



New Mexico Child Care Cost Model

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*Jeanna Capito
Jessica Rodriguez Duggan
Simon Workman*



P-5
Fiscal
Strategies

Overview

Cost Modeling History

Alternative Methodology

Child Care Cost Model

**Next Steps for Child Care
Modeling**

The difference between price, cost, and true cost

Price

Reflects what the market can bear, what the available revenues can cover

Cost

Reflects the actual expenses a program incurs in order to operate

True cost

Reflects the estimated cost to operating a program at high-quality with increased workforce compensation

New Mexico Response: Change in Action

Child Care Model

- Changed rates to address inequity in funding family child care
- Increased infant and toddler rates to cover cost of care
- Increased compensation levels used

Home Visiting Model

- Increased rates paid for home visiting services by 50%
- Used model to address inequities in Medicaid rate setting across HV types

System Model

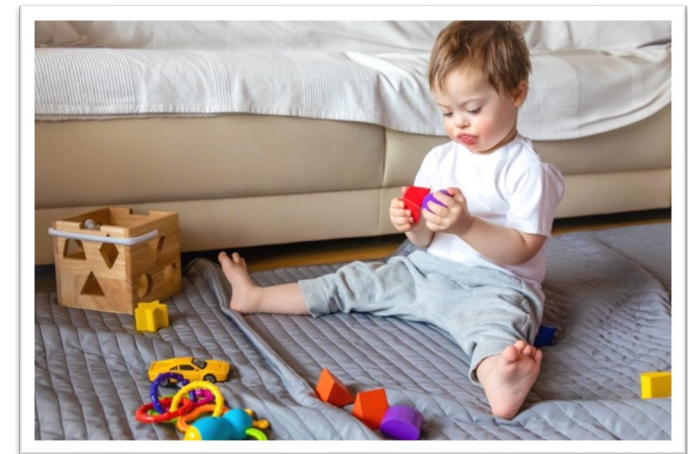
- Supported increase in child care eligibility ceiling and elimination of parent copays
- Budget and planning for use of Trust driven by quality, access and associated infrastructure needs for the system
- PreK expansion informed by modeling on increased compensation and quality levels



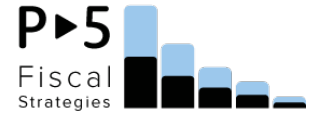
New Mexico's Move to Alternative Methodology

Child Care and Development Fund and Rates

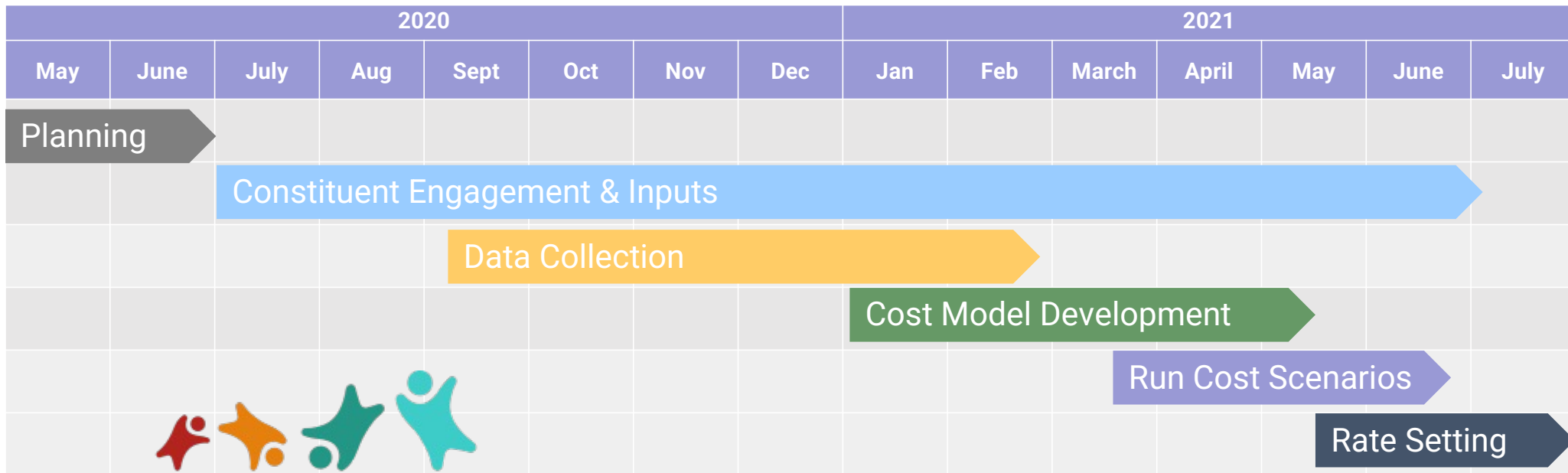
- The Child Care and Development Fund (CCDF) is the primary source of child care assistance for low-income working parents.
- States are required to assess the cost of delivering high-quality services and then use this data to inform rates for subsidized child care every three years.
- The State—in consultation with the State Advisory Council on Early Childhood Education and Care, local program administrators, resource and referral agencies, and other appropriate entities—must develop and conduct:
 - A statistically valid and reliable survey of the market rates for child care services in the State that reflects variations in the cost by geographic area, type of provider, and age of child,
 - or
 - An alternative methodology, such as a cost estimation model.



Alternative Methodology Rate Setting 2021



May 2020 – July 2021

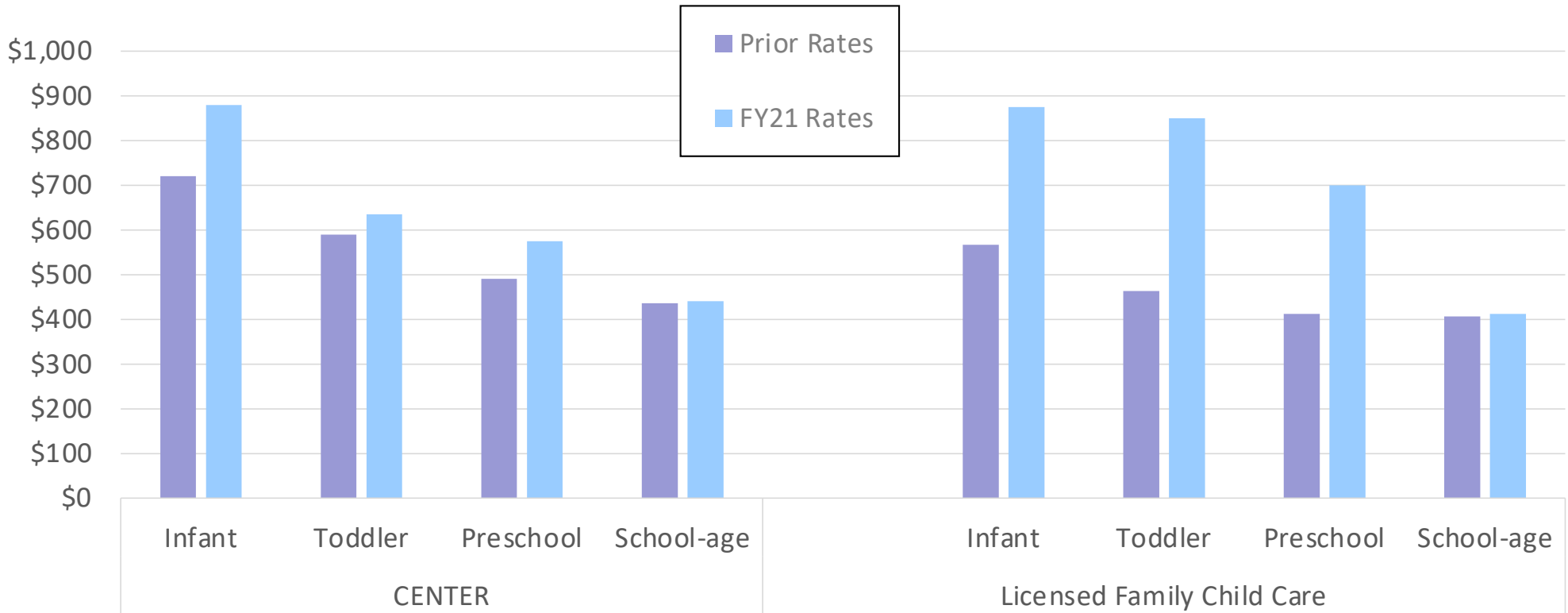


NEW MEXICO

Early Childhood

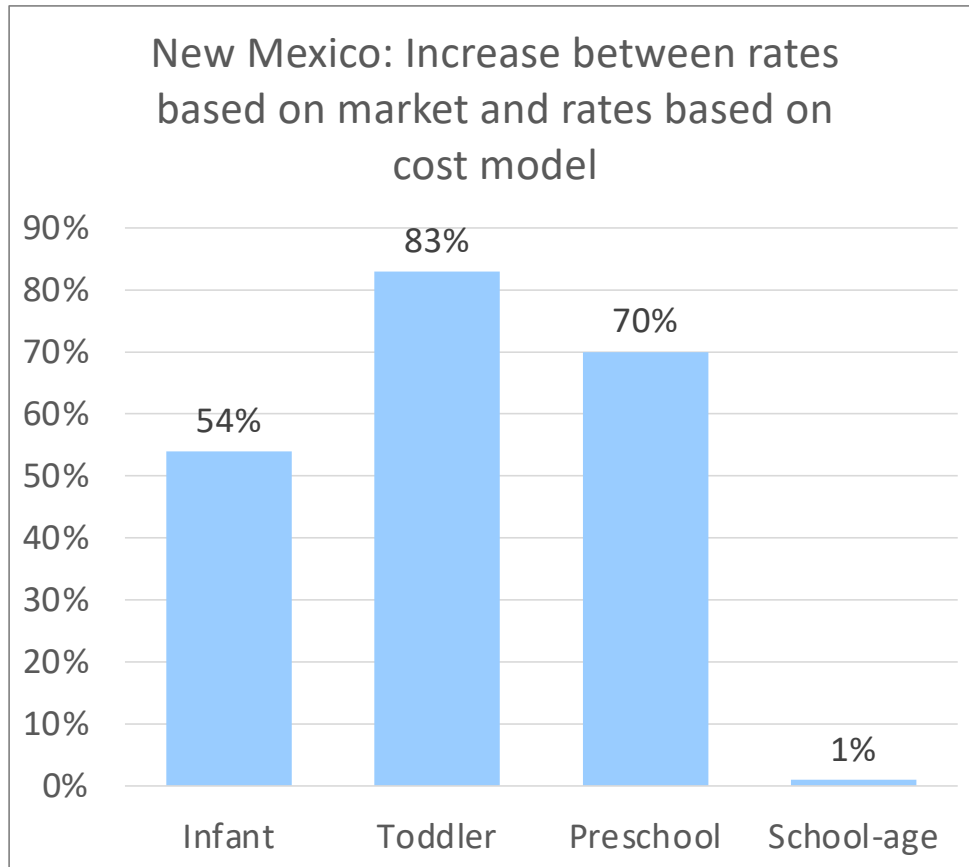
Education & Care Department

Comparison between prior rates and FY21 rates



Percent increase: 22% 8% 17% 1% 54% 83% 70% 1%

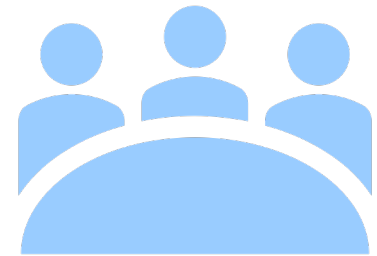
Comparison between prior rates and FY21 rates



Program Type	Average Underfunding Percent	
	Prior Rates	FY21 Rates
Center	21%	6%
Family Child Care	38%	0%
Group Home	27%	0%



Reflections



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New Mexico's Child Care Cost Model

What is a cost model?

Tool to understand the cost of providing services

This tool:

- Estimates the cost of providing services aligned with user selections
- Demonstrates the impact of funding from multiple sources
- Identifies the gap between the costs and the revenue sources
- Uses multiple data sources and points, which are driven by the selections that the user makes in running the tool

Will I get the same answer or a single answer from the cost model?

- You will only get the same answer from the cost model if you make the exact same selections as you did previously, or as someone else using the model did to get their cost per child answer.
- There is not a single answer generated by a cost model. Cost answers vary by:
 - Program type
 - Program size
 - Ages of children served
 - Program regulations
 - Equity and quality enhancements

NM Model Functioning

- **Serving children birth to school age, full day, full year**
 - Home based/family child care settings
 - Center-based settings
 - School settings
- **Includes all mandatory employer taxes, coverage for breaks**
- **Meets health and safety standards under licensing**
- **Cost drivers associated with levels of quality**
 - Licensing/Star 2
 - Star 2+ or 3
 - Star 4
 - Star 5
- **Non personnel expenses:**
 - Education materials and supplies, child and staff amounts
 - Occupancy
 - Program administration
 - Transportation
 - Gross Receipts Tax requirement



Ratios and Group Size

		Centers			
		Licensing	2+ (year 2)/ 3 star	4 star	5 star
Infant	<i>Ratio Group Size</i>	1:6 12	1:6 12	1:5 10	1:4 8
2 years	<i>Ratio Group Size</i>	1:10 20	1:10 20	1:8 16	1:6 12
3 years	<i>Ratio Group Size</i>	1:12 24	1:12 24	1:10 20	1:9 18
4 years	<i>Ratio Group Size</i>	1:12 24	1:12 24	1:10 20	1:10 20
5 years and up	<i>Ratio Group Size</i>	1:15 30	1:15 25	1:12 24	1:10 20

Licensed Family Home

- Six or fewer children, if more than two are under two, must have two educators at all times
- Large home: 7-12 with two educators when there are more than six children present or more than 2 under two years.
- FOCUS Star-5 = meeting National Association for Family Child Care (NAFCC) accreditation standards for ratios and group size.
 - Difference – NAFCC no more than 2 children under 2 when 6 or less and no more than 4 under 2 when 7 or more.

School Age Child Care Only

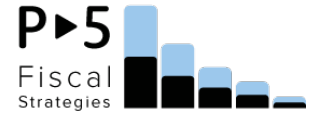
- Director onsite 50 percent of program operation
- Minimum of two staff at all times, one must be an educator.

Staffing and Program Capacity – Centers



	Licensing/ Star 2	Star 2+/3	4 Star	5 Star
TOTAL FTE	14.6	14.9	15.3	15.6
<i>Teaching FTE</i>	<i>11.6</i>	<i>11.9</i>	<i>12.3</i>	<i>12.6</i>
<i>Non-teaching FTE</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>3</i>
Classrooms	5	5	5	5
Total Capacity	110	105	90	78

Staffing and Program Capacity – Family Child Care



	FCC	Group FCC	Registered Home
Staffing	1 full time provider; 12 hours assistant	1 full time provider; 1 full time assistant; 24 hours assistant	1 full time provider/owner
Total Capacity	6	12	6 with own children, 5 unrelated
<i>Infants</i>	2	4	
<i>Toddlers-School Age</i>	4	8	

**Group size does not change with quality levels. Assistant hours increases at higher quality levels to offer more floater support*

Professional Qualifications

	2 Star (Year 1)	2+ (year 2) or 3 Star	4 Star	5 Star
Site Director/Ed Coordinator	2 years experience + Professional Prep Program Or 1 year experience + BA in ECE or related Take steps to complete NM Child Development Certificate or equivalent. Annual PD Plan	Successfully complete Child Growth Development and Learning course (3 credits)	Successfully complete Assessment of Children and Evaluation of Programs (3 credits)	Successfully complete Family and Community Collaboration, Health safety and nutrition or Guiding young children courses. (5-6 credits)
Educator	NM Child Development Certificate Annual PD Plan		Successfully complete Child Growth Development and Learning course (3 credits)	Successfully complete Assessment of Children and Evaluation of Programs (3 credits)

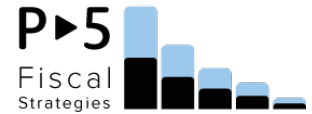
Compensation Assumptions in Model

Salary

- 2021 Data: child care provider survey and interviews with child care providers
- \$15 minimum hourly, as starting position in salary scale
- Positions increase from there with responsibility and required qualifications
- Salaries increase at higher levels of FOCUS

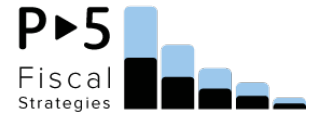
Discretionary benefits	
Additional benefits (pool/menu of options):	\$5,864/FTE
Paid Time Off	20 days per year/FTE

Updated Salary Assumptions – FY24 Model



		Licensing/ 2 Star (Year 1)	2+ (year 2) or 3 Star	4 Star	5 Star
Director		\$63,149	\$63,149	\$69,464	\$75,778
Assistant Director		\$50,519	\$50,519	\$55,571	\$60,623
Administrative Support	\$15 min wage	\$31,200	\$31,200	\$34,320	\$37,440
Teacher		\$43,140	\$43,140	\$47,454	\$51,768
Assistant Teacher/ Floater/Substitute	\$15 min wage	\$31,200	\$31,200	\$34,320	\$37,440
Family Child Care Home Provider		\$43,140	\$43,140	\$47,454	\$51,768

Professional Supports

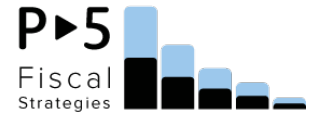


		Licensing/ 2 Star (Year 1)	2+ (year 2) or 3 Star	4 Star	5 Star
Required annual training hours	Site Director/ Ed Coordinator	16 hours centers 12 hours FCC	22 hours centers 14 hours FCC	26 hours centers 18 hours FCC	20 hours centers 6 hours FCC
	Educator	14 hours centers 4 hours FCC	22 hours centers 6 hours FCC	24 hours centers 12 hours FCC	20 hours centers
Planning Release Time	Lead Teacher	2 hours per week	5 hours/week	5 hours/week,	5 hours/week + 2 hours with asst
	Assistant Teacher	None	None	5 hours/week	5 hours/week + 2 hours with lead
Intentional Leadership			2 hours/week	4 hours/week	5 hours/week

Exploring the FY24 Model

New Mexico Child Care Cost Estimation Model (FY24)				Ratios	Licensing/Star 2
CHILD CARE CENTER					
Items in YELLOW shaded cells are for INPUT to model different center 'profiles'.					
SIZE of CENTER	# Children/Age	Age Groups	Ratios		
	12	Infants	6	12	
	20	Two-year-olds	10	20	
	24	Three-year-olds	12	24	
	24	Four-year-olds	12	24	
	30	School age	15	30	
TOTAL Children	110				5 TOTAL Classrooms
EFFICIENCY	Enrollment as % of total staffed capacity		85%	85-95% is typical	
	Bad Debt as % of revenue not collected		3%	About 3% is typical	
SALARIES	Salary level		\$15 min wage		

Exploring the FY24 Model (continued)



REVENUE				
Enter # of children by age receiving each type of subsidy using YELLOW cells only in the table below. Private Tuition tab must not be a negative				
	State child care subsidy	NM PreK	NM Early PreK	Private Tuition
Infants	1			11
Two-year-olds	1			19
Three-year-olds	1			23
Four-year-olds	1			23
School age	1			29
Total	5	0	0	105
			Total across all subsidies =	5
			Percent subsidy =	5%
<i>Note: Programs must be rated 2 Star to receive child care subsidy revenue</i>				

Exploring the Model, Summary Tables

Cost model provides results at multiple levels, based on selections made in the model

- **Program level results**

- Total FTE and teaching FTE
- Total expenses
 - Breakdown of expenses by category
- Total income
 - Breakdown of income by category
- Annual revenue, profit/loss

- **Cost per child results**

- By age
- Annual, monthly, weekly cost

- **Subsidy rates**

- Gap between cost estimate and rates





Questions



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What's Next?

Alternative Methodology Process

Constituent Engagement

- Community conversations, ongoing input on process

Cost study, data on cost

- Collect provider data on cost to provide care, identify cost drivers and true cost

Cost modeling

- Develop dynamic tool, informed by data

Rate setting

- Use results of cost model tool to advance policy goals

Additional Activities

Opportunities to learn about cost modeling, specifically the child care cost model

- *Webinars and meetings in spring and summer 2023*

Access to the cost model

- *ECECD website for up-to-date cost model access*

Updating data and functioning of the child care cost model

- *Addressing FOCUS redesign in the model functioning*
- *Additional improvements and changes in the cost model*

Alternative
Methodology:
July 2024 federal child
care plan submission



Questions

