

# Memo



**To:** David Mandell and Jordan Pargeter, Oregon Department of Early Learning and Care  
**From:** Simon Workman, Prenatal to Five Fiscal Strategies  
**Date:** May 31, 2024  
**Re:** Oregon Narrow Cost Analysis

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

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

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

The Oregon Department of Early Learning and Care (the Lead Agency), contracted with Prenatal to Five Fiscal Strategies (P5FS) to update the state's child care cost model. The Oregon Child Care Cost Model uses a similar methodology to the Provider Cost of Quality Calculator but is customized to the state context. The original model was developed under a contract with the Center for American Progress and P5FS and was used to inform Oregon's FY 2022-2024 CCDF State Plan Narrow Cost Analysis.

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

The Oregon Child Care Cost Model includes variations for provider type, covering licensed child care centers, registered family homes, certified family homes, license-exempt homes and license-exempt centers. The model also includes variation by age of child, aligned with Oregon's licensing definitions, and variation by program size. The model does not include geographic variation in the cost estimate due to the data sources for key cost drivers (salaries and benefits) being defined at a single statewide level. Salary data collected when the cost model was developed in 2021 found no significant variations in teacher salaries by region and the higher salary data used in the model is also defined only at a single statewide level.

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

The Oregon Child Care Cost model uses Oregon's child care licensing regulations as the definition of the base level of quality (or regulated subsidy regulations for license-exempt settings). The study team who supported development of the original model reviewed the regulations and identified the

key cost drivers associated with meeting each standard. These key cost drivers were discussed with the Technical Work Group when the model was originally developed and informed by data collection with Oregon child care providers. These assumptions were reviewed again prior to updating the model for this plan cycle with a Technical Workgroup comprised of the Lead Agency, P5FS, and Oregon State University (OSU) research partners.

In the model, Oregon's Administrative Rules set forth by the Child Care Licensing Division are used to determine the ratio and group size assumptions, the required training, and the materials and physical space required to meet the needs of children in the program. The base-level staffing model for centers is based on the typical staffing model identified through provider surveys and interviews conducted when the model was originally developed and meets Oregon's regulations. Annual training/professional development is included at 15 hours per teaching staff member per year in licensed programs. In license-exempt programs, 3 hours per year per person is included for training/professional development. Default data from the PCQC is used to determine values for nonpersonnel expenses, including classroom materials. Occupancy costs are based on 35 square foot per child of indoor space (as required by Oregon licensing rules) and an additional 30 square foot per child to account for shared space in the building. Nonpersonnel expenses in license-exempt programs are based on data collected during the original 2021-2022 study, adjusted for inflation.

Salary assumptions at the base level of quality are informed by data collected by the Lead Agency's licensing division in 2022 and analyzed by OSU. This data provides a minimum and maximum hourly pay for lead teachers in Certified Center programs. These values were built into a salary scale developed by P5FS and OSU to inform the model, with minimum values aligned with initial steps in Oregon's Professional Development Registry and maximum values aligned with the higher steps. Salaries for other positions in the program were calculated up or down from the lead teacher salary, based on data collected by P5FS across several states, including Oregon, to account for the varying responsibilities of different positions in the program.

In the family child care setting, an annual salary is built into the model for the provider/owner. While many home-based providers do not pay themselves a salary, the Oregon Child Care Cost Model includes a salary to ensure the cost estimates for home-based care incorporate the need for provider/owners to make a living, and not rely solely on what is left over after all expenses have been paid. In the Oregon model, the provider/owner in a certified or registered home receives the same hourly rate as a lead teacher in a center, but the annual salary is based on a 55-hour work week, for a total of 2,860 hours per year. This is based on data collected from providers for the original model about the number of hours per week the program is open and the hours they work. In license-exempt homes, the provider/owner earns minimum wage based on 40 hours per week.

Benefits are included at the base level in the model for licensed providers, in recognition of the need for providers to offer a competitive compensation package. At the base level, the model includes 10 days paid sick leave and 10 days paid leave as well as a contribution to health insurance, matching the original Oregon cost model and align with national defaults. Paid time off is accounted for as a cost in the model by including the cost of a floater or substitute to cover while the employee is on leave. The cost of the employer contribution to health insurance is based on 2022 data (most recent available) from the Kaiser Family Foundation for the average employer contribution to employee health insurance in Oregon. These benefits apply in both the licensed child care center and licensed home-based models.

Default scenarios were created for each setting and vetted by the Technical Workgroup. In the center-based programs, the default scenario includes 4 classrooms, serves infants, toddlers, preschoolers, and school-age children, and has a total capacity of 68 at the base level and 66 at the higher-quality level. The certified family home setting uses a default capacity of 14 children, including 5 school-age children. The registered family home setting uses a default capacity of 10 children, including 4 school-age children. The license-exempt home uses a default capacity of 3 children.

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

The Oregon Child Care Cost Models use quality standards for Baby Promise and Preschool Promise as the definition of higher quality in licensed programs. For the original model, the cost model study team reviewed the standards for Baby Promise and Preschool Promise and identified the key cost drivers associated with meeting these standards. These key cost drivers were discussed with the original Technical Work Group and agreement was reached on the default assumptions that would be included in the model. These assumptions were reviewed again by the Technical Workgroup prior to updating the model for this plan cycle. The following adjustments are made in the model to account for higher quality:

The group size for preschoolers is reduced from 20 at licensing to 18 under Preschool Promise. Other ratio and group size assumptions remain the same.

An additional 20 hours of professional development is included annually for all staff and an additional 5 hours per month for home-based providers participating in a Focused Child Care Network. The cost of a floater or substitute is included to cover the time that staff are engaged in professional development.

Two family-teacher conferences annually are included at the Baby/Preschool Promise level. The model includes time for the teacher to prepare and lead the conference, with the cost of a floater or substitute included to maintain ratios/group size while the teacher is leading a conference.

Planning release time is included to provide teachers with dedicated time to plan lessons and analyze data. For lead teachers in a child care center and provider/owners in a home-based program, 1.5 hours per day is included in the model. An additional 0.5 hours per day is included for assistant teachers. The cost of this time is accounted for through a substitute or floater to cover the classroom while the teachers are engaged in planning.

The cost of a developmental screening is included for all children at the higher quality level, based on data from the PCQC. The cost model also includes higher salaries at the Baby Promise and Preschool Promise level. This recognizes the need to increase compensation to recruit and retain educators with higher credentials and experience. The Preschool Promise guidelines include a target salary scale which all providers participating in the program are expected to work towards. This salary scale is included in the cost model and represents a 32-50% increase on salaries under the base scenario, depending on the job position.

In license-exempt settings, the higher-quality definition is based on requirements for these programs to receive the enhanced rate offered by the Lead Agency. Under this scenario, license-exempt providers must complete additional training requirements. In the cost model this is realized as an additional 6 hours per year for training/professional development.

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

The Lead Agency used the Oregon Child Care Cost Model to estimate the true cost to provide licensed child care and to meet higher quality standards as defined by Baby Promise and Preschool Promise. The tables below show the gap between Oregon's current CCDF payment rates and the estimated cost of care, based on the cost model at both the base level and the higher-quality level. The tables show the gap at both Group Area A rates and Group Area B rates, with separate tables for certified centers, certified family homes, registered family homes, license-exempt centers and license-exempt family homes. Because the cost model provides statewide costs, the results are also compared to an average subsidy rate. Costs and subsidy amounts are based on full-time care for infants, toddlers, and preschoolers. School-age costs are based on 60% attendance over the course of a year (accounting for before/after school only during school year) and are therefore compared to the part-time subsidy rate.

Oregon is currently working towards implementing alternative methodology for subsidy rate setting, to complement the market rate survey. The narrow cost analysis results provide an initial insight into the true cost of care and the subsidy rates necessary to cover this cost.

The following tables present the results of the narrow cost analysis, with comparisons of the monthly cost of care to the current subsidy rates. Note, the gap indicates by how much subsidy is under/over the cost of care. A negative gap number noted with parenthesis indicates the subsidy rate is less than the estimated cost of care. A positive gap number indicates the subsidy rate is more than the estimated cost of care.

### **Child Care Centers**

*Cost of care, per child per month, licensed child care center*

	<b>Statewide Cost per Child</b>	<b>Average Subsidy</b>		<b>Group A</b>		<b>Group B/C</b>	
		<i>Subsidy</i>	<i>Gap</i>	<i>Subsidy</i>	<i>Gap</i>	<i>Subsidy</i>	<i>Gap</i>
<i>Infants</i>	<b>\$2,100</b>	\$1,674	<b>\$(427)</b>	\$1,997	<b>\$(103)</b>	\$1,350	<b>\$(750)</b>
<i>Toddlers</i>	<b>\$1,849</b>	\$1,592	<b>\$(258)</b>	\$1,923	<b>\$74</b>	\$1,260	<b>\$(589)</b>
<i>Preschoolers</i>	<b>\$1,345</b>	\$1,260	<b>\$(85)</b>	\$1,500	<b>\$155</b>	\$1,020	<b>\$(325)</b>
<i>School age</i>	<b>\$672</b>	\$649	<b>\$(24)</b>	\$825	<b>\$153</b>	\$472	<b>\$(200)</b>

*Cost of care, per child per month, licensed child care center meeting Baby Promise/Preschool Promise standards*

	<b>Statewide Cost per Child</b>	<b>Average Subsidy</b>		<b>Group A</b>		<b>Group B/C</b>	
		<i>Subsidy</i>	<i>Gap</i>	<i>Subsidy</i>	<i>Gap</i>	<i>Subsidy</i>	<i>Gap</i>
<i>Infants</i>	<b>\$2,634</b>	\$1,674	<b>\$(961)</b>	\$1,997	<b>\$(637)</b>	\$1,350	<b>\$(1,284)</b>
<i>Toddlers</i>	<b>\$2,328</b>	\$1,592	<b>\$(737)</b>	\$1,923	<b>\$(405)</b>	\$1,260	<b>\$(1,068)</b>
<i>Preschoolers</i>	<b>\$1,669</b>	\$1,260	<b>\$(409)</b>	\$1,500	<b>\$(169)</b>	\$1,020	<b>\$(649)</b>

School age	\$819	\$649	\$(171)	\$825	\$6	\$472	\$(347)
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### License-Exempt Child Care Centers

Cost of care, per child per month, license-exempt center, meeting regulated subsidy standards

	Statewide Cost per Child	Average Subsidy		Group A		Group B/C	
		Subsidy	Subsidy	Gap	Subsidy	Gap	Gap
Infants	\$1,713	\$1,256	\$1,498	\$(215)	\$1,013	\$(700)	\$(458)
Toddlers	\$1,497	1,194	\$1,442	\$(55)	\$945	\$(552)	\$(304)
Preschoolers	\$1,065	\$945	\$1,125	\$60	\$765	\$(300)	\$(120)
School age*	\$576	\$389	\$495	\$(81)	\$283	\$(293)	\$(187)

\*School age subsidy rate is computed based on 60% of full time rate, as no part-time rate is published for license exempt regulated subsidy homes.

Cost of care, per child per month, license-exempt center meeting enhanced rate requirements

	Statewide Cost per Child	Average Subsidy		Group A		Group B/C	
		Subsidy	Gap	Subsidy	Gap	Subsidy	Gap
Infants	\$1,715	\$1,423	\$(293)	\$1,697	\$(18)	\$1,148	\$(567)
Toddlers	\$1,499	\$1,353	\$(146)	\$1,635	\$136	\$1,071	\$(428)
Preschoolers	\$1,065	\$1,071	\$6	\$1,275	\$210	\$867	\$(198)
School age	\$577	\$551	\$(26)	\$701	\$124	\$401	\$(176)

### Certified Family Child Care Homes

Cost of care, per child per month, certified family child care home

	Statewide Cost per Child	Average Subsidy		Group A		Group B/C	
		Subsidy	Gap	Subsidy	Gap	Subsidy	Gap
Infants	\$1,417	\$1,438	\$21	\$1,809	\$392	\$1,067	\$(350)
Toddlers	\$1,417	\$1,342	\$(76)	\$1,675	\$258	\$1,008	\$(409)
Preschoolers	\$1,17	\$1,200	\$(218)	\$1,466	\$49	\$933	\$(484)
School age	\$725	\$732	\$7	\$863	\$138	\$600	\$(25)

Cost of care, per child per month, certified family child care home meeting Baby Promise/Preschool Promise standards

	Statewide Cost per Child	Average Subsidy		Group A		Group B/C	
		Subsidy	Gap	Subsidy	Gap	Subsidy	Gap
Infants	\$2,115	\$1,438	\$(677)	\$1,809	\$(306)	\$1,067	\$(1,048)
Toddlers	\$2,115	\$1,342	\$(774)	\$1,675	\$(440)	\$1,008	\$(1,107)
Preschoolers	\$2,115	\$1,200	\$(916)	\$1,466	\$(649)	\$933	\$(1,182)
School age	\$1,068	\$732	\$(337)	\$863	\$(205)	\$600	\$(468)

### Registered Family Child Care Homes

Cost of care, per child per month, registered family child care home

	Statewide Cost per Child	Average Subsidy		Group A		Group B/C	
		Subsidy	Gap	Subsidy	Gap	Subsidy	Gap
Infants	\$1,304	\$995	\$(309)	\$1,157	\$(147)	\$833	\$(471)
Toddlers	\$1,304	\$917	\$(388)	\$1,050	\$(254)	\$783	\$(521)
Preschoolers	\$1,304	\$868	\$(437)	\$967	\$(337)	\$768	\$(536)
School age	\$655	\$595	\$(61)	\$650	\$(5)	\$539	\$(116)

Cost of care, per child per month, registered family child care home meeting Baby Promise/Preschool Promise standards

	Statewide Cost per Child	Average Subsidy		Group A		Group B/C	
		Subsidy	Gap	Subsidy	Gap	Subsidy	Gap
Infants	\$2,062	\$995	\$(1,067)	\$1,157	\$(905)	\$833	\$(1,229)
Toddlers	\$2,062	\$917	\$(1,146)	\$1,050	\$(1,012)	\$783	\$(1,279)
Preschoolers	\$2,062	\$868	\$(1,195)	\$967	\$(1,095)	\$768	\$(1,294)
School age	\$1,014	\$595	\$(420)	\$650	\$(364)	\$539	\$(475)

**License-Exempt Homes**

Cost of care, per child per month, license-exempt home, meeting regulated subsidy standards

	Statewide Cost per Child	Average Subsidy		Group A		Group B/C	
		Subsidy	Gap	Subsidy	Gap	Subsidy	Gap
Infants	\$1,002	\$896	\$(107)	\$1,041	\$39	\$750	\$(252)
Toddlers	\$1,002	\$825	\$(177)	\$945	\$(57)	\$705	\$(297)
Preschoolers	\$1,002	\$781	\$(222)	\$870	\$(132)	\$691	\$(311)
School age*	\$601	\$714	\$112	\$780	\$179	\$647	\$46

\*School age subsidy rate is computed based on 60% of full time rate, as no part-time rate is published for license exempt regulated subsidy homes.

Cost of care, per child per month, license-exempt home meeting enhanced rate requirements

	Statewide Cost per Child	Average Subsidy		Group A		Group B/C	
		Subsidy	Gap	Subsidy	Gap	Subsidy	Gap
Infants	\$1,005	\$945	\$(60)	\$1,099	\$94	\$791	\$(214)
Toddlers	\$1,005	\$871	\$(134)	\$998	\$(7)	\$744	\$(261)
Preschoolers	\$1,005	\$825	\$(181)	\$919	\$(86)	\$730	\$(275)
School age	\$603	\$565	\$(38)	\$618	\$15	\$512	\$(91)