act, informed in large part by the work of this task force, invested a billion dollars in shoring up and growing the system. And yet – we find ourselves at a crossroads where we must decide how to effectively and sufficiently fund our system of early education if we hope to achieve our goals for improving child outcomes, family stability, and provider wellbeing.

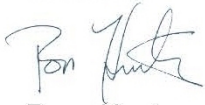
The recommendations in this report present some good thinking about possible next steps to continue our progress towards creating a “a comprehensive continuum of high-quality early childhood development programs.”¹ DCYF is already acting on the subsidy

¹ SB 5237, Sec. 2(7), Fair Start for Kids Act

rate increase to the 85th percentile through its 2023 budget proposals. We look forward to continuing to work with community to move this work forward.

I want to acknowledge the ceaseless commitment of early learning and child care providers and their staff in the face of great challenges. The pandemic underscored what we knew to be true before -- that early learning is crucial foundation for children, families, and the state economy, and that we must address systemic access barriers to strengthen it.

Sincerely,

A handwritten signature in black ink, appearing to read "Ross Hunter". The signature is fluid and cursive, with the first name "Ross" and last name "Hunter" clearly distinguishable.

Ross Hunter
Secretary

Executive summary

The Child Care Collaborative Task Force

The Child Care Collaborative Task Force (task force) is comprised of a broad coalition of child care providers, parents, advocates, legislators, community members and representatives of the business community. The task force was created by the Washington State Legislature in 2018 ([Chapter 91, Laws of 2018](#)) to develop policy recommendations to incentivize employer-supported child care and improve child care access and affordability for employees. Most recently, the Legislature charged the task force with reporting findings and recommendations on the true cost of quality child care based on a federally approved cost of quality care study and cost estimation model. The authorizing legislation is as follows:

Chapter 334, Laws of 2021, ESSB (Engrossed Substitute Senate Bill) 5092, Sec 127 pg 76

(127) \$240,000 of the general fund—state appropriation for fiscal year 2022 and \$95,000 of the general fund—state appropriation for fiscal year 2023 are provided solely for the department to collaborate with the department of children, youth, and families to jointly convene and facilitate a child care collaborative task force to continue the work of the task force created in chapter 368, Laws 9 of 2019 (2SHB 1344) to establish a true cost of quality of child care. The task force shall report its findings and recommendations to the governor and the appropriate committees of the legislature by November 1, 2022.

The authorizing legislation for both the 2019 commencement of the study, and the 2021 directive to complete the study, after it was paused due to the COVID-19 pandemic, is included in Appendix A.

The cost estimation model and cost of quality care study, developed by Prenatal to Five Fiscal Strategies, may be found in [Appendix E](#).

Market failures that harm access and sustainability

Child care is not financed as a public good like elementary education and secondary education. In Washington, and across the country, individual families and child care providers carry the responsibility for financing child care, except for our state's child care subsidy program for families with qualifying incomes. Yet the child care industry is unable to operate like other markets, where costs are set by supply and demand. Licensed child care programs incur high costs to meet important health and safety licensing requirements, such as teacher-to-child ratios. Most child care providers simply don't have stable and sufficient sources of revenue to pay more than minimal wages. Since 60% to 80% of a provider's costs go toward wages and providers operate on razor-thin margins, child care center and family home owners and directors often keep wages low for themselves and their staff to balance their budgets.¹

¹ Child Care Collaborative Task Force Action Plan, June 2021.

Child care providers fuel economic growth, but it is frequently at the expense of their own economic security. Providers rank in the third percentile of occupational wages.² The poverty rate for child care providers in Washington is 17.7%, much higher than for Washington workers in general (8.2%) and 7.9 times as high as for K-8 teachers (2.3%). In fact, 39% of Washington’s child care providers rely on one or more sources of public assistance to make ends meet.³

The child care market is broken and it is children and parents who suffer most as a result. Even before the pandemic, 63% of children from birth through age five in Washington lived in areas with an inadequate supply of child care.⁴ For families that can access child care, costs are exorbitant: The cost of full-time child care for an infant and a child in preschool can equal up to 35% of a two-parent family’s income and up to 150% of a single-parent’s income – well beyond the federal standard for affordability of 7% of income.⁵ The broken child care market harms businesses too. Pre-pandemic, employee turnover and missed work due to child care access issues cost Washington employers an estimated \$2.08 billion annually.⁶

A future with more closures, growing child care deserts, and fewer options for families means greater economic costs for communities everywhere. Learn more about the economic realities of child care from the [Center for American Progress in this video.](#)

The child care crisis in Washington has intensified since the COVID-19 pandemic, with many licensed child care programs either permanently closed or struggling to stay open, and relief funding is coming to an end. Since 2020, DCYF has distributed \$400 million in emergency stabilization grants for licensed child care programs, funded through the federal American Rescue Plan Act (ARPA). In Washington, 62,370 child care slots were maintained through ARPA funds.⁷ Unfortunately, the federal [Inflation Reduction Act did not include](#) provisions for additional child care funding, even though the House-passed version of the bill allocated nearly \$400 billion for child care and preschool funding.⁸ Many licensed child care programs are experiencing a funding cliff.

Cost model methodology and functionality

In 2019⁹ and again in 2021,¹⁰ the Legislature directed the task force to report on the true cost of quality care based on a federally approved cost of quality care study and cost estimation model. A **cost estimation model** is an Excel-based tool that estimates the per-child costs of operating a child care program. The Legislature also directed the Department of Children, Youth, and Families (DCYF) to draw from the cost estimation model to develop a rate setting model for reimbursement rates for the Working Connections Child Care (WCCC) subsidy program.

² Economic Policy Institute. [The Cost of Child Care in Washington](#). Washington, DC: Economic Policy Institute, 2019

³ Gould, E., Whitebook, M., Mokhiber, Z., & Austin, L. (2020). [Financing Early Educator Quality: A Values-Based Budget for Every State](#). A series of state-by-state reports produced by the Economic Policy Institute and University of California Berkeley’s Center for the Study of Child Care Employment.

⁴ Child Care Collaborative Task Force Washington Industry Assessment Report, August 2020.

⁵ Ibid.

⁶ Washington State Department of Commerce, *The Mounting Costs of Child Care*. 2019.

⁷ Julie Kashen and Rasheed Malik, [“More than Three Million Child Care Spots Saved by American Rescue Plan Funding,”](#) The Century Foundation, March 9, 2022.

⁸ [Transformative Investment in Child Care and Pre-K Included in Reconciliation Package.](#)

⁹ [Chapter 368, Laws of 2019](#)

¹⁰ [Chapter 334, Laws of 2021](#)

A **rate setting model** is used to determine reimbursement rates for child care programs accepting WCCC subsidies. The **new cost of quality care rate setting model** is meant to replace the current methodology, which is based on market prices that families can afford rather than on operating costs incurred by child care providers. In addition to informing DCYF's rate setting model, the cost estimation model allows policymakers and stakeholders to examine per-child costs and revenue sources to identify sustainable models for supporting child care programs in Washington.

To develop a cost of quality care estimation model for Washington, [a study was designed by Prenatal to Five Fiscal Strategies \(P5FS\) \(Appendix E\)](#). This cost of quality care study centered the experiences of providers. P5FS used several modes of information gathering and input from providers and stakeholders, including a provider survey, interviews with providers, and focus groups. Based on the cost of quality care study, P5FS developed a cost estimation model to help policymakers estimate the costs of operating a child care program. The cost estimation model is meant to estimate per-child costs; it is not a budgeting tool.

The cost of quality care study and the cost estimation model confirm that current sources of revenue are insufficient for licensed child care programs, both public and private. Even when estimating the cost of care using current provider wages (which are overwhelmingly low), subsidy reimbursement rates barely cover the cost of providing care – in some cases, subsidy rates fall short of actual costs. The cost estimation model highlights the essential need for public investments in living wages, benefits and activities that support quality improvement.

Per the Legislature's directive, the task force is pleased to present P5FS's technical report (see [Appendix E](#)) and related recommendations for adopting the cost of quality care estimation model to make child care more affordable for families and more sustainable for providers.

Recommendations

Per the Legislature's directive, the recommendations in this report are focused on the child care workforce and are in service of increasing access to affordable, high-quality care for children and families.¹¹ The task force discussed the Working Connections Child Care (WCCC) subsidy system as a potential mechanism for addressing workforce compensation and expanding access for families most in need. However, because only 13% of eligible children from birth through five years currently receive assistance through the WCCC subsidy program, there are limitations to relying on subsidy rates alone to fix the broken child care market.¹² Ultimately, the task force adopted the four recommendations below to stabilize the industry – public and private programs alike – in anticipation of future expansions to WCCC. These synthesized recommendations are outlined in greater detail in the [Recommendations section](#) of this report.

- Recommendation 1:** Adopt a WCCC rate setting model in the 2025-27 biennial budget based on the cost estimation model and incorporating [living wage](#) salaries, benefits, and resources for program enhancements that support quality.
- Recommendation 2:** Distribute significant relief payments to licensed child care programs serving children from birth through age 12 and to individual members of the child care workforce.

¹¹ [Child Care Access Strategy and Action Plan](#)

¹² Malik, Rasheed. "[The Build Back Better Act Substantially Expands Child Care Assistance.](#)" Center for American Progress, December 2, 2021.

- **Recommendation 3:** Recommend and develop implementation plans for delivering publicly funded wage supplements and benefits to the entire child care workforce in conjunction with the transition to the cost of quality care rate setting model.
- **Recommendation 4:** Create a comprehensive economic development and workforce development strategy, including plans for a career pipeline, in partnership with providers, parents, and stakeholders.

The Fair Start for Kids Act

The recommendations in this report are built upon the foundation of Washington's [Fair Start for Kids Act](#) (FSKA), passed in May 2021. The FSKA addresses affordability for families through reduced copayments for Working Connections Child Care (WCCC) and through expansions to WCCC and the Early Childhood Education and Assistance Program (ECEAP). The FSKA also increases rates for child care providers. Continued implementation of the FSKA is essential. These recommendations go beyond the FSKA to address fundamental market failures that require comprehensive solutions that address child care workforce recruitment and retention.

Living wages for the child care workforce

The true cost of quality child care includes living wages and benefits for providers. The task force recommends a living wage floor based on MIT's Living Wage Model for the workforce, while adjusting for the additional responsibilities of different staff positions. [MIT's Living Wage Model](#) is an alternative measure of basic needs. It is a market-based approach that draws upon geographically specific expenditure data related to a family's likely minimum costs for food, child care, health insurance, housing, transportation and other basic necessities. The living wage draws on these cost elements and the rough effects of income and payroll taxes to determine the minimum earnings necessary to meet a family's basic needs while maintaining self-sufficiency. [A table comparing living wages and current wages](#) for child care providers is in the methodology and functionality section of this report.

Without intervention, the child care industry will continue to fall short of meeting the demand for affordable quality care and early childhood education. It is a precarious and unstable situation that needs and deserves to be addressed – for the sake of children and families, and the workforce that cares for them. The task force urges policymakers to consider significant public investments in the child care market beyond the subsidy system to make child care affordable for families and sustainable for providers.

Introduction

The Child Care Collaborative Task Force (task force) comprises a broad coalition of child care providers, advocates, legislators, community members and representatives of the business community. The task force was created by the Washington State Legislature in 2018 ([Chapter 91, Laws of 2018](#)) to develop policy recommendations to incentivize employer-supported child care and improve child care access and affordability for employees. Legislation passed in 2019 ([Chapter 368, Laws of 2019](#)) extended the task force and expanded its scope of work. This report was produced to satisfy the portion of the requirements of [Chapter 368, Laws of 2019](#) and [Chapter 334, Laws of 2021](#) (the biennial operating budget). The full citation is available in [Appendix A](#).

This report draws significantly on the Prenatal to Five Fiscal Strategies' (P5FS) October 2022 report, "[Understanding the true cost of child care in Washington state: A cost estimation model to inform policy change](#)" ([Appendix E](#)) and builds on four years of previous task force research and recommendations, including the June 2021 report, "[Washington State Child Care Access Strategy and Action Plan](#)." The 2021 report called for broad change to support child care as an essential infrastructure critical to rebuilding Washington's economy. Task force reports to the Legislature between 2018 and 2022 include:

- [Report #1, Nov. 1, 2019](#): Policy recommendations to incentivize employer-supported child care and improve access and affordability for employees.
- [Report #2, July 1, 2020](#): Child care industry assessment and facility needs assessment, including results from the State Employee Child Care Access Survey.
- [Report #3: Dec. 1, 2020](#): Child care cost estimation model and workforce and subsidy recommendations.
- [Report #4, June 30, 2021](#): Child care access strategy: A strategy, timeline and implementation plan to reach accessible, affordable child care by 2025.
- **Report #5 (this report)**, December 2022: Report findings and recommendations on the true cost of quality child care in Washington.

An additional report, "[The Mounting Costs of Child Care](#)," was published in 2019 by several task force partner organizations, including the Washington State Department of Commerce, U.S. Chamber of Commerce Foundation, Association of Washington Business, Child Care Aware of Washington, and the Children's Alliance. This report was not submitted to or directed by the Legislature. It served to inform this report and the work of the task force.

Over the past four years, the Department of Commerce has collaborated with the Department of Children, Youth, and Families (DCYF) to convene the task force and establish research and policy recommendations. This work informed recent policy changes and investments in early learning, including Washington's Fair Start for Kids Act (FSKA), passed in 2021. The FSKA doubled Washington's investments in child care and early learning, primarily by expanding eligibility and increasing rates for the Working Connections Child Care (WCCC) program and the Early Childhood Education and Assistance Program (ECEAP).

Implementation of the FSKA coincided with the COVID-19 pandemic and has been an essential lifeline for many families and providers. However, the pandemic amplified major issues that already existed in the child care industry and remain largely unaddressed in the FSKA. These include inadequate compensation and support for the child care workforce, which is disproportionately comprised of low-income women of color,

enormous gaps in access to affordable child care, and the outsized burden that remains on women to fill the unpaid role of caring for children at home.¹³

In response to the immediate crisis of COVID-19, DCYF distributed \$400 million in stabilization grants funded through the federal American Rescue Plan Act (ARPA) to licensed child care programs. These emergency relief funds kept many child care businesses afloat during the pandemic. In Washington, 62,370 child care slots were maintained through ARPA funds. Of providers who received ARPA stabilization grants nationally:¹⁴

- 92% said the funding helped them stay open
- 46% used the funds to pay debts taken on during the pandemic, including 63% of those in family homes
- 75% used the funds for compensation, but still struggle to provide competitive wages and benefits to attract and retain staff

Stabilization grants demonstrated that public funding can help licensed child care programs stay open, but the grants have concluded and were intended to provide short-term relief rather than address this industry's systemic challenges. Emergency funding, and the commitment and resourcefulness of child care providers, helped the child care sector persevere through the initial stage of the public health emergency.

Licensed child care programs face significant challenges recruiting, retaining and supporting staff in a tight labor market amid rising inflation and competition from retail, hospitality and service sectors that offer higher wages and benefits. Nationally, the child care workforce's August 2022 level was 8.4% below its employment levels in February 2020, with 88,300 child care jobs lost.¹⁵ Child care providers, despite having specialized expertise and training, can frequently earn higher wages and receive better benefits at big box retailers and fast-food restaurants than they can educating our children.

Even before COVID-19, Washington was short thousands of child care openings: The task force's 2021 industry assessment revealed that 63% of children lived in areas with inadequate supplies of licensed child care.¹⁶ The task force's 2019 "Mounting Costs of Child Care" analysis estimated that, due to child care issues, 27% of Washington parents with young children reduced to part-time work hours and 18% quit. The collective impacts of child care shortages are staggering:

- Pre-pandemic, employee turnover and missed work due to child care access issues **cost Washington employers an estimated \$2.08 billion annually.**
- Including missed opportunities for businesses and consumer spending, **Washington's economy loses an estimated \$6.5 billion annually because of child care shortages.**
- Lack of access to affordable child care leads to **working parents in Washington foregoing \$14 billion in lost wages each year.**¹⁷
- In a January 2022 survey, **71% of parents reported that difficulty finding child care affected their ability to work.**¹⁸

¹³ Child Care Collaborative Task Force [Washington Industry Assessment Report](#), August 2020

¹⁴ Julie Kashen and Rasheed Malik, "[More than three million child care spots saved by American Rescue Plan Funding.](#)" The Century Foundation, March 9, 2022.

¹⁵ Maureen Coffey and Rose Khattar, "[The Child Care Sector Will Continue to Struggle Hiring Staff Unless It Creates Good Jobs](#)" Center for American Progress, September 2, 2022.

¹⁶ C3TF, Child Care Access Strategy, June 2022.

¹⁷ Washington State Department of Commerce, The Mounting Costs of Child Care. 2019.

¹⁸ [Rapid-EC Survey](#), March 2022

- **A family with two young children in Washington currently spends about 35.5% of its income to send two children to child care.**¹⁹

Fortunately, the cost of quality care estimation model is a timely tool that can help stabilize and grow Washington's child care system through significant public investments. The task force is pleased to submit the enclosed recommendations to the Legislature. Together with the cost estimation model, these recommendations present a plan for addressing child care workforce recruitment and retention in service of increasing access, affordability, and quality for children and families. Without intervention, the child care market will continue to fall short of meeting demand. It is a precarious and unstable situation that needs and deserves to be addressed – **for the sake of our children, families, and economy.**

¹⁹ Economic Policy Institute. [Child Care Costs in the U.S., Washington](#)

Guidance for readers of this report

The cost of quality care estimation model is customized for Washington and is based on financial data collected through provider interviews, focus groups and surveys. This study was conducted with advisory support from an ad hoc provider workgroup. During a series of meetings, the work group shared its hopes and fears related to implementation of future policy changes, including changes related to the cost of quality care estimation model. The perspectives of providers informed the following guidance for readers, with the goal of clarifying intentions, maximizing impacts and preventing unintended harm:

This report is intended to:	This report is not intended to:
<ul style="list-style-type: none">• Recognize providers for the work they are already doing by subsidizing existing costs• Identify the true cost of high-quality child care• Communicate the urgent need for increased wages and benefits for members of the child care workforce• Honor teacher training, education, work experience, and/or credentials through increased compensation and supports• Ensure subsidy rates cover the full cost of child care by 2025, including living wages, benefits, and program enhancements to help meet Early Achievers quality standards	<ul style="list-style-type: none">• Create unfunded mandates for licensed providers• Require additional training, education, work experience and/or credentials• Create new or additional licensing or quality standards for providers• Inform the subsidy rate to cover the full cost of child care for 2022-24

The ad hoc provider workgroup shared concerns about the potential for early educators to be left out of opportunities for increased compensation or professional growth. Pushes for traditional measures of quality in the early care and education field have sometimes led to increased requirements for providers without sufficient supports. Early educators can face barriers to continued education and training, such as limited language options for coursework, a lack of course offerings during non-traditional hours, lack of substitute coverage, and low compensation that does not make the cost of tuition a viable investment.²⁰ Unfunded mandates could result in negative equity implications in the early child care workforce.

²⁰ Metivier, K. (2020). [Envisioning Higher Education as Anti-Racist](#).

Task force recommendations

The [New York Times recently reported](#) on the child care crisis with a frighteningly succinct headline: “Why You Can’t Find Child Care: 100,000 Workers Are Missing.” The sub-headline is “Where did they go? To better-paying jobs stocking shelves, cleaning offices, or doing anything that pays more than \$15 an hour.” In contrast to private sector employment, which has stabilized, the Times reveals that the national child care sector is 9.7% smaller than it was in February 2020.

This report offers a comprehensive set of urgently needed actions to ensure that the state stabilizes and expands the child care industry and workforce. The cost of quality care estimation model highlights the limitations of relying on subsidy rates alone to fix the broken child care market. To [qualify for assistance](#) through Working Connections Child Care (WCCC), families must earn less than 60% of the state median income, or around \$67,000 for a family of four.²¹ Even when families do qualify, the [most recent data available](#) estimates that only 13% of eligible children from birth through age five actually received assistance through the subsidy program in Washington.²² Task force discussions confirmed that solutions to workforce compensation should include public and private programs alike.

In 2019²³ and again in 2021,²⁴ the Legislature directed the task force to report on the true cost of quality care based on a federally approved cost of quality care study and cost estimation model. The Washington **cost estimation model** is an Excel-based tool that estimates the per-child costs of operating a child care program. The estimation model is a tool that can estimate the fiscal impacts of policy and budget changes. It can be used to inform short- and long-term fiscal planning, including revenue-generation planning.²⁵ The recommendations that follow leverage the cost estimation model as an essential tool for addressing workforce recruitment and retention.

Cost of Care Study recommendations

Recommendation 1: Adopt a WCCC rate-setting model in the 2025-27 biennial budget based on the cost of care estimation model and incorporating living wage salaries, benefits, and resources for program enhancements that support quality.

The task force recommends using [MIT’s Living Wage model](#), which estimates the cost of living in a region based on typical family expenses, to establish a wage floor and salary scale that adjusts for the additional responsibilities of different early childhood education staff positions. WCCC rate setting should include costs for program enhancements that support quality, such as parent-teacher conferences, family engagement specialists, substitutes to cover planning time and training, child assessment tools, and curriculum support.

Increasing the subsidy rate alone will not stabilize child care in Washington. Only one third of providers in Washington currently accept subsidies, and just 20% of all licensed child care slots are funded through WCCC. Further, it is possible that significantly raising subsidy rates to cover the cost of quality care will put pressure on providers to increase their private pay rates, making care even less affordable for private pay families. **For**

²¹ DCYF: [Basic Eligibility Requirements for Child Care Subsidy \(PDF\)](#).

²² Malik, Rasheed. “[The Build Back Better Act Substantially Expands Child Care Assistance](#).” Center for American Progress, December 2, 2021.

²³ [Chapter 368, Laws of 2019](#)

²⁴ [Chapter 334, Laws of 2021](#)

²⁵ Jeanna Capito, Katie Fallin Kenyon, and Simon Workman, “[Understanding the True Cost of Child Care in California: Building a cost model to inform policy change](#),” Prenatal to Five Fiscal Strategies, 2022.

parents currently billed private-pay tuition rates, the cost of child care is already a disproportionate burden: A family in Washington currently spends about 35.5% of its income to send two children to child care – well beyond the federal standard of affordability of 7% of income for a comparable family.²⁶ The task force recommends further analysis to identify effective mechanisms to raise wages for all child care workers, to be implemented in parallel to the subsidy rate increase. See [recommendations number 2](#) and [number 3](#), below.

Recommendation 2: Distribute significant relief payments to licensed child care programs serving children from birth through age 12 and to individual members of the child care workforce.

- Relief payments should be available in FY 2023 through FY 2025, or until implementation of a wage supplement system for the entire child care workforce occurs (see Recommendation 3).

Stabilization grants were a temporary fix applied to a long-term structural issue. Washington must act now to address this funding disparity. In Washington, stabilization grants funded through American Rescue Plan Act (ARPA) kept many businesses afloat during the pandemic.²⁷ Before stabilization grants, DCYF provided three rounds of COVID-19 grants using stimulus funds. DCYF also used stimulus funds to expand eligibility for child care subsidies, reduce subsidy co-pays and increase subsidy base rates. All stimulus funds are now either spent or dedicated to initiatives underway.

The task force recognizes what P5FS notes: That the pandemic affected all parts of the system, not just publicly funded programs, and that child care plays a vital role in the economy. Washington can build upon the approaches used in other states to supplement provider wages. States such as Alabama used ARPA funds to pay child care staff up to \$3,000 in quarterly bonus payments, and the District of Columbia recently announced a plan for short-term direct payments of \$10,000 to \$14,000 until a long-term payment mechanism can be identified and implemented. Policymakers should also consider strategies for retaining Early Achievers coaches, who are a fundamental part of Washington’s quality system.

Recommendation 3: Recommend and develop implementation plans for delivering publicly funded wage supplements and benefits to the child care workforce in conjunction with the transition to the cost of quality care rate setting model.

- In the 2023-25 biennial budget, the Legislature should provide funding for the DCYF to develop recommendations and implementation plans to deliver wage supplements and benefits to the child care workforce, all in partnership with providers, parents, and stakeholders.
- By Dec. 1, 2023, DCYF should submit an interim progress report to the Office of the Governor and the Legislature.
- By Sept. 1, 2024, DCYF should submit recommendations and implementation plans to the Office of the Governor and the Legislature.

As noted in [recommendation 1](#), it is possible that significantly raising subsidy rates to cover the cost of quality care without simultaneously increasing wages for all child care workers will put pressure on private-pay providers to increase their rates, thus making care even less affordable for private-pay families. Raising subsidy rates alone could also disrupt the private market by causing providers who do not currently accept subsidies to lose staff to programs who can offer higher subsidized wages. To avoid these potential

²⁶ Economic Policy Institute. [Child Care Costs in the U.S., Washington](#)

²⁷ Julie Kashen and Rasheed Malik, [“More than Three Million Child Care Spots Saved by American Rescue Plan Funding.”](#) The Century Foundation, March 9, 2022.

unintended consequences and to stabilize and support the child care industry, **the task force recommends that the licensed child care workforce – regardless of whether they serve subsidized children – make at least a living wage and benefits**, supplemented by public funds beyond the subsidy system.

Recommendations on payment mechanisms for wage supplements should include:

- Examples of mechanisms used for similar purposes by other countries, states, and/or municipalities.
- Analysis of intersections between the subsidized and private-pay child care markets and recommendations for sequencing implementation of wage supplements to avoid disruption to families accessing care through either market.
- Accountability measures for ensuring responsible and effective stewardship of public funds that make sure dollars go toward increased wages and benefits for early care and school age educators, with the ultimate goal to improve access to child care for children and families.
- Examples of industries in Washington, and/or other states, that received public funds to supplement the wages of employees directly or indirectly, and relevant lessons learned.
- Strategies for streamlined reporting, public transparency and course correction to improve program performance.
- Recommendations regarding requirements for receiving wage supplements at each licensed early childhood education job position within centers and family homes, for school age child care positions, and for full-time and part-time workers.
- Data and technology infrastructure required to track payments effectively.
- Implications of wage supplements and benefits on eligibility for public benefit programs.
- Estimates of the total cost to implement publicly funded wage supplements.

Recommendation 4: Create a comprehensive economic development and workforce development framework for the child care sector in partnership with providers, parents, and stakeholders.

- In the 2023-25 biennial budget, the Legislature should provide funding for the Department of Commerce to work in partnership with DCYF, the Washington Workforce Training and Education Coordinating Board, and providers, parents, and stakeholders to develop a comprehensive strategic plan for supporting the growth and sustainability of the child care workforce and sector into the future, as an essential sector in our state's economy. This will include strategies for ensuring a continuing pipeline of trained child care professionals into the future.
- By Dec. 1, 2023, the Department of Commerce should submit a coordinated strategic plan to the Office of the Governor and the Legislature.

Child care providers are professionals, and they are best situated to identify challenges and develop solutions as a self-governing group. Commerce should consult and collaborate with providers to understand the approaches and strategies most supportive to sustaining the field. Commerce should also partner with entities that are already providing business supports, such as shared services models and employer-supported care.

Methodology and functionality

Background on rate setting methodologies

The prevailing method for setting reimbursement rates for child care subsidy programs under the federal Child Care and Development Fund (CCDF) is through a market rate approach. This approach, which is currently used to set Working Connections Child Care (WCCC) subsidy rates, relies on a study of market prices for child care through a market rate survey. States are required to conduct market rate surveys every three years and are encouraged to set rates at a level that provides for [equal access](#) to the market for families using subsidy and those paying full tuition (see "[Understanding the true cost of child care in Washington state](#)" for more information on equal access).

Market rate setting methodologies negatively affect communities with high concentrations of families with low incomes because rates are based on what families can afford rather than the true cost of care. They can also disincentivize licensed programs from serving children who need specialized care. For example, a provider might be able to affordably provide care for preschool-age children, but if that same program serves infants and toddlers, or meets higher program standards, it would operate at a deficit.

As explained in "[Understanding the true cost of child care in Washington State](#)," since the 2014 reauthorization of the Child Care Development Block Grant, which funds CCDF, states can use an "alternative methodology" to set rates. This alternative methodology can take the form of a cost study or a cost estimation model:

- A **cost study** involves collecting data from providers about their operating costs for a program that meets licensing standards and other quality standards, reflecting point-in-time data about provider costs.
- A **cost estimation model** is a tool that can estimate the fiscal impact(s) of policy and budget changes. It can be used to inform short- and long-term fiscal planning, including revenue-generation planning.²⁸

Washington cost of quality care study

Prenatal to 5 Fiscal Strategies (P5FS) designed and conducted a study to develop a cost estimation model for Washington. This cost of quality care study centered the experiences of providers. As indicated in Figure 1 (cost estimation model constituent input), P5FS used several modes of information gathering and input from providers and stakeholders, including a provider survey, interviews with providers, and focus groups. For more information on methodology for the cost model analysis, see the full technical report "[Understanding the true](#)

"[Understanding the true cost of child care in Washington State](#)" defines these terms:

Price of care means the tuition prices that programs set, which are usually based on local market conditions and what families can afford, ensuring that programs are competitive within their local market and can operate at as close to full enrollment as possible.

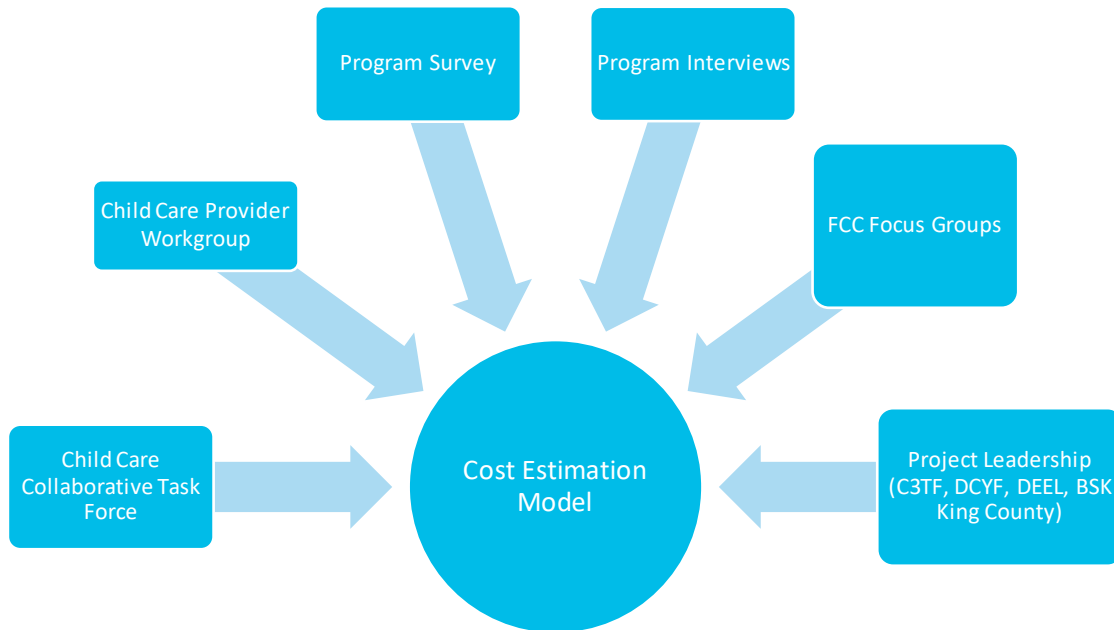
Cost of care means the actual expenses providers incur to operate their program, including any in-kind contributions such as reduced rent. It includes allocating expenses across classrooms and enrolled children based on the cost of providing service, not on what parents can afford.

Cost of quality care means the true cost of care. It refers to the cost of operating a high-quality program with the staff and materials needed to meet quality standards and provide a developmentally appropriate learning environment for all children. It includes adequate compensation, wages and benefits to recruit and retain a professional and stable workforce.

²⁸ Jeanna Capito, Katie Fallin Kenyon, and Simon Workman, "[Understanding the True Cost of Child Care in California: Building a cost model to inform policy change](#)," Prenatal to Five Fiscal Strategies, 2022.

[cost of child care in Washington State.](#)" In addition to the leadership of the task force, an ad hoc provider work group gave more detailed input on the study and model development. The ad hoc workgroup included family child care (FCC) providers, center based providers, providers in urban and rural areas, for-profit and not-for-profit programs, and programs serving children of different ages. Child care providers were compensated for their time and expertise.

Figure 1: Cost estimation model constituent input



Washington cost estimation model

As part of the ["Understanding the true cost of child care in Washington state" \(Appendix E\)](#) study, P5FS developed a cost estimation model to help policymakers estimate the costs of operating a child care program. At its core, the model estimates what it would cost per child to operate a program meeting a set of characteristics, regardless of who is paying for that care. Whether a child care seat is filled by a child whose parents are paying full tuition or by a child whose family qualifies for the WCCC subsidy program, the provider still needs to generate a set amount of revenue to cover costs. The cost estimation model is not a budgeting tool; it is meant to estimate per-child costs. The task force considers living wages and benefits for child care providers as an essential part of the cost of quality care and recommends adoption of this tool.

Cost estimation model functionality

The task force recommends that the child care workforce earn living wages, as calculated using the MIT Living Wage Calculator, and benefits. However, the cost estimation model can be used to consider additional wage and benefits scenarios, including:

- Current salaries from the cost of care survey.
- Compensation Technical Work Group salary scale. This salary scale was developed in 2019 by the legislatively created [work group](#). The scale has a range for each position, based on educational attainment and credentials. The cost model uses the midpoint of the range.

- Kindergarten teacher salaries. This option uses data from the [Bureau of Labor Statistics](#) on kindergarten teacher salaries across the state. Total annual salaries are used, not adjusted to account for the length of the child care year versus the school year.
- MIT Living Wage Calculator. This option uses workforce demographic data on family compensation to establish the living wage base for the teacher assistant position. Other positions in the model are adjusted to account for additional responsibilities of those staff. Living wage data from MIT is used for [each county and aggregated metropolitan statistical area](#) to create a regional living wage for use in the model.²⁹
- User input, which requires completion of wage data for each position.

For more detail on the components of the model that affect the cost of care, see the full technical report in [Appendix E](#).

Mandatory and discretionary benefits

According to the [Prenatal to 5 Fiscal Strategies report](#), mandatory benefits are included for all salaried staff as part of the cost estimation model, including FICA-Social Security at 6.2%, Medicare at 1.45%, unemployment insurance at 1% and workers' compensation at 2%. By default, 10 days paid sick leave and 10 days paid leave is included for all staff. This is captured as an expense by including the cost to pay a substitute teacher to provide classroom coverage.

Discretionary benefits can be included at either \$6,000 or \$9,000 per employee per year. This might be used as a contribution to health insurance or for a suite of discretionary benefits. Data from the Kaiser Family Foundation finds that the average annual single premium employer contribution to health insurance in Washington is \$6,305. A contribution to retirement can also be modified by the user, based on a percentage of an employee's salary. By default, the model includes a 6% contribution.³⁰

The cost scenarios were built using these defaults:

- 1) **Program size:** The default program sizes used in this section of the report are based on analysis of data from the child care provider survey and input from the ad hoc provider workgroup.
- 2) **Benefits:** The default scenario includes \$6,000 per employee in discretionary benefits and a 6% contribution to health insurance, as well as 10 days paid sick leave and 10 days paid vacation. All results are shown as an annual cost per child for each of the seven regions and as a statewide average.³¹

²⁹ Family composition of teacher assistants was not available in Washington, so the study team used data recently collected in the California ECE Workforce Study as a proxy.

³⁰ Jeanna Capito and Simon Workman, [Understanding the True Cost of Child Care in Washington State: A cost estimation model to inform policy change](#), Prenatal to Five Fiscal Strategies, 2022.

³¹ Ibid.

MIT's Living Wage Model

The Child Care Collaborative Task Force recommends setting a living wage floor based on MIT's Living Wage Model for every member of the workforce while adjusting for the additional responsibilities of different staff positions. [MIT's Living Wage Model](#) is an alternative measure of basic needs. It is a market-based approach that draws upon geographically specific expenditure data related to a family's likely costs for minimum food, child care, health insurance, housing, transportation and other basic necessities. The living wage draws on these cost elements and the rough effects of income and payroll taxes to determine the minimum earnings necessary to meet a family's basic needs while maintaining self-sufficiency.

Salary scales in model (centers)	Current salaries	MIT living wage salaries
Program director	\$35,265 - \$40,569	\$85,245 - \$106,257
Assistant director	\$31,449 - \$36,512	\$70,451 - \$87,816
Administrative assistant	\$30,139 - \$34,715	\$44,420 - \$55,369
Lead teacher	\$31,302 - \$37,261	\$57,746 - \$71,980
Assistant teacher	\$26,040 - \$29,126	\$44,420 - \$55,369
Aide/floater	\$19,781 - \$26,597	\$44,420 - \$55,369

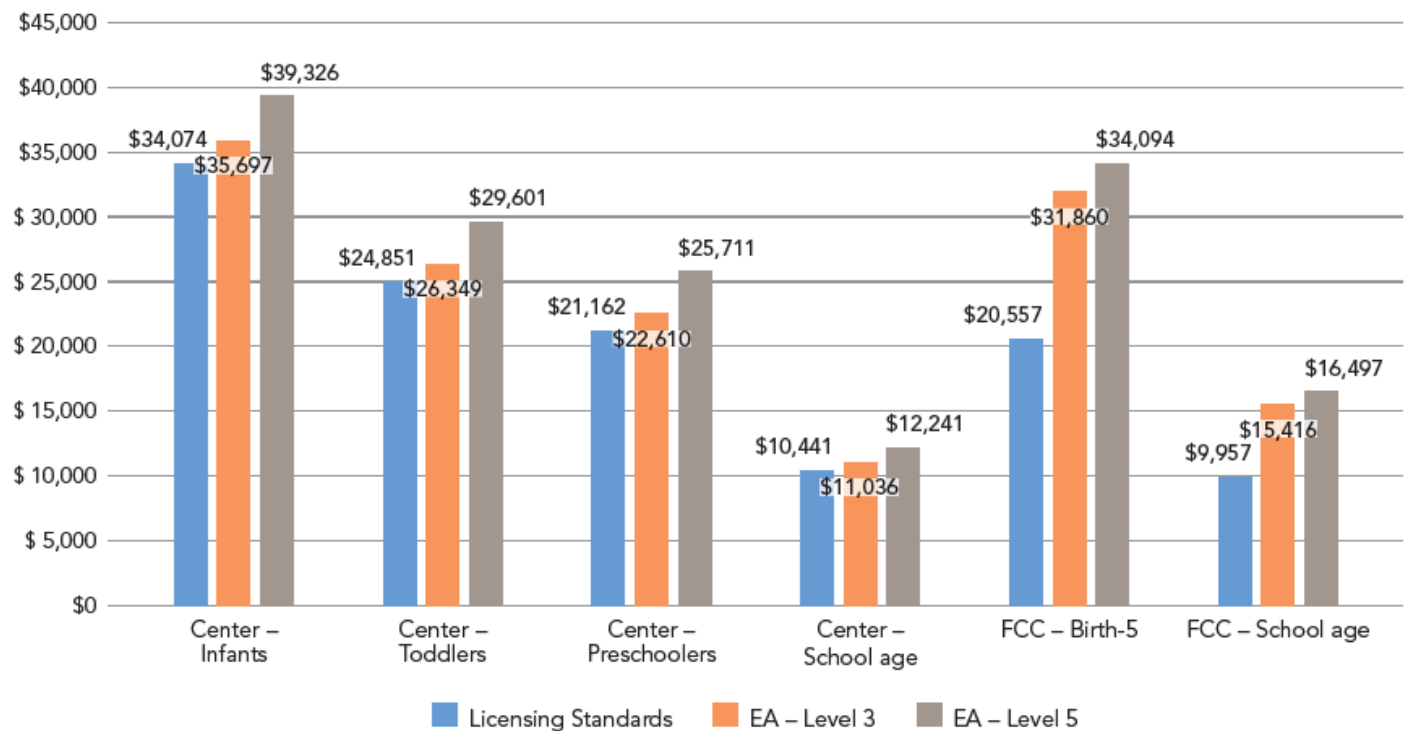
Salary scales in model (family homes)	Current salaries	MIT living wage salaries
Family child care provider/owner	\$34,427 - \$58,042	\$73,702 - \$91,695
Family child care assistant teacher	\$26,040 - \$29,126	\$44,420 - \$55,369

Ranges indicate variation across regions. Living wage data from the MIT Living Wage calculator is calculated based on simulated family size of assistant teacher or FCC providers, and is adjusted for other positions to account for additional responsibilities.

Program enhancements that support quality

Beyond meeting base licensing standards, the model also integrates several additional program enhancements so users can estimate the additional cost of providing high-quality care. These selections can be used to estimate the cost of meeting different levels of Early Achievers, Washington's Quality Rating and Improvement System. Figure 2 highlights the increased costs associated with meeting higher levels of Early Achievers and the [P5FS technical report](#) provides additional details of these values.

Figure 2: Per-child costs of providing child care at licensing, Early Achievers Level 3 and Early Achievers Level 5



Primary sources of program revenue

The model includes revenue data for the purpose of understanding the sufficiency of current revenue streams to support the cost of quality care. The following revenue data from P5FS's report is included, allowing users to compare estimated costs to potential revenue:³²

Child Care Subsidy – federal Child Care and Development Block Grant funding

Working Connections Child Care (WCCC) subsidy rate data is used for both center and home-based settings, and includes quality differentials for Early Achievers levels. The model uses the most recently implemented market rates as of August 2022, which are based on the 85th percentile of the 2018 market rate survey. Because the WCCC subsidy regions are different from the Child Care Aware of Washington regions used for the cost analysis, users must select which subsidy region to use for comparing cost to subsidy rates. Users can also choose an Early Achievers level to include the higher WCCC rates for programs that have reached different Early Achievers levels.

³² Ibid.

Private tuition

Tuition data is included in the model based on the [2021 market rate study](#). The model uses the 85th percentile of the market rate as the tuition amount to align with DCYF-set WCCC subsidy rates. Users must select which market region to use for comparing cost to market tuition, given that the market rate study regions are different from the Child Care Aware of Washington regions used for the cost analysis.

Child and Adult Care Food Program

The cost estimation model accounts for revenue from the federal Child and Adult Care Food Program (CACFP). The federal food program reimburses providers for meals served to children, with different rates based on family eligibility. The [most recent CACFP rates](#) are included, and the model assumes that all children eligible for a subsidy are also eligible for CACFP.

Even with low provider wages, WCCC reimbursement rates fall short

As part of the [cost of quality care study](#), P5FS analyzed current costs – including current provider wages, which we know to be insufficient – to provide a baseline against which to measure proposed policy changes. Table 1 details average current salaries for child care providers by role and region for child care centers and family child care homes. P5FS's report notes that current WCCC subsidy rates throughout the technical report are based on market rate data from 2018. Data from the 2021 market rate study are available, though at the release of this report reimbursement rates were not calculated using the updated rate study.

Table 1: Current child care provider salaries based on survey data

	Central Wash.	Eastern Wash.	King & Pierce	Northwest Wash.	Olympic Peninsula	Southwest Wash.
Program Director	\$35,265	\$34,944	\$40,569	\$40,035	\$35,626	\$37,503
Assistant Director	\$31,738	\$31,449	\$36,512	\$36,032	\$32,063	\$33,752
Admin. Assistant	\$30,139	\$30,139	\$34,175	\$30,139	\$30,139	\$30,139
Lead Teacher	\$32,550	\$32,552	\$37,261	\$36,252	\$31,302	\$33,210
Assistant Teacher	\$28,579	\$28,451	\$29,126	\$27,772	\$26,040	\$26,780
Aide/Floater	\$22,616	\$26,597	\$26,342	\$23,656	\$19,781	\$20,625
FCC Provider/Owner	\$58,043	\$32,493	\$42,462	\$36,079	\$40,789	\$34,427
FCC Assistant Teacher	\$28,579	\$28,451	\$29,126	\$27,772	\$26,040	\$26,780

Source: P5FS cost of quality survey, administered March–April 2022.

The true cost of quality care requires investments for living wages

The task force sees living wages, benefits and program enhancements as essential components of the true cost of quality child care. Table 2 estimates living wages using MIT's Living Wage Model for child care providers by role and region for child care centers and family child care homes.

Table 2: MIT Living Wage salaries for child care providers

	Central Wash.	Eastern Wash.	King & Pierce	Northwest Wash.	Olympic Peninsula	Southwest Wash.
Program Director	\$85,245	\$86,041	\$106,257	\$96,248	\$91,075	\$90,857
Assistant Director	\$70,451	\$71,108	\$87,816	\$79,544	\$75,268	\$75,088
Admin. Assistant	\$44,420	\$44,835	\$55,369	\$50,154	\$47,458	\$47,344
Lead Teacher	\$57,746	\$58,286	\$71,980	\$65,200	\$61,695	\$61,548
Assistant Teacher	\$44,420	\$44,835	\$55,369	\$50,154	\$47,458	\$47,344
Aide/Floater	\$44,420	\$44,835	\$55,369	\$50,154	\$47,458	\$47,344
FCC Provider/Owner	\$73,702	\$75,164	\$91,695	\$84,133	\$78,881	\$78,995

Source: P5FS cost of quality survey, administered March–April 2022

Figures 3 and 4 illustrate the gap between the true cost of quality child care – including living wages and benefits – and current WCCC subsidy rates for center-based programs first and family child care programs second.

Figure 3: Annual cost per child with living wage salaries and benefits compared with WCCC base subsidy rate, child care center, statewide average

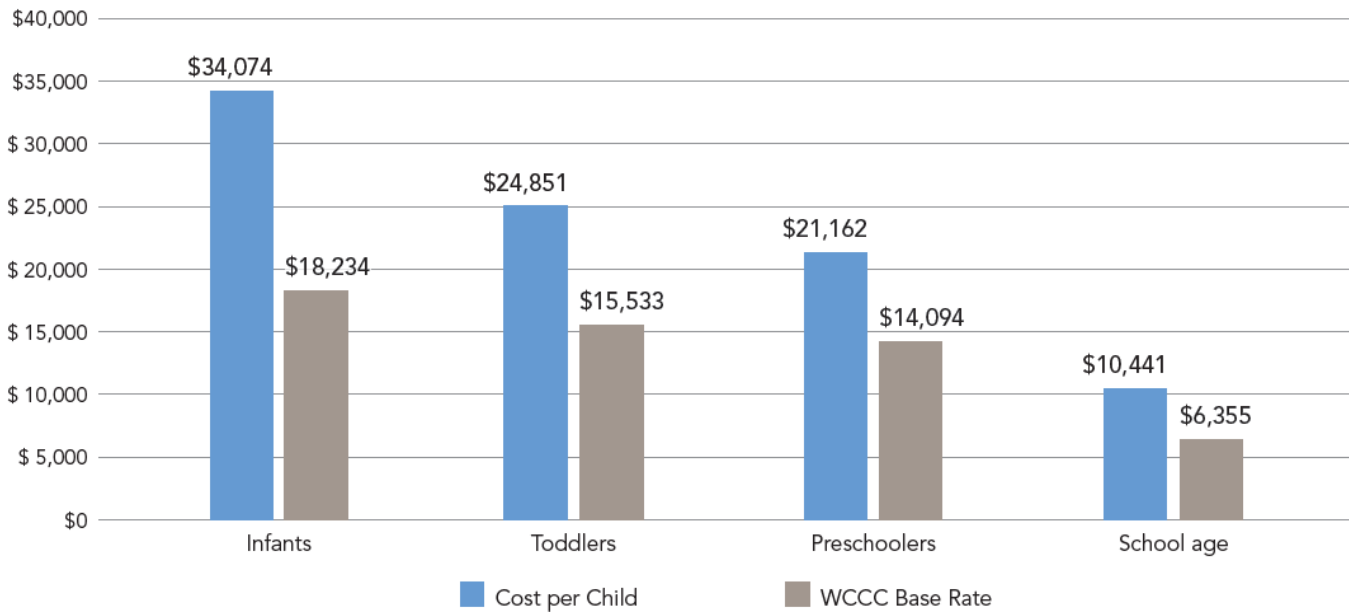
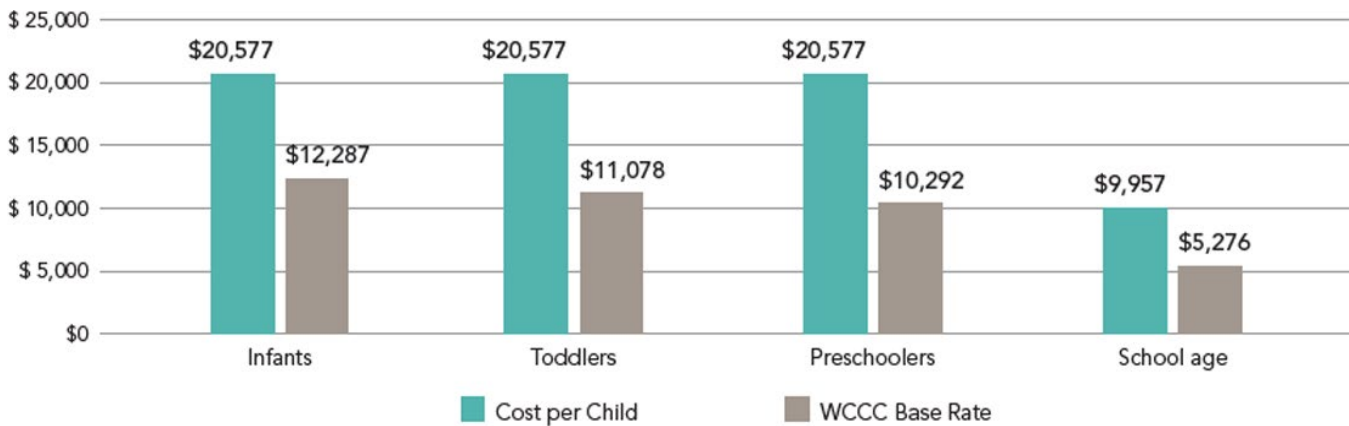


Figure 4: Annual cost per child with living wage salaries and benefits compared with WCCC base subsidy rate, family child care, statewide average



Management, transparency and updates to the cost model

The task force recommends that DCYF manage and own the child care cost estimation model because it is being used to inform subsidy rate setting. The tool can and should be updated by the model owners as program requirements change and as additional workforce data is available. This will ensure that the model outputs continue to reflect the true cost of child care. The living wage compensation data should be refreshed at least annually, and WCCC rates based on the data refresh schedule according to the Child Care Development Block Grant (CCDBG). Data updates will be reported to existing oversight committees for DCYF, including the [Early Learning Advisory Council](#) (ELAC).

To provide accessibility and transparency to the child care cost estimation model, DCYF should provide links to the Center and Family Child Care Cost Estimation Excel tools on its website. The website links will allow users to download the Excel spreadsheet and input information on center or family home “profiles” (such as number of classrooms), as well as certain variables and scenarios for that provider (such as number of children on subsidy, benefits offered, salaries and others), along with a description of the child care cost estimation model analysis. To prevent user error with the Excel-based tool, the underlying data that drives the model should not be made visible, and only the owners of the model should be able to update this data.

Conclusion

Parents, providers, and employers have long known that high-quality child care is essential. During the COVID-19 pandemic and in these early stages of recovery, it is increasingly apparent that child care isn't only essential for parents, providers and employers – it is essential for our entire state. Since 2018, The Child Care Collaborative Task Force has examined the child care system in Washington and advocated for policy changes to make child care more accessible and more affordable for families and more sustainable for providers. We recognize that child care is an essential industry that supports other sectors to keep our society and economy functioning.

The cost of quality care estimation model, developed at the request of the Washington State Legislature, makes it possible for policymakers and administrators to better understand and address significant gaps in public funding for child care. The COVID-19 pandemic has made it clear that providers and parents cannot continue bearing the burden of a failed market system alone. Especially in the absence of federal solutions, the stakes for inaction here in Washington are too high.

These recommendations build on the critical foundation of the [Fair Start for Kids Act](#) (FSKA), passed in May 2021, which improves access and affordability for working families through the Working Connections Child Care (WCCC) subsidy program. However, even with passage of FSKA, most Washington parents remain solely responsible for child care expenses. Only 13% of eligible children from birth through age five currently receive assistance through the subsidy program in Washington.³³ The task force identified a gap in policy and budget solutions that address public *and* private licensed child care programs and discussed the importance of stabilizing both markets to ensure access for families.

The urgency to act begins with the health and well-being of children and working families, but it does not stop there. Child care is an essential industry that supports other sectors and keeps our economy functioning. Washington's recovery from the COVID-19 pandemic is jeopardized by the child care workforce shortage.

Even without access to affordable health care coverage, early vaccinations and personal protective equipment, the child care workforce showed up for families and employers of essential workers during the COVID-19 crisis. When school buildings closed, child care programs remained open and even pushed the limits of their budgets to make space for additional children. Parents are stretched thin, too. The cost of full-time child care for an infant and a child in preschool can equal up to 35% of a two-parent family's income and up to 150% of a single-parent's income – well beyond the federal standard for affordability of 7% of income.³⁴

The task force recommends adoption of a cost of quality child care estimation model that incorporates living wages, benefits, and program enhancements that support quality. **Without intervention, the child care industry will continue to fall short of meeting the demand for affordable quality care and early childhood education. It is a precarious and unstable situation that needs and deserves to be addressed – for the sake of children and families and the workforce that cares for them.**

³³ Malik, Rasheed. "[The Build Back Better Act Substantially Expands Child Care Assistance.](#)" Center for American Progress, December 2, 2021.

³⁴ Ibid.

Appendix A: Authorizing legislation

In 2019, the legislature directed that a cost of care study be undertaken by the task force. The study was started but was not able to be completed due to the COVID-19 pandemic. In 2021, the legislature directed that the study recommence. The two legislative directives are listed below.

RCW 43.330.527 ([Chapter 368, Laws of 2019](#)), the authorizing legislation for this report, states:

3) The child care collaborative task force shall:

- a) (i) Develop a child care cost estimate model to determine the full costs providers would incur when providing high quality child care, including recommended teacher-child ratios based on research and best practices. The model must include:
 - (1) Regional differences;
 - (2) Employee salaries and benefits;
 - (3) Enrollment levels;
 - (4) Facility costs; and
 - (5) Costs associated with compliance with statutory and regulatory requirements, including quality rating system participation and identify specific costs associated with each level of the rating system and any quality indicators utilized.
- ii) The model must utilize existing data and research available from existing studies and reports.
- iii) The model must consider differentiating subsidy rates by child age and region, evaluate the effectiveness of current child care subsidy region boundaries, and examine alternatives such as ZIP code level regions or regionalization based on urban, suburban, and rural designations;
- b) Consider how the measure of state median income could be used in place of federal poverty level when determining eligibility for child care subsidy;
- c) Evaluate recommendations from the department of children, youth, and families' technical work group on compensation, including consideration of pay scale changes, to achieve pay parity with K-12 teachers by January 1, 2025. When considering implementation of the technical work group recommendations, the task force shall further develop policy recommendations for the department of children, youth, and families that:
 - i) Endeavor to preserve and increase racial and ethnic equity and diversity in the child care workforce and recognize the value of cultural competency and multilingualism;
 - ii) Include a salary floor that supports recruitment and retention of a qualified workforce in every early learning setting, determined by an analysis of fields that compete to recruit workers with comparable skills, competencies, and experience of early childhood educators;

- iii) Index salaries for providers against the salary for a typical preschool lead teacher, differentiating base compensation for varying levels of responsibility within the early childhood workplace including consideration of center directors, assistant directors, lead teachers, assistant teachers, paraprofessionals, family child care owners, and family home assistants;
- iv) Incentivize advancements in relevant higher education credentials and credential equivalencies, training, and years of experience, by increasing compensation for each of these, including early learning certificates, associate degrees, bachelor's degrees, master's degrees, and doctoral degrees;
- v) Consider credential equivalencies, including certified demonstration of competencies developed through apprenticeships, peer learning models, community-based training, and other strategies;
- vi) Consider a provider's years of experience in the field and years of experience at his or her current site;
- vii) Differentiate subsidy rates by region; and
- viii) Provide additional targeted investments for providers serving a high proportion of working connections child care families, providers demonstrating additional linguistic or cultural competency, and providers serving populations furthest from opportunity, including:
 - (1) Families enrolled in the early childhood education and assistance program;
 - (2) Underserved geographic communities;
 - (3) Underserved ethnic or linguistic communities;
 - (4) Underserved age groups such as infants and toddlers; and
 - (5) Populations with specialized health or educational needs

While the task force commenced work on the cost of care study in 2019 as directed, the study had to be paused after the onset of the Covid-19 pandemic in Washington. The study required engagement of and participation from child care providers during a time of upheaval and uncertainty as providers faced the rapidly changing conditions that came with navigating the challenges of continuing to provide care. It was not possible to complete the study at that time. In 2021, the legislature directed the task force to complete the study.

Chapter 334, Laws of 2021, ESSB (Engrossed Substitute Senate Bill) 5092, Sec 127 pg 76 (127) \$240,000 of the general fund—state appropriation for fiscal year 2022 and \$95,000 of the general fund—state appropriation for fiscal year 2023 are provided solely for the department to collaborate with the department of children, youth, and families to jointly convene and facilitate a child care collaborative task force to continue the work of the task force created in chapter 368, Laws 9 of 2019 (2SHB 1344) to establish a true cost of quality of child care. The task force shall report its findings and recommendations to the governor and the appropriate committees of the legislature by November 1, 2022.

Appendix B: Glossary

Words like “compensation,” “parity,” and “living wage” are used in this report to describe salaries and benefits in early care and education.³⁵ Clarification on these terms, and other key terms used in this report, are below:

Compensation: “A term used to encompass the entire range of wages and benefits, both current and deferred, that employees receive in return for their work,” as defined by the Bureau of Labor Statistics.

Living wage: Typically refers to a minimum threshold for affording basic necessities, which varies by household type and local cost of living. A living wage calculator for various geographies was developed by the Massachusetts Institute of Technology (MIT) and is used in this report.

Compensation parity: The state or condition of being equal, especially regarding status or pay. For child care and early learning, it typically refers to comparability between early educator pay and K-3 teacher pay.

Compensation strategy/initiatives: Initiatives that increase workers’ base annual salaries or hourly wages and/or provide benefits such as health insurance or retirement plans.

Wage supplements: Funds that employees receive in addition to their regular wages.

Financial relief initiatives: Initiatives that provide additional income or financial relief outside a worker’s wages and benefits, based on eligibility, such as stipends or tax credits.

Stipend: A stipend refers to a supplemental or non-wage cash award that an educator may receive more than once (such as every six months or every year), often intended to support retention.

Bonus: A bonus refers to a cash award provided as a one-off recognition of a particular educational achievement (such as completion of a degree or credential).

Early childhood education, also referred to as early care and education: Typically refers to care and education for children from birth through age five.

Family child care (FCC): A form of early childhood education in which a caregiver looks after children in their own home.

School-age child care: Typically refers to care provided during the before- and after-school hours for children ages 5-12. Programs may also offer care during school holidays and summer breaks. Some family child care providers and child care centers offer school-age care in addition to early care and education, while other programs offer school-age care only.

³⁵ Center for the Study of Child Care Employment 2020 Workforce Index.

Appendix C: Early Educator Design Team

The **Early Educator Design Team**, supported by Child Care Aware of Washington and its partners, is a workgroup comprising 34 child care providers, families, and advocates. The design team has unified around a [Liberatory Design Process](#)³⁶ to identify scalable policy solutions, inclusive of the recommendations in this report, for stabilizing and growing the child care workforce. Design team participants were selected to represent diverse workforce roles, geographic locations, racial/ethnic and linguistic identities, and programmatic characteristics.

The provider design team began meeting regularly in spring 2022 to develop a comprehensive policy proposal to advance workforce compensation in the 2023 legislative session. The design team's goal is to increase access to high quality, affordable child care through comprehensive budget and policy solutions that recruit and retain a diverse and thriving workforce.

The design team's efforts build on work already underway, including implementation of the Fair Start for Kids Act and the recommendations included in this Child Care Collaborative Task Force Report. It also identifies additional policy proposals related to:

- Compensation and well being
- Professional growth opportunities
- Equitable opportunities to meet changing requirements
- Child care system reforms
- Small business supports for the child care industry

At the time of this report, the design team's work had not concluded. A written report is expected from Child Care Aware of Washington in late 2022.

³⁶ Developed by the National Equity Project, Liberatory Design is a problem-solving process where people most impacted by a problem co-develop a solution that prioritizes racial equity in process and in outcome. [More information is available online.](#)

Appendix D: Case studies

Across the U.S., the gap between the expenses providers incur and the revenues they can generate is significant – especially for infant and toddler child care. Understanding how this gap varies by child age, program type and geographic location can help better target resources to the areas of highest need. Due to the broken nature of the child care market, where the consumers – parents – cannot pay for the full cost of the service they are purchasing, using the standard market rate-setting approach that relies on the tuition these consumers can pay presents an inherently inaccurate relationship between rates and the true costs of the service that are taken on by the provider. The alternative methodology approach sets rates based on the actual costs experienced by child care providers in their delivery of services, based on the type of care, age of the child, and state licensing and quality regulations.

Below are some recent examples of cost of quality care analyses to inform alternative methodology for subsidy rates, as well as a recent policy movement on provider compensation and financing mechanisms at the state level.

Case study: California uses the MIT Living Wage Floor to build a salary scale for early childhood education providers

California developed a cost estimation model to understand the cost of quality care and to set child care subsidy rates. P5FS found built salaries for all the child care positions in early childhood education using used data collected from California child care programs.³⁷ Program-level data demonstrates the difference in salary or wage points across positions in center or family child care homes. The cost estimation model includes several salary options, including:

- Bureau of Labor Statistics (BLS) wage data from May 2021
- 2020 Workforce Survey wage data
- MIT Living Wage Calculator Option 1 (using workforce demographic data on family composition to establish the living wage base for the teacher assistant position, since the living wage calculation is based on family size)
- MIT Living Wage Calculator Option 2 (calculator results for the living wage needed for a single person, no children, to establish the living wage base for teacher assistant position)
- University of Washington Self-Sufficiency Standard Calculator, which defines the minimum adequate income working families need and accounts for family composition, ages of children and geographic differences in costs
- User input, which requires completion of wages data for each position

The California Rate and Quality Workgroup recommended that child care providers earn at least a living wage, and therefore the default scenarios in the cost model use the MIT Living Wage Salary Option 1, with regional variations included. The family size assumptions are calculated using a weighted average of the living wage across six different family size/compositions for early childhood professionals in California. These program data were used to build a salary scale reflective of the different responsibilities for each position, including director, assistant director, teacher/lead teacher, assistant teacher, and floater/substitute.³⁸

³⁷ Jeanna Capito, Katie Fallin Kenyon, and Simon Workman, "[Understanding the True Cost of Child Care in California: Building a cost model to inform policy change](#)," Prenatal to Five Fiscal Strategies, 2022.

³⁸ Ibid.

District of Columbia subsidy rate-setting, short-term compensation relief, and long-term compensation pay parity for early childhood teachers

The District of Columbia's Child Care and Development Fund (CCDF) began using a cost of quality approach to set subsidy rates in 2018, and until 2021 it was the only state or district utilizing this methodology (as of this writing, New Mexico and Virginia have joined it). In the District, the implementation of alternative methodology for rate setting, instead of the market rate, resulted in higher payment rates for all providers in all types of care settings, compared to setting rates at even the highest percentile of the market-rate survey. The alternative methodology approach encourages quality by basing child care rates on the actual operating costs of delivering quality child care.³⁹

Additionally, recent developments in the district illustrate an approach that provides short-term financial relief for providers with a goal to develop long-term compensation reform. In January 2022, after more than a decade of successful organizing, the [district advanced pay parity for infant-toddler teachers](#) with recent recommendations from the Early Childhood Educator Equitable Compensation Task Force. The recommendations included short-term direct payments of \$10,000 to \$14,000 to eligible educators to meet their immediate needs while the foundation for compensation reform is being built.

The district's Early Childhood Educator Task Force will provide implementation recommendations on increased employee compensation for all early childhood workers. The district determined that the two funding mechanisms it currently has in place (child care subsidies and grants) are not workable for distributing funds to the entire workforce. It recommended developing a new payment mechanism. The task force should also consider monitoring and enforcement mechanisms to ensure that payments made to providers translate into increased staff pay.⁴⁰ These are necessary mechanisms to raise pay while minimizing the burden on child care providers. There will also be needed technical assistance and support to help providers implement the compensation scale.

This permanent, publicly funded compensation program is designed to ensure that early educators are paid salaries comparable to educators of older children. The district is also offering free or low-cost health insurance to eligible staff at licensed child care facilities.⁴¹ Eligibility is not based on income or immigration status, but a person must be an employee and not a contractor of a child care provider.⁴² Both programs are funded by the district's [Pay Equity Fund](#), a permanent, dedicated funding source for compensation initiatives in early childhood education.

In the long term, a program-level funding formula will include a salary scale that offers parity for educators across settings with their K-8 counterparts. This is possible because of public funds dedicated for early childhood pay equity, highlighting the importance of a local revenue strategy. Beginning in October 2023, the Office of the State Superintendent of Education will shift to distributing funds to child development facilities; facilities that accept funds will be required to pay eligible child care professionals wages that reflect the recommendations of the Early Childhood Pay Equity Task Force. OSSE will continue to engage early childhood stakeholders in the coming months to inform the design, implementation and launch of the program for fiscal year 2024 and beyond.

³⁹ Jeanna Capito, Jessica Rodriguez-Duggan, Simon Workman, "Understanding the cost of quality child care in New Mexico: A cost estimation model to inform subsidy rate setting," (Prenatal to Five Fiscal Strategies, 2021)

⁴⁰ Compensation Scale for the DC Child Care Workforce: As Required by Birth-to-Three for All DC Act. OSSE, October 2021.

⁴¹ Under 3 DC, "[DC Announces Free Health Insurance for Child Care Workers and their Families.](#)"

⁴² [HealthCare4ChildCare FAQs.](#)

Delaware’s approach to online access and updates to the cost of quality model

The Department of Health and Social Services (DHSS) and the Department of Education, in consultation with the Delaware Early Childhood Council, created a cost of quality care estimator tool that enables the state to model the actual costs of providing quality child care. The work on the cost estimator tool was informed by Delaware's 2021 Cost of Care Study, the 2021 Market Rate Survey, the child care wage scale work completed in 2022, and national and local experts, advocates, and early childhood educators.

DHSS provides a description of this work and links to the Center and Family Child Care Cost Estimation Tools on its website. The website allows users to download the Excel spreadsheet and input information on center or family home “profiles” (such as number of classrooms) and certain variables and scenarios for that provider (such as number of children on subsidy, salaries, benefits). However, the underlying data that drives the model is not visible, and only the owners of the model can update this data. This is because allowing access to the underlying formulas and background data makes it easier for individual user error and/or “breaking” formulas in the model, which could result in the model providing incorrect numbers. The tool can and should be updated by the model owners as program requirements change, and as additional workforce data is available, to ensure that the model outputs continue to reflect the true cost of child care.

New Mexico’s cost study finds current rates are a disincentive to meet higher quality

In New Mexico, recent positive changes in early care and education encouraged state leaders to seek federal approval to pursue alternative methodology for setting child care subsidy rates under the Child Care Development Block Grant (CCDBG). System improvements, including launching a state department focused on early care and education, are focused on aligning programming and funding, meeting the needs of children and families, and increasing the capacity of providers to deliver quality services. In March 2020, the governor and Legislature enacted the Early Childhood Trust Fund, which will fund the work of the new department. New Mexico developed a cost estimation model to inform subsidy rate setting. The alternative methodology approach involves setting rates based on the actual costs experienced by child care providers in their delivery of services: type of care, age of the child, and state licensing and quality regulations. Wages in the model were based on a higher statewide minimum wage as a floor, with Bureau of Labor Statistics salary data for each child care position, and higher wage levels aligned with New Mexico’s Quality Rating and Improvement System. With all this cost data informing an alternative methodology, the state has an accurate picture of the cost of child care services and has used this approach to inform subsidy rate setting since 2021.

At the same time, New Mexico expanded eligibility to up to 400% of the federal poverty level through June 2023, making it the first state to offer no-cost care for such a broad range of incomes. Because of this, most families in the state now qualify for the subsidy. The median household income in New Mexico is \$51,243, so a family of four earning up to about \$111,000 would be eligible for free child care under the new program.⁴³

The New Mexico cost model development process pointed to several key themes:

- Current rates are insufficient at any level of quality for services to children from birth to five years. The quality incentive structure for the state Quality Rating and Improvement System does not keep up with the actual increased costs at higher levels of quality, and current rates are actually a disincentive to

⁴³ Parks, Casey. [“New Mexico to offer a year of free child care to most residents.”](#) The Washington Post. April 28, 2022.

operate at the higher-quality levels. Programs need to serve mixed ages to cover some of the steepest losses, but in all instances, programs are operating at an overall loss.

- The cost model results show where state quality requirements are misaligned with the reality of program operations. State policies on child-to-adult ratios and taxing structures affect the program bottom line and drive decisions that impact quality and costs levied on families. For example, the current rate structure disincentivizes serving 3-year-olds in a 5 Star program, and licensing ratios and group size requirements are the same for 3- and 4-year-olds until a program reaches a 5 Star designation.⁴⁴

New York state's wage scenarios in a cost of quality study

New York state engaged in a cost of quality care study in 2019 to inform advocacy efforts. QUALITYstarsNY (QSNY) is the state's quality rating and improvement system. It is used as the starting definition of quality for the state – staffing patterns in the model reflect personnel needed to meet QSNY star level 3. Model assumptions for wages included mandatory benefits for full-time employees, including workers compensation, unemployment insurance, and disability insurance. Discretionary benefits are based on the QSNY benefit options for full-time staff, which includes health insurance; 5 days of paid leave; and \$1,000 annually per staff for training/consulting.

Analysis includes three scenarios to understand cost at different quality levels:

- Scenario 1: With current salaries (based on Aspire registry data) by age group and region. Compares costs and gaps in revenue between current subsidy payments.
- Scenario 2: Increased salaries. All staff earn at least \$15/hour and other salaries adjusted proportionally (a 36% increase to salaries for most staff). Compares costs and gaps in revenue between current subsidy payments.
- Scenario 3: K-12 teacher parity, by age group and geographic region. Lead teachers paid equivalent to 25th percentile of classroom teacher salaries, reflecting higher turnover rates among the early childhood workforce. Other staff receive proportionate raises. Compares costs and gaps in revenue between current subsidy payments.

In the family child care home model, the owner receives a salary equivalent to a lead teacher in each of the scenarios above.

Key findings from New York Cost of Quality Analysis:

- Current child care subsidy rates are insufficient to cover the cost of quality
 - The size of the gap between subsidy rates and the true cost of quality varies by region, but exists across the state for infants and toddlers.
 - In family child care homes, subsidy rates are insufficient to support a living wage for the provider.
- Insufficient revenues keep workforce wages low and limit provider quality
 - Current annual lead teacher salaries average around \$30,000 outside of New York City and \$43,000 in New York City, the equivalent of \$14.50/hour and \$20/hour, respectively.

⁴⁴ Jeanna Capito, Jessica Rodriguez-Duggan, Simon Workman, "Understanding the cost of quality child care in New Mexico: A cost estimation model to inform subsidy rate setting," (Prenatal to Five Fiscal Strategies, 2021)

- Recruiting teachers with higher education requirements requires paying higher salaries, which in turn, increases the gap between revenues and expenses.
- If early childhood educators were paid comparable wages to K-12 teachers, the annual cost of infant care would be between \$28,000 and \$37,500 in a child care center, and between \$22,000 and \$29,000 in a family child care home.⁴⁵

New York City's roadmap to K-12 wage parity for early child care providers

In 2019, New York City established agreements to fund starting salary parity for all certified teachers in community-based early childhood education settings and to provide raises for unionized, non-certified teachers and other staff by 2021, a positive step forward that could provide a model for the rest of the country.⁴⁶

Salary parity for early educators across program settings became a major issue in 2014 when New York City began to implement full-day universal pre-kindergarten. More than half of all kids in universal pre-K were served in community based organizations (CBOs), yet the pay and benefits gap between early childhood education public school teachers and CBO teachers with comparable education and experience became quite large (\$15,000 to \$17,000 by 2018). This pay gap created severe retention and recruitment problems for CBOs, as certified teachers left to work in early childhood education programs located in public schools. The Campaign for Children, a broad coalition of 150 providers, organized to build support for closing the teacher pay gap, resulting in a critical budget agreement to reach salary parity.

- There are three big challenges for New York City's kindergarten parity implementation: comprehensive salary parity, enhanced career ladder opportunities, and family child care investments.⁴⁷
 - **Comprehensive salary parity.** Beyond starting pay levels, improvements need to be made to account for:
 - Differences in the length of the work year
 - Wage increases for other teachers
 - Longevity pay
 - Differences in health insurance benefits, retirement coverage, and other fringe benefits
 - **Enhanced career ladder.** The Early Childhood Career Ladder (ECCL) program is successfully aiding the career advancement of teachers of color – more than 98% of those who enrolled in ECCL courses since spring 2018 were Black, Latino, Asian, or multiracial. More focus is needed on supporting uncertified and assistant teachers seeking to access additional education and certification, including through raising the intermediate pay steps between assistant teacher and certified teacher with a bachelor's degree.
 - **Family child care investments:** The city and state should increase investments in family child care, including in the compensation for providers. The 2019 salary parity commitment applied only to center-based early childhood education programs, not to home-based family child care providers.

⁴⁵ Center for American Progress. New York State Cost of Quality Child Care Study (PowerPoint presentation). Simon Workman and Steven Jessen-Howard. November 2019.

⁴⁶ Center for the Study of Child Care Employment (CSCCE), Berkeley, University of CA. [Early Childhood Educator Workforce Policies, Indicator 2: Does the state set required compensation standards for ECE settings outside of public pre-K programs?](#)

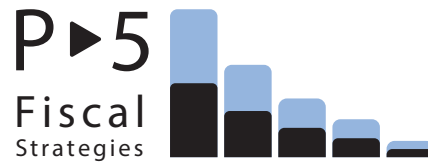
⁴⁷ Parrott, J.A. (2020). [The Road to and from Salary Parity in New York City: Nonprofits and Collective Bargaining in Early Childhood Education](#). New York, NY: Center for New York City Affairs, The New School.



Understanding the true cost of child care in Washington State:

A cost estimation model to inform policy change

About Prenatal to Five Fiscal Strategies



Prenatal to Five Fiscal Strategies is a national initiative, founded by Jeanna Capito and Simon Workman, that seeks to address the broken fiscal and governance structures within the prenatal to five system with a comprehensive, cross-agency, cross-service approach. The initiative is founded in a set of shared principles that centers on the needs of children, families, providers, and the workforce. This approach fundamentally rethinks the current system to better tackle equity in funding and access.

For more information about P5 Fiscal Strategies, please visit:

www.prenatal5fiscal.org

Acknowledgments

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The authors also acknowledge the contributions of P5 Fiscal Strategies team members who supported provider data collection and outreach, including Jessica Rodriguez-Duggan who led outreach to Spanish-speaking providers, and Casey Amayun who led provider interviews. The Agile Visual Analytic Lab (AVAL) at the UCLA Luskin School of Public Affairs also provided support in administering the online survey and tracking responses.

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Introduction and Background

Washington State has a demonstrated commitment to supporting the needs of young children and families. The Child Care Collaborative Task Force, created by the state legislature in 2018, has helped elevate the needs of the early childhood sector, especially considering the impacts of the COVID-19 pandemic. A key part of the Task Force's charge is to increase access to affordable child care for all Washington families. To further this goal, the Task Force commissioned a study to better understand the true cost of providing high-quality child care across the state.

In fall 2021, Prenatal to Five Fiscal Strategies (P5FS) launched a child care cost of quality study, which included developing a dynamic cost estimation model to address the immediate questions around cost and to serve as a tool to support long-term planning in the state. This work built on efforts begun in 2019, when P5FS supported a [cost study](#) and development of a cost model. This work was interrupted by the COVID-19 pandemic and the study team opted not to add additional burden to providers by requesting their participation. As a result, the study was missing a vital component in that it did not include input and feedback from child care providers themselves. For this most recent study, the P5FS team conducted deep constituent and provider engagement to inform the study, determine assumptions, vet cost data, and review initial results from the cost model. Development of the model was commissioned by the Department of Commerce on behalf of the statewide Child Care Collaborative Task Force, with support from the Department of Children, Youth and Families (DCYF), the state agency with responsibility for Working Connections Child Care Program subsidy

rate setting. The model was also developed with input from the Seattle Department of Early Education and Learning, and King County Best Start for Kids, to develop a tool that could also support local efforts to better understand the true cost of care.

This report provides background on the provider engagement activities that informed the cost model, details on the cost model methodology, and results of default scenarios to illustrate the functionality of the cost model tool.

Subsidy Rate Setting in a Broken Child Care Market

The prevalent method of setting reimbursement rates for publicly funded child care under the federal Child Care and Development Fund, or [CCDF](#), is through a market rate approach. This approach, currently used in Washington to set Working Connections Child Care subsidy rates, relies on a study of market prices for child care through a market rate survey. Data from the market rate survey is then used to set maximum reimbursement rates for subsidized child care. States are required to conduct CCDF rate setting every three years and are encouraged to set rates at a level that provides for “equal access” to the market for families using subsidies and those paying full tuition.

However, the market-based approach to subsidy rate setting results in subsidy rates that reflect prices providers charge families, which are frequently a reflection of what families can afford, not the actual cost of the care. The cost of child care for a family with young children can be an overwhelming burden, particularly for a family earning a low

income. Programs must set tuition at what families in their community are able to afford, rather than what the service costs. This creates an inequitable system that perpetuates inequality between higher-income and lower-income communities. Providers in communities where families cannot afford high tuition receive lower reimbursement rates than providers in higher-income neighborhoods. This often results in lower educator compensation and higher staff turnover in lower-income communities. Setting rates based on the current market also serves to maintain the low wages that early childhood educators receive, particularly in low-income communities. The impact of this [market failure](#) exacerbates lower-quality settings and lower wages across child care, disproportionately affecting low-income communities, minority groups and communities of color. The market, driven by tuition or the price that families are able to pay, is not representative of the cost of child care.

In a functioning market where parents as the consumer can afford the true cost of care, setting rates based on price would allow subsidy-eligible families to have access to child care equal to the access of those paying tuition. However, because most families cannot afford the cost of child care, programs face a disincentive to serve children for whom the gap between what families can afford and what it costs to provide care are greatest. For example, a provider might be able to achieve financial stability when serving preschool-age children, or in a program that meets state licensing standards, but if that same program serves infants and toddlers, or meets higher program standards, this can leave them operating at a deficit.

The ongoing impacts of the pandemic have exacerbated the broken nature of the child care market. Operating on razor-thin margins already, the [increased costs](#) and [decreased revenue](#) due to the

Defining terms

PRICE OF CARE means the tuition prices that programs set, which are usually based on local market conditions and what families can afford, ensuring that programs are competitive within their local market and can operate at as close to full enrollment as possible.

COST OF CARE means the actual expenses providers incur to operate their program, including any in-kind contributions such as reduced rent. It includes allocating expenses across classrooms and enrolled children based on the cost of providing service and not on what parents can afford.

TRUE COST OF CARE refers to the cost of operating a high-quality program with the staff and materials needed to meet quality standards and provide a developmentally appropriate learning environment for all children. Cost of quality is another term often used to refer to the true cost of care. The true cost includes adequate compensation, wages and benefits, to recruit and retain a professional and stable workforce.

pandemic have left the child care sector reeling. Policymakers are increasingly recognizing the deficiencies of the market price-based approach to rate setting and the need to better align investments to the cost of the service.

Since the 2014 reauthorization of the Child Care Development Block Grant, which funds CCDF, states have another option of setting rates, called an ‘alternative methodology.’ This methodology is an alternative to the market rate survey approach, which was the only methodology prior to 2014 reauthorization. This alternative methodology can take the form of a cost study or a cost estimation model:

- A *cost study* involves collecting data from providers about their current costs of operating a program that meets licensing standards as well as other quality standards, reflecting point-in-time data about provider costs.
- A *cost estimation model* involves building a tool that is informed by provider data and that can run multiple scenarios to estimate the impact of several variables on cost, such as program characteristics (e.g., size and age mix), child populations served, program quality, and location in the state.

Whichever approach is used, an alternative methodology takes into account the actual costs incurred by providers to meet state standards or quality requirements, with variations by setting, geography, age of child served, and other program or child characteristics. As states across the country consider ways to stabilize and strengthen their early childhood systems, they are increasingly

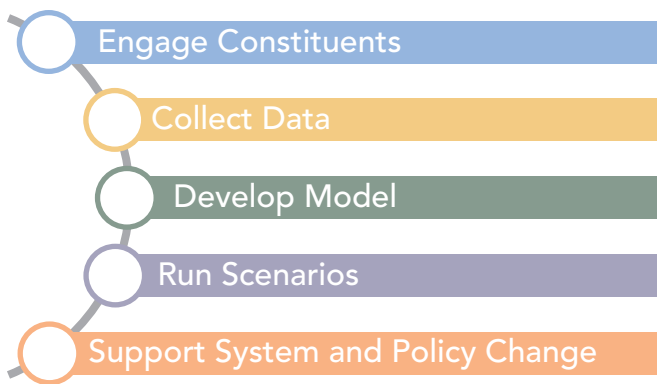
recognizing the importance of developing a deeper understanding of the true costs of operating high-quality programming and seeking alternative ways to set subsidy rates, such as through a cost estimation model.

Beyond subsidy rate setting, development of a cost estimation model can support states to develop policy solutions that increase access to affordable child care. By understanding the true cost of care, policymakers can see the limited impact the subsidy system will have when eligibility levels fail to provide support to middle-income families. Many families earn too much to qualify for child care subsidy assistance, but too little to be able to afford the true cost of care. A robust child care system where all providers have access to the resources they need to provide high-quality child care requires an honest assessment of what it costs to provide that care, and where the burden of paying for that care should land.

Washington Cost of Quality Study

To develop a cost estimation model for Washington, a study was designed in line with P5FS’s [approach](#) to cost modeling. This approach centers on the voice of providers to inform the development of the model and ensure that it reflects the reality programs experience delivering high-quality child care.

Figure 1: Prenatal to Five Fiscal Strategies Cost Modeling Approach



Constituent Engagement and Input

Aligned with the values of the Child Care Collaborative Task Force, the study team ensured that there were multiple opportunities for providers and other interested constituents to participate in the study. P5FS used several modes of information gathering and input from constituents, including an online child care provider survey, one-on-one interviews with providers, family child care focus groups, and presentations to provider groups or associations to provide information about the study and gather input.

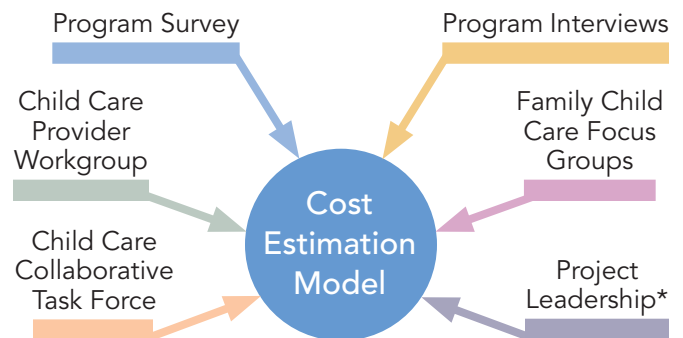
Beyond leadership and input from the Child Care Collaborative Task Force, a child care provider ad-hoc workgroup was formed to provide more detailed input and support model development. The workgroup included providers representing the diversity of the provider types in Washington,

including family child care home providers, providers in urban and rural areas, for-profit and not-for-profit child care centers, and programs serving children of different ages. Child care providers were compensated for their workgroup time. This workgroup met five times during the study, providing input on:

- the cost-survey approach and reach
- the cost estimation model
- the program variables that frame the model
- the model’s data gathering and analysis assumptions
- ensuring that providers are engaged in data gathering and in the review of model results
- modifications to the model based on analysis of interim results
- feedback and validation of assumptions in the model.

Figure 2 details the multiple methods of provider input into the cost estimation model and Table 1 lists the key constituent meetings.

Figure 2: Cost Estimation Model Constituent Input



*Project leadership included representatives from the Department of Commerce, on behalf of the Child Care Collaborative Task Force, the Department of Children, Youth and Families, King County Best Start for Kids, and the Seattle Department of Education and Early Learning

Table 1: List of constituent meetings

Child Care Ad-Hoc Workgroup

Meeting 1: February 3, 2022
Meeting 2: March 3, 2022
Meeting 3: March 24, 2022
Meeting 4: April 7, 2022
Meeting 5: July 22, 2022

Child Care Collaborative Task Force

November 17, 2021
January 11, 2022
May 6, 2022
July 11, 2022
August 12, 2022
August 18, 2022

Constituent Meetings

Greater Seattle Child Care Business Coalition –
December 16, 2021
Seattle CCAP Providers –
Jan 27, 2022
Washington Communities for Children/
First 5 FUNdamentals –
February 8, 2022
Washington Federation of Independent Schools –
February 24, 2022
Washington Child Care Association –
February 22, 2022
Child Care Aware of Washington,
Team Leads Meeting –
March 2, 2022
Imagine Institute –
March 18, 2022
ELAC Provider Supports –
April 6, 2022

FCC Focus Groups

April 25, 2022, 1pm – English
April 27, 2022, 6pm – English
May 3, 2022, 1pm – Spanish
May 7, 2022, 9am – Somali
May 10, 2022, 6pm – Spanish
May 17, 2022, 1pm – English
May 19, 2022, 1pm – English
May 24, 2022, 1pm – Spanish

One-on-one Provider Interviews

52 Interviews conducted March – May 2022

Provider Data Collection

Child Care Provider Online Survey

P5FS developed and deployed an online survey to gather data from child care providers about their program type, size, and children served, their staffing model (including ratios and group sizes), program expenses (personnel and non-personnel), and revenue details. These data were used to inform estimates of the cost per child with variations for program type, location, and age of child served. By conducting a statewide survey, P5FS was able to engage a large number of providers in all parts of the state in a relatively short time period. P5FS used past experience engaging child care providers to develop a survey that minimized burden on providers by focusing on questions that relate to the major cost drivers faced by child care programs. The main content areas covered by the survey were:

1. Program characteristics, such as size, ages of children served, type of program, and funding streams accessed
2. Staffing patterns, including number of program staff and number of teaching staff
3. Compensation, including average salaries for employees currently, and ideal salaries and benefits to attract and keep staff
4. Occupancy expenses, including rent/lease/ mortgage and utilities.

The survey included specific additional questions for different provider types, including number of hours spent providing child care and conducting child care-related work for home-based providers, and an understanding of different expenses for family friend and neighbor providers and school-age-only child care providers.

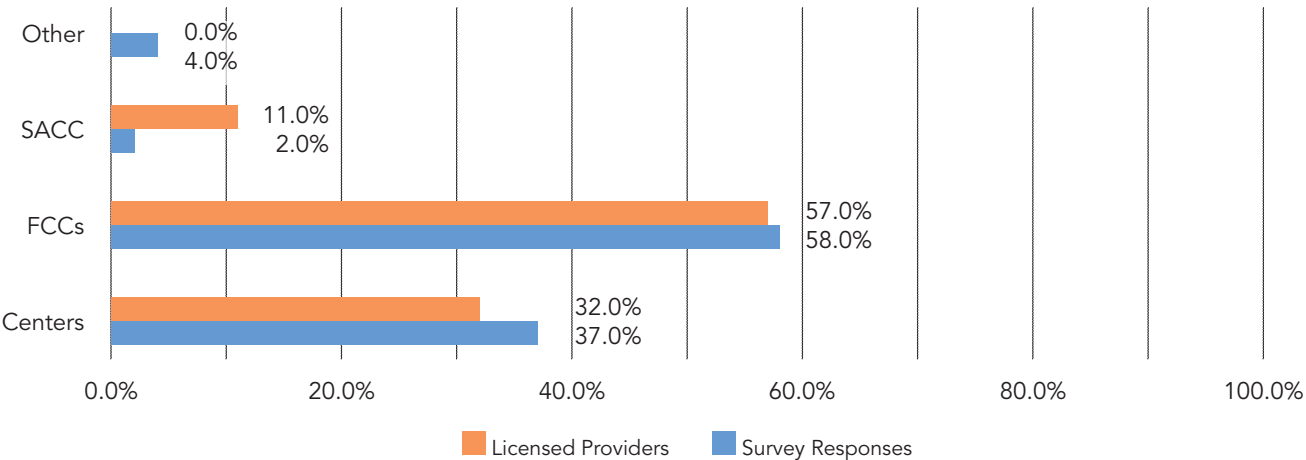
The online survey and associated materials were available in seven languages: English, Spanish,

Somali, Russian, Amharic, Arabic and Vietnamese. The survey was shared through multiple channels to reach providers across the state. DCYF sent it to all licensed providers; the Child Care Collaborative Task Force shared it with their email list; the Department of Commerce promoted it via their social media and other communications; Seattle DEEL sent it to Child Care Assistance Program providers; King County Best Start for Kids shared it with their provider community. P5FS also spoke on several child care association calls to provide background on the study and encourage participation. In addition, a link to the survey was included on a Washington-specific page on the Prenatal to Five Fiscal Strategies website, which also included background information on the study and a link for providers who preferred to engage in a one-on-one interview with P5FS rather than complete the

survey. Several providers with multiple sites preferred this option rather than completing multiple online survey entries.

The survey was launched at the beginning of March 2022 and was open until mid-April 2022. To encourage participation, survey respondents were entered into a raffle to win one of 10 gift cards with a \$50 value. The survey was launched with a [video](#) from Dr. Lisa Brown, Director of the Washington State Department of Commerce. A total of 2,018 responses were received. Responses comprised family child care (FCC) providers (58%); centers (37%); and school-age-only child care (SACC) (2%). This distribution across provider types is similar to the distribution of all providers in the state, as shown in Figure 3.

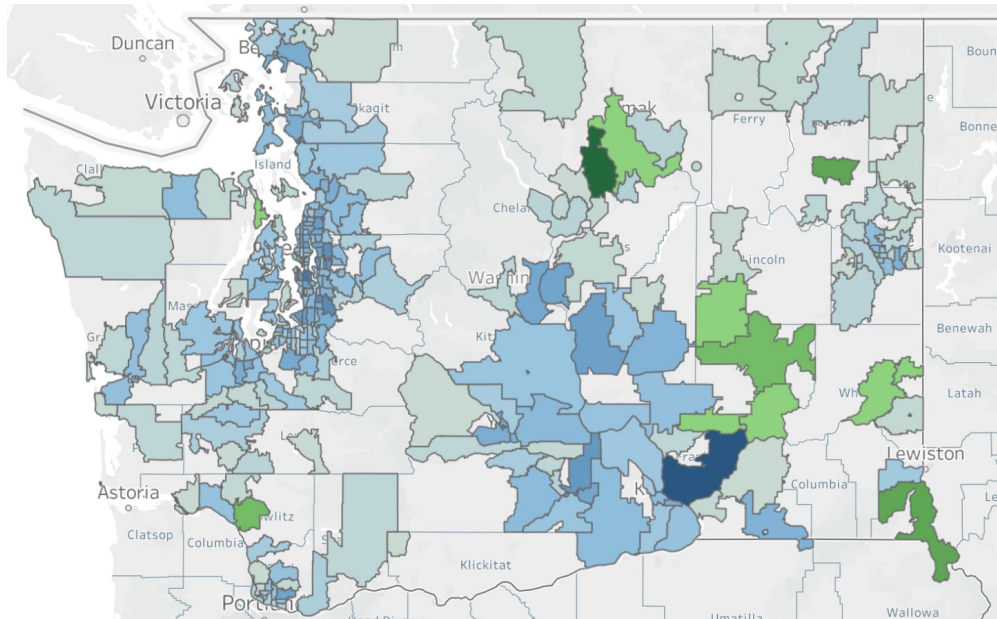
Figure 3: **Survey responses by provider type, compared to provider population**



Responses were received from across the state, covering all subsidy regions. P5FS used geomapping to track survey responses relative to concentrations of licensed providers in the state to guide additional outreach efforts to ensure that providers from all

geographic regions were included. Figure 4 illustrates the geographic spread of responses across the state, with areas in green indicating where responses were received from all licensed providers in that area.

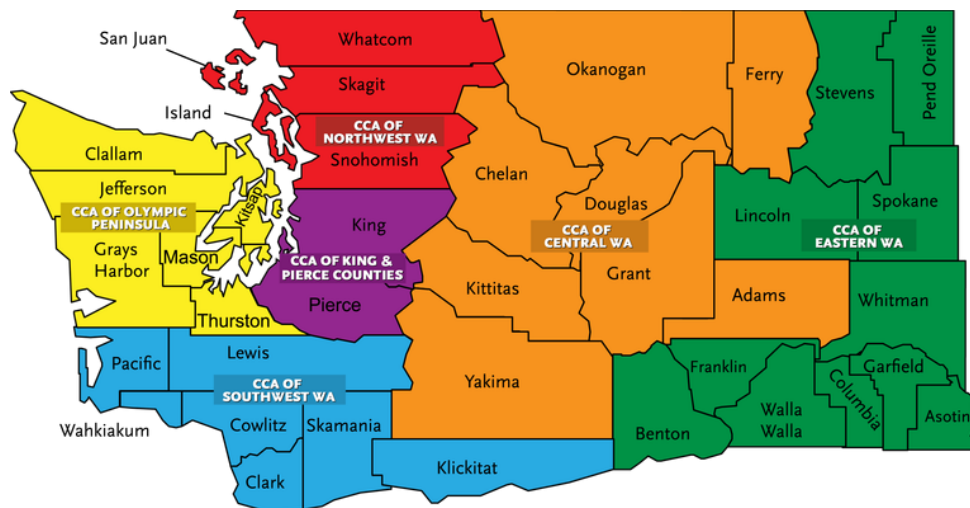
Figure 4: **Geographic distribution of responses**



The Task Force and Workgroup provided guidance to P5FS regarding geographic groupings across the state. Currently, DCYF sets rates for eight subsidy regions based on groupings of child care prices. However, as the cost study looks beyond tuition prices and considers cost, constituents indicated

a preference for using the Child Care Aware of Washington regional groupings instead. This allows for some additional comparisons of cost data with other data that are already grouped by the Child Care Aware of Washington regions. These regions are shown in Figure 5.

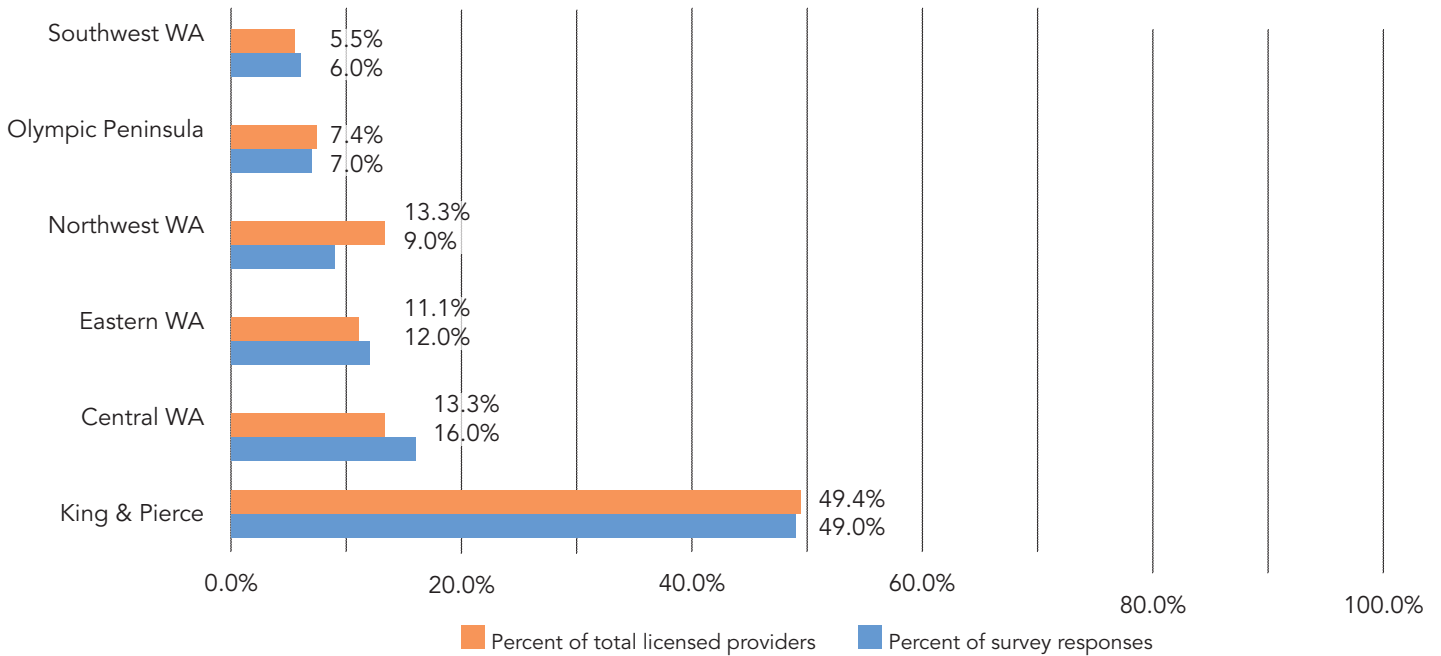
Figure 5: **Child Care Aware of Washington, Regional Map**



Almost 50% of survey responses came from King and Pierce counties. While this is a large portion of the responses, data on licensed child care providers show that this aligns closely with the distribution

of providers across the state. Figure 6 compares the distribution of survey responses by region with the distribution of licensed providers by region.

Figure 6: Comparison of distribution of survey responses and licensed providers, by region



Survey responses were also analyzed for the language in which respondents chose to complete the survey and the race/ethnicity of the respondent. However, a vast majority of respondents chose not to answer the question about their race/ethnicity. In addition, it is important to note that the race/ethnicity data and language connected with the

survey captures the characteristics of only the person taking the actual survey, which may or may not match the population of the other staff of the program or of children for whom they provide care. The data in Tables 2 and 3 present the language and race/ethnicity of survey respondents but are shared with those caveats.

Table 2: Race/Ethnicity of survey respondents

Unknown/Prefer not to say	67.02%
White	14.18%
Hispanic	7.14%
Black/African American	6.31%
Multiracial	3.33%
Asian/Pacific Islander	1.76%
American Indian/Alaskan Native	0.26%

Table 3: Language in which survey was taken

English	88.00%
Vietnamese	12.00%
Spanish	10.00%
Chinese	1.00%
Somali	0.71%
Amharic	0.20%
Arabic	0.20%

Child Care Provider Interviews & Focus Groups

In addition to the survey, interviews were conducted with child care providers to gather additional data. The purpose of the interviews was to: (1) gather deeper data on the cost of operating a program than could be captured through an online survey, (2) ensure data were collected from providers serving specific populations, such as infants and toddlers and children in rural communities, and providers accessing public funding, and (3) reach providers who preferred not to complete an online survey. All providers could request an interview rather than completing the online survey. Those who did complete the survey were prompted to respond whether they would like to participate in an interview to share information not collected in the survey. Proactive outreach was conducted through key state partners such as Child Care Aware of Washington and the Imagine Institute to identify additional programs to interview. Interviews were conducted in English and Spanish, via zoom or telephone at a time to suit the provider.

During later stages of the data collection, outreach was targeted to providers in regions of the state that had not participated in the survey or in an interview. Targeted outreach was conducted for any underrepresented provider groups. The interviews provided additional information on how providers manage their program, including what elements, and their associated expenses, are necessary to meet the current licensing standards and the requirements of Early Achievers, the state's quality rating and improvement system. In addition, the interviews provided an opportunity to ask about what it would take to recruit and retain staff and have a financially sustainable and stable program.

During March and May 2022, the study team conducted interviews with 52 providers, many of whom represented multiple programs or programs with multiple sites. Data collected from these 52 providers represented over 400 classrooms across more than 100 sites.

In addition to the interviews, P5FS convened eight focus groups of family child care providers. In parallel to the cost of care study, P5FS also worked with DCYF to support a specific cost analysis of family child care providers as required under a Memorandum of Understanding (MOU) with the child care providers union, Service Employees International Union-925. P5FS was able to engage in an efficient approach to gathering cost data for both studies, using the seven focus groups required under the MOU to gather additional and complementary data for the cost of care study, without adding additional burden to providers. An additional focus group was added to support further data collection from Spanish-speaking providers. Across the eight focus groups, three were conducted in Spanish, one in Somali, and four in English. A total of 62 family child care providers participated in focus groups in April and May 2022.

The focus groups included questions related to (1) staffing, (2) compensation, and (3) opportunities for quality improvement. As a complement to the focus group, participants were also invited to fill out a short survey with details of their non-personnel expenses.

Both interviewees and focus group participants received a stipend of \$100 to recognize the time spent participating in the study.

Washington Cost Estimation Model

P5FS developed a cost estimation model to support Washington State in understanding the cost of operating a child care program. The model was informed by the constituent input described in the prior section, drawing from provider data collection and provider input to ensure that the final model reflected the realities faced by child care providers.

At its core, the model estimates what it would cost to operate a program meeting a chosen set of characteristics, regardless of who is paying for that care. Whether a child care “slot” is filled by a child whose parents are paying full tuition or by a child whose family qualifies for the Working Connections Child Care subsidy program, the provider still needs to generate a set amount of revenue to cover their costs to provide care. The model can be used by policymakers to understand the level of investment needed to support providers as well as the fiscal impact of policy decisions, and it can also be used by advocates to make the case for increased investments, expanded family support with paying for child care, or to demonstrate the sufficiency or insufficiency of current investments.

Cost Model Methodology

The cost estimation model is an Excel-based tool based on the methodology used in the Provider Cost of Quality Calculator, an online tool from the U.S. Office of Child Care. The Excel model is customized for Washington’s specific context, building on the tool P5FS developed for the Task Force in 2020. The model allows users to estimate the cost of meeting base licensing standards, with variations for program size, program type, ages of children served, and geographic location. Beyond

licensing, the model also includes several program enhancements to increase understanding of the cost of going beyond minimum licensing standards. This section of the report details the components of the model that impact the cost of care at both the base licensing level and with additional program enhancements.

Determining the Base Cost of Care Ratio and Group Size

The cost model uses ratio and group size data from Washington’s child care licensing regulations as detailed below.

Table 4: Center Ratio and Group Size

Age Group	Ratio	Group size
Infant	1:4	8
Toddler	1:7	4
Preschool	1:10	20
School age	1:15	30

The family child care home model allows the user to enter the number of children at each age, up to a maximum of 10.

Users of the model can choose a program size based on the number of classrooms for each age or the number of total children in a home-based setting, allowing for understanding how the cost of care varies based on program size or mix of ages served.

Staffing and Personnel Expenses

The personnel calculations are based on a standard staffing pattern typical of most centers, with the following assumptions built in:

Non-teaching staff

- Program director (one full time)
- Assistant director (0.5 FTE if less than 50 children, 1.0 FTE up to 100 children, 1.5 up to 150 children, 2.0 FTE if over 150 children)
- Administrative assistant (0.5 FTE if less than 50 children, 1.0 FTE up to 100 children, 1.5 up to 150 children, 2.0 FTE if over 150 children)

Classroom staff

The number of teachers and assistant teachers is driven by Washington’s ratio and group size regulations. Each classroom has a lead teacher, with additional staff counted as assistant teachers to meet ratio requirements.

In addition, the model includes an additional 0.2 FTE per classroom teaching staff to allow for coverage throughout the day for breaks and opening/closing. This reflects that the program is open more than 40 hours per week. To always maintain ratios, additional staffing capacity is needed.

Family child care homes

In licensed homes, the owner/lead educator is the only staff member unless more than two infants are present, in which case an assistant is added.

Wages

The model includes several salary data sources to estimate the cost of care at different salary levels.

The salary selection points include:

- **Current salaries** from the cost of care survey
- **Compensation Technical Workgroup** salary scale. This salary scale was developed in 2019 by the legislatively created [workgroup](#). The scale has a range for each position, based on educational attainment and credentials. The cost model uses the midpoint of the range.
- **Kindergarten Teacher salaries.** This option uses data from the [Bureau of Labor Statistics](#) on kindergarten salaries across the state. Total annual

salaries are used, not adjusted to account for the length of the child care year versus the school year.

- **MIT Living Wage Calculator.** This option uses workforce demographic data on family compensation to establish the living wage base for the teacher assistant position. Other positions in the model are adjusted to account for additional responsibilities of those staff. Living Wage [data from MIT](#) is used for each county and aggregated to create a regional living wage for use in the model.¹
- **User Input,** which requires completion of wages data for each position.

Each of these salary options, except for the Compensation Technical Workgroup (CTW) scale, have regional variations for salaries. Table 5 presents the statewide average annual salary for a lead teacher in a child care center and an FCC provider/owner under each of these salary selection points. The annual salaries used for each of these selections for all positions and each region is detailed in Appendix A.

Table 5: Annual salaries for lead teacher and FCC provider/owner under each salary scale included in cost model, statewide average

	Lead Teacher in Child Care Center	Provider/Owner
Current Salaries	\$34,341	\$40,716
Compensation Technical Workgroup	\$50,248	\$55,100
Kindergarten Teacher	\$76,712	\$105,479
MIT Living Wage	\$68,819	\$80,428

¹ Family composition of teacher assistants in Washington State was not available so the study team used data recently collected in the California ECE Workforce Study as a proxy.

For family child care homes, the model includes a salary for the provider/owner. Many of these providers do not pay themselves a salary, as small business owners their income is usually whatever is left over after all expenses have been paid. However, to estimate the true cost of care, and to better compare the cost of center-based and home-based care, the cost model includes a salary line for the provider/owner, while acknowledging that individual providers will make their own decisions about how they use these funds. The CTW salary scale includes a position for the FCC provider/owner. When the “current salary” option is selected, the FCC salary is equal to the provider’s reported average annual income in the cost of care survey. For kindergarten salary option, the FCC provider/owner salary is based on the lead teacher salary in the center model, adjusted to account for the longer hours worked. In the MIT Living Wage Calculator scenario, the FCC salary is calculated based on the living wage calculation for a typical family composition of an FCC provider, adjusted to account for the longer hours worked and the additional responsibilities provider/owners have.

Mandatory and Discretionary Benefits

Mandatory benefits are included for all salaried staff, including FICA-Social Security at 6.2%, Medicare at 1.45%, unemployment insurance at 1% and workers’ compensation at 2%.

By default, 10 days paid sick leave and 10 days paid leave is included for all staff. This is captured as an expense by including the cost to pay a substitute teacher to provide classroom coverage.

Discretionary benefits can be included at either \$6,000 or \$9,000 per employee per year. This might be used as a contribution to health insurance or for a suite of discretionary benefits. Data from the [Kaiser Family Foundation](#) find that the average annual

single premium employer contribution to health insurance in Washington is \$6,305.

A contribution to retirement can also be modified by the user, based on a percentage of an employee’s salary. By default, the model includes a 6% contribution.

Non-personnel Expenses

Non-personnel costs are aggregated into the following categories:

Education Program for Children and Staff, which includes:

- **Education/Program—Child:** Food/food related, classroom/child supplies, medical supplies, postage, advertising, field trips, transportation, child assessment materials.
- **Education/Program—Staff:** Professional consultants, training, professional development, conferences, staff travel.

Occupancy: Rent/lease or mortgage, real estate taxes, maintenance, janitorial, repairs, and other occupancy-related costs.

Program Management and Administration:

Office supplies, telephone, internet, insurance, legal and professional fees, permits, fundraising, memberships, administration fees.

Values for each of these non-personnel categories is based on data collected from Washington child care providers for this study. The table below provides the values used in the default scenario (Center: four classrooms, serving children birth through school age; FCC: eight children).

Table 6: Non-personnel expenses

Expense Category	Child Care Center – Annual Amount	Family Child Care Home – Annual Amount
Education Program Expenses	\$2,199 per child	\$1,080 per child
Occupancy	\$19,089 per classroom	\$6,512 per home
Program Management and Administration	\$365 per child	\$524 per child

In addition to these expenses, the model also includes a 5% contribution to an operating reserve, a practice that contributes to long-term financial sustainability, and helps programs survive unexpected interruptions to their revenue or unanticipated one-time expenses.

Revenue

For the purposes of understanding the sufficiency of current revenue streams to support the cost of quality child care, the model includes revenue data. The following revenue data are included allowing the user to compare estimated costs to potential revenue:

Child Care Subsidy – federal Child Care and Development Block Grant funding

Working Connections Child Care (WCCC) subsidy rate data are used for [center](#) and [home-based](#) settings, and include [quality differentials](#) for Early Achievers levels. The model uses the most recently implemented market rates as of August 2022, which are based on the 85th percentile of the 2018 market rate survey. Because the WCCC subsidy regions are different from the Child Care Aware of Washington regions used for the cost analysis, users must select which subsidy region to use for comparing cost to subsidy rates. Users can also choose an Early Achievers level to include the higher WCCC

rates for programs that have reached different Early Achievers levels.

Private tuition

Tuition data are included in the model based on the [2021 market rate study](#). The model uses the 85th percentile of the market rate as the tuition amount to align with where DCYF sets WCCC subsidy rates. Users must select which market region to use for comparing cost to market tuition, given that the market rate study regions are different from the Child Care Aware of Washington regions used for the cost analysis.

Child and Adult Care Food Program

The cost-estimation model accounts for revenue from the federal Child and Adult Care Food Program, or CACFP. The federal food program reimburses providers for meals served to children, with different rates based on family eligibility. The [most recent CACFP rates](#) are included, and the model assumes that all children eligible for a subsidy are also eligible for CACFP.

Adjustments to Anticipated Revenue

The model takes into account how providers operate. No program is always 100% full and as such the model adjusts the expected revenue to account for classrooms not operating at full capacity. By default, this enrollment efficiency is set at 85%, which is the industry standard, meaning that the cost per child calculations are based on the program needing to cover its expenses when only collecting revenue from 85% of the total licensed capacity.

In addition, the model also accounts for uncollected, or bad, debt. This reflects the reality that programs are not always able to collect full tuition

from families, or families leave the program while still owing tuition. This also accounts for uncollected subsidy co-payments. The model uses the industry default of 3% bad debt.

Beyond the Base — Program Enhancements

Beyond meeting base licensing standards, the model also integrates several additional program enhancements so that users can estimate the additional cost of these enhancements. These selections can also be used to estimate the cost of meeting different Early Achievers levels. Program enhancements included in the model are detailed below. Many of the enhancements include several levels with different values. Table B1 in the appendix provides additional details of these values.

Planning Time

Additional release time to allow teaching staff to engage in lesson planning, data analysis and other activities while not covering the classroom. In centers, this translates into additional classroom coverage for a floater or substitute at increasing levels. In family child care homes this translates to either a part-time or full-time assistant.

Training/Professional Development

The model includes 10 hours per employee or provider annually to meet licensing standards. In the enhancements, the model allows for 5 or 10 additional hours per year for additional training or professional development.

Family Engagement

The model allows users to include the cost of two or three family conferences per year as well as funds for the program to complete a family engagement plan for each enrolled child.

Educational Materials

The model can include the cost of child assessment tools, at increasing amounts per child, as well as the cost of a curriculum.

Inclusion Supports

The model can estimate the cost for additional supports to provide an inclusive learning environment, including the cost of additional materials and the cost for an instructional aide to support children's learning and development.

Scenario Results

As a dynamic tool, the cost estimation model can ultimately be used to calculate how much it costs to provide high-quality child care in Washington State. However, this seemingly simple question hides several additional questions that impact the answer, such as where the program is located, how old the children are, and whether the program provides services above and beyond those required by licensing. All these questions are addressed in the model, providing the user with an answer to their specific question.

To illustrate the functionality of the model and provide some insight into what it truly costs to provide child care in Washington, P5FS developed a set of scenarios. While the model can run multiple scenarios, these example scenarios use a default program size to show the impact of different variables on the cost of care. The default program sizes used in this section of the report are based on anal-

ysis of data from the child care provider survey and input from the provider workgroup. The results in this section are based on programs with the following characteristics:

- a center-based program serving 72 children, birth through school age, with one classroom of each age group (infant, toddler, preschooler, school age),
- a family child care program serving 8 children, birth through school age (1 infant, 1 toddler, 3 preschoolers and 3 school age children).

The default program includes \$6,000 per employee in discretionary benefits and a 6% contribution to health insurance, as well as 10 days paid sick leave and 10 days paid vacation.

All results are shown as an annual cost per child, for each of the six regions and as a statewide average.

Cost of Care Using Current Salaries

This first scenario uses the current salary data option as the wage selection. These salaries are detailed in Appendix A, with lead teacher hourly wage ranging from around \$15–\$18 depending on the region. Table 7 details the estimated annual cost of care in a center, while Table 8 provides the same for a family child care home under scenar-

io 1. Figures 7 and 8 following illustrate the gap between the cost of care and WCCC subsidy rates at the licensed level, as of August 2022 (which are based on the 85th percentile of the 2018 market rate survey). Because WCCC subsidy rates are set on different geographic regions to the regions used in the cost model, this comparison is done using the statewide cost numbers and a statewide average WCCC rate.

Table 7: Annual cost per child, scenario 1, child care center

Age Group	Central WA	Eastern WA	King & Pierce	Northwest WA	Olympic Peninsula	Southwest WA	Statewide
Infants	\$19,916	\$20,225	\$21,289	\$20,608	\$19,158	\$19,679	\$20,146
Toddlers	\$14,902	\$15,091	\$15,875	\$15,405	\$14,436	\$14,789	\$15,083
Preschoolers	\$12,896	\$13,038	\$13,710	\$13,324	\$12,548	\$12,833	\$13,058
School age	\$6,460	\$6,461	\$6,833	\$6,672	\$6,305	\$6,451	\$6,530

Figure 7: Comparison between annual cost per child, and WCCC base subsidy rate, scenario 1, child care center, statewide average

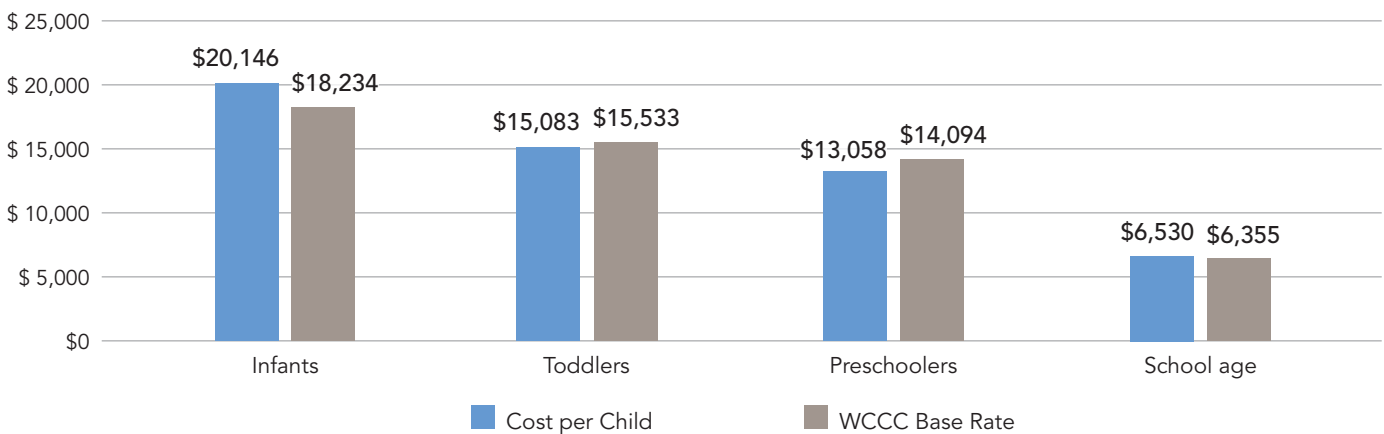
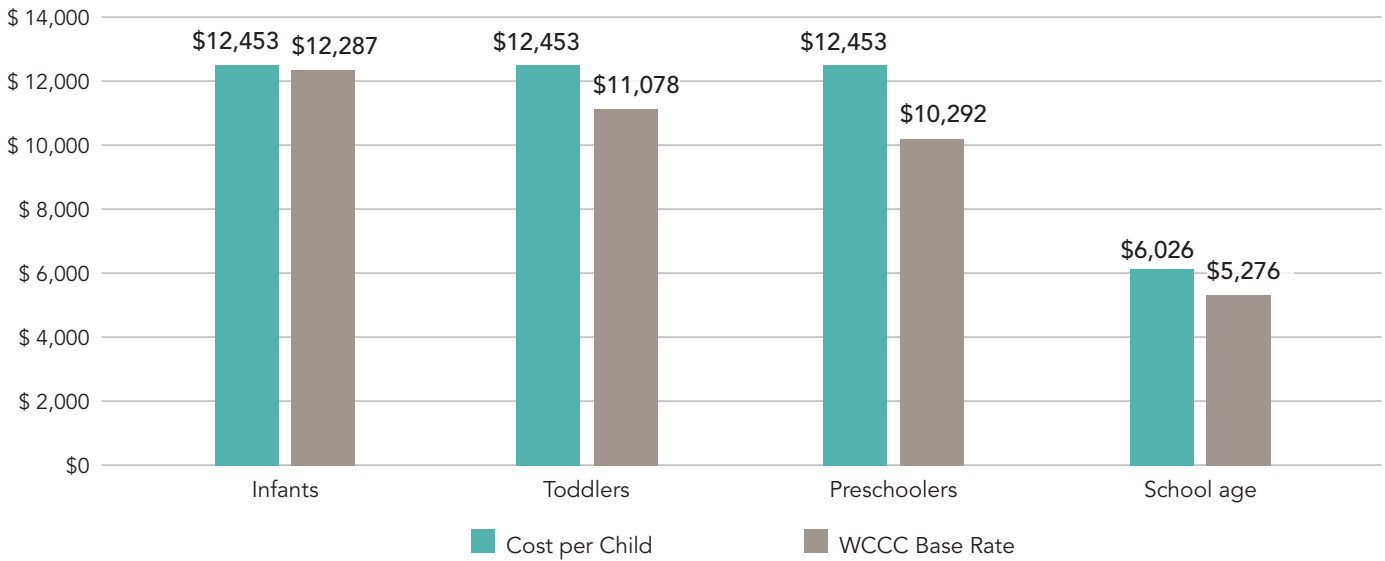


Table 8: Annual cost per child, scenario 1, family child care

Age Group	Central WA	Eastern WA	King & Pierce	Northwest WA	Olympic Peninsula	Southwest WA	Statewide
Infants/ Toddlers/ Preschoolers	\$15,998	\$10,771	\$12,811	\$11,505	\$12,469	\$11,167	\$12,453
School age	\$7,741	\$5,212	\$6,199	\$5,567	\$6,033	\$5,403	\$6,026

Figure 8: Comparison between annual cost per child, and WCCC base subsidy rate, scenario 1, family child care, statewide average



Cost of Care Using MIT Living Wage Salary Scale

This second scenario uses the MIT Living Wage salary data option as the wage selection, identifying the true cost of care when everyone working

in child care earns at least a living wage. Table 9 details the estimated annual cost of care in a center, while Table 10 provides the same for a family child care home under scenario 2. Figures 9 and 10 illustrate the gap between the cost of care and current WCCC subsidy rates at the licensed level.

Table 9: Annual cost per child, scenario 2, child care center

Age Group	Central WA	Eastern WA	King & Pierce	Northwest WA	Olympic Peninsula	Southwest WA	Statewide
Infants	\$29,767	\$29,977	\$35,304	\$32,666	\$31,303	\$31,246	\$34,074
Toddlers	\$21,863	\$22,009	\$25,704	\$23,875	\$22,929	\$22,889	\$24,851
Preschoolers	\$18,702	\$18,822	\$21,864	\$20,358	\$19,579	\$19,546	\$21,162
School age	\$9,232	\$9,291	\$10,786	\$10,046	\$9,663	\$9,647	\$10,441

Figure 9: Comparison between annual cost per child, and WCCC base subsidy rate, scenario 2, child care center, statewide average

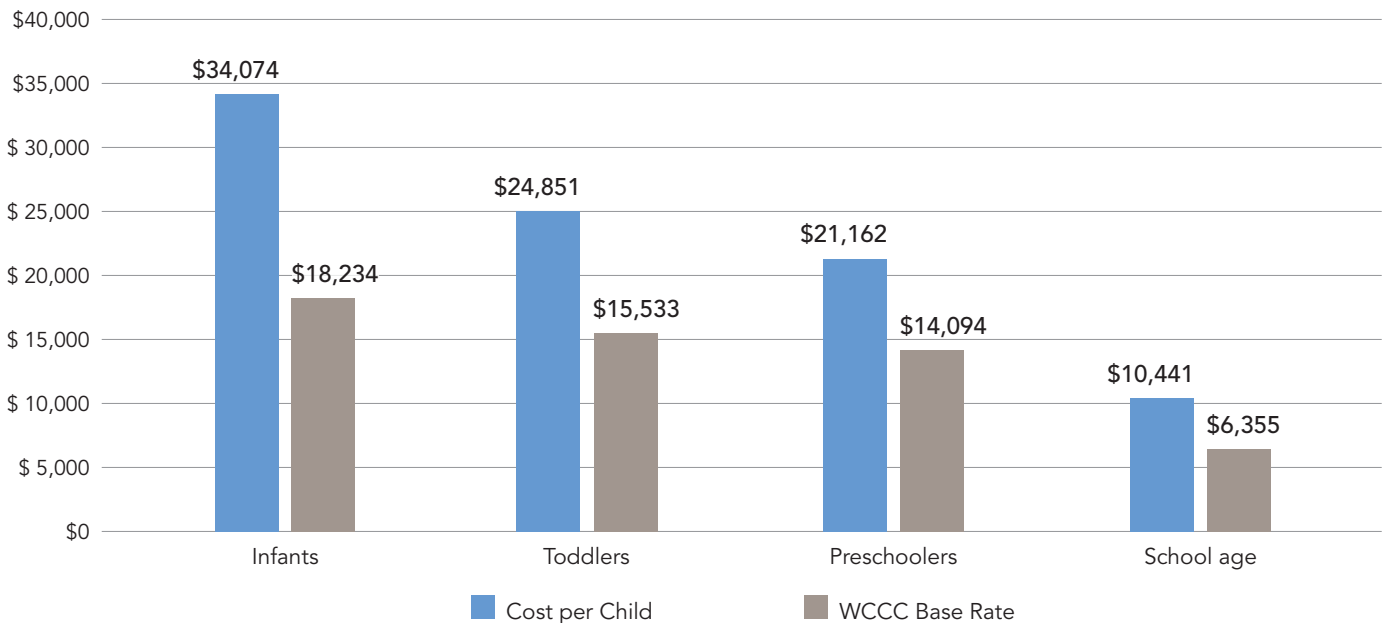
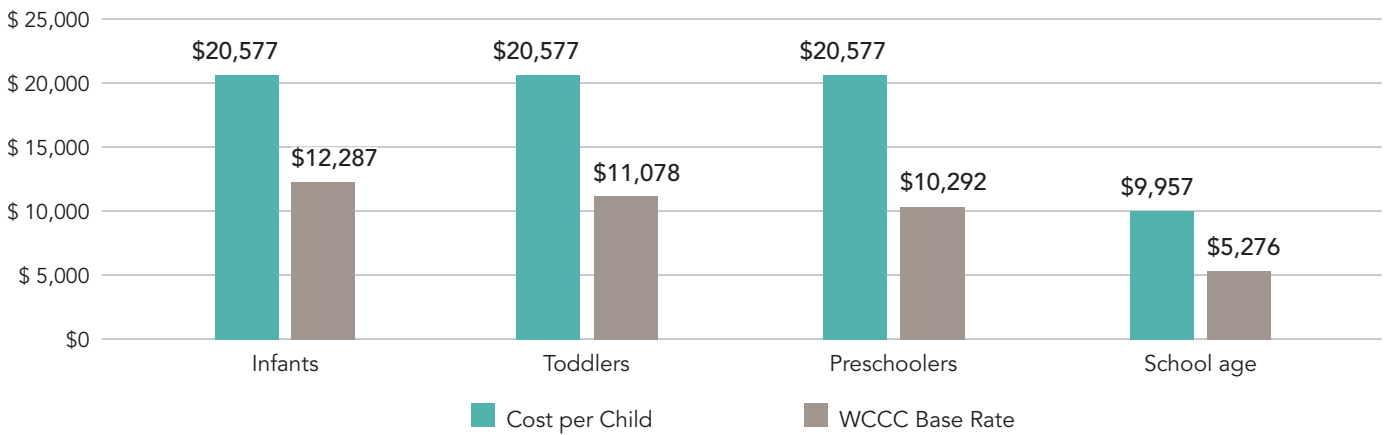


Table 10: Annual cost per child, scenario 2, family child care

Age Group	Central WA	Eastern WA	King & Pierce	Northwest WA	Olympic Peninsula	Southwest WA	Statewide
Infants/ Toddlers/ Preschoolers	\$19,201	\$19,500	\$22,882	\$21,335	\$20,261	\$20,284	\$20,577
School age	\$9,291	\$9,436	\$11,072	\$10,324	\$9,804	\$9,815	\$9,957

Figure 10: Comparison between annual cost per child, and WCCC base subsidy rate, scenario 2, family child care, statewide average



Cost of Care with Program Enhancements

The cost estimation model includes the ability to run scenarios for multiple types of programs with different characteristics and meeting different quality standards. Two additional scenarios were created for illustrative purposes in this report, including additional program enhancements to understand the cost when a program goes beyond minimum licensing requirements. These two scenarios use the MIT Living Wage salary selection, ensuring that all members of the child care workforce earn at least a living wage.

Scenario 3 aligns with the requirements for a program to meet Early Achievers Level 3. Scenario 4 aligns with the requirements for a program to meet Early Achievers Level 5. As the Early Achievers standards allow programs to achieve levels based on points earned across domains there are different paths individual providers might take to reach these levels. Therefore, the study team made assumptions to determine the variables included in the model at these two levels, as detailed in Table 11. Details of all the program enhancement selection points in the model are included in the appendix, Table B1.

Table 11: Program Enhancements included in additional scenarios

Program Enhancement	Scenario 3 – EA Level 3	Scenario 4 – EA Level 5
Family Engagement	Family conferences twice per year \$50 annually per child for family engagement plan	Family conferences three times per year \$75 annually per child for family engagement plan
Training/Professional Development	15 hours annually per staff	20 hours annually per staff
Planning Release Time	8 hours per classroom per week for Centers 20 hours assistant time per week for FCC	24 hours per classroom per week for Centers; 20 hours assistant time per week for FCC
Educational Materials & Curriculum	\$50 annually per child for assessment tools; \$3,000 per classroom/\$1500 per FCC for curriculum	\$100 annually per child for assessment tools; \$3,000 per classroom/\$1500 per FCC for curriculum
Discretionary Benefits	15 days paid leave 10 days paid sick \$6,000 contribution to health insurance 6% contribution to retirement	20 days paid leave 20 days paid sick \$9,000 contribution to health insurance 6% contribution to retirement

Tables 12–15 detail the annual cost per child under these two scenarios for child care centers and family child care homes. Figures 11–14 present the average cost per child alongside the WCCC subsidy program reimbursement rate, using statewide averages for both the cost and the revenue. Scenario 3 uses the WCCC rate with the higher reimburse-

ment for a program meeting Early Achievers Level 3. Scenario 4 uses the rate for a program meeting Early Achievers Level 5. As shown in these charts, despite the higher subsidy rates that programs meeting higher levels can receive, there is still a gap between this potential revenue and the estimated cost per child.

Table 12: Annual cost per child, scenario 3, child care center

Age Group	Central WA	Eastern WA	King & Pierce	Northwest WA	Olympic Peninsula	Southwest WA	Statewide
Infants	\$31,176	\$31,396	\$36,988	\$34,220	\$32,789	\$32,728	\$35,697
Toddlers	\$23,167	\$23,322	\$27,257	\$25,309	\$24,302	\$24,260	\$26,349
Preschoolers	\$19,964	\$20,093	\$23,365	\$21,745	\$20,907	\$20,872	\$22,610
School age	\$9,754	\$9,816	\$11,402	\$10,617	\$10,211	\$10,194	\$11,036

Figure 11: Comparison between annual cost per child under scenario 3, and WCCC subsidy rate at EA Level 3, child care center

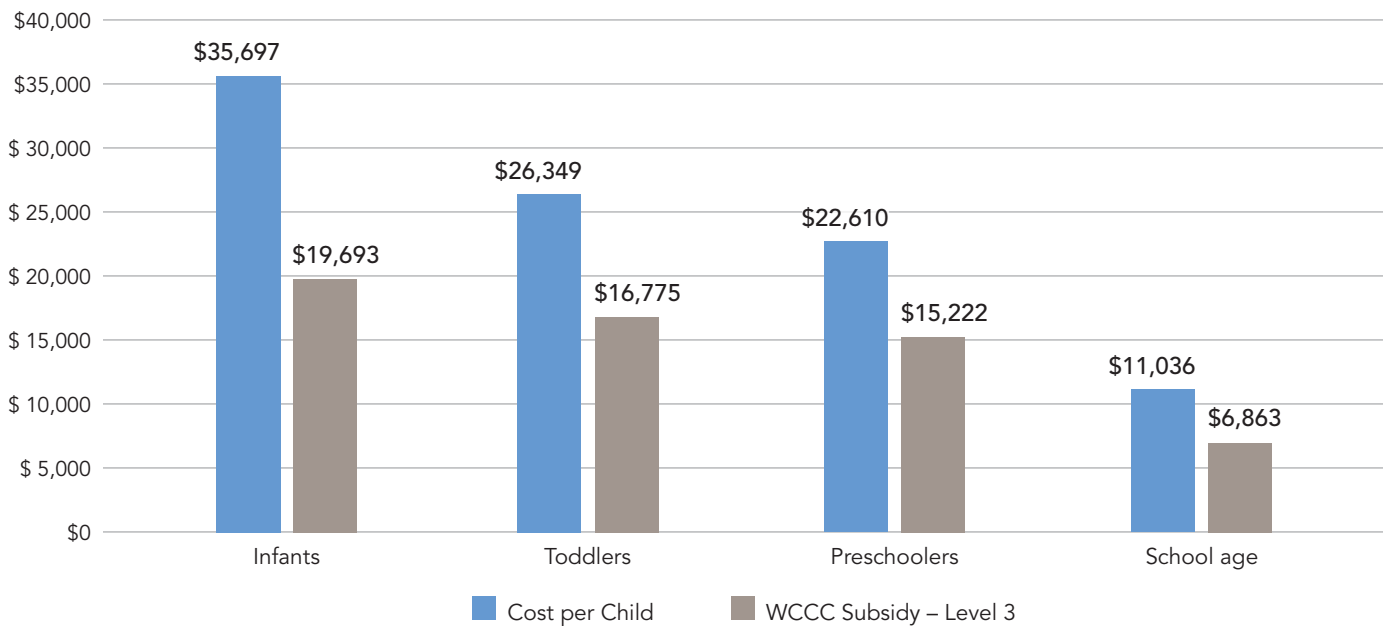


Table 13: Annual cost per child, scenario 3, family child care

Age Group	Central WA	Eastern WA	King & Pierce	Northwest WA	Olympic Peninsula	Southwest WA	Statewide
Infants/ Toddlers/ Preschoolers	\$28,875	\$29,267	\$34,742	\$32,166	\$30,544	\$30,548	\$31,860
School age	\$13,972	\$14,161	\$16,811	\$15,564	\$14,779	\$14,781	\$15,416

Figure 12: Comparison between annual cost per child scenario 3, and WCCC subsidy rate at EA Level 3, family child care

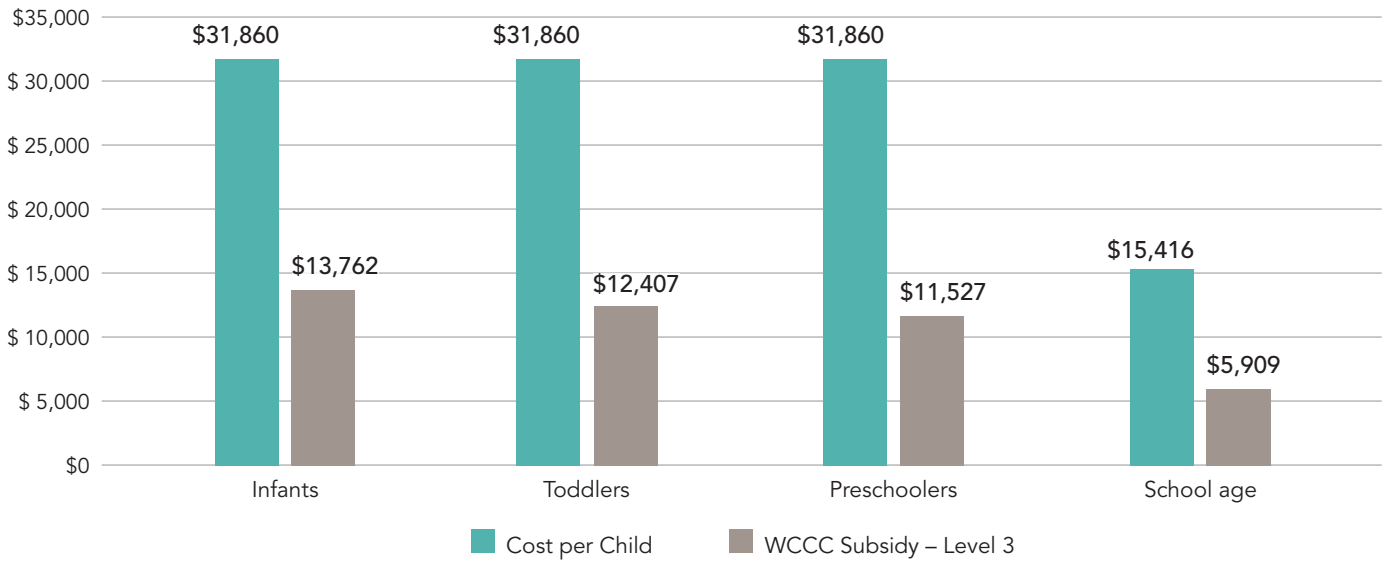


Table 14: Annual cost per child, scenario 4, child care center

Age Group	Central WA	Eastern WA	King & Pierce	Northwest WA	Olympic Peninsula	Southwest WA	Statewide
Infants	\$34,353	\$34,595	\$40,746	\$37,701	\$36,127	\$36,060	\$39,326
Toddlers	\$26,028	\$26,202	\$30,621	\$28,433	\$27,303	\$27,255	\$29,601
Preschoolers	\$22,698	\$22,845	\$26,571	\$24,727	\$23,773	\$23,733	\$25,711
School age	\$10,827	\$10,896	\$12,645	\$11,779	\$11,331	\$11,312	\$12,241

Figure 13: Comparison between annual cost per child under scenario 4, and WCCC subsidy rate at EA Level 5, child care center

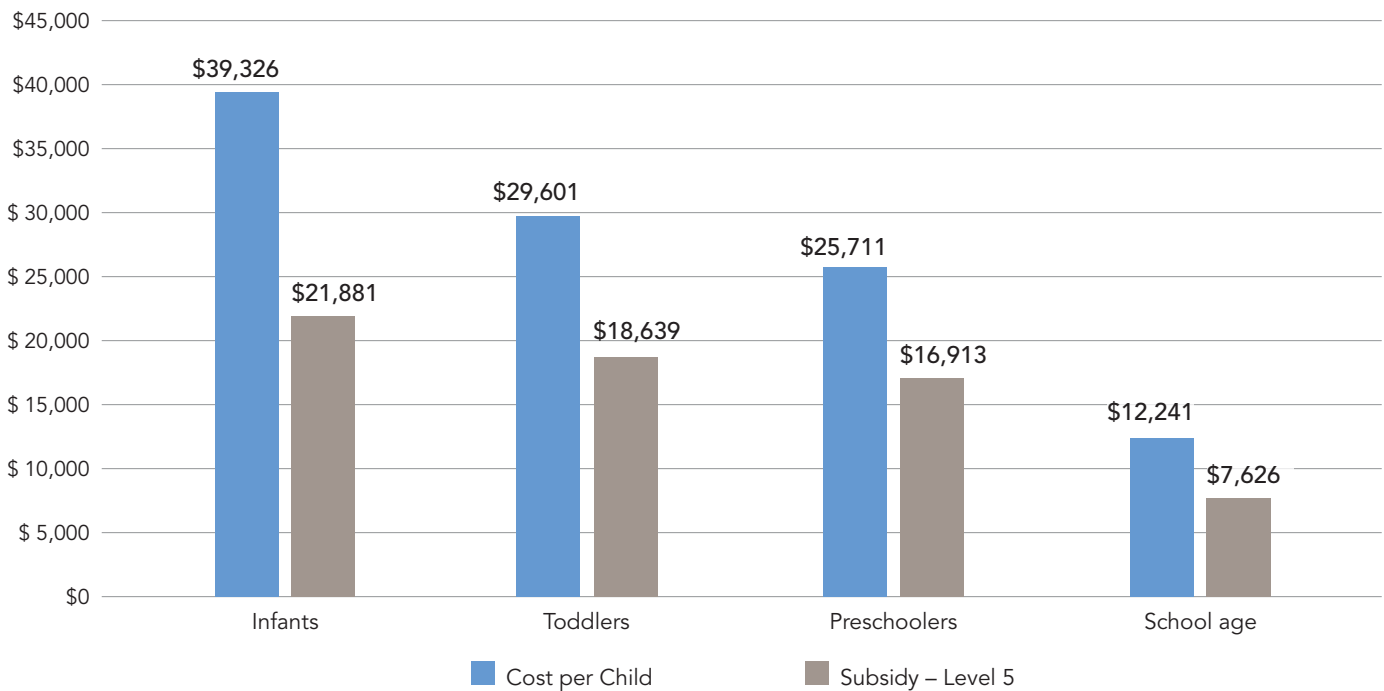
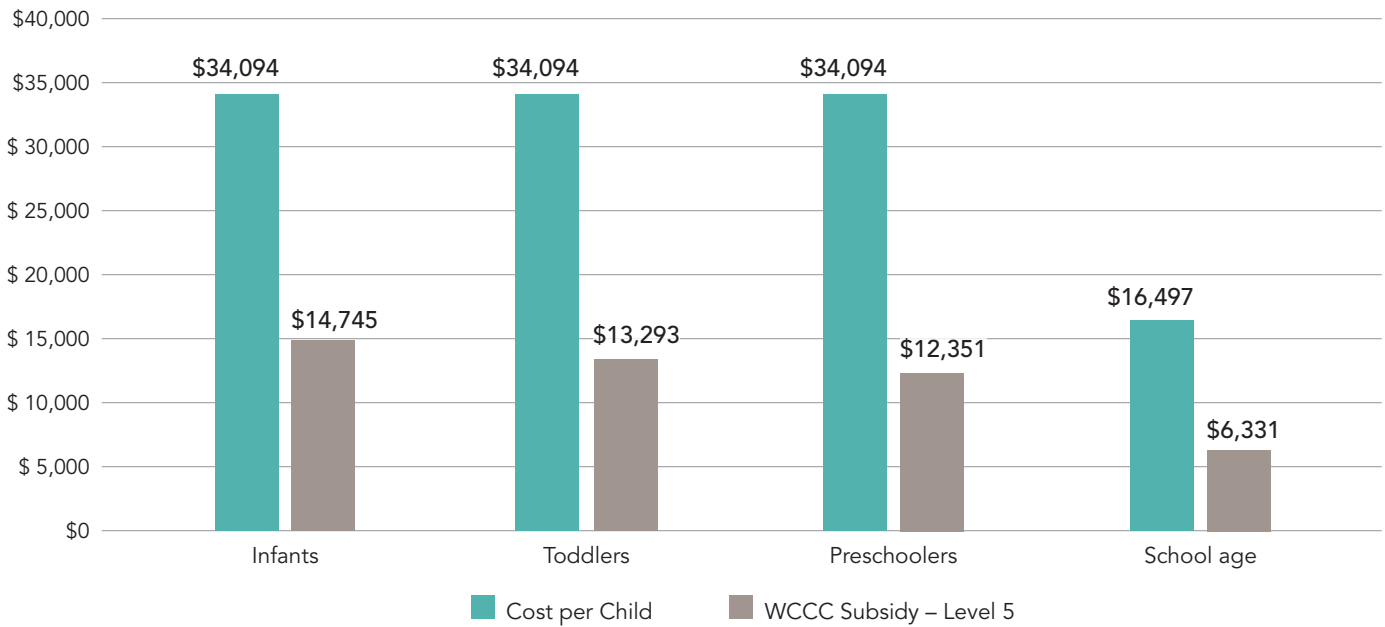


Table 15: Annual cost per child, scenario 4, family child care

Age Group	Central WA	Eastern WA	King & Pierce	Northwest WA	Olympic Peninsula	Southwest WA	Statewide
Infants/ Toddlers/ Preschoolers	\$30,985	\$31,401	\$37,157	\$34,452	\$32,741	\$32,747	\$34,094
School age	\$14,993	\$15,194	\$17,979	\$16,670	\$15,843	\$15,845	\$16,497

Figure 14: Comparison between annual cost per child under scenario 4, and WCCC subsidy rate at Level 5, family child care

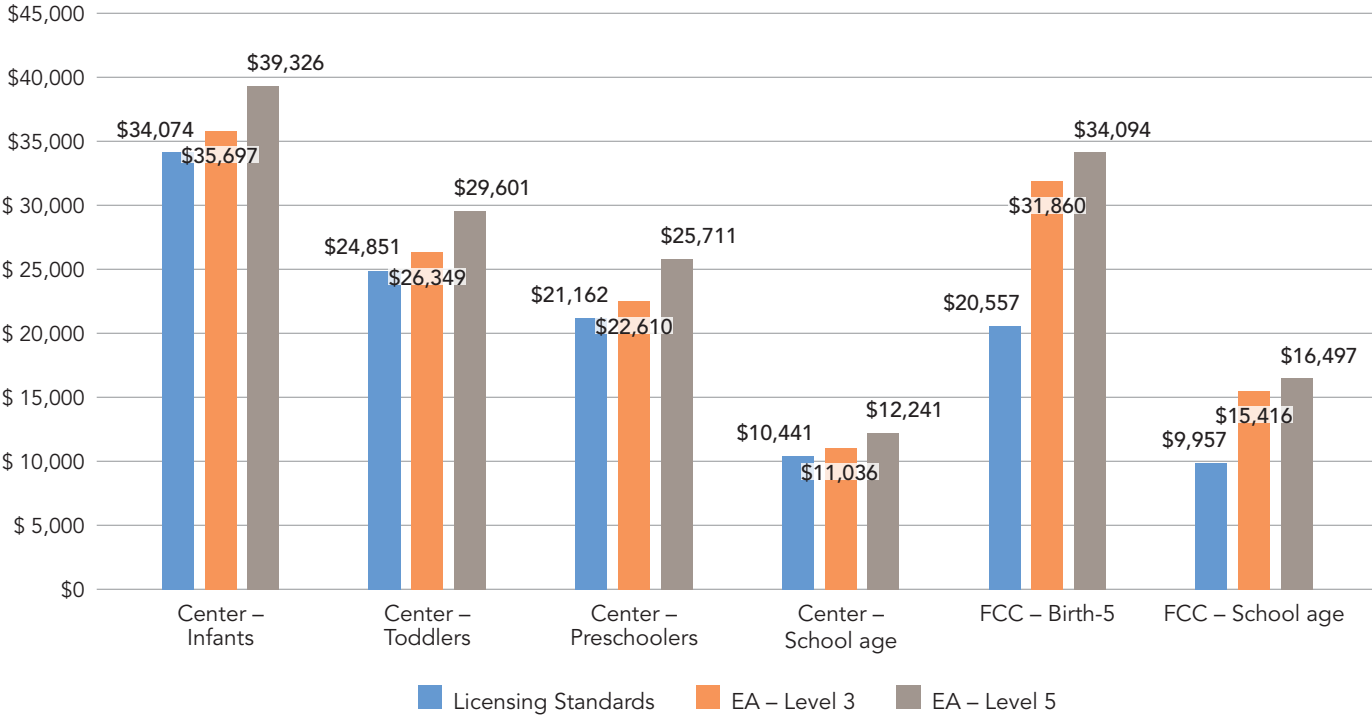


To illustrate how costs differ based on the quality standards and enhancements programs meet, Figure 15 presents a comparison of the statewide cost per child results using the MIT Living Wage salary option for a program meeting:

- (a) licensing standards,
- (b) Early Achievers Level 3 standards, and
- (c) Early Achievers Level 5 standards.

As shown, in the child care center setting costs increase 5–7% at EA level 3, and a further 10–14% at EA level 5. In the family child care setting, costs increase 55% at EA level 3, and then a further 7% at level 5. The increase to level 3 for family child care is larger than centers due to the inclusion of a part time assistant at this level to allow for planning and release time, which is a significant cost driver shared across a small number of children.

Figure 15: Comparison of cost per child at different quality levels



Potential Impact of 2021 Market Rate Study

The current [WCCC subsidy rates](#) are based on market rate data from 2018 and have not been updated by DCYF to reflect the most recent market rate survey. However, data from the [2021 market rate study](#) are available, allowing for a comparison of the estimated cost per child with the most recent data on the prices families are paying for care.

Figures 16 and 17 illustrate the annual gap between the statewide average cost of care for each age group under scenario 2, using MIT living wage salaries, and the 85th percentile of the 2021 market rates.

As demonstrated, gaps continue to exist across all age groups and settings, especially for infants and toddlers in child care centers, and across infants, toddlers and preschoolers in family child care homes. These results highlight that even if WCCC subsidy rates were set at the 85th percentile of the most recent market rate survey, providers would still face a shortfall between reimbursement rates and the true cost of care. These data also show that the prices private-pay families are currently able to afford are also insufficient meaning that child care providers cannot cover the true cost of care through either WCCC subsidy or parent tuition.

Figure 16: Comparison between annual cost of care and 85th percentile of the 2021 market rate survey, statewide average, child care center

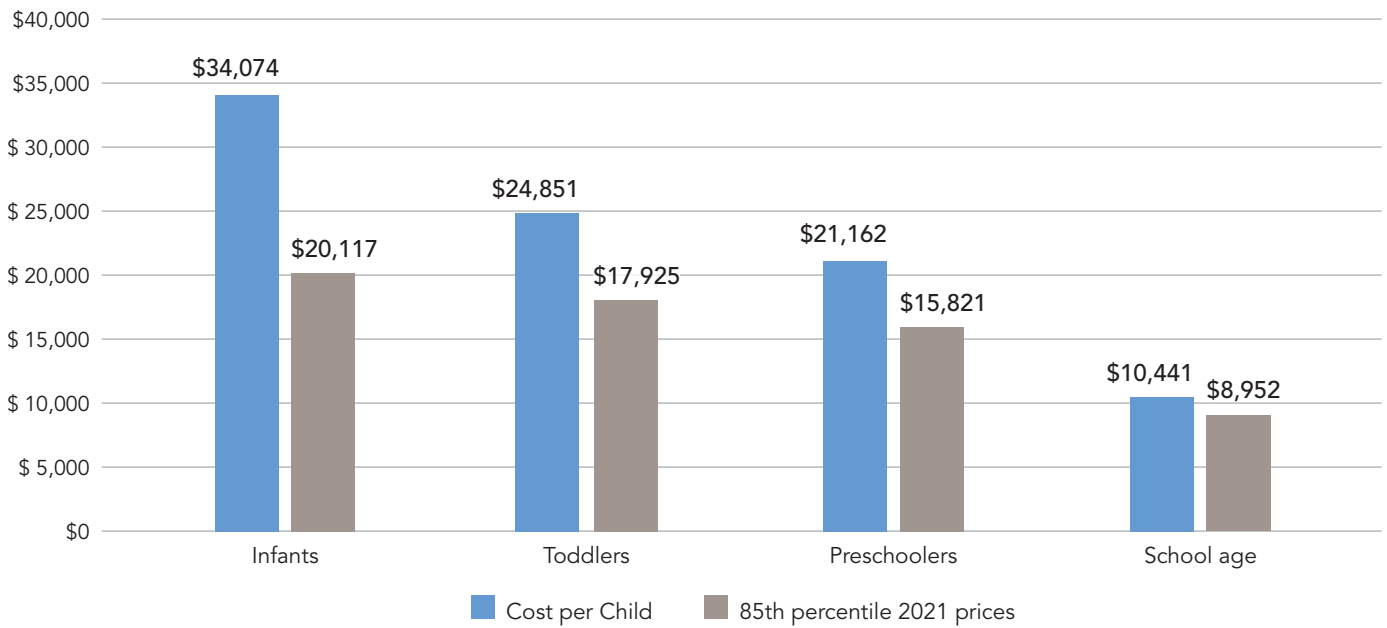
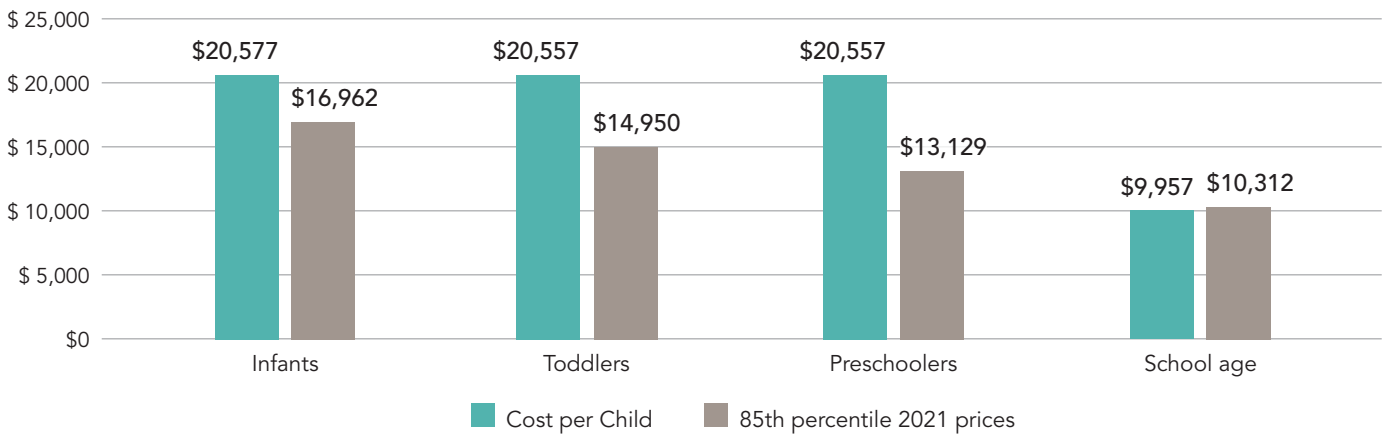


Figure 17: Comparison between annual cost of care and 85th percentile of the 2021 market rate survey, statewide average, family child care



Conclusion and Additional Considerations

This cost of quality study illustrates the reality faced by child care providers across the state of Washington: Current revenues are insufficient to cover the true cost of child care. As shown in the default scenario results, when estimating the cost of care using current salaries, the Working Connections Child Care subsidy rates barely cover the cost of care. For infants, the cost of care exceeds the state reimbursement rate and is higher than most families can afford. This reality becomes even more stark when considering higher salaries for the child care workforce. Data from the cost of care survey found lead teachers earning around \$15 an hour on average. This is not a competitive wage in most communities, leaving child care providers struggling to recruit and retain teachers, forced to close classrooms, or putting extra strain on the remaining workforce. The study results demonstrate that the child care system is built on the backs of a workforce that is insufficiently compensated for the critical role it plays in both enabling parents to work and educating the next generation.

Given the importance of the child care workforce, the cost estimation model developed for this study estimated the cost of providing child care with higher workforce compensation. The scenarios showing the cost of care when all child care providers earn at least a living wage offers one possibility for what this higher compensation could look like. Using living wage as a baseline enables providers to offer competitive salaries for every member of the workforce, while also adjusting for the additional responsibilities of different staff. The results of these scenarios illustrate that paying educators

what they deserve leaves a large gap between what providers currently receive through WCCC and the true cost with higher salaries. Given that current WCCC rates are based on market prices, it is logical to also assume that families cannot afford the cost of care with living wage salaries either.

The cost model can help illustrate how Washington State can make changes to stabilize the child care system and ensure it has a sustainable future. Policymakers can use the model to inform WCCC subsidy rate setting, ensuring that subsidy reimbursement rates are sufficient to cover the cost of operating a program. The model can also be used to understand the cost of program enhancements, including those aligned with Early Achievers. While the state currently offers a higher reimbursement rate based on Early Achievers level, the model can show what that rate differential needs to be to cover the additional costs faced by providers at higher levels of Early Achievers. The model also demonstrates the impact of different payment policies and practices. When a percentage of anticipated revenue is not collected, programs already struggling to survive on razor-thin margins face economic peril. Policies such as paying subsidy reimbursement based on child enrollment rather than attendance and increasing the use of contracting for WCCC slots can help address this issue, providing more stable funding for providers.

This cost study and the cost estimation model highlight the limitations of subsidy rates to fix the broken child care system. To [qualify for assistance](#) under WCCC, families must earn under 60% of

the state median income, or around \$51,000 for a family of three. And even when families do qualify, the [most recent data available](#) estimates only 13% of eligible children birth through five actually received assistance through the subsidy program. As shown in Figures 16 and 17, the true cost of care is higher than the prices families are currently paying in the private market as of 2021, making it clear policymakers need to address the need for support beyond families who currently qualify for WCCC, with the true cost of child care being unaffordable for all but the wealthiest families in Washington State. When considering the true cost of child care, policymakers should consider eligibility levels for public assistance to ensure that all families are able to access affordable child care. In addition, the state can look at ways to support all child care providers, beyond the subsidy system. The results of the cost model can help illustrate what level of support is needed to provide a stable and sustainable child care program. The COVID-19 pandemic saw

states experiment with many different approaches to funding child care programs, including direct grants to programs and stipends to educators, recognizing that the pandemic was impacting all parts of the system, not just the publicly funded programs, and that child care played a vital role in the economy.

The crisis in child care existed long before the pandemic and will continue long after if no enduring changes are made to the way child care programs are funded. Washington state leaders have shown a significant commitment to early childhood in recent years. The results of this cost study and the cost estimation model can serve as invaluable tools to policymakers to guide future decisions and ensure that the child care system is fully funded and able to meet the needs of children, the early childhood workforce, child care providers, and the broader economy that relies on parents' ability to access affordable child care.

Appendix

Table A1: Current salaries, based on cost of quality survey data

	Central WA	Eastern WA	King & Pierce	Northwest WA	Olympic Peninsula	Southwest WA
Program Director	\$35,265	\$34,944	\$40,569	\$40,035	\$35,626	\$37,503
Assistant Director	\$31,738	\$31,449	\$36,512	\$36,032	\$32,063	\$33,752
Admin Assistant	\$30,139	\$30,139	\$34,175	\$30,139	\$30,139	\$30,139
Lead Teacher	\$32,550	\$32,552	\$37,261	\$36,252	\$31,302	\$33,210
Assistant Teacher	\$28,579	\$28,451	\$29,126	\$27,772	\$26,040	\$26,780
Aide/Floater	\$22,616	\$26,597	\$26,342	\$23,656	\$19,781	\$20,625
FCC Provider/Owner	\$58,043	\$32,493	\$42,462	\$36,079	\$40,789	\$34,427
FCC Assistant Teacher	\$28,579	\$28,451	\$29,126	\$27,772	\$26,040	\$26,780

Source: P5FS cost of quality survey, administered March–April 2022.

Table A2: Compensation Technical Workgroup Salary Scale salaries used in model

	Mid-point of CTW Salary Scale
Program Director	\$54,654
Assistant Director	\$49,188
Admin Assistant	\$45,936
Lead Teacher	\$50,248
Assistant Teacher	\$46,738
Aide/Floater	\$35,540
FCC Provider/Owner	\$55,100
FCC Assistant Teacher	\$46,738

Notes: The CTW salary scale provides a statewide compensation number, so no regional salaries are displayed under this option. The salary scale includes different salary points based on the education levels and credit hours of individual staff members. For modeling purposes, the average of the top and bottom points on the salary scale is used in the model when the CTW option is selected.

Source: Washington State Department of Children, Youth, and Families, “Report to the Washington State Legislature: Compensation Technical Workgroup”, (DCFY, 2019). Available at <https://www.dcyf.wa.gov/sites/default/files/pdf/reports/CompensationTechWrkgrpRprt.pdf>

Table A3: Kindergarten parity salaries used in model

	Central WA	Eastern WA	King & Pierce	Northwest WA	Olympic Peninsula	Southwest WA
Program Director	\$108,619	\$105,622	\$119,557	\$115,572	\$110,523	\$119,557
Assistant Director	\$89,768	\$87,291	\$98,808	\$95,514	\$91,341	\$98,808
Admin Assistant	\$51,506	\$50,085	\$56,693	\$54,803	\$52,409	\$56,693
Lead Teacher	\$73,580	\$71,550	\$80,990	\$78,290	\$74,870	\$80,090
Assistant Teacher	\$51,506	\$50,085	\$56,693	\$54,803	\$52,409	\$56,693
Aide/Floater	\$51,506	\$50,085	\$56,693	\$54,803	\$52,409	\$56,693
FCC Provider/Owner	\$101,173	\$98,381	\$111,361	\$107,649	\$102,946	\$111,361
FCC Assistant Teacher	\$51,506	\$50,085	\$56,693	\$54,803	\$52,409	\$56,693

Notes: Regional salaries derived from metropolitan and non-metropolitan area estimates. FCC provider/owner salary is based on lead teacher hourly pay (annual salary divided by 2,080 hours per year), multiplied at 55 hours per week to account for the longer hours worked by home-based providers.

Source: Source: U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics, "May 2021 State Occupational Employment and Wage Estimates: Washington", (U.S. Department of Labor, Washington, DC: 2021). Available at: https://www.bls.gov/oes/current/oes_wa.htm.

Table A4: MIT Living Wage salaries used in model

	Central WA	Eastern WA	King & Pierce	Northwest WA	Olympic Peninsula	Southwest WA
Program Director	\$85,245	\$86,041	\$106,257	\$96,248	\$91,075	\$90,857
Assistant Director	\$70,451	\$71,108	\$87,816	\$79,544	\$75,268	\$75,088
Admin Assistant	\$44,420	\$44,835	\$55,369	\$50,154	\$47,458	\$47,344
Lead Teacher	\$57,746	\$58,286	\$71,980	\$65,200	\$61,695	\$61,548
Assistant Teacher	\$44,420	\$44,835	\$55,369	\$50,154	\$47,458	\$47,344
Aide/Floater	\$44,420	\$44,835	\$55,369	\$50,154	\$47,458	\$47,344
FCC Provider/Owner	\$73,702	\$75,164	\$91,695	\$84,133	\$78,881	\$78,995
FCC Assistant Teacher	\$44,420	\$44,835	\$55,369	\$50,154	\$47,458	\$47,344

Notes: To estimate the living wage for each region, the study team collected data from the MIT Living Wage calculator for the counties in each of the six regions. Because living wage varies based on family composition, the study team developed a composite living wage based on the typical family size of an assistant teacher and a family child care provider in a nearby populous state where this data was available (it was not available for Washington State). This allowed for the calculation of two living wages for each region, adjusted for family composition. The first, based on family composition of assistant teachers, is used in the child care center model for the lowest paid members of the workforce, namely the assistant teacher and aide/floater. This is also used for the assistant teacher in the home-based model. Salaries for other staff positions are computed based on this living wage, increased to account for the additional job responsibilities. This increase is based on data collection in Washington State and data collected in similar studies P5FS has conducted in several other states to understand the spread between pay of the different members of the early childhood workforce. The second calculated living wage, based on the family composition of family child care providers, is used in the family child care cost model for the provider/owner. The hourly wage is adjusted to reflect the responsibilities of a provider/owner and multiplied by 2,860 hours to calculate an annual salary based on a 55-hour work week for the provider/owner.

Table B1: Program Enhancement Options

Variable/ Setting	Base Value (Licensing)	Additional Selection Point 1	Additional Selection Point 2	Additional Selection Point 3
Non-Classroom Staffing Pattern				
Center	<ul style="list-style-type: none"> Program Director (1.0 FTE) Program Supervisor/ Assistant Director (0.5 FTE if <50 children, 1 FTE up to 100 children, 1.5 FTE up to 150 children, 2 FTE if over 150 children) Administrative Assistant (0.5 FTE if <50 children, 1 FTE up to 100 children, 1.5 FTE up to 150 children, 2 FTE if over 150 children) 	Add Curriculum Coordinator <ul style="list-style-type: none"> (0.5 FTE if <50 children, 1 FTE up to 100 children, 1.5 FTE up to 150 children, 2 FTE if over 150 children) 		
FCC	<ul style="list-style-type: none"> Full time Provider Owner 			
Planning Time				
Center	None	10% additional coverage per classroom for quality-related activities <ul style="list-style-type: none"> 8 hours per classroom per week 	20% additional coverage per classroom for quality-related activities <ul style="list-style-type: none"> 16 hours per classroom per week 	30% additional coverage per classroom for quality-related activities <ul style="list-style-type: none"> 24 hours per classroom per week
FCC	None	Add assistant teacher <ul style="list-style-type: none"> 20 hours per week 	Add assistant teacher <ul style="list-style-type: none"> 40 hours per week 	
Training/Professional Development				
Center and FCC	10 hours per provider/employee, annually	15 hours per provider/employee per year	20 hours per provider/employee per year	

Table B1: Program Enhancement Options *Continued*

Variable/ Setting	Base Value (Licensing)	Additional Selection Point 1	Additional Selection Point 2	Additional Selection Point 3
Family Engagement				
Center and FCC	Complete self-assessment, attempt to review with family <ul style="list-style-type: none"> • 1 hour of planning time, per child annually 	Conferences 2 times a year, per child <ul style="list-style-type: none"> • 2 hours of floater/ substitute coverage per conference \$50 per child annually for family engagement plan	Conferences 3 times a year, per child <ul style="list-style-type: none"> • 2 hours of floater/ substitute coverage per conference \$75 per child for family engagement plan	Conferences 3 times a year, per child <ul style="list-style-type: none"> • 2 hours of floater/ substitute coverage per conference \$100 per child for family engagement plan Family Engagement Specialist, 1 FTE per 46 children, paid at assistant director salary
Educational Materials				
Center and FCC	Included in nonpersonnel default	Child assessment tools <ul style="list-style-type: none"> • \$50 per child per year Curriculum <ul style="list-style-type: none"> • \$3,000 per classroom (Centers) • \$1,500 per FCC 	Child assessment tools <ul style="list-style-type: none"> • \$75 per child per year Curriculum <ul style="list-style-type: none"> • \$3,000 per classroom (Centers) • \$1,500 per FCC 	Child assessment tools <ul style="list-style-type: none"> • \$100 per child per year Curriculum <ul style="list-style-type: none"> • \$3,000 per classroom (Centers) • \$1,500 per FCC
Inclusion Supports				
Center and FCC	None required with cost drivers	\$250 per child on Individualized Education Plan (IEP) per year, for materials 5 hours per week per child, for instructional aid	\$375 per child on IEP per year, for materials 10 hours per week per child, for instructional aid	\$500 per child on IEP per year, for materials 15 hours per week per child, for instructional aid