2022

The Cost of Providing Early Child Education and Care in Connecticut:

A Narrow Cost Analysis

Licensed Family Child Care






Connecticut Office of Early Childhood

Office of Early Childhood - University of Connecticut Research Partnership

UCONN

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1.1 Introduction & Background

This report details the narrow cost analysis (NCA) performed by the University of Connecticut School of Social Work (UConn-SSW) in cooperation and consultation with the Office of Early Childhood (OEC). The goal of a narrow cost analysis (NCA) is to present data related to the cost of providing child care. For the first time, an NCA is a required part of the Child Care and Development Fund (CCDF) Plan. The CCDF Plan must be approved by the Administration for Children and Families (ACF). This analysis used the Provider Cost of Quality Calculator (PCQC) model.[1] This report explicates the sources of data utilized, the methods of analyzing the data, and the outcomes. This report focuses on the cost of Licensed Family Care Providers (FCCs). A separate report is available for the NCA as it applies to Licensed Center-Based Providers (CBCs).

The goal of the NCA is to indicate the true cost to businesses of providing child care. According to the ACF, a narrow cost analysis is:

> "an analysis of the estimated cost of child care that includes but is not limited the cost to child care providers' for implementation of health safety, quality, and staffing requirements, including applicable licensing and regulatory requirements, health and safety standards, training and professional development standards, curriculum, materials, and appropriate child to staff ratio, group size limits, and caregiver qualification requirements as required in 45 CFR 98.45(b)(3), (f)(1)(ii)(A), and (f)(2)(ii), as well as rent/mortgage, utilities, taxes, and additional business operating expenses." [2]

The NCA is designed to assess the full cost of child care from the providers' perspective and may differ from the market rate "cost" or tuition charged to parents. The PCQC is an effective tool to use for the NCA because it includes the breadth of categories stipulated by ACF to calculate costs. In addition, it operates like a balance sheet, tallying costs and comparing them to revenue. The PCQC also has a framework that allows states to customize features according to their own statutory regulations, like number of children per teacher.

This NCA used only existing data. Despite this, a thorough and iterative approach was used to create a "prototypical" Licensed Family Child Care provider. A prototype is meant to represent an average provider. It is important to note that the PCQC is not statistical model but rather reflects only the data the user inputs. For this reason, this approach requires close scrutiny to the inputs. This report describes in detail how these inputs were constructed for each of the scenarios developed.

This report has four sections. The first section details the method used and discusses the PCQC model. The next section discusses the prototype FCC provider. Section three provides findings for the FCC provider and section four discusses the conclusions and

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[1] ACF, Provider Cost of Quality Calculator https://childcareta.acf.hhs.gov/pcqc (accessed 6/25/22).

[2] ACF (2022) *Guidance on alternative methodologies and cost analyses for purposes of establishing subsidy payment rates.* https://www.acf.hhs.gov/occ/policy-guidance/ccdf-acf-pi-2018-01#:~:text=As%20noted%20in%20the%20preamble,a%20%E2%80%9Cnarrow%20cost%20analysis.%E2%80%9D (Accessed 4/25/22).

limitations. Appendix 1 provides additional detail related to costs and revenues for FCCs providers. Appendix 2 lists the other cost studies that were pivotal to this analysis.

1.2 Method

Approach

In order to ascertain best practices for conducting an NCA, UConn reviewed relevant literature and consulted with researchers in other states. This review resulted in the decision to use the PCQC model maintained by the ACF. While ideally utilized in conjunction with provider interviews, time and other constraints led researchers to rely existing data instead.

Existing data sources included detailed cost category data from 16 state and regional child care cost studies, the 2022 MRS, the 211 Child Care Provider database, and the Connecticut Workforce Compensation Schedule. An internal stakeholder group including members of the OEC, Social Finance[3], and UConn teams reviewed the data collectively to use the PCQC model input. UConn assessed each cost and revenue category and developed measures of variability and central tendency to support decision-making. Stakeholders with experience with FCCs stress-tested these values to ensure that they were consistent with existing practice.

The Cost Model

In order to use the PCQC model, users develop cost and revenue estimates consistent with the model's categories. The PCQC categories serve as a comprehensive guide of costs matching the requirements for the NCA. When the values are prepped, they are entered into the model. The PCQC then analyzes these inputs to show the net revenue a child care provider would make based on estimates of costs and revenues. Effectively, the PCQC tabulates a balance sheet for prototype or example programs. This is not a statistical approach but rather a simulation approach. For these reasons, it is important to scrutinize the inputs to the model closely. An additional PCQC feature is it has default values for each input based on national- and state-level values. These can serve as a check on estimates. Appendix 1 supplies a detailed list of cost categories and the values used for this analysis.

The PCQC tool has a module specifically for FCCs. It includes a long list of costs such as food, insurance, vehicle expenses, office supplies, permits / licenses, etc. The difference with FCCs is that some of the resources used for the business are "shared" with personal use as well. For example, the FCC operator may use their vehicle to drive to the store once a week to get groceries for the business. Using their car in this way is a legitimate business expense. However, the car may also be used for personal purposes. Other resources like craft supplies for students are "direct" costs as they are only used by the child care business. As a result, this cost module requires a careful accounting of how resources are used. The specific resources the PCQC considers "shared" vs. "direct" is discussed in detail below.

[3] https://socialfinance.org/about/ (accessed 6/28/22)

Another important facet of the FCC cost analysis is owner-operators do not generally pay themselves a wage. Instead, their income is the net profit from the business. That is to say, the money left over after they have paid all their child care costs is their "salary."

The use of wage or salary calculations also has implications to understanding the FCC parity with teachers at Licensed Center-Based care. A center salary typically pays for a 40 work week. However, FCC teachers often work more than 40 hours. This means that the "salary" or take-home income needs to be divided by the number of hours FCC providers actually work to assess an hourly wage rate. This feature of the FCC model is discussed below in the section on salary vs. wage parity.

The main limitation of the PCQC model is that its outputs are only as valid as the inputs. Aside from checking consistency with the model defaults, there are no other guardrails on what can be entered into the model. For this reason, this report lays out the model inputs in great detail for public comment.

1.3 Data Sources

The primary framework for this NCA was developed by reviewing 16 studies from various states and large counties.[4] The PCQC was selected as the tool to examine costs and revenues based on the review of these studies. The decision was made to use existing data sources rather than gathering new data through a survey given time and fiscal constraints. This section discusses those data sources.

Cost Studies: Sixteen child care cost studies were identified and reviewed. Using information found in these studies, the team extracted costs by type and assessed generalizability to Connecticut. The reports examined included New Mexico*, New Jersey, Delaware, Los Angeles, San Francisco, Vermont*, Illinois*, Delaware*, District of Columbia*, Minnesota*, Kentucky, Pennsylvania, Philadelphia, New York*, Wisconsin*, and Hawaii*. The nine states that provided cost inputs are indicated with an asterisk.

2022 Market Rate Survey (MRS 2022). The MRS 2022 is a survey of providers that asks about the tuition rates they currently charge. These reflect the prices and fees charged to families on the "open market;" that is where the caregiver is not kith and kin of the child. Though the MRS is often called the "cost of child care", it represents revenue from the provider's perspective.

Connecticut's Workforce Compensation Schedule: In 2021, the Connecticut Legislature directed the OEC to submit a compensation schedule that would reflect fair and equitable compensation for the Connecticut Early Childhood Education workforce (Public Act 19-61). Social Finance[5] partnered with the OEC to produce the Schedule. This Schedule anchored compensation to parity with public school early childhood education workers. Though the OEC developed the salaries for licensed center-based care, this analysis considers these in the context of family-based care. As shown in Figure 1, the Schedule is pegged to

[4] A separate literature review of these studies is available and the references are available in the Appendix 2.
[5] https://socialfinance.org/

credentials and educational attainment. For the most part, the salaries reflect an entry level wage for public school workers.

Figure 1: Workforce Compensation Schedule

Level	Minimum Salary	Minimum Hourly Wage	Rationale
Level 1	$34,021	$16.36	At least $1 above the 2023 statewide minimum wage target of $15/hour
High school degree			
Level 2	$39,124	$18.81	15% increase from high school degree
CDA Credential			
Level 3	$44,993	$21.63	15% increase from CDA
Associate degree in ECE or associate degree and Early Childhood Teacher Credential			
Level 4	$56,241	$27.04	25% increase from A.A.; parity with median K-12 entry level salary2
Bachelor's degree in ECE or bachelor's degree and Current ECE State Teaching Endorsement			
Level 5	$64,677	$31.09	15% increase from B.A.
Master's degree (MA) or higher in ECE or MA or higher and Current ECE State Teaching Endorsement			

Provider Data and Vacancy Rates: This data came from the 211 Provider Database that is maintained through rolling telephone interviews by Connecticut United Way. This data provided information on the number of providers, their licensed capacity, and their enrollment. This data provided a baseline for examining a prototypical FCC provider and estimating vacancy rates. As discussed below, vacancy rates are important to understanding the profit margin for a provider.

Experts and Stakeholders: The team consulted with experts who had previous experience owning or operating programs. The team presented the work to stakeholders to validate expenses and ensure they align with current state costs.

2.1. Licensed Family Child Care Prototype Summary

The list summarizes the key assumptions made regarding the FCC prototype. They are explained in more detail in the sections below.

Prototype Features:

- Licensed by Connecticut OEC
- Owner-operated with no employees
- Provider has space for two infant/toddler, four preschool-age children; and three school-age children
- Time/Space percentage is 40% (see below for explanation)

Key Prototype Cost Features:

- Program costs do not include discretionary benefits such as health or other insurance for the owner-operator
- Provider can accesses free trainings and child assessment resources from the OEC

Key Prototype Revenue Features:

- Provider is paid the state weighted average tuition by age group from the MRS 2022 (reimbursement at the 50th percentile)
- Parents using Care 4 Kids pay a parent fee to cover the difference between Care 4 Kids reimbursement and tuition
- 3% of potential revenue is "bad debt". Bad debt represents uncollected fees or discretionary discounts to tuition rates
- 36.6% vacancy rate is the difference between the desired enrollment (capacity) listed above and the actual enrollment over time (211 Provider Database, 2021)[6]

This list details some of the key assumption that define the prototypical FCC provider. These features were identified using the data sources above including other state reports, the 211 Provider Database, and stakeholder feedback. The next section reviews all assumptions in detail.

2.2 Licensed Family Child Care Prototype

Capacity: Connecticut allows a maximum of six full-time children and three school-age children in a licensed home. The licensed capacity reflects how many children can be on site at any given time. Of the six children, only two infants under 18 months are allowed at one time unless a licensed substitute or an assistant is present. It should be noted there may be exceptions to this limits. For instance, not all FCCs are granted full licensed capacity such as when space is limited. Also, because the provider's own children count toward licensed capacity, not every provider can fill all their licensed slots with paying families. Alternatively, there may be some providers who open for multiple shifts, including overnight shifts. As a result there are some FCCs that serve more than six full-time children

[6] The vacancy rate was estimated using the most recent data available during this study in December 2021. To the extent the COVID pandemic affected FCCs this may be an overestimate of the vacancy rate.

without going over the licensed maximum. The provider's average enrollment over the year is scaled by the vacancy rate. That is to say, the slots may not be filled 100% of the time.

2.3 Licensed Family Child Care Prototype Costs

Owner Operator/ Staff: The prototypical FCC provider works alone without an assistant or substitute. Given the high cost of labor and the current prices charged in the market, most FCCs find that they cannot afford to hire staff. Given Connecticut's $13 per hour minimum wage (soon to be $14 on July 1, 2022, and $15 per hour by June 2023), a full-time worker would cost the provider approximately $560 per week plus mandatory benefits (FICA, unemployment insurance, worker's compensation, and paid leave). The current average full-time infant/toddler care price is $250 per week in Connecticut. This suggests that it takes more than two full-time children in an FCC to pay for a staff member. As a result, an additional staff member does not necessarily generate more revenue because the total number of children allowed has not increased. Small increases in revenue due to the ability to change the mix of ages (more infant/toddlers) or expanding the part-time school aged children to full-time children are the only gains that are allowed per the Connecticut regulations that guide the FCC.

Benefits: The prototypical FCC does not pay for discretionary health insurance, retirement, or paid leave in the cost calculated here. While the FCC provider may purchase these benefits with their take-home pay, no benefits are factored into the costs in the base case. There are some scenarios that allow for benefits in the findings related to parity with Center-Based workers.

Child Assessment System: Connecticut offers multiple developmental tracking programs free of charge. Many FCCs use the Help Me Grow program or are involved in the Sparkler program.[7] Because of Connecticut's robust support, the typical FCC would not need to pay for another assessment system.

Shared vs. Direct Costs: FCCs differ from licensed center-based programs because they operate within a family home. Whereas licensed centers have expenses specific to the site, FCCs have shared expenses between the home and the business. What follows discusses how shared costs are determined for an FCC: taking expenses, working hours, and home usage into account.

In order to properly estimate costs for an FCC, the costs need to be divided into two categories. The first category is direct expenses. These are costs incurred as a result of operating the business. They would disappear if the business were no longer operating. The second category of expenses for the FCC is shared costs. These are costs that are shared between personal use and business. Common examples of these expenses are utilities, rent, and maintenance, among others. Figure 2 lists the cost categories and whether they are direct or shared costs.

[7] See: https://www.ctoec.org/news/oec-launches-sparkler-mobile-app-for-parents-and-caregivers/. (accessed 5/25/22)

Figure 2: Cost Categories & Application to Program Type

Cost Categories	Cost Type
Food & Food Preparation	DIRECT
Kitchen Supplies	DIRECT
Classroom Supplies	DIRECT
Office Supplies & Equipment	DIRECT
Insurance (Liability, accident, etc.)	DIRECT
Postage	DIRECT
Advertising	DIRECT
Miscellaneous (including parent activities and field trips)	DIRECT OR SHARED and defined as "OTHER"
Rent/Lease	SHARED
Utilities	SHARED
Building Insurance	SHARED
Maintenance/Repair/Cleaning	DIRECT
Telephone & Internet	DIRECT OR SHARED
Audit/Legal Fees	DIRECT
Professional Fees/Permits	DIRECT
Miscellaneous	DIRECT OR SHARED and defined as "OTHER"
Consultants/Training	DIRECT
Vehicle Expenses	DIRECT
Depreciation	DIRECT
Interest	DIRECT
Professional Memberships/Dues	DIRECT

Time Space Percentage (TS%): The Time/Space percentage (TS%) is devised to prorate costs of personal and business use. This proportion represents the amount of space and time that is used for the business as opposed to home life. The prototypical provider in this study has a TS% of 40%, which is similar to the national average.[8] To calculate the TS%, both the time worked and the space used need to be estimated as explained below.

Time: The prototypical FCC provider works 68 hours per week. The typical workweek would break down as follows:

- The program is open from Monday – Friday from 7:00 am to 5:30 pm. Some families may be late picking up their child and some parents will stay to chat with the provider. We assume the provider closes the business at 6:00 p.m. This accounts for 55 work hours per week.
- In addition, the provider works two hours per day (some hours before he/she opens and some after he/she closes the program) cleaning and preparing for

[8] Copeland, T., October 6, 2014. "How to Calculate Your Time-Space Percentage Before the Year is Over". https://tomcopelandblog.com/how-to-calculate-your-time-space-percentage-before-the-year-is-over. (accessed 4/26/22)

the day. The provider works three additional hours during the weekend for activities such as additional cleaning, preparing curriculum, cooking, bookkeeping and recruiting new families. These activities would add 13 hours to the week. Therefore, the total hours worked per week is 68.

Space: This study did not designate a typical home size in square feet given their wide variability. To calculate the 'TS%', only the proportion of the home used is needed and not the actual square footage. The PCQC uses a simplified version of the TS% that assumes all space is being utilized for both business and personal use. In this study, the prototypical FCC uses the entire home for the business at some point. This could be the case if materials and supplies are stored in basements, garages and attics. Cared-for children use the bathrooms and bedrooms for naps if needed. Hallways are used for ingress and egress. Providers may do bookkeeping and other office activities in family rooms. Some part of the yard may be used for a play scape and pickup and drop-off areas. Given these possibilities, it is reasonable to allocate 100% of the home to child care use at some point.

The time percentage is calculated as the hours the provider works per week divided by available hours in a week, 168 hours. In this prototype, the 68 hours of operation is divided by 168 hours. In this way, the TS% is the product of the percent of time and the percent of space. In this case, this calculation is 40.5% multiplied by 100% for an estimate time-space factor of 40.5%. This means 40.5% of shared costs are attributed to the FCC.

2.4 Licensed Family Child Care Revenue

Tuition: Because FCCs are individual businesses, they are allowed to set their own tuition rate irrespective of the subsidy reimbursements rate set by the State. While it is common in State contracts to restrict whether an entity may charge families the difference between reimbursements and prices charged, FCCs have only recently been allowed to bid for state contracts and it is infrequent for FCCs to be restricted in what they can charge families.

In the baseline analysis, tuition is set to the state weighted average of tuition charged by FCCs for each age group. Figure 3 shows these tuition rates.

Figure 3: Family Child Care Tuition Rates (MRS 2022)

Age Group	Tuition
Infant/Toddler	$243
Preschool	$187
School Age	$116

Enrollment and Enrollment Efficiency: This study used the 211 Provider Database from December of 2021 to estimate the vacancy rate for FCCs. The vacancy rate is the number of filled slots over time compared to the number of available slots over time. For this analysis, the vacancy rate was estimated to be 36.6%. A simple discounting approach would suggest that average number of filled slots would be 7.7 children. A fraction is possible if a child is not enrolled for the full year. This overall number would be consistent with 1.8 infants/toddlers, 3.7 preschool-age children and 2.2 school-age children over the course of a year.

CACFP: The 211 Provider Database was utilized to evaluate CACFP participation. This analysis found only 29% of FCCs utilized CACFP. Given this low percentage, the prototypical FCC does not utilize CACFP.

Bad Debt: This analysis assumes that "bad debt" or uncollected fees is 3%. This value could be waived parent fees or discretionary discounts. The 3% figure is the PCQC default for FCCs.

3.1 Findings

Baseline Example

As a sole proprietor, the provider's salary is represented by the net revenue of the business. Per the PCQC model, the base case prototypical provider earned a net profit of $30,046 for the year. From these earnings, the provider may need to purchase health insurance, fund retirement, and pay the self-employment tax. The self-employment tax of 15.3% must be paid by business owners and represents both the employee and employer portion of both Social Security and Medicare.[9]

Reported in table 4 below, the baseline example represents the cost of FCC child care, as well as determining the income the typical provider can expect to receive. In this case, the average annual cost per child is $10,759 based on the projected mix of students by age. This is a weekly rate of $207 per child.

When analyzing these results, it helpful to consider salary vs. wage parity. The income this provider takes home is $30,046. This figure can be considered a salary, and be compared to center-based providers who work 40 hours per week. A 40 hour workweek is mandated by the Fair Labor and Standards Act. For a 40 hour week, Center-based teachers in a large Connecticut center earn $35,255 according to the Connecticut Workforce Registry.[10] This translates to $16.95 per hour. If the FCC owner-operator worked 40 hours per week, their take-home pay would represent an hourly wage of $14.45. This represents a *salary-parity* viewpoint. However, this is not an entirely accurate comparison because the FCC owner-operator actually works 68 hours per week, not 40 hours per week. The 68 hour per week figure works out to be only $8.50 per hour. This amount is well below Connecticut's minimum wage. If this analysis takes a *wage-parity* approach, FCC providers should earn the same on an hourly basis than the Center-based teachers.

Figure 4 below looks at salary vs. wage parity for FCC providers. It considers the first three levels of the Workforce Compensation Schedule presented above. For the salary-parity examples, the data assumes the annual take-home pay for FCC providers is equivalent to the Center-based provider salaries. For the wage-parity examples, the data assumes the

[9] See: https://www.irs.gov/businesses/small-businesses-self-employed/self-employment-tax-social-security-and-medicare-taxes#2. (accessed 5/22/22)

[10] All programs receiving State funding are required to report their salaries for their staff to the Workforce Registry. This data was analyzed in a separate report on Licensed Center-based Child Care.

FCC provider earns an equivalent hourly wage to Center-based providers. In addition, the parity scenarios assume that FCC owner-operators include benefits in their business costs.

Figure 4 below lists seven scenarios in which program costs are the same and only provider pay differs. The first instance is our base case described above. The next six scenarios show salary and wage parity with Level 1 (high school), Level 2 (CDA) and Level 3 (Associate Degree) from the Workforce Compensation Schedule salary levels. Note that each scenario has the same number of children, same costs, and same hours worked. The only difference is the salary that the provider receives.

Figure 4: Salary and Wage Parity Examples with the ECE Workforce Compensation Schedule for Licensed Family Child Care Owner-Operators

Model	Description	Annual Per Child Cost	Provider Hourly Rate	Yearly Salary	Yearly Salary + 14% benefits
Base Case	*Prototypical FCC*	*$10,759*	$8.50	$30,046	No Benefits
Level 1 Salary Parity	*Salary Parity High School*	*$12,549*	$9.62	$34,021	$38,784
Level 1 Wage Parity	*Wage Parity High School*	*$18,114*	$16.36	$57,849	$65,948
Level 2 Salary Parity	*Salary Parity CDA*	*$13,741*	$11.06	$39,124	$44,601
Level 2 Wage Parity	*Wage Parity CDA*	*$20,137*	$18.81	$66,512	$75,824
Level 3 Salary Parity	*Salary Parity Associates Degree*	*$15,112*	$12.72	$44,993	$51,292
Level 3 Wage Parity	*Wage Parity Associates Degree*	*$22,465*	$21.63	$76,484	$87,192

The Workforce Compensation Schedule recommends that a Level 1 employee with a high school degree be compensated with an annual salary of $34,021. This is higher than the FCC baseline prototype income. To find the hourly wage equivalent of a salary, divide the yearly salary by 2,080. This is 40 hours per week multiplied by 52 weeks. In this example, the teacher would make an annual salary of $34,021, which is equivalent to an hourly wage of $16.36. To compare these hourly wages and annual salary to a worker who works 68 hours per week would be as follows:

- *Salary Equity*: In this example, a provider would earn $34,021 annually based on a 40 hour week. However, based on a 68 hour week, the equivalent wage for the FCC provider is $9.62 per hour.
- *Wage Equity:* If the provider in this example were to earn $16.36 per hour and work 68 hours per week, their annual salary would be $57,849.

The implications of paying FCC owner-operators parity with the proposed Workforce Salary Compensation for Center-based providers is not inconsequential. If the FCC owner-operator had an Associate's Degree in Early Childhood Education and received benefits,

the increase in average annual costs to families would range between 40% (salary-parity) and 108% (wage-parity) per child.

4.1 Conclusion

The purpose of this analysis was to perform a Narrow Cost Analysis of Licensed Family Child Care Centers. This analysis created a prototype of FCC providers based on the structure permitted by Connecticut statute and a review of the 211 Provider Database. The prototype featured two infants under 18 months, four preschool-aged children and three school-age children receiving before and after school care. The number of children enrolled at any given time is subject to a 63.4% efficiency rate in this study. This suggests that providers have unfilled slots at least part of the year.

In the base case, this analyses estimates the annual average cost per child at an FCC is $10,759. At this payment rate, the prototype provider takes home $30,046. If the provider works a 68 hour workweek, this figure implies an hourly wage of $8.50. This hourly wage is well below the Connecticut minimum wage. This suggests FCC providers work long hours for little pay.

Current Care 4 Kids tuition rates are $11,804 for infants and toddlers (44th percentile MRS 2022), $9100 for preschool-age children (6th percentile of MRS 2022), and $8476 for school-age children (77th percentile of MRS 2022). Given the child ages served by this prototypical center, the Care 4 Kids rates would cover 89% of the cost of care.

Additional analyses were conducted using the Workforce Compensation Schedule suggested for Connecticut Center-based providers. These scenarios considered parity by paying the same salary or by paying the same hourly wage. For a FCC provider to be paid according to the Workforce Compensation Schedule with an Associate's Degree in Early Childhood Education, the annual child care cost to parents would range between $15,112 and $22,465; depending on salary and wage parity respectively.

This study had some limitations. The analysis used existing data sources; most of which are publicly available. The data and the results do not reflect the specific costs and revenue any provider per se. Instead, this study used the PCQC to assess a prototype provider that is representative of the field. Another important caution is around the vacancy rate assumption. Vacancy rates are the difference between desired enrollment and actual enrollment. This study evaluated this rate with the most recently available data at the time of writing, December 2021. To the extent that vacancy rates were higher than usual at this time, these values may underestimate revenues. As a result, these findings are illustrative and subject to further refinement and scrutiny.

Appendix 1: Family Child Care Data

Figure A: Direct Licensed Family Child Care Expenses

Family Child Care Homes: 100% Business Use Expenses	Range	Central Tendency	PCQC Default	Recommendation
Advertising	$113 – $720	$200	$150	$200
Vehicle expenses	$206 – $275	---	$275	$608
Depreciation (equipment)	$248 – 330	$300	$330	$300
Insurance (liability, accident)	$375 – $1,575	$700	$495	$660
Interest (paid on business debt)	$120 - $130	$120	$130	$120
Legal & professional fees (accountant, payroll service, tax prep, credit card processing)	$495 – $1,296	$850	$660	$850
Office supplies (pens, postage, printing, paper, computer software)	$150 – $1,313	$500	$200	$720
Repairs & maintenance (directly for child care including cleaning & exterminating fees)	$240-$1,446	$265	$265	$265

Figure A continued: Direct Licensed Family Child Care Expenses

Family Child Care Homes: 100% Business Use Expenses Continued	Range	Central Tendency	PCQC Default	Recommendation
Supplies (arts and crafts, toys, books, games, consumable materials for children)	$375 – $3,320	$1,057	$500	$1,094
Food (and related supplies, paper goods, etc.)	$870 – $7,832	$7,650	$6,500	$7,650
Telephone/Internet (if used exclusively for business use)	$360 – $1,790	$500	$1,000	$400
Training/Professional Development	$123 – $480	$280	$250	$280
Professional Membership Dues & Subscriptions	$83 – $900	$300	$110	$50
Licenses and Permits	$75 – $3,916	$110	$110	$110
Other	$56 –$2,520	---		---

Figure B: Shared Licensed Family Child Care Expenses

Categories	Range	Central Tendency	PCQC Default	Recommendation
Either: Mortgage Interest & Property Taxes & Depreciation OR Rent/Lease	$5,140 – $13,181	$13,500	$13,181	$17,293
Homeowner's/Renter's Insurance	$555 – $1,465	$900	$740	$1,184
Repairs and Maintenance	$482 – $2,111	$1,172	$550	$1,280
Utilities	$1,485 – $4,300	$2,614	$1,980	$2,614
Supplies (household supplies, paper products, cleaning supplies)	$199 – $360	$300	$265	$300

This analysis assumes the entire home is used for the business because it requires supply, equipment and toy storage space, food storage and preparation, and restrooms, among

other areas of the home including bedrooms that may be used for sick children. To understand the degree to which expenses are shared, the physical size of the home is irrelevant as this study assumes 100% of the home is available for the business. The shared expense relies on the assumptions about the hours worked per week as a fraction of 168 hours per week. In this case, the provider works an estimated 68 hours per week including 55 hours as direct services and an additional 13 hours in bookkeeping, preparation and cleaning.

Figure C: Time Space Share Calculation

Categories	Range	Central Tendency	PCQC Default	Recommendation
Time-Space %	20%	20%	20%	40%
Hours Worked per Week	59.3 – 68 hours	68 hours	68 hours	68 hours
Space in Home Used for Child Care (Sq. Ft.)	1,800	---	---	---
Total Space in Home (Sq. Ft)	1,800	---	---	---

The table below shows the statewide, enrollment-weighted tuition for licensed family child care homes. This is the 50th percentile average from the 2022 MRS used to estimate revenues.

Figure D: Average Tuition Rates for Licensed Family Child Care by Child Age (MRS 2022)

Base Case	Mean Regional Range	Central Tendency (Enrollment-Weighted Statewide)	Recommendation
Infant/Toddler	$183-$255	$250	$250
Preschool	$177-$237	$245	$245
School-Age	$81-$114	$130	$130

Appendix 2: State and Area Study Citations

Anne Mitchell, "The cost of quality child care study: A community release and recommendations" (Fort Worth, TX: Workforce Solutions for Tarrant County and Workforce Solutions Greater Dallas County, 2017), available at http://earlylearningntx.org/wpcontent/uploads/2017/07/Cost-of-Quality-Study.pdf.

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