



Commonwealth of Massachusetts

2018 Cost of Care Form
Final Report

June 2018

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COST OF CARE

The Child Care and Development Block Grant (CCDBG) Act of 2014 mandated that states begin to analyze the cost of providing care in their states. The requirements specify that “States carrying out a market rate survey may conduct a cost analysis that is more narrowly focused to ensure that base payment rates are adequate to cover the cost of child care services and to consider the cost of higher quality.”¹ This Narrow Cost Analysis allows for “a small-scale cost survey to examine the cost of child care services.”² In 2018, as part of the 2018 Child Care Market Rate Survey, the Massachusetts Department of Early Education and Care (EEC), included an optional Cost of Care Form for child care providers to supply information on key cost drivers associated with operating their programs, which meets the requirements for a narrow cost analysis. The goal of the optional form was to collect information on the costs and revenue associated with the delivery of care. Unlike the market rate survey, the sample of providers responding to the Cost of Care Form was not large enough to produce statistically significant results by region and provider type. However, the sample is well distributed across all regions of the state, offering EEC the opportunity to start to learn more about the key cost drivers associated with operating child care in Massachusetts. Further exploration of the findings and additional data collection are needed for EEC to accurately understand the cost of providing care in Massachusetts.

Response Rates & Statistical Significance

Table 1 below compares the distribution of the total universe of licensed providers in the state to the distribution of the Cost of Care Form responses by different provider characteristics, including subsidy acceptance and program affiliation. A total of 214 Family Child Care (FCC) providers and 104 Center-Based providers responded to the optional Cost of Care Form. Refer to **Appendix A. Cost of Care Form Questionnaire** for a copy of the full Cost of Care Form. Cost of Care Form responses came from regions at roughly the same rates as they exist in the total universe of licensed providers. Tables 1 and 2 below outline the total number of all licensed FCC providers and Center-Based providers (“universe”), the total number of Cost of Care respondents, and the regional representation for each. The difference in the distribution of the Cost of Care survey responses compared to the provider universe by region varies by no more than eight percent for FCC providers and no more than five percent for Center-Based providers. For example, while 15% of all licensed FCC providers in the state are located in Region 1 – Western, 16% of our Cost of Care Form FCC respondents are located in Region 1 – Western. At a difference of only 1% the sample is relatively reflective of the proportion of Region 1 – Western FCC providers statewide.

¹ 2018. U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care. CCDF-ACF-PI-2018-01. Retrieved from <https://www.acf.hhs.gov/occ/resource/ccdf-acf-pi-2018-01>

² 2018. U.S. Department of Health and Human Services, Administration for Children and Families, Office of Child Care. List of Potential options for Narrow Cost Analysis. Retrieved from <https://www.acf.hhs.gov/occ/resource/list-of-potential-options-for-narrow-cost-analysis>

Table 1. FCC Provider Universe and Survey Responses

EEC Subsidy Reimbursement Rate Region	FCC Provider Universe	Percent of Universe	Survey Responses	Percent of Survey Responses
Region 1 - Western	855	15%	35	16%
Region 2 - Central	1,002	17%	33	15%
Region 3 - Northeast	1,320	23%	35	16%
Region 4 - Metro	1,136	20%	33	15%
Region 5 - Southeast and Cape	795	14%	36	17%
Region 6 - Metro Boston	690	12%	42	20%
Total	5,798	100%	214	100%

Table 2. Center-Based Provider Universe and Survey Responses

EEC Subsidy Reimbursement Rate Region	Center-Based Provider Universe	Percent of Universe	Survey Responses	Percent of Survey Responses
Region 1 - Western	345	12%	18	17%
Region 2 - Central	253	9%	9	9%
Region 3 - Northeast	433	15%	11	11%
Region 4 - Metro	935	33%	33	32%
Region 5 - Southeast and Cape	516	18%	21	20%
Region 6 - Metro Boston	348	12%	12	12%
Total	2,830	100%	104	100%

Although the Cost of Care sample is relatively representative of the licensed child care population statewide by provider type and region, the sample is not as representative of providers by participation in EEC's child care subsidy program and affiliation with an FCC System or a larger Center-Based multi-site organization. In the Cost of Care sample, providers were asked if EEC subsidy is one of their revenue sources. The sample includes a higher proportion of providers that accept EEC subsidy than the proportion of providers that currently serve subsidy children (as indicated in EEC's administrative data). In other words, the Cost of Care Form sample includes more providers that receive EEC subsidy as a revenue source than the proportion of providers statewide that receive subsidy, therefore, providers participating in the EEC child care subsidy program are overrepresented in the cost of care analysis. See Table 3 below. For example, while 76% of FCC provider Cost of Care respondents indicated that they accept EEC subsidies, only 54% of all licensed FCC providers accept subsidies statewide. In this respect, the Cost of Care analysis slightly over-represents the operation costs of FCC providers that accept EEC subsidy.

Table 3. Level of Representativeness - Participation in EEC Child Care Subsidy Program (or Private Pay Only)

Type of Care	Universe			Cost of Care Responses		
	% of Providers Accepting Subsidy	% of Private Pay Only Providers	Total	% of Providers Accepting Subsidy	% of Private Pay Only Providers	Total
FCC Providers	54%	46%	100%	76%	24%	100%
Center-Based Providers	60%	40%	100%	70%	30%	100%

Similarly, a higher proportion of FCC providers affiliated with an FCC System responded to the Cost of Care Form, than the proportion of licensed system-affiliated FCC providers statewide. See table 4 below. For example, while 58% of FCC Cost of Care respondents are members of an FCC system; only 42% of all licensed FCC providers across the state are system members. In this respect, the Cost of Care response sample is slightly over-

represented by providers that are affiliated with an FCC system and slightly under-represented by multi-site Center-based provider organizations³.

Table 4. Level of Representativeness - Provider Affiliation

Type of Care	Universe			Cost of Care Responses		
	% of System Affiliated or Multi-Site Providers	% of Independent Providers	Total	% of System Affiliated or Multi-Site Providers	% of Independent Providers	Total
FCC Providers	42%	58%	100%	58%	42%	100%
Center-Based Providers	49%	51%	100%	39%	61%	100%

The Cost of Care Form itself was optional, as well as each question within it. This resulted in various sample sizes per question and, therefore, different levels of statistical significance. For any question where the total number of FCC providers responded (n = 214), the results would be statistically significant statewide (not by region) at a 95% confidence level and a margin of error of plus or minus seven percentage points. For any question where the total number of Center-Based providers responded (n = 104), the results would be statistically significant statewide (not by region) at a 95% confidence level and a margin of error of plus or minus nine percentage points. This means that if the survey were repeated, PCG can be confident that 95% of the time our results will be within plus or minus seven percentage points of the “true mean” of the FCC provider population, and within plus or minus nine percentage points of the “true mean” of the Center-Based provider population.

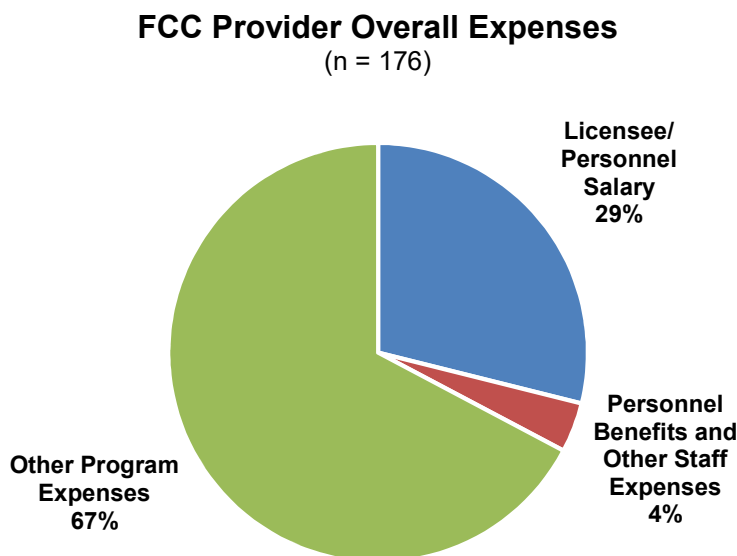
³ Center-based providers that are a part of a larger organization with multiple Center-based child care sites are considered “multi-site providers”.

Family Child Care Programs

Overall Expense Categories

Overall, the majority of FCC provider expenses are program-related costs like rent/mortgage, utilities, and supplies, among other things. About one-third of FCC provider expenses are allocated to the salary and benefits of their personnel, with 29 percent going towards the Licensee (owner) and other personnel salaries. The remaining four percent is allocated to personnel benefits and other staff expenses.

Figure 1. FCC Provider Overall Expenses

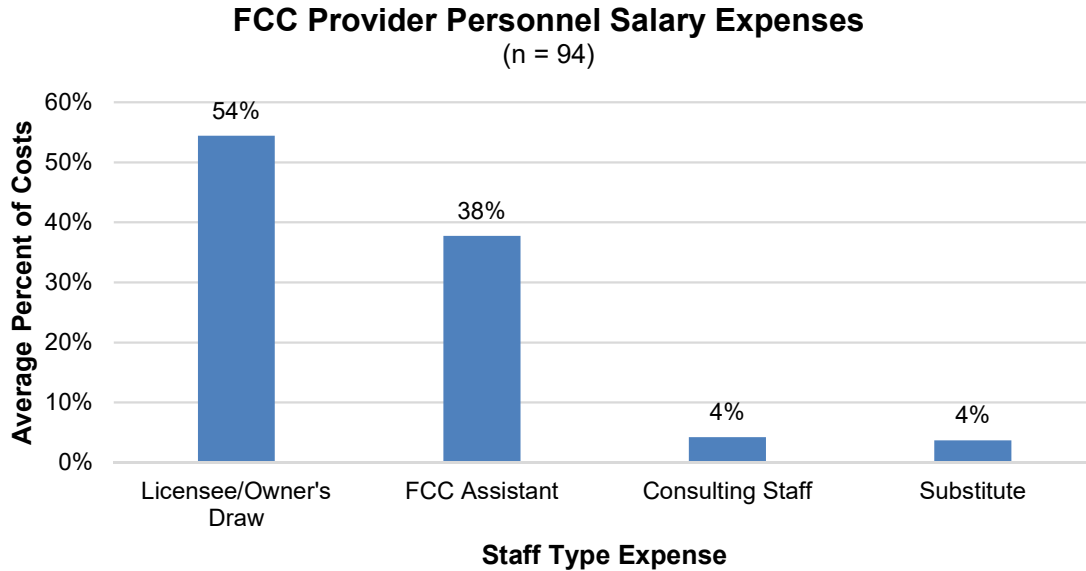


Personnel Expenses

Of the 29 percent of expenses being allocated to salaries, the licensee's/owner's pay makes up the largest portion of the expenses at 54 percent, which is to say the owner's salary accounts for over half of the salary costs amongst FCC providers, on average. This is followed by FCC provider Assistants⁴ which make up 38 percent of the costs, and consulting staff and substitutes at four percent each.

⁴ This position was referred to as "Family Child Care Assistant Teacher" within the Cost of Care Survey.

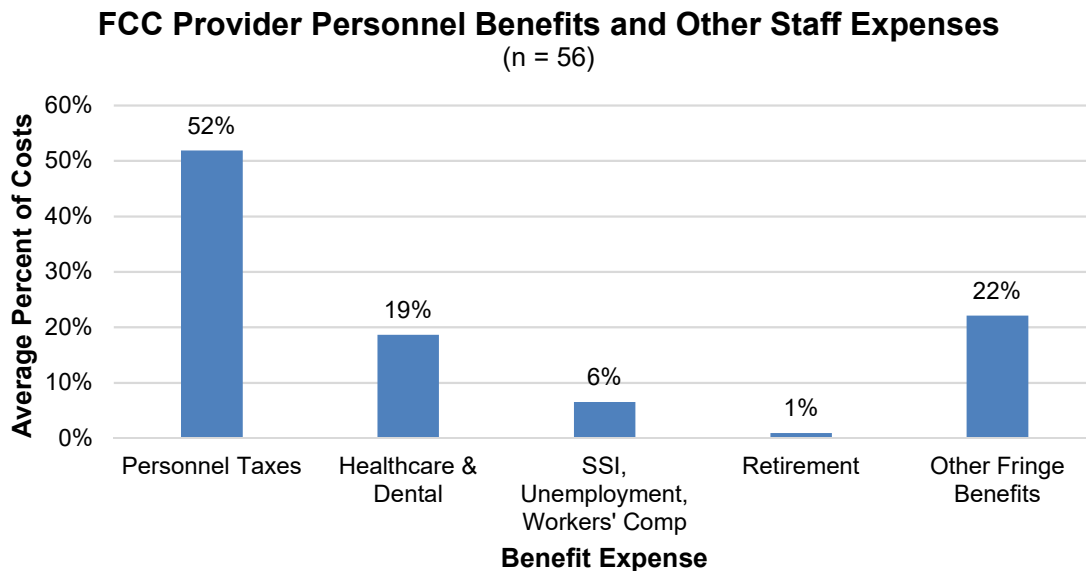
Figure 2. FCC Provider Personnel Salary Expense



Personnel Benefits

While personnel benefits account for only four percent of the FCC provider expenses overall, over half of the benefit expenses come from taxes associated with personnel salaries (52 percent). Healthcare is next up at 19 percent, and government-mandated programs like SSI and Workers' Compensation follow with six percent. Retirement accounts for only one percent of the overall benefit expenses, though there is a large category for other fringe benefits, which would include benefits like life insurance, child care assistance, and other non-mandatory benefits.

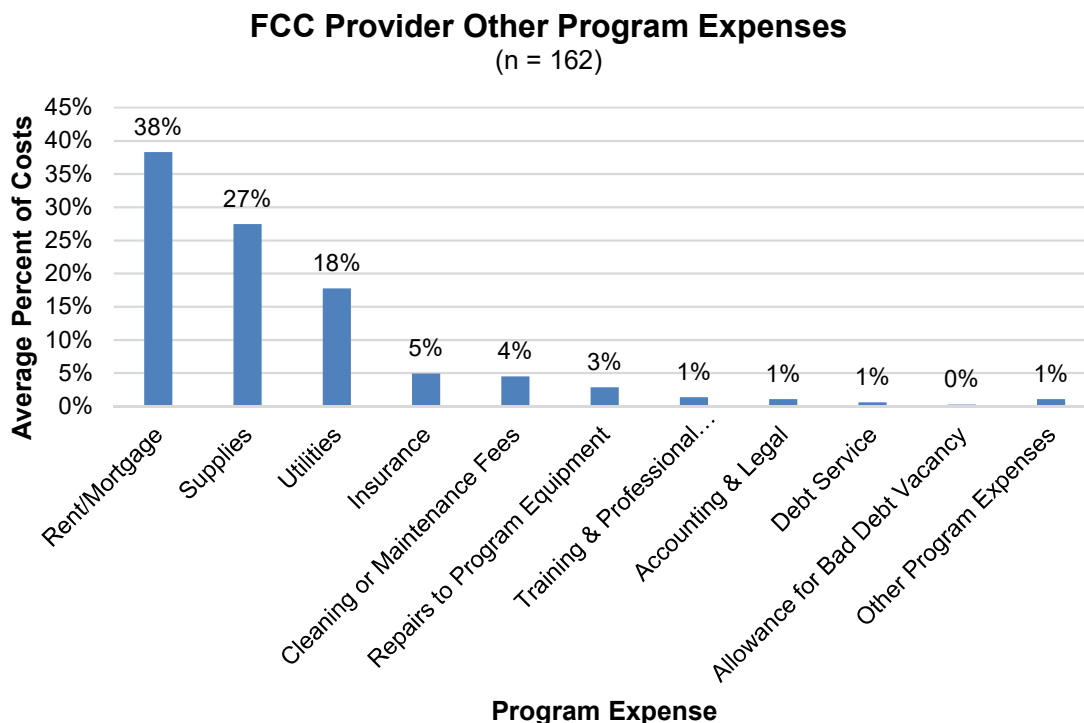
Figure 3. FCC Provider Personnel Benefits and Other Staff Expenses



Other Program Expenses

Perhaps not surprisingly, the program expenses outside of personnel are what account for the largest portion of FCC provider expenses (67 percent). Within this category, rent/mortgage is the largest factor at 38 percent, followed by supplies (27 percent) and utilities (18 percent). Other expenses like insurance, maintenance fees, and repairs garner five, four, and three percent of the category expenses as well.

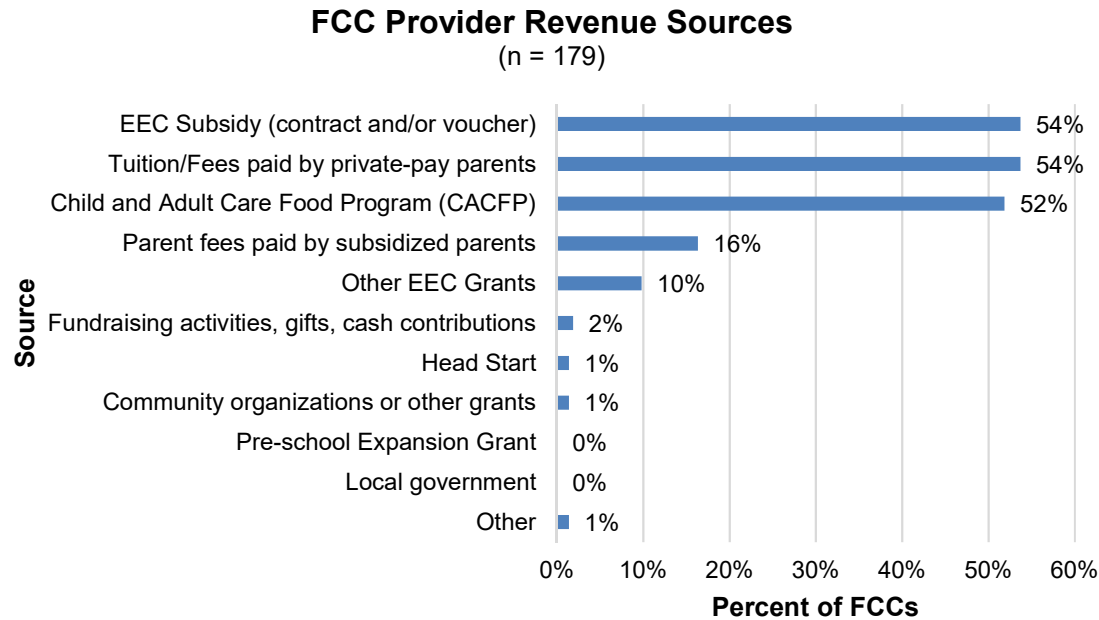
Figure 4. FCC Provider Other Program Expenses



Revenue Sources

FCC providers have three main sources of revenue: EEC subsidies, tuition or fees paid by private-pay parents, and the Child and Adult Care Food Program. Over half of all FCC providers used at least one of these three sources of revenue. Revenue can also come from parent fees paid by subsidized parents (16 percent) and other EEC grants (ten percent).

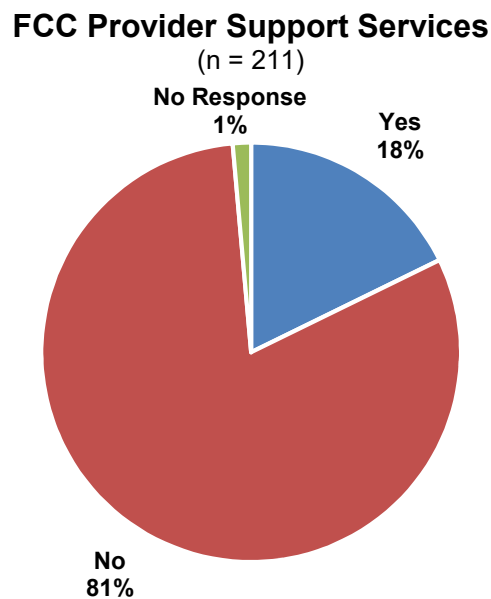
Figure 5. FCC Provider Revenue Sources



Support Services

Just under one out of five FCC providers offer additional support services to children in care. Due to the low response rate of those who do offer support services, it would be inappropriate to report quantitatively on the types of service offerings or the cost of those services for providers.

Figure 6. FCC Provider Support Services

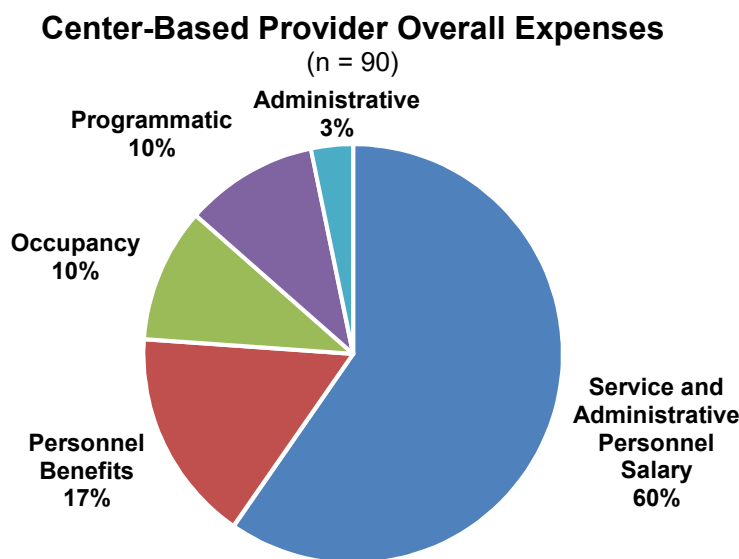


Center-Based Child Care Programs

Overall Expense Categories

Contrary to the FCC providers, the majority of Center-Based providers' overall expenses fall into the Service and Administrative Personnel Salary category at 60 percent, making the personnel the key cost driver. This is consistent with other research from the National Center on Early Childhood Quality Assurance which has found that 60 percent to 80 percent of Center-Based providers' costs are for personnel.⁵ This is followed by Personnel Benefits with the second largest expense category at 17 percent. Occupancy and Programmatic expenses tie for third at ten percent of expenses, and the Administrative category rounding off the category at three percent of expenses.

Figure 7. Center-Based Provider Overall Expenses

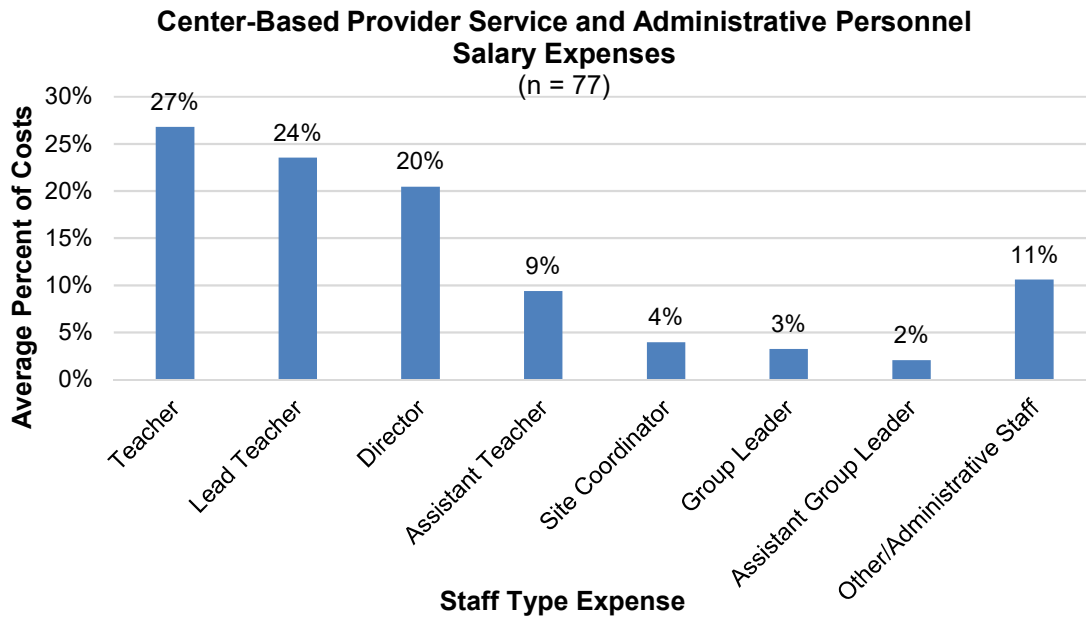


Service and Administrative Personnel Expenses

Of the largest Center-Based provider expense category, Service and Administrative Personnel Salaries, the amount spent on teachers, accounts for 27 percent of the costs, followed by lead teachers at 24 percent and assistant teachers at nine percent. In total, teaching positions account for 60 percent of the salary expenses. Director salaries account for 20 percent of expenses, while positions like site coordinator and group/assistant group leader make up small portions no greater than four percent. In the case of the latter, this is because these titles are used exclusively in school-age, before and after school settings in Center-Based programs.

⁵ 2016. National Center on Early Childhood Quality Assurance, Increasing Quality in Early Care and Education Programs: Effects on Expenses and Revenues; groundWork's, The Dollars and Cents of Early Learning: Investing in Success. Retrieved from <http://www.earlychildhoodfinance.org/dev/wp-content/uploads/2016/03/Dollars-and-Cents-FINAL-031416.pdf>.

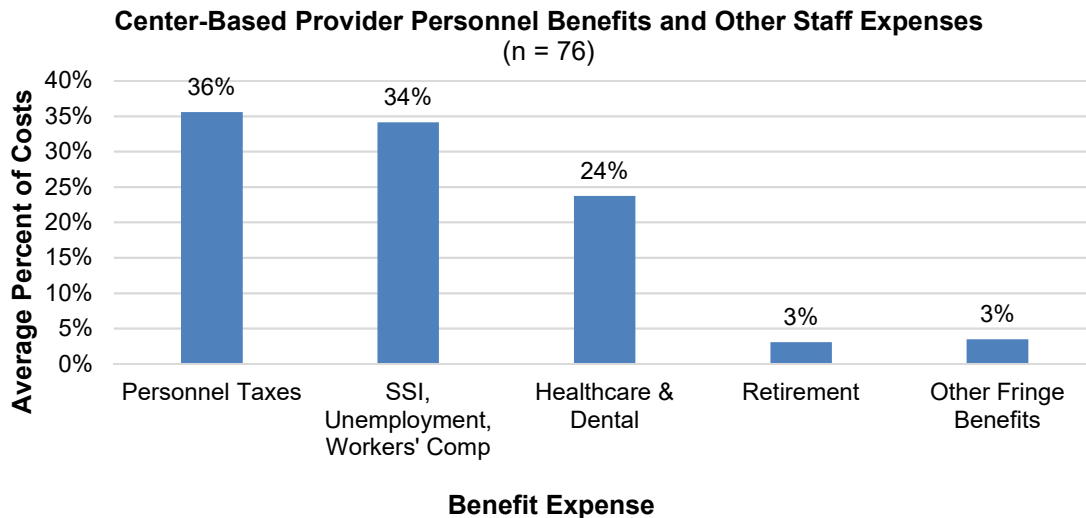
Figure 8. Center-Based Provider Service and Administrative Personnel Salary Expenses



Personnel Benefits

Personnel benefits and other staff expenses, which made up 17 percent of the overall Center-Based provider costs, are led by personnel taxes and government-mandated benefits like SSI and Unemployment. Healthcare and dental ranks at third, accounting for 24 percent of the benefits costs, trailed by retirement and other fringe benefits at three percent each.

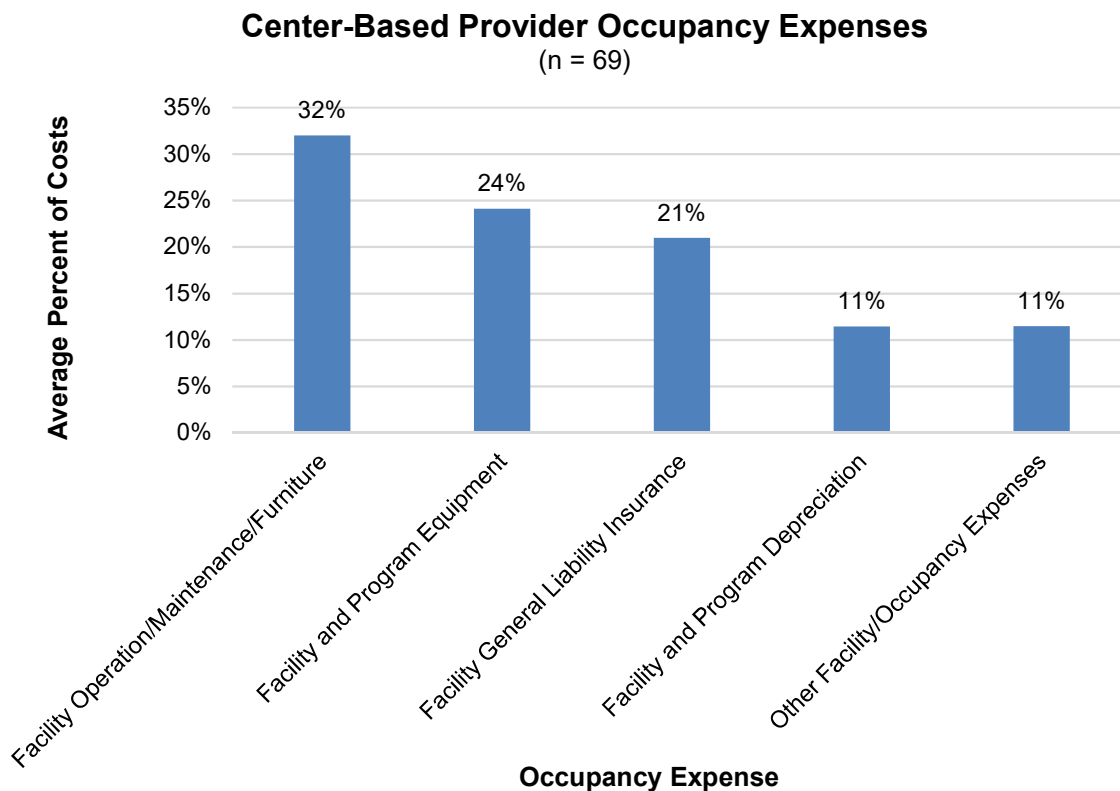
Figure 9. Center-Based Provider Personnel Benefits and Other Staff Expenses



Occupancy Expenses

Occupancy expenses accounted for a tenth of the Center-Based providers' costs overall. Of those costs, facility operation, maintenance, furniture, and equipment account for over half of these expenses (56 percent). General liability insurance for the facility comes in at 21 percent of Occupancy expenses, while depreciation and other facility expenses account for 11 percent of occupancy expenses.

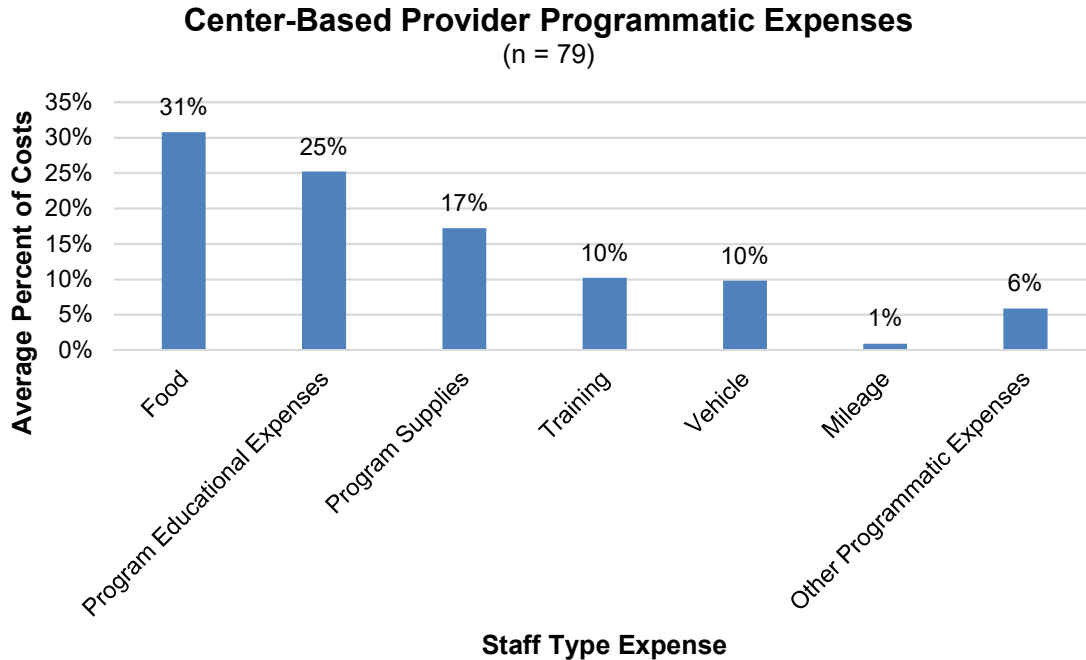
Figure 10. Center-Based Provider Occupancy Expenses



Programmatic Expenses

Programmatic expenses also account for a tenth of the Center-Based providers' costs. Food is the largest cost (31 percent) followed by educational expenses (25 percent) and program supplies (17 percent). Training and vehicle costs constitute a smaller portion of programmatic expenses at ten percent each, while other programmatic expenses account for six percent of the overall programmatic category.

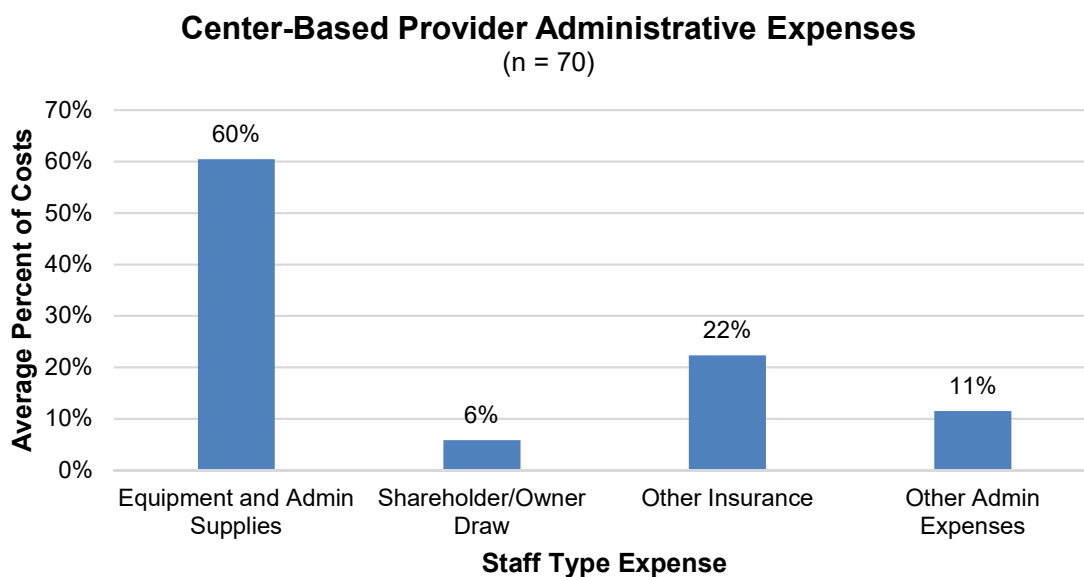
Figure 11. Center-Based Provider Programmatic Expenses



Administrative Expenses

While only three percent of Center-Based providers' overall expenses go to administrative costs, the lion's share of administrative expenses goes to equipment and administrative supplies like computers, mailing supplies, and other supplies not used by children in the program. Center-Based providers also generally have other insurance, accounting for 22 percent of their administrative expenses.

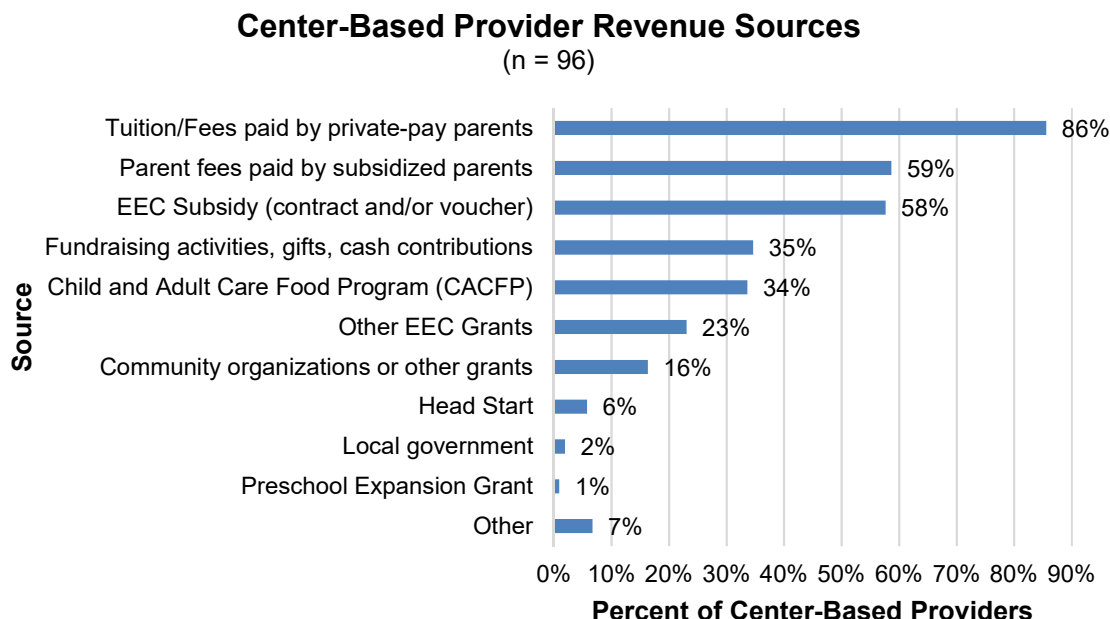
Figure 12. Center-Based Provider Administrative Expenses



Revenue Sources

The majority (86 percent) of Center-Based providers use tuition/fees paid by private-pay parents as a source of revenue. Over half use parent fees paid by subsidized parents (59 percent) and EEC subsidies (58 percent). Among the least-used sources of revenue for Center-Based providers are Head Start, local government funding, and Preschool Expansion Grants.

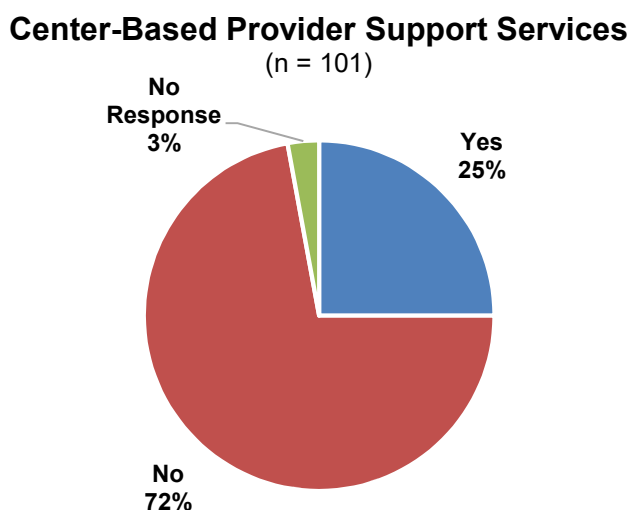
Figure 13. Center-Based Provider Revenue Sources



Support Services

A quarter of Center-Based providers offer additional support services, with 72 percent reporting that they do not offer any additional supports to children/youth in their programs. Due to the low response rate, it would be inappropriate to report quantitatively on the type or cost of these service offerings. The range of support services reported include mobility assistance, vision supports, nursing care, and physical and occupational therapy.

Figure 14. Center-Based Provider Support Services



APPENDIX A. COST OF CARE FORM QUESTIONNAIRE

Please see below the full list of questions included in the optional 2018 Cost of Care Form.

Commonwealth of Massachusetts EEC Cost of Care Form

Cost of Care Form

1. What is the program number # (assigned by EEC) for your center-based child care or family child care home? Your program # can be found in the email invitation to take this survey. This will be your entry to win a second gift card.

LOGIC Show/hide trigger exists.

2. Which type of program are you licensed as? *

Family Child Care

Group & School Age (Center-based program)

Logic Hidden unless: #2 Question "Which type of program are you licensed as?" is one of the following answers ("Group & School Age (Center-based program)")

3. Service and Administrative Personnel Salary Expenses. Please enter the total annual amount paid (salaries or hourly pay only; do not include fringe or other benefits) and total FTEs for your program staff as shown below.

	FTE	Total Annual Cost
Assistant Teacher	<input type="text"/>	<input type="text"/>
Teacher	<input type="text"/>	<input type="text"/>
Lead Teacher	<input type="text"/>	<input type="text"/>
Director	<input type="text"/>	<input type="text"/>
Assistant Group Leader	<input type="text"/>	<input type="text"/>
Group Leader	<input type="text"/>	<input type="text"/>
Site Coordinator	<input type="text"/>	<input type="text"/>
Other/Administrative Staff Salaries (e.g., bus driver, cook, administrative assistant)	<input type="text"/>	<input type="text"/>

Logic Hidden unless: #2 Question "Which type of program are you licensed as?" is one of the following answers ("Family Child Care")

4. Personnel Salary Expenses. Please enter the total amount paid (salaries or hourly pay only; do not include fringe or other benefits) for the following staff, if your program has them (please combine all staff of the type listed). Please also provide the average amount of staff per category your program may pay for and average amount of hours they may work. For each category, please list from the dropdown menu whether these costs are monthly or annually.

	Average Number of Staff	Average Hours Worked	Total Salary Paid	Monthly or Annually?
Assistant Teacher	<input type="text"/>	<input type="text"/>	<input type="text"/>	<div>Monthly</div> <div>Annually</div>
Substitute	<input type="text"/>	<input type="text"/>	<input type="text"/>	<div>Monthly</div> <div>Annually</div>
Consulting Staff (Nurses, service coordination, pre-k consultants, etc.)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<div>Monthly</div> <div>Annually</div>

LOGIC Hidden unless: #2 Question "Which type of program are you licensed as?" is one of the following answers ("Family Child Care")

5. Licensee Salary. If you pay yourself a salary, please provide the average cost for your program (do not include any additional taxes or benefits you may pay for, such as health insurance), and select whether it is an annual or monthly cost.

	Salary Paid	Monthly or Annually?
Licensee/Owner's Draw	<input type="text"/>	<div>Monthly Annually</div>

LOGIC Hidden unless: #2 Question "Which type of program are you licensed as?" is one of the following answers ("Group & School Age (Center-based program)")

6. Personnel Benefits and Other Staff Expenses. Please enter your total annual program expenses to the following personnel-related costs, if applicable, including your own.

	Total Annual Cost
Personnel Taxes (Government-mandated)	<input type="text"/>
Social Security, Unemployment, Workers' Compensation (Government-mandated)	<input type="text"/>
Healthcare & Dental (Non-mandatory)	<input type="text"/>
Retirement (Non-mandatory)	<input type="text"/>
Other Fringe Benefits (Please enter; e.g. child care benefits, life insurance, other non-mandatory expenses etc.) Please Specify below:	<input type="text"/>

Logic Hidden unless: #2 Question "Which type of program are you licensed as?" is one of the following answers ("Family Child Care")

7. Personnel Benefits and Other Staff Expenses. Please provide any additional expenses your program may have regarding employee pay.

	Total Cost	Other Description, If applicable.	Monthly or Annually?
Personnel Taxes (Government-Mandated)	<input type="text"/>	<input type="text"/>	Monthly Annually
Social Security, Unemployment, Workers' Compensation (Government-Mandated)	<input type="text"/>	<input type="text"/>	Monthly Annually
Healthcare (Non-mandatory)	<input type="text"/>	<input type="text"/>	Monthly Annually
Retirement (Non-mandatory)	<input type="text"/>	<input type="text"/>	Monthly Annually
Other Fringe (Child Care Benefits, Life Insurance, Etc.)	<input type="text"/>	<input type="text"/>	Monthly Annually

LOGIC Hidden unless: #2 Question "Which type of program are you licensed as?" is one of the following answers ("Group & School Age (Center-based program)")

8. Occupancy Expenses. Please enter your total annual occupancy expenses

Total Annual Cost

Facility and Program Equipment Expenses (e.g., facility-related equipment such as air conditioners, hot water heaters)

Facility & Program Equipment Depreciation

Facility Operation/Maintenance/Furniture

Facility General Liability Insurance

LOGIC Hidden unless: #2 Question "Which type of program are you licensed as?" is one of the following answers ("Family Child Care")

9. Other Program Expenses. Please enter your total monthly expenses for the following categories, if applicable.

	Total Cost	Monthly or Annually?
Rent/Mortgage (specifically the portion your program pays for)	<input type="text"/>	<div>Monthly</div> <div>Annually</div>
Insurance (liability or similar)	<input type="text"/>	<div>Monthly</div> <div>Annually</div>
Utilities (power, water, telephone, etc.)	<input type="text"/>	<div>Monthly</div> <div>Annually</div>

Cleaning or
Maintenance
Fees

Monthly
Annually

☐

Accounting &
Legal

Monthly
Annually

☐

Repairs to
Program
Equipment

Monthly
Annually

☐

Supplies
(food, office,
educational,
etc.)

Monthly
Annually

☐

Training &
Professional
Development

Monthly
Annually

☐

Debt Service

Monthly
Annually

☐

Allowance for
Bad Debt and
Vacancy

Monthly
Annually

☐

Other, please
specify in the
next box

Monthly
Annually

☐

LOGIC Hidden unless: #2 Question "Which type of program are you licensed as?" is one of the following answers ("Family Child Care")

10. Other expenses not listed above:

LOGIC Hidden unless: #2 Question "Which type of program are you licensed as?" is one of the following answers ("Group & School Age (Center-based program)")

11. **Programmatic Expenses.** Please enter your total annual programmatic expenses

Total Annual Cost

Training (Example: Training materials and costs for staff development and training)

Vehicle (Example: Vehicle purchase, lease and maintenance expenses)

Mileage (Example: reimbursement to employees for mileage)

Food (Example: meals, snacks)

Program supply expenses (Example: supplies used within the program like cleaning supplies, paper goods like paper plates or napkins used for snacks)

Program educational expenses (Example: arts and craft materials, books)

Logic Hidden unless: #2 Question "Which type of program are you licensed as?" is one of the following answers ("Group & School Age (Center-based program)")

12. Administrative Expenses. Please enter your total annual administrative expenses.

Total Annual Cost

Shareholder/Owner Draw

Equipment and Administrative Supplies (Example: office computer, mailing supplies, office supplies not used by children in programming)

Other Insurance (Example: Child and staff accident insurance policy)

13. Which of the following revenue sources does your program receive (check all that apply)?

- ☐ Tuition/Fees paid by private-pay parents
- ☐ Parent fees paid by subsidized parents
- ☐ EEC Subsidy (contract and/or voucher)
- ☐ Head Start
- ☐ Child and Adult Care Food Program (CACFP)
- ☐ Pre-school Expansion Grant
- ☐ Other EEC Grants (e.g., QRIS Improvement Grant)
- ☐ Local government (e.g., Pre-K, local school board)
- ☐ Community organizations or other grants (e.g., United Way, local charities)
- ☐ Fundraising activities, gifts, cash contributions
- ☐ Other

[Load](#) Show/hide trigger exists.

14. Do you provide any additional support services to children in care? *

- ☐ Yes, I offer support services to children in care.
- ☐ No, I don't offer any additional support services.

Logic Hidden unless: #14 Question "Do you provide any additional support services to children in care?" is one of the following answers ("Yes, I offer support services to children in care.")

15. For the support services that you offer, please provide the **per child** cost for each.

	Per Child Cost (to you as a provider)	Source (fundraising, government funding, parent fees)
Behavior Supervision/Supports for children with challenging behaviors	<input type="text"/>	<input type="text"/>
Communication Supports to children who are non-verbal or have language delays	<input type="text"/>	<input type="text"/>
Mobility Assistance to help a child with a wheelchair, crutches, or limited ability to walk	<input type="text"/>	<input type="text"/>
Vision Supports and program changes to include a child with impaired vision	<input type="text"/>	<input type="text"/>
Nursing Care – Access to a nurse for children requiring medical monitoring or intervention	<input type="text"/>	<input type="text"/>
Physical Therapy - access for physical or occupational therapy services or providing activities to support child's therapy goals	<input type="text"/>	<input type="text"/>
Occupational therapy for a child with sensory processing challenges	<input type="text"/>	<input type="text"/>



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