

A6: Cost Studies in Child Care and Early Education: Existing Guidance, Best Practices, and Resources Needed

Wednesday, June 28, 2023

10:45 a.m. – 12:00 p.m. | Potomac

1. Descriptive Information

A6: Cost Studies in Child Care and Early Education: Existing Guidance, Best Practices, and Resources Needed

This presentation will focus on understanding the needs in the field to employ best practices for conducting cost analyses for child care and early education, including child care subsidy rate determinations, narrow cost analyses, and child care evaluation studies. This session will establish a baseline understanding for participants of the current guidance around narrow cost studies and other cost study guidance available in the field. Participants and presenters will discuss the important nuances and challenges of collecting data in the child care and early education spaces, along with potential data systems and processes that could be leveraged to gather the needed data. Additionally, discussions will uncover the ways in which states are using narrow cost analyses and cost studies to inform policy decisions. This session will conclude with an exploration of what resources are needed in the field to marry the federal guidance around narrow cost analysis and other cost study guidance in the field to inform rigorous research around the costs of child care and early education.

Presenters

Amanda Danks, American Institutes for Research

Karen Manship, American Institutes for Research

Francesca Wolf, Office of Child Care

Scribe

Anna O'Connell

Number of Attendees: 14

2. Documents/Presentations Shared (Please list any electronic documents, PowerPoint presentations, or web links used during the session.) **Collect presenter PowerPoints or other documents on the flash drive provided.**

- Cost Studies in Child Care and Early Education (PPX File)

3. Brief Summary of Presentations

Context: Narrow cost analysis / larger scale cost studies / cost based alternative methodologies for childcare subsidy rate

- **Summary of Presentation #1: Equal Access and Cost; Francesca Wolf, PhD**
 - Child Care and Development Fund
 - Equal Access Requirement
 - Historically accomplished with a market rate survey
 - Why prioritized?
 - Advances equity
 - Market Failures
 - Price does not accurately reflect the cost of providing care
 - May sway providers from participating in the program
 - Perpetuates the underfunding of childcare
 - Additional CCDF Requirements
 - Went beyond simply requiring the market rate survey (see 45 CRF 98.45 (B)(2-4))
 - Now requires a narrow cost analysis and a statistically valid and reliable market rate survey or an alternative methodology
 - An alternative methodology is a preapproved, statistically reliable, and valid method, in lieu of a market rate survey to set the subsidy rates
 - Common examples are cost studies and cost models
 - Flexibility in Regulations

- Narrow cost analysis
 - No advance approval needed
 - Flexibility in choosing the narrow cost analysis approach
 - Note: alternative methods can incorporate all the elements of a narrow cost analysis
 - Goal: for states to use an alternative methodology and set rates entirely based on cost
 - Understanding that there is a continuum of cost data collection
 - OCC is trying to provide TA to prioritize using cost based alternative methodologies
 - Price is what childcare providers charge parents whereas cost is the value of all the resources required to deliver childcare
- **Summary of Presentation #2: Amanda Danks & Karen Manship**
 - Other Available Cost Study Guidance
 - Cost Analysis Standards Project (CASP) developed the *Standards for Economic Evaluation of Policies and Programs*
 - Defines best practices for conducting cost study work within the context of an evaluation
 - Intended to inform researchers, funders of research
 - Summary
 - Covers cost analysis, cost effectiveness analysis, cost benefit analysis
 - Can inform decisions around policies and potential trade offs
 - Economic Evaluations
 - Cost Study
 - What is the cost of all resources used to implement a program
 - Cost Effectiveness Study
 - What is the cost of one additional unit of outcome (what do we get?)
 - Cost Benefit Study
 - How do the monetized benefits of a program compare to its costs (was it worth it)
 - Rarely done
 - Costs do not equal budgets
 - Budgets:
 - lack information about how resources are shared across multiple programs
 - do not account for donated resources (including time)
 - do not show how resources are spread across program components
 - Data Needed for an economic evaluation
 - Rich information about the resources used to implement a program
 - Information about the qualities and characteristics to select an appropriate price
 - Example: Staff required to have certain certifications / degrees
 - Information about quantities help up calculate costs
 - Hours worked
 - Price x Quantity = Cost
 - Data Collection for an Economic Evaluation
 - Review of Program documentation
 - Primary data collection to understand the resources used for program implementation
 - Accurate pricing information to value resources

4. Brief Summary of Discussion

- How is a narrow cost analysis being used in the field and what information does it yield?
- Key similarities and differences between the two sets of guidance? How do these apply to the field?
 - Use of the terms price and cost (differ between the two presentations)
- How can each of these approaches support decision making around subsidizing childcare?
 - Alternative methods to set child care subsidies may be significantly more expensive to conduct than market rate surveys
 - What do states need to collect data efficiently and what data do they need to collect?

- Other examples of policy decisions that can be supported by this approach
- What “ingredients” are the most essential to include?
 - Staff (also the pain point of the industry)
- How do we move states along on the continuum?
 - Heavily influenced by state political priorities
 - In some states, moving towards more adequate subsidy rates needs requires a message that emphasizes how these rates would support more people to work
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 - Leverage existing data systems (registries of teachers?)
- Any visions for useful tools to be created?
 - Help providers understand their costs etc.
- Decoupling of private rates and subsidy rates is an important lever.
- What happens to the families that are not eligible for subsidies when providers realize the cost is higher than rates and raise private pay rates, making care unaffordable for some of those families who are ineligible?
- Fund braiding
 - See DC Cost model
 - Including things like public Pre-k dollars, Early Head Start funds, and meal programs within the revenue

5. Summary of Key issues raised

- Working towards moving states along the continuum of Cost Data Collection towards using alternative methodologies and setting rates entirely based on cost.
- The potential of making childcare unaffordable for those ineligible for subsidies when providers realize the cost is higher than the rates which they charge