



ILLINOIS FISCAL YEAR 2022 NARROW COST ANALYSIS REPORT

Supplement to the Child Care Market Rate Survey
Updated June 2022

Illinois Department of Human Services Division of Early Childhood

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Executive Summary

As a requirement of the Federal Child Care Development & Block Grant (CCDBG), the Illinois Department of Human Services (IDHS) Division of Early Childhood (DEC) currently utilizes a market rate survey¹ to analyze whether child care subsidies adequately allow child care subsidy recipients equitable choice and access among child care providers.

Market Rate Survey: A market rate survey measures the prices charged by providers and paid by parents in a given child care market within specific geographies. As such, market rate surveys only capture data on the *price* of child care, not the *cost* of child care in a given market. The price of care is the fee per child paid by non-subsidized families for child care services or, when serving a family receiving assistance, the subsidy payment rate plus the family's co-payment.

Going forward, in addition to the market rate survey, states must complete a narrow cost analysis to estimate child care providers' cost of care, rather than price of care. The cost of child care is the current actual cost of the program (including personnel, facilities, equipment, supplies, etc.) for providing child care services when all contributions are considered.

Narrow Cost Analysis: Broadly, a narrow cost analysis measures the current cost for current providers to offer child care to families that meets current requirements. The purpose of a narrow cost analysis is to provide additional information for states to consider when setting payment rates, but states can determine how much weight to assign its outcomes in the rate-setting process. Per the Administration for Children and Families (ACF), "While Lead Agencies do not need to set rates based on the analysis, states are expected to evaluate the gap between costs and payment rates as part of their strategic, long-term approach to setting rates that support equal access."

Methodology: To assess child care providers' cost of care today through a narrow cost analysis, IDHS-DEC worked to develop a dynamic cost model engine that estimates the cost to provide care that meets today's child care licensing standards and the cost to meet requirements for the State's Quality Rating and Improvement System (QRIS), ExceleRate Illinois. Methodology and input assumptions were informed by federal requirements, review of other states' submissions, existing Illinois practice, the State's past cost modeling efforts, and the Illinois Salary & Staffing Survey of Licensed Child Care Facilities FY2021 report data².

Outcomes: Outcomes of this narrow cost analysis provide estimated costs per classroom for Licensed Child Care Centers ("Centers") and by program for Licensed Family Child Care Homes ("FCC Homes") and Licensed Family Group Child Care Homes ("FCC Group Homes"). Today's center costs per classroom range from \$145K to \$247K, with differences therein across geographies, ages, and quality level. Today's FCC Home costs per program range from \$69K to \$95K, and today's FCC Group Home costs per program range from \$105K to \$128K with differences therein across geographies and quality level. The full report provides details of methodology and assumptions in this analysis as well as detailed outcomes of the analysis.

Implications:

While IDHS-DEC believes this narrow cost analysis is an important step in its journey to better understand the cost of care and how to fund it, it is important to understand that the costs reflected in this analysis are not reflective of the State's vision for services that our children and families need.

The narrow cost analysis estimates the current costs that providers incur today to meet what is *required* through child care licensing standards and by ExceleRate Illinois Circle of Quality as it is implemented today - it is not an analysis of the cost of all services that providers may provide (or that children may need) above and beyond licensing standards or the costs associated with services in an adequate system. For example, the narrow cost analysis relies upon current

¹ [Market Rate Survey of Licensed Child Care Programs in Illinois Fiscal Year 2021](#)

² [Illinois Salary & Staffing Survey of Licensed Child Care Facilities: FY2021](#)

personnel costs for both programs meeting child care licensing standards and programs that have earned ExceleRate Illinois Circles of Quality. These personnel costs are accurate for current providers to offer current levels of child care in their communities; however, they may not be adequate to expand the workforce, support more advanced qualifications, or reduce turnover.

Over time, IDHS-DEC seeks a system that provides adequate, equitable, and quality services to children and families, and ensures additional funding is directed to improving educator and staff qualifications and compensation, along with other resources necessary to meet Illinois' vision of effective, high-quality early childhood education and care environments.

Future Recommendations: To that end, while IDHS-DEC is confident in its approach for the FY 2022 narrow cost analysis in this first study, there are ways in which this analysis, its assumptions, and its data sources can improve over time to become more accurate and representative of the cost to provide high-quality care at scale across the State. In future phases of cost analysis work, IDHS-DEC will explore the use of working groups to 1) refresh and update non-personnel cost assumptions that the State has used in past modeling efforts and 2) better understand provider models used for services for school aged children, which can look very different by provider and by type of care (summer care vs. before and after care). Additionally, IDHS-DEC will work to update state-administered surveys to inform narrow cost analysis inputs for future years.

Introduction

The Illinois Department of Human Services (IDHS) Division of Early Childhood (DEC) currently utilizes the market rate survey to analyze whether child care subsidies adequately allow child care subsidy recipients equitable choice and access among child care providers. The market rate survey is a price-based analysis that assesses what families currently pay for care, and many states, including Illinois, have historically used market prices to determine and set reimbursement rates for child care subsidies (or “assistance rates”). However, prices in the child care market often do not reflect the actual costs of providing care - child care providers may set their prices based on what local families can afford rather than setting prices to cover their total costs. In addition to the market rate survey, states must complete a narrow cost analysis to estimate child care providers’ cost of care. This is required by the Administration for Children and Families (ACF) per Program Instruction CCDF-ACF-PI-2018-04 and 45 CFR § 98.45.

The purpose of a narrow cost analysis is to provide additional information for states to consider when setting payment rates, but states can determine how much weight to assign the narrow cost analysis outcomes in the rate-setting process. Per the ACF, “While Lead Agencies do not need to set rates based on the narrow cost analysis, states are expected to evaluate the gap between costs and payment rates as part of their strategic, long-term approach to setting rates that support equal access.”³ In addition to considering the narrow cost analysis in rate setting, Illinois also views this analysis as a resource to think more broadly about early childhood education and care program funding, including alternate funding mechanisms beyond rates that may incentivize quality improvement.

Through a narrow cost analysis, states are required to:

1. Determine providers’ cost of care across varying levels of “quality”: (a) base quality, which is the implementation of health safety, quality, and staffing requirements, and (b) higher quality, as defined by the Lead Agency;
2. Determine providers’ cost of care across relevant variation by geographic location, category of provider, and the age of the child; and
3. Submit a narrow cost analysis report to the ACF, U.S. Department of Health and Human Services

States have significant flexibility and discretion in the development and use of the narrow cost analysis. Notably:

1. States should determine how much weight to assign these results in the rate-setting process;
2. Advance ACF approval is not required; and
3. States have significant flexibility in determining the approach and methodology. Approach is not limited to but can be informed by (a) using information from existing studies, (b) developing a cost model using the publicly available Provider Cost of Quality Calculator (PCQC), (c) conducting a limited cost survey or study, (d) examining cost differentials for higher-quality care, and/or (e) using information from the market rate survey data.

IDHS-DEC has worked to assess and codify child care providers’ cost of care through this report, the State’s first narrow cost analysis. This report includes Illinois’ vision for the use of this analysis, a summary of methodology taken, assumptions made, findings, limitations, and future recommendations for this analysis.

Illinois’ Vision and Implications for the Narrow Cost Analysis

This federal requirement aligns with the State’s existing direction - it is the beginning of a *journey to better understand the cost of child care and how to fund it.* In the short-term, IDHS-DEC can use the narrow cost analysis to: (1) understand the differences between Child Care Assistance Program (CCAP) subsidy rates today and the cost to providers to offer care that meets current requirements, (2) investigate cost drivers – and their impact on provider/program financial sustainability – more deeply, and (3) assess options for funding for quality, including contracts to support the early childhood workforce, similar to the Strengthen & Grow Child Care Grants⁴.

³ [ACF Program Instruction CCDF-ACF-PI-2018-04](#)

⁴ [Strengthen and Grow Child Care Grants](#)

In the long-term, IDHS-DEC envisions using the narrow cost analysis to: (1) improve the State’s understanding of the “true cost” for providers to sustainably offer higher quality child care at scale, (2) move towards setting rates more equitably using cost of care in the context of the overall early childhood education and care funding system, (3) help map future funding for higher quality through certificates and/or contracts, and (4) understand the overall financial impact of evolving costs, including compensation increases.

While IDHS-DEC believes this narrow cost analysis is an important step in its journey to better understand the cost of care and how to fund it, it is important to understand that the costs reflected in this analysis are not reflective of the State’s vision for services that our children and families need.

The narrow cost analysis estimates the current costs that providers incur today to meet what is *required* through child care licensing standards and by ExceleRate Illinois Circle of Quality as it is implemented today - it is not an analysis of the cost of all services that providers may provide (or that children may need) above and beyond licensing standards or the costs associated with services in an adequate system. For example, the narrow cost analysis relies upon current personnel costs for both programs meeting child care licensing standards and programs that have earned ExceleRate Illinois Circles of Quality. These personnel costs are accurate for current providers to offer current levels of child care in their communities; however, they may not be adequate to expand the workforce, support more advanced qualifications, or reduce turnover.

Over time, IDHS-DEC seeks a system that provides adequate, equitable, and quality services to children and families, and ensures additional funding is directed to improving educator and staff qualifications and compensation, along with other resources necessary to meet Illinois’ vision of effective, high-quality early childhood education and care environments.

Methodology

To assess child care providers’ cost of care through a narrow cost analysis, IDHS-DEC worked to develop a dynamic cost model engine that estimates the cost to provide care that meets today’s child care licensing standards and the cost to meet requirements for the State’s Quality Rating and Improvement System (QRIS), ExceleRate Illinois. The model incorporates assumptions for expenditures associated with providing care and calculates costs differentiated by geographic region within the State, type of care, quality tier, and age of child served. Like most cost models, it was built to calculate costs for theoretical providers, meant to represent the average provider experience across the State, with varying input assumptions across these lines of differentiation. For each child care setting, associated staffing patterns, wage assumptions, and non-personnel costs were incorporated to calculate provider costs – staff wages and rent (a non-personnel cost) vary based on geographic region of the State. The model is structured to allow for scenario and sensitivity analysis based on varying input assumptions that can be updated annually.

Cost driver input assumptions for the analysis have been informed by financial modeling, surveys, data collection, and studies that have been conducted by the State in the recent past, as well as by conversations with local experts and stakeholders.

Past Illinois Early Childhood Education and Care (ECEC) Cost Models and Analyses: As part of the Illinois Commission on Equitable Early Childhood Education and Care Funding (“Funding Commission”) report, published in February 2021⁵, an Adequacy Cost Model was developed to estimate the cost of *adequate* education and care across the Illinois ECEC mixed delivery system. Various methods were used in consultation with numerous public agencies and private stakeholders to estimate an adequate cost of care including:

- To understand the current true operating expenses of early childhood education programs, Illinois Action for Children distributed a survey to ECEC programs across the State;

⁵ [Illinois Cost Model for Early Childhood Education and Care Services](#)

- A nationally recognized cost-modeling tool, the Provider Cost of Quality Calculator (PCQC), was used to supply additional data for consideration for non-personnel costs in child care centers and family child care homes;
- Data from the Illinois Facilities Fund (IFF) was utilized to adjust some non-personnel costs, such as rent; and
- A Funding Adequacy Workgroup reviewed the model and its components with provider focus groups.

While the Adequacy Cost Model estimates the cost of providing *a future state* of adequate, high-quality ECEC services to all families in Illinois, the narrow cost analysis is intended to reflect *the cost of care as it is today* that meets child care licensing standards and higher levels of quality. Many cost input assumptions from the Adequacy Cost Model were utilized for non-personnel cost assumptions in the narrow cost analysis, with some adjusted (and some removed) to reflect current costs that providers incur today to meet licensing requirements.

In addition to the Adequacy Cost Model, IDHS-DEC has recently utilized cost modeling to inform an analysis on the impact of increasing the minimum wage across the State. While this analysis focused on estimating costs for licensed child care centers only, research-based assumptions in this model informed inputs to areas on the narrow cost analysis as well.

Illinois Salary & Staffing Survey of Licensed Child Care Facilities FY2021 report data: IDHS is mandated by legislative rule 20 ILCS 505/5.151 to conduct a survey of the workforce in licensed child care facilities every two years. Preliminary Fiscal Year 2021 Salary Survey⁶ data results on median wages by position type were used to inform wage inputs for providers' personnel costs in the narrow cost analysis. Illinois Network of Child Care Resource and Referral Agencies (INCCRRA), the organization that conducts the survey, provided data formatted in a way to best fit the narrow cost analysis parameters – by the relevant geographies within Illinois, by position type, by quality tier, and by varying levels of staff credentials. Because the statewide minimum wage and the Chicago minimum wage has increased from the time the data was reported to FY 2022, the narrow cost analysis assumes proportional increases to wages included in the data of this survey.

Child Care Restoration Grant provider data: The Child Care Restoration Grants Program (CCRG) was designed by IDHS-DEC and administered by INCCRRA to help sustain child care providers during the COVID-19 pandemic. Almost 5,000 licensed child care programs were awarded grants in 95 counties in Illinois (out of 102)⁷. INCCRRA provided data on all CCRG award recipients, specifically on each provider's facility type, geographic location, licensed capacity, total enrollment, staffing positions, and count of staff. The narrow cost analysis utilizes this data to inform the assumptions for an average program size and the various staffing models of family child care homes for the modeled theoretical providers.

Discussions with Local Experts and Stakeholders: In addition to stakeholder engagement that went into past State work on cost modeling and survey administration, as described above, IDHS-DEC utilized a May 2022 convening of the State's Child Care Advisory Council (CCAC) to solicit feedback and discuss: (1) the purpose of the narrow cost analysis – what it is, what is required, and what its intended use is, (2) the State's vision for the analysis, (3) past and ongoing work toward completing the analysis, (4) approaches for major cost input and output assumptions, and (5) upcoming milestones. IDHS-DEC also held regular check-ins to discuss approach, data, and assumptions for the narrow cost analysis with the Early Childhood Transformation Team (ECTT) and Afton Partners. The ECTT is a public-private partnership between the State of Illinois and Northern Illinois University guided by the recommendations of the Funding Commission to transform Illinois' early care and education system through an equity lens. Afton Partners is a national consulting firm that partners with state agencies, public school systems, funders, and advocates to provide a wide range of funding, governance, and operational guidance.

⁶ [Illinois Salary & Staffing Survey of Licensed Child Care Facilities: FY2021](#)

⁷ [Child Care Restoration Grants 2020](#)

Review of other state’s narrow cost analysis reports: IDHS-DEC reviewed publicly available narrow cost analysis report submissions from other states to better understand the variety of ways in which other states approached cost modeling assumptions and shared findings. At the time of this report, while most states have not yet published narrow cost analysis findings, reports from nine other states were reviewed. As expected, and as states have flexibility and discretion in their approach to the narrow cost analysis, IDHS-DEC found that other states’ narrow cost analyses varied significantly in style, approach, depth of detail shared, and structure of findings reported.

Assumptions

To build the narrow cost analysis, the Lead Agency must determine how to include key provider expenditure assumptions. Based on federal requirements, review of other states’ submissions, and existing Illinois practice, the narrow cost analysis differentiates the cost of care across provider settings, quality tiers, state geographies, and age groups as follows:

- **Provider Settings (3)** – Licensed Child Care Centers (“Centers”), Licensed Family Child Care Homes (“FCC Homes”), and Licensed Family Group Child Care Homes (“FCC Group Homes”).
- **Quality Tiers (4)** – Licensed, ExceleRate Bronze, ExceleRate Silver, and ExceleRate Gold Circles of Quality.
- **State Geographies (3)** – CCAP county groupings for Regions 1A, 1B, and 2. Group 1A consists of seven urban counties (Cook and collar counties). Group 1B consists of sixteen counties that have at least one urban area. Group 2 consists of all other counties in Illinois, which are primarily rural.
- **Age Groups (4)** – Infants and Toddlers, Two-Year-Olds, Preschool Eligible Children, and School Aged Children. While the CCAP subsidy rate is the same for Infants and Toddlers as a single age group, licensing standards require smaller group sizes for Infants. The narrow cost analysis shows costs for this age group both combined and separated.

Using Licensing Standards as a Guide to Cost Modeling Assumptions: The 2022 ExceleRate Illinois Quality Standards Overview for Child Care Centers and for Licensed Family Child Care⁸ provides an overview of the standard requirements for each Circle of Quality for centers, FCC homes, and FCC group homes. As noted in in the Methodology section, IDHS-DEC built the narrow cost analysis to estimate current costs that providers incur today to meet what is *required* through today’s child care licensing standards, by quality tier - it is not an analysis of the cost of all services that providers may provide above and beyond licensing standard requirements. The following services, while included in the Adequacy Cost Model, are excluded from the narrow cost analysis as they represent costs above and beyond what is required through licensing standards: Early Intervention (EI) services, dual language services, early childhood special education (ECSE) services, transportation for children, staff qualification requirements above and beyond what is required by licensing standards or respective ExceleRate Illinois Circle of Quality, and the compensation and/or benefits levels to recruit and retain them.

Summary of Cost Assumptions: When modeling expenditures for a theoretical provider, assumptions must be made on provider size, enrollment as a percentage of capacity, group sizes and staff count, credential level of staff, staff wages and benefits, and individual non-personnel expenditures associated with providing care. While more detail on approach to assumptions follows, below is a table summarizing IDHS-DEC’s approach to major assumptions:

⁸ [2022 ExceleRate Illinois Quality Standards Overview for Child Care Centers](#); [2022 ExceleRate Illinois Quality Standards Overview for Licensed Family Child Care](#)

SIZE, CHILD COUNT, AND RATIOS

Classroom Count	<ul style="list-style-type: none">• by age group, variable input• analyzed provider enrollment and capacity data to understand size range and impact
Child Count and Ratios	<ul style="list-style-type: none">• Licensed, and ExceleRate Bronze and Silver Circles of Quality - (DCFS) Licensing Standards on group size and staff/child ratios by age group• ExceleRate Gold Circle of Quality - maximum allowable group sizes by age group for Gold (assumes no exemptions)

STAFFING AND CREDENTIALS

Staff Count Centers

Director/Admin	1 Director, 1 Administrative Assistant
Teachers/Assistants	1 each, per classroom (by age group)
Classroom Aides	1 per classroom - Infant and Toddler classrooms only
Floater Teacher/Subs	0.4 per classroom

Staff Count FCC Homes and Group Homes

Caregiver/ Owner	1
Aides	variable: +0.5, +1, or +1.5 depending on child count and age of children served
Staff Credentials	<ul style="list-style-type: none">• Licensed - DCFS minimum credential / Level 1• Higher Quality: ExceleRate Bronze, Silver, and Gold Circles of Quality - minimum ExceleRate Standards, increased staff credential requirements with higher levels of quality

PERSONNEL EXPENDITURES - WAGES AND BENEFITS

Staff Wages	<ul style="list-style-type: none">• Licensed - utilize Salary Survey data by staff type, increased for minimum wage increases (no compression)• Higher Quality: ExceleRate Bronze, Silver, and Gold Circles of Quality - assume % increase above Salary Survey data for each credential level above DCFS minimum in line with expected/desired wages for higher credentialed staff
Staff Benefits	Assume FICA, Health Insurance, Workers Comp, and Retirement Benefits for each employee

NON-PERSONNEL EXPENDITURES

Non-personnel expenditures	Leverage per child, per classroom, and per site expenditure assumptions from State's past modeling efforts
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SIZE, CHILD COUNT, AND RATIOS

Classrooms/Provider Size: For Centers, the model assumes the theoretical center serves one classroom per age group – Infants, Toddlers, Two-Year-Olds, Preschool Eligible Children, and School Aged Children – for five classrooms in total. Because center size and count of classrooms by age group served varies substantially across centers in the State, IDHS-DEC ran scenarios with varying counts of classrooms by age group to better understand the impact of provider size on cost per child. The assumption of one classroom per age group both allows for each age group in the analysis to be represented in the theoretical center used and yields a center total licensed capacity close to the median licensed capacity as reported in the Child Care Restoration Grants Program (CCRG) data analyzed (see Methodology).

For Homes and Group Homes, the size of the program depends on (a) the staffing model used and (b) the age of the children in the program. Homes can be staffed multiple different ways - a Caregiver only vs. a Caregiver and Full- and/or Part-time Assistants. Depending on the staffing model assumed and the age of children in the theoretical program, the cost per child in a home setting can vary substantially. The narrow cost analysis first estimates the cost of FCC Homes and Group Homes individually for each staffing model, and then calculates the final FCC Home and Group Home costs by geography as a weighted average of the total staffing model costs. Weights for the weighted average cost were

determined by the count of homes in each staffing model (as a percentage of total homes) as reported in INCCRRA’s CCRG provider data, shown below:

	FCC Homes			FCC Group Homes		
	IA	IB	II	IA	IB	II
Caregiver Only	50%	61%	57%	22%	16%	15%
Caregiver + 1 Assistant	33%	26%	26%	19%	20%	29%
Caregiver + >1 Assistant	17%	13%	17%	58%	64%	56%

Enrollment Efficiency: The Provider Cost of Quality Calculator (PCQC) user guide defines “enrollment efficiency” as the provider’s actual enrollment compared to staffed capacity (the number of children that a program is staffed to care for). While providers may plan and staff for their licensed or operational capacity, the enrollment represents the portion of a provider’s capacity that is actively filled. Data analyzed includes licensed capacity (the count of children a provider is licensed to serve), but data on operational capacity (the count of children a provider would ideally serve given licensed capacity, facility capacity, staffing challenges, and other operational constraints) was limited. Based on anecdotal evidence and provider self-reporting, actual enrollment efficiency varies substantially across the State and has been impacted more recently by both the COVID-19 pandemic and national staffing shortages in the sector. In the past, Illinois has used 85% capacity for the assumed enrollment efficiency factor, and based on research and the PCQC user guide, the industry standard is to keep enrollment at or above 85 percent of desired or staffed capacity. This version of the narrow cost analysis assumes 85% enrollment efficiency factor for each provider type.

Group Sizes and Staffing Ratios: IDHS-DEC worked to codify the differences in group size, staffing, and staff credential requirements by ExceleRate quality tier into the narrow cost analysis. This analysis assumes the maximum allowable group size by age group per Illinois Department of Children and Family Services (DCFS) licensing standards on group size and child: staff ratios – details of which, by quality tier, can also be found in the 2022 ExceleRate Illinois Quality Standards Overview for Child Care Centers and for Licensed Family Child Care⁹. For Licensed, ExceleRate Bronze, and ExceleRate Silver Circles of Quality, the allowable group sizes are the same and consistent with those required by licensing. For ExceleRate Gold Circle of Quality, allowable group sizes by age group are smaller – the analysis assumes no exemptions to class size requirements for Gold. The table below shows the assumed group sizes for centers:

CENTER GROUP SIZES	LICENSED, BRONZE, & SILVER	GOLD
Infants	12.0	8.0
Toddlers	15.0	12.0
Two-Year-Olds	16.0	12.0
Preschool Eligible	20.0	20.0
School Age	30.0	30.0

For FCC Homes and Group Homes, while there are various configurations of enrollment allowable for each staffing model, the narrow cost analysis includes scenarios in which each age group is fully represented, making sure each staffing model meets the maximum allowable group sizes, shown below:

⁹ [2022 ExceleRate Illinois Quality Standards Overview for Child Care Centers](#); [2022 ExceleRate Illinois Quality Standards Overview for Licensed Family Child Care](#)

HOME GROUP SIZES	LICENSED, BRONZE, & SILVER	GOLD
Caregiver only	8.0	6.0
Caregiver + 1 Assistant	12.0	12.0
Caregiver + > 1 Assistant	16.0	12.0

STAFFING AND CREDENTIALS

The table below shows staffing assumptions by position type for centers in the narrow cost analysis:

Position	Count	Unit
Site Director	1.0	Per Site
Administrative Assistant	1.0	Per Site
Additional Professional Staff	1.0	Per Site (only if total enrollment > 125)
Teacher	1.0	Per Classroom (by age group, all age groups)
Teacher Assistant	1.0	Per Classroom (by age group, all age groups)
Classroom Aides	1.0	Per Classroom (Infants and Toddler rooms only)
Lead Floater Teacher/Sub	0.4	Per Classroom (all age groups)

For Homes and Group Homes, per the noted assumptions on provider size above, homes can be staffed multiple different ways. The narrow cost analysis assumes three different staffing models (each with different allowable enrollment configurations).

- For homes, staffing models in the narrow cost analysis include: 1 Caregiver/owner only, 1 Caregiver/owner + 0.5 aide, and 1 Caregiver/owner + 1 aide.
- For group homes, staffing models in the narrow cost analysis include: 1 Caregiver/owner only, 1 Caregiver/owner + 1 aide, 1 Caregiver/owner + 1.5 aides.

Per minimum staffing qualification and credential requirements in the ExceleRate standards, a higher proportion of staff are required to have attained higher levels of credentials for each higher Circle of Quality. The table below shows what the narrow cost analysis model assumes as the codified minimally required proportion of staff required at each credential level for each quality tier.

POSITION	DEGREE/CREDENTIAL	LICENSED	BRONZE	SILVER	GOLD
Site Director	AA + Director Level 2	0%	0%	0%	100%
	AA + Director Level 1	0%	0%	100%	0%
	AA	100%	100%	0%	0%
Teacher	BA + ECE Level 5	0%	0%	0%	20%
	AA + ECE Level 4	0%	0%	0%	20%
	ECE Level 3	0%	0%	30%	0%
	ECE Level 2	0%	30%	0%	0%
	DCFS min/ECE Level 1	100%	70%	70%	60%
Assistant Teacher	AA + ECE Level 4	0%	0%	0%	40%
	ECE Level 3	0%	0%	30%	0%
	ECE Level 2	0%	30%	0%	0%
	DCFS min/ECE Level 1	100%	70%	70%	60%

WAGES AND BENEFITS

Wages: IDHS-DEC leveraged Illinois Salary and Staffing Survey report data to use for wages in centers meeting “base” child care licensing standards (see Methodology section for more details). After reviewing data on median hourly wages differentiated by position type, CCAP geography, quality tier, and credential level, it became apparent that actual wage

experience in the field has been impacted by credential requirement waivers for higher quality settings in light of staffing shortages. For *higher quality* centers, the narrow cost analysis assumes an expected wage differential by credential level – these assumed increases are based on past and ongoing work by the Governor’s Office and ECTT. For each increasing level of credential attained, the narrow cost analysis assumes an increasing percentage over the DCFS minimum credential level wage, effectively leading to higher average wages in higher quality settings.

For Homes and Group Homes, similar to the Adequacy Cost Model, the narrow cost analysis assumes an hourly wage for Caregivers and owners based on comparable staff wages in centers. For the narrow cost analysis, FCC Home and Group Home Caregivers are assumed to earn an hourly wage 15% above a center’s teacher wage in the same quality tier and geography, and additional home staff (aides or general employees) wages are pegged to a center’s teacher assistant wages.

Payroll Taxes and Employee Benefits: The narrow cost analysis assumes costs to the provider for providing full benefits for all staff.

- Social Security and Medicare: 7.65% of wages
- Health Insurance: average of \$5,408 per staff, based assumptions developed for the Funding Adequacy Model
- Worker's Compensation: 1.15% of wages
- Retirement: average of 3.9% of wages, based assumptions developed for the Funding Adequacy Model

Of note, the model assumes that programs provide health insurance and retirement benefits for their staff, although the Salary and Staffing Study data indicate that among child care centers only 52% offer health insurance and 50% offer retirement benefits.

NON-PERSONNEL EXPENDITURES

Per the Methodology section, the narrow cost analysis leverages the State’s past work on cost modeling and research for non-personnel cost assumptions, with some adjusted (and some removed) to reflect current costs that providers incur today to meet licensing requirements. The table below shows non-personnel expenditure assumptions for Centers.

Non-personnel Expenditure Item	Licensed, Bronze, Silver	Gold	Unit and Assumption
Food (food and kitchen supplies)	\$ 737	\$ 737	Estimated net cost of food after federal CACFP revenue. Varies by region, depending on proportion children assumed eligible for free or reduced lunch. Per child cost for Group 1B shown as example.
Legal/Audit/Acct support	\$ 3,000	\$ 3,000	Per Site
Maintenance/Repair/Cleaning	\$ 2,040	\$ 2,040	Per Classroom
Telephone & Internet	\$ 1,440	\$ 1,440	Per Site
Fees/Permits/Licenses/Taxes	\$ 500	\$ 500	Per Site
Education Supplies & Equipment	\$ 150	\$ 150	Per child
Insurance/Liability	\$ 150	\$ 150	Per child
Staff training & education	\$ 148	\$ 500	Per staff
Marketing, printing & postage	\$ 40	\$ 49	Per child
Office Supplies & Equipment	\$ 20	\$ 20	Per child
Rent/Lease	\$ 13.92	\$ 13.92	Per sq foot x1.05 for Group 1A. X0.9 for Groups 1B and 2.
Utilities (gas, electric)	\$ 2.23	\$ 2.23	Per sq foot
Child Assessment Tool	\$ -	\$ 15	Per child

Non-personnel Expenditure Item	Licensed, Bronze, Silver	Gold	Unit and Assumption
IT Support	\$ -	\$ 1,000	Per Classroom

The table below shows non-personnel expenditure assumptions for FCC Homes and Group Homes:

Non-personnel Expenditure Item	Licensed, Bronze, Silver	Gold	Unit and Assumption
Rent	\$ 12,000	\$ 12,000	Annual <i>x1.05 for Group 1A. X0.9 for Groups 1B and 2</i>
Utilities	\$ 4,300	\$ 4,300	Annual
Internet & Cell Phone	\$ 2,400	\$ 2,400	Annual
Maintenance/Cleaning	\$ 2,111	\$ 2,111	Annual
Food	\$ 134	\$ 134	Estimated net cost of food after federal CACFP revenue. Varies by region, depending on proportion children assumed eligible for free or reduced lunch. <i>Per child cost for Group 1B shown as example.</i>
Insurance	\$ 1,575	\$ 1,575	Per Staff Annually
Dues/Fees/Permits/Licenses	\$ 900	\$ 900	Annual
Accounting/Payroll Services	\$ 450	\$ 450	Annual
Professional Development	\$ 400	\$ 400	Per Staff Annually
Materials & Admin	\$ 200	\$ 200	Per Child Annually

Additional notes on non-personnel cost assumptions:

- **Food** – Providers are reimbursed for food and food service expenditures through incremental funding through the federal Child and Adult Care Food Program (CACFP). The expenditures for food and kitchen supplies included in this model represent an estimate of the cost to the provider above and beyond what the provider is reimbursed, representing a *net* cost. The estimated gross cost of food per child and the projected revenue reimbursement from the PCQC were used to calculate a net per-child cost for children qualifying in each category of free, reduced, or paid lunch. Illinois Early Childhood Asset Map (IECAM) data was used to estimate the proportion of children qualifying for free or reduced lunch, by CCAP region. The model assumes a net per child cost of food, differentiated by region, driven by demographic differences across regions.
- **Rent/Lease** – The analysis estimates rent (or occupancy cost) for centers on a per-square-foot basis, assuming 1,280 square feet per classroom. The analysis assumes \$14.62 per-square-foot for centers in region 1A and \$12.53 per-square-foot for centers in regions 1B and 2. For FCC homes and group homes, the analysis assumes a total \$12,600 rent cost for homes in region 1A and \$10,600 rent cost for homes in regions 1B and 2.
- **Profit/Reserves for Centers** – The analysis assumes an incremental 7% charge on top of total expenditures for contingency, and net income toward cash reserves building.

Summary of Findings

Outcomes of this analysis provide current estimated costs per classroom for Licensed Child Care Centers and by program for FCC Homes and FCC Group Homes. Center costs per classroom range from \$145K to \$247K, with differences therein across geographies, ages, and quality level. FCC Home costs per program range from \$69K to \$95K, and FCC Group Home costs per program range from \$105K to \$128K with differences therein across geographies and quality level.

The tables below show an estimate of total annual expenses, per classroom, for Licensed Child Care Centers. As noted in the Assumptions, maximum group sizes by age group are smaller for ExceleRate Gold Circle of Quality.

Licensed Center - Geography Group IA				
Total Expenses - Per Classroom	LICENSED	BRONZE	SILVER	GOLD
Infants & Toddlers	\$ 200,539	\$ 202,721	\$ 203,514	\$ 203,886
Infants	\$ 196,510	\$ 198,684	\$ 199,411	\$ 194,673
Toddlers	\$ 204,567	\$ 206,758	\$ 207,618	\$ 213,100
Two-Year-Olds	\$ 173,433	\$ 175,633	\$ 176,559	\$ 177,938
Preschool Eligible	\$ 185,518	\$ 187,745	\$ 188,869	\$ 205,578
School Age	\$ 221,773	\$ 224,081	\$ 225,799	\$ 247,040

Licensed Center - Geography Group IB				
Total Expenses - Per Classroom	LICENSED	BRONZE	SILVER	GOLD
Infants & Toddlers	\$ 174,072	\$ 175,297	\$ 176,010	\$ 174,346
Infants	\$ 170,306	\$ 171,525	\$ 172,179	\$ 165,779
Toddlers	\$ 177,839	\$ 179,069	\$ 179,841	\$ 182,914
Two-Year-Olds	\$ 153,476	\$ 154,710	\$ 155,543	\$ 154,784
Preschool Eligible	\$ 164,776	\$ 166,026	\$ 167,036	\$ 180,488
School Age	\$ 198,676	\$ 199,971	\$ 201,517	\$ 219,043

Licensed Center - Geography Group II				
Total Expenses - Per Classroom	LICENSED	BRONZE	SILVER	GOLD
Infants & Toddlers	\$ 165,788	\$ 166,914	\$ 167,583	\$ 165,930
Infants	\$ 162,186	\$ 163,308	\$ 163,921	\$ 157,730
Toddlers	\$ 169,389	\$ 170,520	\$ 171,245	\$ 174,130
Two-Year-Olds	\$ 144,861	\$ 145,997	\$ 146,777	\$ 146,000
Preschool Eligible	\$ 155,665	\$ 156,815	\$ 157,762	\$ 170,600
School Age	\$ 188,078	\$ 189,269	\$ 190,718	\$ 207,500

The tables below show an estimate of total annual expenses, FCC Homes programs. As noted in the Assumptions, count of children and mix of children by age group can vary in homes, and the home setting can be considered a single “classroom”, for purposes of comparing to centers. For this reason, costs are not broken out by age group for homes, and the cost per child in a given home may be considered the same for all age groups. Maximum group sizes by age group are smaller for ExceleRate Gold Circle of Quality.

Licensed Home - Geography Group IA				
Total Expenses	LICENSED	BRONZE	SILVER	GOLD
FCC Home Setting	\$ 93,531	\$ 94,854	\$ 94,854	\$ 83,434

Licensed Home - Geography Group IB				
Total Expenses	LICENSED	BRONZE	SILVER	GOLD
FCC Home Setting	\$ 81,214	\$ 81,935	\$ 81,935	\$ 74,308

Licensed Home - Geography Group II				
Total Expenses	LICENSED	BRONZE	SILVER	GOLD
FCC Home Setting	\$ 77,209	\$ 77,868	\$ 77,868	\$ 68,726

The tables below show an estimate of total annual expenses, FCC Group Homes.

Licensed Group Home - Geography Group IA				
Total Expenses	LICENSED	BRONZE	SILVER	GOLD
FCC Group Home Setting	\$ 124,300	\$ 126,198	\$ 126,198	\$ 128,225

Licensed Group Home - Geography Group IB				
Total Expenses	LICENSED	BRONZE	SILVER	GOLD
FCC Group Home Setting	\$ 112,881	\$ 113,980	\$ 113,980	\$ 111,077

Licensed Group Home - Geography Group II				
Total Expenses	LICENSED	BRONZE	SILVER	GOLD
FCC Group Home Setting	\$ 106,476	\$ 107,485	\$ 107,485	\$ 105,467

The tables below show an estimate of total annual expenses, for each setting, with costs broken out by personnel vs. non-personnel expenses.

Licensed Center - Geography Group IA								
Total Expenses - Per Classroom	LICENSED		BRONZE		SILVER		GOLD	
Infants & Toddlers - Personnel	\$ 152,567	76%	\$ 154,642	76%	\$ 155,383	76%	\$ 157,942	77%
<u>Infants & Toddlers - Non-Personnel</u>	<u>\$ 47,972</u>	24%	<u>\$ 48,079</u>	24%	<u>\$ 48,131</u>	24%	<u>\$ 45,944</u>	23%
Infants & Toddlers - Total	\$ 200,539		\$ 202,721		\$ 203,514		\$ 203,886	
Infants - Personnel	\$ 150,447	77%	\$ 152,522	77%	\$ 153,201	77%	\$ 152,894	79%
<u>Infants - Non-Personnel</u>	<u>\$ 46,064</u>	23%	<u>\$ 46,162</u>	23%	<u>\$ 46,210</u>	23%	<u>\$ 41,779</u>	21%
Infants - Total	\$ 196,510		\$ 198,684		\$ 199,411		\$ 194,673	
Toddlers - Personnel	\$ 154,687	76%	\$ 156,762	76%	\$ 157,565	76%	\$ 162,991	76%
<u>Toddlers - Non-Personnel</u>	<u>\$ 49,880</u>	24%	<u>\$ 49,997</u>	24%	<u>\$ 50,053</u>	24%	<u>\$ 50,109</u>	24%
Toddlers - Total	\$ 204,567		\$ 206,758		\$ 207,618		\$ 213,100	
Two-Year-Olds - Personnel	\$ 121,645	70%	\$ 123,719	70%	\$ 124,584	71%	\$ 127,828	72%
<u>Two-Year-Olds - Non-Personnel</u>	<u>\$ 51,788</u>	30%	<u>\$ 51,914</u>	30%	<u>\$ 51,974</u>	29%	<u>\$ 50,109</u>	28%
Two-Year-Olds - Total	\$ 173,433		\$ 175,633		\$ 176,559		\$ 177,938	
Preschool Eligible - Personnel	\$ 128,005	69%	\$ 130,080	69%	\$ 131,130	69%	\$ 142,973	70%
<u>Preschool Eligible - Non-Personnel</u>	<u>\$ 57,513</u>	31%	<u>\$ 57,665</u>	31%	<u>\$ 57,739</u>	31%	<u>\$ 62,605</u>	30%

Licensed Center - Geography Group IA				
Preschool Eligible - Total	\$ 185,518	\$ 187,745	\$ 188,869	\$ 205,578
School Age - Personnel	\$ 147,086 66%	\$ 149,161 67%	\$ 150,767 67%	\$ 165,690 67%
<u>School Age - Non-Personnel</u>	<u>\$ 74,687 34%</u>	<u>\$ 74,920 33%</u>	<u>\$ 75,032 33%</u>	<u>\$ 81,350 33%</u>
School Age - Total	\$ 221,773	\$ 224,081	\$ 225,799	\$ 247,040

Licensed Center - Geography Group IB				
Total Expenses - Per Classroom	LICENSED	BRONZE	SILVER	GOLD
Infants & Toddlers - Personnel	\$ 130,126 75%	\$ 131,290 75%	\$ 131,957 75%	\$ 132,348 76%
<u>Infants & Toddlers - Non-Personnel</u>	<u>\$ 43,946 25%</u>	<u>\$ 44,007 25%</u>	<u>\$ 44,053 25%</u>	<u>\$ 41,998 24%</u>
Infants & Toddlers - Total	\$ 174,072	\$ 175,297	\$ 176,010	\$ 174,346
Infants - Personnel	\$ 128,155 75%	\$ 129,319 75%	\$ 129,930 75%	\$ 127,663 77%
<u>Infants - Non-Personnel</u>	<u>\$ 42,151 25%</u>	<u>\$ 42,206 25%</u>	<u>\$ 42,249 25%</u>	<u>\$ 38,116 23%</u>
Infants - Total	\$ 170,306	\$ 171,525	\$ 172,179	\$ 165,779
Toddlers - Personnel	\$ 132,097 74%	\$ 133,261 74%	\$ 133,984 75%	\$ 137,033 75%
<u>Toddlers - Non-Personnel</u>	<u>\$ 45,742 26%</u>	<u>\$ 45,807 26%</u>	<u>\$ 45,858 25%</u>	<u>\$ 45,881 25%</u>
Toddlers - Total	\$ 177,839	\$ 179,069	\$ 179,841	\$ 182,914
Two-Year-Olds - Personnel	\$ 105,938 69%	\$ 107,103 69%	\$ 107,881 69%	\$ 108,903 70%
<u>Two-Year-Olds - Non-Personnel</u>	<u>\$ 47,537 31%</u>	<u>\$ 47,608 31%</u>	<u>\$ 47,662 31%</u>	<u>\$ 45,881 30%</u>
Two-Year-Olds - Total	\$ 153,476	\$ 154,710	\$ 155,543	\$ 154,784
Preschool Eligible - Personnel	\$ 111,852 68%	\$ 113,016 68%	\$ 113,961 68%	\$ 122,959 68%
<u>Preschool Eligible - Non-Personnel</u>	<u>\$ 52,924 32%</u>	<u>\$ 53,009 32%</u>	<u>\$ 53,075 32%</u>	<u>\$ 57,529 32%</u>
Preschool Eligible - Total	\$ 164,776	\$ 166,026	\$ 167,036	\$ 180,488
School Age - Personnel	\$ 129,593 65%	\$ 130,757 65%	\$ 132,201 66%	\$ 144,042 66%
<u>School Age - Non-Personnel</u>	<u>\$ 69,083 35%</u>	<u>\$ 69,214 35%</u>	<u>\$ 69,315 34%</u>	<u>\$ 75,001 34%</u>
School Age - Total	\$ 198,676	\$ 199,971	\$ 201,517	\$ 219,043

Licensed Center - Geography Group II				
Total Expenses - Per Classroom	LICENSED	BRONZE	SILVER	GOLD
Infants & Toddlers - Personnel	\$ 123,408 74%	\$ 124,479 75%	\$ 125,104 75%	\$ 125,165 75%
<u>Infants & Toddlers - Non-Personnel</u>	<u>\$ 42,380 26%</u>	<u>\$ 42,435 25%</u>	<u>\$ 42,479 25%</u>	<u>\$ 40,765 25%</u>
Infants & Toddlers - Total	\$ 165,788	\$ 166,914	\$ 167,583	\$ 165,930
Infants - Personnel	\$ 121,472 75%	\$ 122,543 75%	\$ 123,116 75%	\$ 120,573 76%
<u>Infants - Non-Personnel</u>	<u>\$ 40,715 25%</u>	<u>\$ 40,766 25%</u>	<u>\$ 40,806 25%</u>	<u>\$ 37,156 24%</u>
Infants - Total	\$ 162,186	\$ 163,308	\$ 163,921	\$ 157,730
Toddlers - Personnel	\$ 125,345 74%	\$ 126,416 74%	\$ 127,093 74%	\$ 129,756 75%
<u>Toddlers - Non-Personnel</u>	<u>\$ 44,045 26%</u>	<u>\$ 44,105 26%</u>	<u>\$ 44,152 26%</u>	<u>\$ 44,374 25%</u>
Toddlers - Total	\$ 169,389	\$ 170,520	\$ 171,245	\$ 174,130
Two-Year-Olds - Personnel	\$ 99,151 68%	\$ 100,222 69%	\$ 100,951 69%	\$ 101,626 70%
<u>Two-Year-Olds - Non-Personnel</u>	<u>\$ 45,710 32%</u>	<u>\$ 45,774 31%</u>	<u>\$ 45,825 31%</u>	<u>\$ 44,374 30%</u>
Two-Year-Olds - Total	\$ 144,861	\$ 145,997	\$ 146,777	\$ 146,000
Preschool Eligible - Personnel	\$ 104,960 67%	\$ 106,032 68%	\$ 106,917 68%	\$ 115,401 68%
<u>Preschool Eligible - Non-Personnel</u>	<u>\$ 50,704 33%</u>	<u>\$ 50,783 32%</u>	<u>\$ 50,845 32%</u>	<u>\$ 55,199 32%</u>
Preschool Eligible - Total	\$ 155,665	\$ 156,815	\$ 157,762	\$ 170,600
School Age - Personnel	\$ 122,389 65%	\$ 123,460 65%	\$ 124,814 65%	\$ 136,062 66%
<u>School Age - Non-Personnel</u>	<u>\$ 65,689 35%</u>	<u>\$ 65,809 35%</u>	<u>\$ 65,904 35%</u>	<u>\$ 71,438 34%</u>
School Age - Total	\$ 188,078	\$ 189,269	\$ 190,718	\$ 207,500

Licensed Home - Geography Group IA								
Total Expenses	LICENSED		BRONZE		SILVER		GOLD	
Personnel	\$ 65,805	70%	\$ 67,127	71%	\$ 67,127	71%	\$ 56,986	68%
Non-Personnel	\$ 27,727	30%	\$ 27,727	29%	\$ 27,727	29%	\$ 26,447	32%
Total Home Cost	\$ 93,531		\$ 94,854		\$ 94,854		\$ 83,434	

Licensed Home - Geography Group IB								
Total Expenses	LICENSED		BRONZE		SILVER		GOLD	
Personnel	\$ 55,453	68%	\$ 56,173	69%	\$ 56,173	69%	\$ 49,666	67%
Non-Personnel	\$ 25,761	32%	\$ 25,761	31%	\$ 25,761	31%	\$ 24,642	33%
Total Home Cost	\$ 81,214		\$ 81,935		\$ 81,935		\$ 74,308	

Licensed Home - Geography Group II								
Total Expenses	LICENSED		BRONZE		SILVER		GOLD	
Personnel	\$ 51,438	67%	\$ 52,097	67%	\$ 52,097	67%	\$ 44,112	64%
Non-Personnel	\$ 25,771	33%	\$ 25,771	33%	\$ 25,771	33%	\$ 24,614	36%
Total Home Cost	\$ 77,209		\$ 77,868		\$ 77,868		\$ 68,726	

Licensed Group Home - Geography Group IA								
Total Expenses	LICENSED		BRONZE		SILVER		GOLD	
Personnel	\$ 95,309	77%	\$ 97,206	77%	\$ 97,206	77%	\$ 99,666	78%
Non-Personnel	\$ 28,992	23%	\$ 28,992	23%	\$ 28,992	23%	\$ 28,559	22%
Total Group Home Cost	\$ 124,300		\$ 126,198		\$ 126,198		\$ 128,225	

Licensed Group Home - Geography Group IB								
Total Expenses	LICENSED		BRONZE		SILVER		GOLD	
Personnel	\$ 85,527	76%	\$ 86,626	76%	\$ 86,626	76%	\$ 84,329	76%
Non-Personnel	\$ 27,354	24%	\$ 27,354	24%	\$ 27,354	24%	\$ 26,748	24%
Total Group Home Cost	\$ 112,881		\$ 113,980		\$ 113,980		\$ 111,077	

Licensed Group Home - Geography Group II								
Total Expenses	LICENSED		BRONZE		SILVER		GOLD	
Personnel	\$ 79,279	74%	\$ 80,288	75%	\$ 80,288	75%	\$ 78,775	75%
Non-Personnel	\$ 27,197	26%	\$ 27,197	25%	\$ 27,197	25%	\$ 26,692	25%
Total Group Home Cost	\$ 106,476		\$ 107,485		\$ 107,485		\$ 105,467	

Limitations and Future Recommendations

Given the wide variety of provider models and differences in provider experience across the State, this analysis must be considered a directional and “**narrow**” cost analysis. In modeling for theoretical providers, the narrow cost estimates are subject to several assumptions and limitations. While IDHS-DEC is confident in its approach for the FY 2022 narrow cost analysis in this first study, there are ways in which this analysis, its assumptions, and its data sources can improve over time to become more accurate and representative of the cost to provide high-quality care at scale across the State. In future phases of cost analysis work, IDHS-DEC will explore the use of working groups to 1) refresh and update non-personnel cost assumptions that the State has used in past modeling efforts and 2) better understand provider models used for services for school aged children, which can look very different by provider and by type of care (summer care vs. before and after care). Additionally, IDHS-DEC will work to update state-administered surveys to inform narrow cost analysis inputs for future years.

The State administers surveys to child care providers for both the Market Rate Survey and the Salary Survey. These surveys can be updated to gather additional data from providers on their actual costs associated with providing care, allowing for more accurate cost input assumptions. IDHS-DEC will work to ensure that questions asked in these surveys be tailored and expanded such that new datapoints can be gathered to inform specific assumptions for the narrow cost analysis. For example, requesting detail on providers’ food service net and gross costs would allow for a more accurate

input than the PCQC inputs used in this version of the analysis. Beyond cost data, surveys gathering data on operational capacity (rather than licensed capacity) would help inform the enrollment efficiency input, and provider data on the models used for school aged children would help strengthen the accuracy of cost assumptions for that age group.