



Child Care Assistance and Cost-Based Rate Setting

Report to the Legislature

January 2025

For more information contact:

Department of Children, Youth, and Families
Child Care Services, Early Learning Administration
444 Lafayette Rd
St. Paul, MN 55155-3802
612-431-0244
dcyf.ccap@state.mn.us
mn.gov/dcyf.mn.gov

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I. Executive summary

Minnesota has long used market prices to set reimbursement rates for its child care subsidy program, the Child Care Assistance Program (CCAP). Under this approach, child care providers report what they charge families for care and those prices are analyzed by provider type, age group and geography; the data is then used to calculate a percentile of prices by those variations, which is presented to the legislature for review.

In recent years, the early care and education field and policymakers have recognized that using price to set subsidy reimbursement rates fails to consider the unique challenges of the child care market. Most child care providers cannot charge families prices that cover the cost of running their business because families cannot afford such high fees. As a result, providers charge what families can afford and either find other means to compensate for shortfalls or minimize costs through low wages, limited benefits and discounted facilities or materials.

To help providers meet the cost of providing care, more states are using data derived from cost estimation models (or cost analysis) to set subsidy reimbursement rates. A cost analysis gathers information about the business expenses of child care providers and how they vary by provider type, location, ages served and quality. Minnesota published an [initial cost modeling report](#) in August 2020 and a [second iteration](#) in October 2023. This analysis modeled the cost of providing child care as it varies by quality, geography, provider type and associated licensing standards, and ages served. It also included several case studies exploring equity considerations, such as operating in a language other than English, operating in an area with high economic needs, and providing inclusive care for children with special needs.

In 2023, the legislature directed the Department of Children, Youth, and Families (DCYF) to develop a cost estimation model that incorporates wage levels identified via an early care and education wage scale and make recommendations for how the cost model and wage scale data could be used to set CCAP rates. DCYF contracted with First Children's Finance to update an October 2023 cost model using updated tuition and revenue information, inflation costs, and wages and benefits outlined in the recommended Child Care and Early Education Professional Wage Scale and Comparable Competencies (ECE wage scale) developed by the department.

The updated models show that current subsidy rates are insufficient to cover the true cost of care. Infant and toddler care in particular are costly for all provider types and across geographies. Salary continues to be the highest cost driver for center providers; furthermore, the models show that including wages and benefits from the recommended ECE wage scale requires additional support and investments beyond CCAP subsidy rates for program sustainability.

These findings highlight two areas where Minnesota might target subsidy rate increases to help providers meet the cost of care. There is no universal way to use cost data in subsidy rate setting; instead, states must decide what types of care they want to incentivize while also considering program policies and overall program budget. For this reason, moving forward with cost-based rate setting requires elected policymakers to resolve multiple decision points prior to enacting legislation that authorizes DCYF to develop and utilize an alternative

methodology. Therefore, this report does not recommend or propose specific subsidy payment amounts, but instead recommends four approaches that the legislature could consider in using cost to set rates:

1. Subsidizing compensation and benefits
2. Increasing rates for infant and toddler care
3. Further increasing rates to meet the cost of quality care
4. Collapsing rate structures to a level higher than counties or county clusters

The department recommends further exploring the costs and business structures of family child care providers, legal nonlicensed providers, license exempt centers, and Tribally-licensed providers based on work that will occur in 2025 and 2026.

II. Legislation

[Laws of Minnesota 2023, Regular Session, Chapter 70, Article 12, Section 25.](#)

DIRECTION TO COMMISSIONER OF HUMAN SERVICES; COST ESTIMATION MODEL FOR EARLY CARE AND LEARNING PROGRAMS.

The commissioner of human services shall develop a cost estimation model for providing early care and learning in the state. In developing the model, the commissioner shall consult with relevant entities and stakeholders, including but not limited to the State Advisory Council on Early Childhood Education and Care under Minnesota Statutes, section 124D.141; county administrators; child care resource and referral organizations under Minnesota Statutes, section 119B.19, subdivision 1; and organizations representing caregivers, teachers, and directors.

The commissioner shall contract with an organization with experience and expertise in early care and learning cost estimation modeling to conduct the work outlined in this section. If practicable, the commissioner shall contract with First Children's Finance.

The commissioner shall ensure that the model can estimate variation in the cost of early care and learning by:

- (1) the quality of care;
- (2) the geographic area;
- (3) the type of child care provider and associated licensing standards;
- (4) the age of the child;
- (5) whether the early care and learning is inclusive by caring for children with disabilities alongside children without disabilities;
- (6) child care provider and staff compensation, including benefits such as professional development stipends, health care benefits, and retirement benefits;
- (7) a child care provider's fixed costs, including rent and mortgage payments, property taxes, and business-related insurance payments;
- (8) a child care provider's operating expenses, including expenses for training and substitutes; and
- (9) a child care provider's hours of operation.

(d) By January 30, 2025, the commissioner must submit a report to the legislative committees with jurisdiction over early childhood programs on the development of the cost estimation model. The report must include:

(1) recommendations on how the model could be used in conjunction with a child care and early education professional wage scale to set child care provider payment rates for child care assistance under Minnesota Statutes, chapter 119B, and great start scholarships under Minnesota Statutes, section 119C.01; and

(2) a plan to seek federal approval to use the model for child care provider payment rates for child care assistance.

III. Introduction and background

Minnesota, along with most states, uses market prices to set reimbursement rates for the Child Care Assistance Program (CCAP). Under this approach, providers throughout the state are surveyed to provide the tuition they charge families, and that data is used to set reimbursement rates at a certain percentile as dictated by the Minnesota state legislature. Section 658E(c)(4) of the federal [Child Care Development Block Grant Act 42 U.S.C. 9858c\(c\)\(4\)](#) requires Lead Agencies to set child care provider payment rates based on findings from either a market rate survey or an approved alternative methodology to ensure children eligible for subsidies have equal access to child care services comparable to those who do not receive child care assistance. Lead Agencies must also complete a narrow cost analysis, regardless of whether they used a market rate survey or approved alternative methodology to set rates. Lead Agencies must analyze price and cost data together to determine adequate subsidy rates to meet health, safety, and staffing requirements.¹ Federal rule now recommends states use an alternative methodology to set reimbursement rates; as of time of writing, at least twelve Lead Agencies have implemented an approved alternative methodology as their rate setting process.²

The Minnesota state legislature has requested that the Department of Children, Youth, and Families (DCYF) explore possibilities for using a cost estimation model to set child care subsidy payment rates. Pursuant to [Minnesota Statutes 2023, Chapter 70, Article 12, Section 25](#), this report provides the following:

1. A discussion of the cost estimation model developed by the department and First Children’s Finance, including the variations in cost explored by quality, geography, provider type, age, and other factors, as well as a description of consultation and engagement with relevant parties;
2. A description of the updates made to the model to include wages and benefits from the recommended Child Care and Early Education Professional Wage Scale and Comparable Competencies;
3. Recommendations for using cost information to help set child care subsidy rates, including examples from other states and considerations for special populations;
4. An outline of what is required to seek federal approval for use of an alternative methodology to set CCAP rates.

Due to the complexity and potential costs of cost-based subsidy rate setting, several decisions must be made by elected policymakers in regard to the types of child care the state wants to incentivize by covering some or all of the cost of providing that care. For this reason, this report provides information to advise legislative decisions

¹ CCDF Final rule, retrieved from: <https://www.federalregister.gov/d/2024-04139/p-305>

² This includes American Samoa, California, Colorado, the District of Columbia, Guam, Indiana, Massachusetts, Nevada, New Mexico, South Carolina, Virginia, and Washington.

but does not propose specific subsidy rate amounts. The report begins with background information about the child care market, Minnesota’s current child care subsidy rate setting process, and an introduction to cost-based rate setting.

Subsidy rate setting: Price versus cost

Understanding the distinction between child care prices and costs is essential to subsidy rate setting. *Price* is the amount that child care providers typically charge parents for the care of children who do not receive federal or state government child care subsidies (i.e., the private pay rate). Price is often given as a unit of care (per hour, day or week). *Cost* is the value of all resources required to deliver child care services, including salaries, rent, utilities, equipment, insurance, supplies, and other personnel and non-personnel expenses.

To some extent, provider prices may reflect differences in certain costs. For example, a program meeting the highest quality standard may employ staff with advanced qualifications and thus pay a higher salary. Those salary costs might be reflected in the provider’s prices. Additionally, prices for infant care are often higher than other age groups due to the lower staff-to-child ratios that must be maintained for infants; these higher prices do not typically meet the true cost of the lower staff ratio and are subsidized by profits earned from caring for older children.

However, providers often set prices based on what families in their area can afford. Similarly, providers might adjust their prices according to what similar programs in the area are charging to be competitive. These prices often do not entirely cover the cost of providing care, and programs must seek other funding sources (such as grants or donations), subsidize costs by paying inadequate wages, or operate in a deficit.

Minnesota currently uses “market rates” (e.g., price or tuition) to set reimbursement rates for the Child Care Assistance Program (CCAP). Every three years, DCYF surveys providers throughout the state, collecting information about the prices that providers charge families for care. Those prices are then analyzed based on the provider type (licensed center or licensed family child care), provider location (county), and age of the child (infant, toddler, preschool or school age). Using that data, a percentile of prices by those variations is presented to the legislature for review. Minnesota recently made a historic stride by enacting legislation that sets CCAP maximum rates at the 75th percentile of the most recent market rate survey. This means that CCAP reimbursement rates cover the tuition of three out of four programs.

However, as noted in the [Great Start for All Minnesota Children Task Force final report](#), setting CCAP reimbursement rates based on market price can cause insufficient and inequitable funding across geographies and program types. Prices are suppressed because they are based on what families can afford to pay instead of what it would cost to cover business expenses. When suppressed prices inform rates, an inadequate and inequitable cycle ensues, even if rates are set at the federal benchmark of the 75th percentile of market rates. For example, in areas with more economic diversity, private tuition prices range widely; as a result, moving from the 35th to 75th percentile significantly impacts rates. But in areas where most families face the same price constraints (such as Greater Minnesota), all tuitions are suppressed; there is less variation in tuition, and even moving to the 75th percentile can result in very modest increases, creating that inequitable cycle. When CCAP rates are low compared to actual program costs, programs may choose not to serve children on CCAP or may

charge families the difference between the private pay rate and the CCAP rate. This further limits access to the child care market for families with low income.

Conversely, using cost data to set reimbursement rates moves families toward equal child care access by reducing cost barriers and increasing the available provider pool. High-quality child care is critical for families' and communities economic and social well-being. It can help children develop skills needed for success in later life and can help families participate in the workforce. States can also use cost data to help ensure that child care programs have the funds to meet basic licensing standards and even cover the cost of higher quality care. Using cost data to set rates can help break the cycle of low wages and low compensation and can provide an incentive for more child care programs to accept families enrolled in CCAP.

While using cost to set rates can help advance quality care while improving providers' financial stability, it is also a more challenging method than using market prices. Rather than simply using a defined percentile of market rate tuition, CCDF Lead Agencies can use various data sources and considerations to make decisions about rate setting. There is no universal way to design or use a cost model; states must decide what to include in their models and how to use model outputs to advance their goals. Cost models have limitations in that they can only reflect an "average" program based on what the state includes in the model; they cannot and do not reflect the costs and revenue of all programs or any particular program. Moreover, considering the wide variety of early care and education systems and requirements, subsidy policies and priorities, and funding structures across CCDF Lead Agencies, using an alternative methodology to set rates is not a "plug-and-play" possibility. While the Office of Child Care requires some consideration of the costs to provide care in the subsidy rate setting process, states are not required to set rates to meet the full cost of care.³ This means that states need to consider factors such as:

- The estimated cost of care across age groups, settings, and geography
- Current and potential subsidy enrollment, especially if changes in the application process or eligibility requirements are being considered
- Family copays and other contribution amounts
- Overall program budget.

The sections below describe Minnesota's most recent cost model data and outputs, including integration with the recommended early care and education wage scale and possible strategies for utilizing cost data to set CCAP reimbursement rates.

³ "Guidance on Alternative Methodologies and Cost Analyses for Purposes of Establishing Subsidy Payment Rates: Program Instruction CCDF-ACF-PI-2018-04," US Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Child Care (OCC), memorandum to the State and Territory Lead Agencies administering child care programs under the Child Care and Development Block Grant (CCDBG) Act of 2014 and other interested parties, February 26, 2018, https://www.acf.hhs.gov/sites/default/files/documents/occ/ccdf_acf_pi_2018_01.pdf

IV. Minnesota's cost estimation model

Minnesota contracted with First Children's Finance (FCF) to conduct a cost analysis study beginning fall 2021. The [Minnesota Child Care Cost Modeling](#) report was published in October 2023. This analysis modeled all of the variation in provider costs required by the state legislature in [Session Law Chapter 70](#) including quality, geography, provider type and associated licensing standards, and ages served. It also included several case studies exploring equity considerations, such as operating in a language other than English, operating in an area with high economic needs, and providing inclusive care for children with special needs. Business costs included provider and staff compensation (including benefits), rent/mortgage and other fixed costs, and operating expenses including professional development, substitutes, curriculum, etc. The models included revenue sources from private tuition and the Child and Adult Care Food Program.

To develop the cost model, the department and FCF conducted engagement sessions with child care providers and directors as well as seventeen organizations across the state who are engaged in the child care sector. These included statewide provider networks, Initiative Foundations, professional development agencies, advocates, Parent Aware Coaches, and other state government departments. Each partner conversation included an overview of the study and feedback questions specific to the organization. Partner conversations informed data collection tools, data analysis, and inputs included in the cost model. Partners also supported outreach efforts during the data collection process.

Data sources included:

- Administrative data such as child care licensing data, Parent Aware participation data, Market Rate Survey tuition data, and CCAP participation and payment data;
- A provider cost survey that included questions focused on items such as program enrollment, quality costs, staffing patterns, and staff wages and benefits;
- In-depth business interviews in which FCF analyzed providers' financial documents and asked questions about all costs that each participating program faces.

Cost estimation model updates

In fall 2024, First Children's Finance updated the 2023 cost analysis to include:

1. Inflationary increases to non-personnel costs
2. Tuition increases using data from the 2024 Market Rate Survey
3. Revenue from a new public program, the [Great Start Compensation Support Payment Program](#)
4. Provider wages and benefits using the recommended Child Care and Early Education Professional Wage Scale and Comparable Competencies (ECE wage scale) developed as required by the legislature by DCYF.

These updates, detailed in Appendix A, were made to help the department explore how the model could be used in conjunction with the recommended ECE wage scale, as required by the legislature. The next full iteration of the cost estimation study and report will be completed by August 2026, in accordance with the federal CCDF Plan cycle.

Child care and early education professional wage scale

The legislature directed the department⁴ to develop a wage scale that provides recommended wages equivalent to elementary school educators with similar credentials and experiences, plus recommended compensation and benefits. This recommended Child Care and Early Education Professional Wage Scale and Comparable Competencies wage scale is described fully in the 2025 ECE wage scale legislative report.

To update the 2023 cost model with wages and benefits from the recommended ECE wage scale, FCF took the annual salary parity version of the wage scale and translated that information into a single wage input for each teaching role. Each wage input also accounted for the workforce's varying education, competencies and tenure. FCF used a weighted average to represent the range of wages “typical” family child care providers and child care center staff might experience in the wage scale scenario. This approach is more thoroughly described in Appendix B. FCF also modeled the multiple approaches to provider benefits developed by the department:

- **Full Benefits**
 - Health and retirement benefits set at levels equivalent to K-12 teachers nationally, per Bureau of Labor Statistics (BLS) data. Paid time off (PTO)⁵ and cafeteria plan⁶ levels at minimum recommended levels recommended by the [Great Start Task Force](#).
- **Partial-Plus Benefits**
 - Health and Retirement Benefits set at levels equivalent to the average US worker, per BLS data. PTO and cafeteria plan levels at minimum levels recommended by the Great Start Task Force.
- **Partial Benefits**
 - Health Benefits scaled by employer norms for participation rates. Assumes not all staff will enroll in employer-sponsored health insurance plan. Retirement Benefits set to US average, per BLS. PTO and cafeteria plan levels at minimum recommended levels recommended by the Great Start Task Force.

Cost estimation model outputs

A selection of outputs from the updated cost estimation model are shown below; additional outputs are detailed in Appendix B. Cost models represent an average child care program in Minnesota and will not reflect the costs of every or any one program. Cost models are built on assumptions; many of these assumptions are outlined above and in Appendices A and B of this report, while others are described in the [2023 cost model report](#). These assumptions do not represent the experience of every program. For example, rural centers could

⁴ Laws of Minnesota 2023, Regular Session, Chapter 70, Article 13, Section 25.

⁵ Paid time off minimum through the GSTF report is five paid days off per year per full-time ECE worker.

⁶ A cafeteria plan is a benefit plan that allows employees to choose from a variety of benefits, some of which are tax-advantaged. The minimum recommendation for centers is a package equivalent to 10 percent of an employee's salary and should include benefits like child care for the employee's own children, family health coverage, short- and long-term disability insurance, and dental, optical, and life insurance. For family child care providers, employees regularly working more than 20 hours per week should have benefits prorated for: health care, paid sick leave, paid vacation and holidays, paid planning time, and a professional development fund.

not exist across the state if they were all experiencing such significant annual losses. Conversely, many urban centers are struggling to break even and sustain their programs.

Overall, the updated models demonstrate that salary continues to be the highest cost driver for center providers. The cost of infant and toddler care remains high across all provider types and geographies. These findings can assist the legislature in deciding where to target investments to help providers meet the cost of care.

One valuable set of information for considering cost in subsidy rate setting is per-child costs. To find per-child costs, FCF took the estimated total expenses across models and allocated them across children enrolled in the program for each provider type, geography, and quality level. For centers, per-child costs reflect program costs allocated across classrooms and then by child, resulting in different per-child costs across age groups. For family child care programs, expenses are allocated differently for children ages birth to five and school age to reflect differences in time spent in care. Cost per child values demonstrate the cost of operating at a per-child level, not the tuition programs charge for care. A full list of per-child costs by provider type, geography, ages served, and Parent Aware Rating level for each wage and benefit package from the recommended ECE wage scale is in Appendix C.

Table 1 shows the annual expenses that an average center spends on caring for a toddler by geography and Parent Aware Rating. These figures use the wages from the recommended ECE wage scale and the partial-plus benefits package.

Table 1: Center annual per-child costs for toddlers, including recommended ECE wage scale wages and partial-plus benefits

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$18,216	\$18,548	\$18,911	\$19,460	\$19,922
Small Town	\$18,011	\$18,342	\$18,705	\$19,254	\$19,754
Large Town	\$18,311	\$18,650	\$19,019	\$19,576	\$20,084
Urban	\$20,733	\$21,115	\$21,532	\$22,135	\$22,707

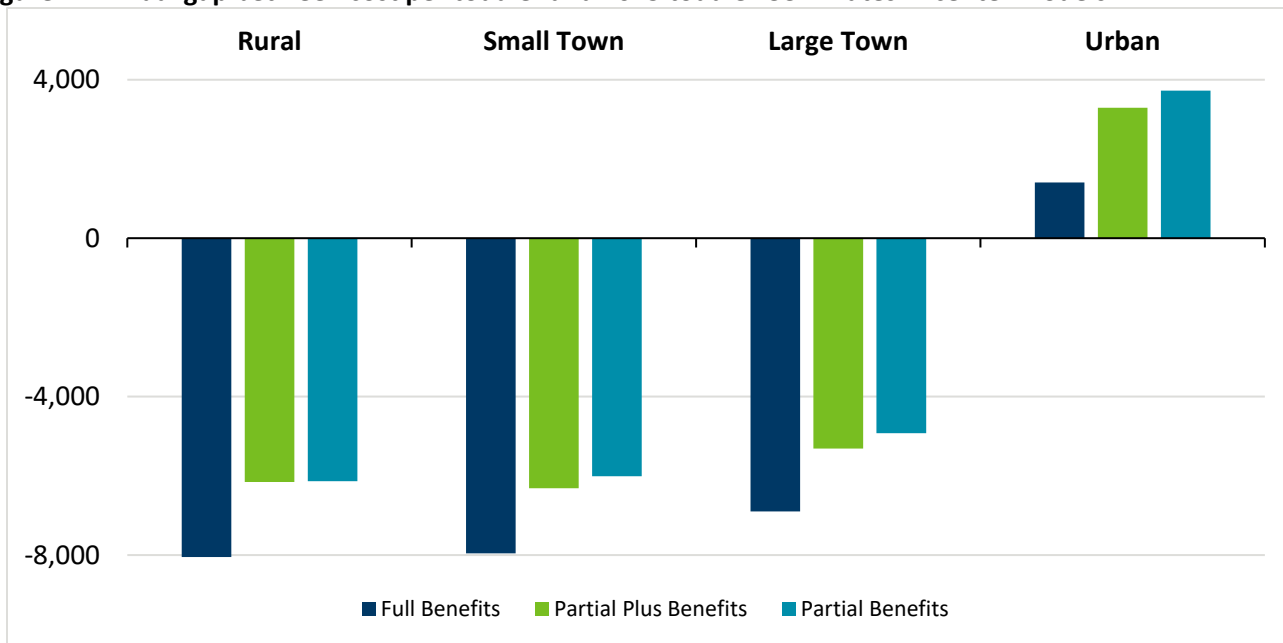
Table 2 below shows the annual expenses that an average family child care provider spends on caring for children under five years of age, by geography and Parent Aware Rating. These figures use the wages from the recommended ECE wage scale and the partial-plus benefits package.

Table 2: Family child care annual per-child costs for children under age five, including recommended ECE wage scale wages and partial-plus benefits

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$10,210	\$10,443	\$10,677	\$11,000	\$11,291
Small Town	\$10,472	\$10,708	\$10,946	\$11,272	\$11,567
Large Town	\$10,669	\$10,910	\$11,154	\$11,486	\$11,786
Urban	\$11,567	\$11,827	\$12,089	\$12,439	\$12,757

Figure 1 below shows the difference between the annual per-child costs of a toddler in center care at each wage scale and benefit level from the recommended ECE wage scale and the yearly amount of CCAP maximum reimbursement for a toddler in center care. Revenue from public programs such as the Great Start Compensation Payment Program and the Child and Adult Care Food Program (CACFP) help to cover this gap; that revenue is not reflected in the graphs below but would contribute approximately \$1,300 per child annually to help address this gap.

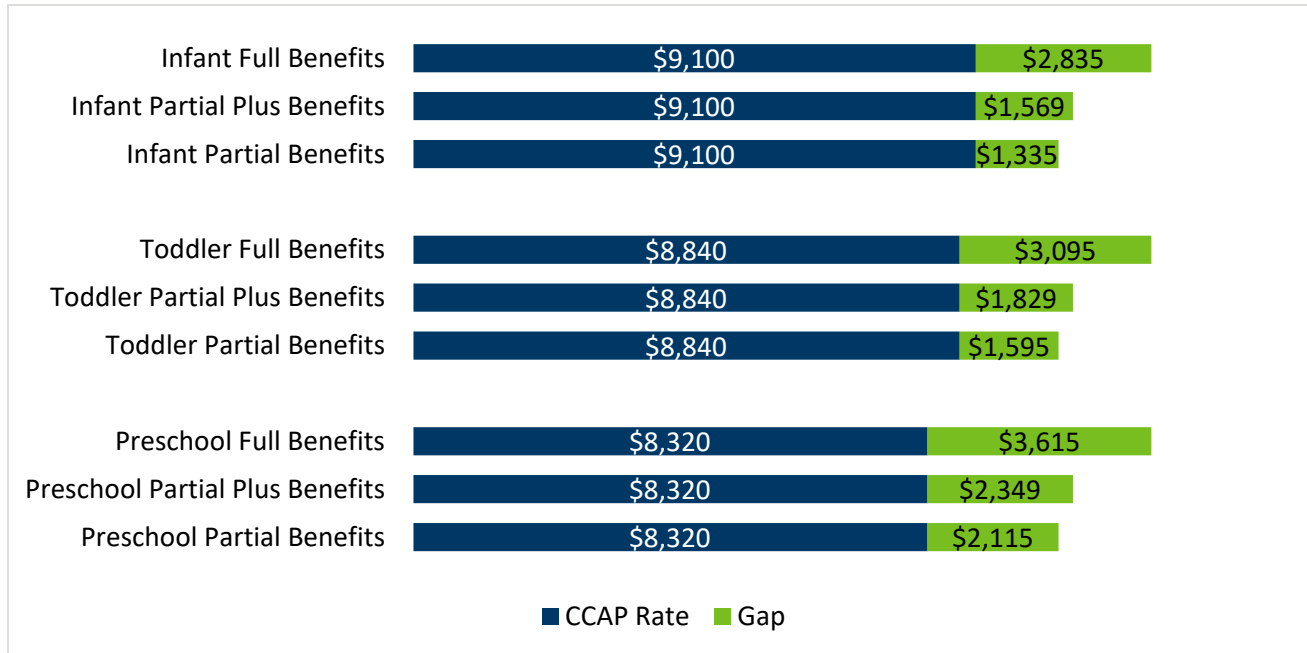
Figure 1: Annual gap between cost per toddler and 2025 toddler CCAP rates in center models



As discussed earlier in this report, setting CCAP rates based on market price (tuition) does not address the realities of the costs programs experience. Because urban markets can support higher tuition rates, CCAP rates in urban areas are more aligned with the cost of care, as demonstrated in the figure above.

Figure 2 below shows the annual gap between per-child costs and 2025 CCAP rates for family child care providers in large towns.

Figure 2: Gap between annual FCC per-child infant to pre-k costs and 2025 CCAP rates, large town model



The gap demonstrates where rate increases could be implemented to help meet the true cost of care. For example, in this scenario, implementing increases for infants using the full benefits wage scale package would require a rate increase of approximately \$54 per week, assuming all children in the program participated in CCAP. Revenue from the Great Start Compensation Program and the CACFP contribute \$1,300 per child annually to address this gap.

V. Recommendations

States take different approaches to using cost data in their rate setting process. States are not federally required to set rates that meet the full cost of care but must provide some consideration to cost in their rates. This means states must decide what types of care they want to incentivize through subsidy rates. Rather than simply using a defined percentile of market rate tuition, CCDF lead agencies can use various data sources and considerations to make decisions about rate setting. As stated in the introduction, these can include:

- The estimated cost of care across age groups, settings, and geography
- Current and potential subsidy enrollment, especially if changes in the application process or eligibility requirements are being considered
- Family copays and other contribution amounts
- Overall program budget.

Developing a cost estimation model provides new information to child care providers, policymakers and advocates and offers opportunities to adjust subsidy rates and policies. A cost-based alternative methodology has enormous potential to inform changes needed to address a broken child care market in which providers cannot charge families at a high enough level to cover program expenses. Minnesota's cost study shows that current subsidy rates are insufficient to support the wages and benefits on par with a recommended wage scale and the true cost of quality, particularly for infant and toddler care and for programs in greater Minnesota. To help address these and other concerns outlined in this report, the department recommends that the legislature weigh the following key considerations, risks and opportunities.

Key considerations

Using cost to inform child care subsidy rates is a complex process entailing careful consideration of Minnesota's goals and priorities in addressing issues within the child care market. There is no standard turnkey approach to using cost to help set rates. The cost estimation model that FCF and the department developed provides information that can be used to determine gaps between subsidy rates and expenses, which in turn can be used to develop a strategic plan for rate increases. This could entail, for example, targeting rate increases where gaps are most significant, populations are most vulnerable, or ECE salaries and benefits are most suppressed. The legislature could also take a more standardized approach and set CCAP rates as a standard percentage of the cost of care across settings, geography and age groups (for example, subsidy rates at 50% of the cost of care, as calculated by the model).

There are some limitations to cost modeling in general. Because models are based on averages and assumptions, they will not perfectly match the costs of any individual program. The nature of cost modeling requires making assumptions about model inputs. Collecting detailed program cost data from every child care program in the state is not feasible. As a result, cost modelers, informed by child care businesses, must make assumptions about how to interpret and apply data and trends.

Moreover, providers accepting CCAP and caring for CCAP children are a small subset of the child care market in Minnesota; increasing subsidy rates and incentivizing certain types of care through subsidy rates would have a

limited impact on the child care market as a whole. This should be a key consideration when assessing the implementation of both the ECE wage scale and cost-based subsidy rates. There would be a gap between what publicly funded programs contribute and what is needed to address the wage problem fully. Private pay families would be burdened if they are expected to fill the gap between costs and revenue required to pay amounts reflected in the wage scale.

Risks

Using a cost-based methodology adds complexity and potential costs. The methodology increases administrative efforts, as collecting data related to expenses and revenue is more time-consuming than collecting data on program tuition. In addition, this method would likely require additional investments in direct service costs for CCAP. Without new investments, the impact of moving to a cost-based rate setting approach would be limited. Without further investments in CCAP, the state would likely need to make choices about whether to serve fewer families at a higher rate or maintain the number of families served while keeping rates lower. Moreover, providers may have certain expectations that using cost to set rates would lead to additional financial supports and improved financial stability. It may be challenging for providers and partners to acclimate to a new way of rate setting, and changes related to how providers are compensated can be worrying for providers.

Opportunities

Significant rate increases could incentivize more providers to participate in CCAP, increasing access to quality child care for families with low incomes. By using an alternative methodology, the state can target resources toward certain populations, geographies and program types that need support the most. Cost-based rate setting could be used to increase the supply of family child care programs by boosting program profits, which can sustain and launch additional child care supply. This could have the most profound impact in Greater Minnesota, where child care shortages are severe. The department could also explore opportunities to use higher CCAP rates to incentivize harder-to-access types of care, such as nonstandard hour care.

Cost-based rate increases could also boost program quality, helping children utilize child care settings that aid in childhood brain development, which is particularly important in children ages eight and under.⁷ Supporting providers by improving their financial stability can also help increase family access to quality care, which allows parents to participate in the workforce or pursue educational opportunities.

Finally, special attention to equity considerations is needed. In the 2023 cost model, FCF explored case studies representing programs operating in a language other than English, programs operating in an area of high economic need, programs with 80 percent CCAP enrollment, and programs providing inclusive care for children

⁷ “What Is Early Childhood Development? A Guide to the Science” Retrieved from <https://developingchild.harvard.edu/guide/what-is-early-childhood-development-a-guide-to-the-science/>

with special needs. These programs experienced reduced net revenues when compared to a standard model. Understanding the specific costs and revenue impacts of these scenarios can facilitate tailored support for the sustainability of these programs.

With these factors in mind, the department recommends exploring one or more of the following avenues for incorporating cost data in the CCAP rate setting process.

Compensation and benefits

Cost studies nationwide show that staff salary and benefits are the highest cost drivers for center providers. Many cost studies also highlight the special circumstances of family child care providers, who often do not pay themselves a salary but instead use their net revenue as take-home pay. The department's engagement with providers in Minnesota confirms that setting competitive salaries and benefits is a key concern for center-based programs.

Data from Minnesota's updated cost estimation models show that additional revenue from the Great Start Compensation Support Payment Program may positively impact program net revenue. As noted earlier in this report, the October 2023 cost model did not include revenue from the new Great Start Compensation Support Payment Program, which launched just as the models were being developed. In the updated models developed for this legislative report, the inclusion of Great Start Compensation payments increased revenue for an average program by around \$70,000 annually for a center and approximately \$7,700 annually for a family child care provider.

A focus on compensation and benefits is where the recommended ECE wage scale developed by the department would come into play. The updated cost estimation model, which incorporated the recommended ECE wage scale, demonstrates that inclusion of the recommended wage scale in the cost model requires additional supports and investments, beyond CCAP subsidy rates, for program financial viability. Providers who accept CCAP (and the children they care for) represent a small subset of the Minnesota child care market. Implementing the ECE wage scale only through CCAP reimbursement rates would have a minimum impact on improving provider wages and stabilizing the child care workforce. Providers cannot increase wages without predictable increased revenue.

Washington, D.C. established minimum educator salaries by role and credential that child care facilities must pay to lead teachers and assistant teachers as a condition of receiving funding through their [Early Childhood Educator Pay Equity Fund](#), which aims to achieve pay parity between early childhood educators and their K-12 counterparts. Their legislation includes home providers as "lead teachers."

Incentives for infant and toddler care

As mentioned earlier in this report, infant and toddler care is especially costly for providers. In the updated cost models developed for this legislative report, the cost per child for infant and toddler care remains high across all geographies and provider types. Lower staff-to-child ratios lead to higher costs for infants and toddlers. To incentivize providers to care for these young children, the Legislature may consider a higher infant and/or toddler reimbursement rate to cover the cost of staff wages and benefits.

In New Mexico, rates for infants and toddlers, at both centers and family child care facilities are now at or above 85% of the true cost of care.⁸ Washington, DC has incentivized both FCC and infant and toddler care through their rate setting process.⁹ As a result, their subsidy rates for FCC providers cover a higher percentage of the cost of care than for centers, and infant and toddler rates are closer to the cost of care than other age groups. Similarly, when first transitioning to an alternative methodology approach, Virginia chose to differentiate payment rates to reimburse care for infants and toddlers at a higher proportion of the cost of care based on feedback from family child care providers' concerns that equal rate setting across age groups would disincentivize infant and toddler care.¹⁰

Incentives for higher-quality care

Providers with a Three-Star Parent Aware Rating (or certain credentials) or a Four-Star Rating currently earn a 15% or 20% differential, respectively, on top of the standard CCAP rate. The October 2023 cost model report indicates that the current system does not offset the true cost of care due to the reported higher wages and increased benefits to recruit and retain qualified staff at these programs. To help incentivize higher quality, the legislature could consider additional rate increases for providers with certain credentials or Parent Aware Ratings.

Virginia set rates that support higher quality expectations and competitive educator compensation to retain and attract high-quality professionals. The state agency updated payment rates in October 2022 to get subsidy rates closer to the true cost of quality. Full day rates were set at 75% of cost of care for all age groups. A year later, full-day payment rates for family child care were increased to 100% of the cost of care to prioritize program sustainability, start-up, and care for infants and toddlers.¹¹

Collapsing of rate structures

Several states have moved their reimbursement rate structures from county- or county-cluster based rates to statewide or regional rates, particularly as their cost studies have shown that program costs are similar across regions. Similarly, Minnesota's October 2023 cost model showed that wages rather than non-personnel program costs were the primary driver of geographic differences across all models; at the same time, as evidenced by Minnesota's Market Rate Survey, there is much more variation across the state in tuition charged to families. The legislature could explore whether a transition to primarily using costs to inform rates would result in consolidating rate clusters that reflect the more limited cost differences.

⁸ See section 4.3.4 of New Mexico's 2025-27 CCDF State Plan Draft for more detail: <https://www.nmececd.org/ccdfsessions/>

⁹ "Let's Talk About Alternative Methodologies #7 How can I continue to improve my use of cost data" Administration for Children and Families, April 3, 2024, <https://www.youtube.com/watch?v=9Owwx-nF7s8>

¹⁰ "Let's Talk About Alternative Methodologies #8: Crafting Your Detailed Report" Administration for Children and Families, April 5, 2024, <https://www.youtube.com/watch?v=AFv5duHmVF8>

¹¹ See section 4.3.4 of Virginia's 2025-27 CCDF State Plan Draft for more detail: <https://www.childcare.virginia.gov/home/showpublisheddocument/54405/638512703067700000>

New Mexico consolidated regions into a single statewide rate in 2022. Arizona elevated reimbursement rates for all infants to the 75th percentile from their 2022 survey, consolidating their six regional rates into a single statewide rate.¹² Massachusetts restructured rates in 2024, reducing from six to three state regions to address economic parallels across regions, escalating operational costs, and geographic disparities.¹³ Indiana, Maine, and South Carolina are slated to consolidate rate regions in the forthcoming year:

- Indiana will transition from individual county rates to three regions (rural, urban, and rural/mixed).¹⁴
- Maine will shift from county levels to two regions (urban and other).¹⁵
- South Carolina will consolidate its two regions into one statewide rate.¹⁶

Further study

In addition to considering which assumptions to input into the cost estimation models and the types of care the state wants to incentivize, the legislature may also consider the differences between certain types of providers who are supported by child care subsidies. These special populations are outlined below. The department recommends additional engagement with and study of the expenses, revenues, and business practices of these provider types.

Family child care providers

As described in the October 2023 Cost Modeling report, per-child costs for family child care programs can be misleading; this provider type often does not pay themselves a “wage” but instead relies on leftover net revenue (profit) as a salary. In the updated models using recommended ECE wage scale data, using net revenue as provider compensation results in a range of annual per-child cost from \$6,412 per-child in the unrated, rural model to a \$9,250 per-child cost in an unrated, urban model. These low per-child costs reflect the low compensation FCC providers currently experience. The geographic variation in per-child FCC costs is driven by more per-child available revenue (higher CCAP and market rates), which contributes to more compensation rather than a meaningful reflection of increased costs. Of the total per-child costs in the FCC models, facility and material costs only vary from \$3,200 in the rural model to \$3,300 in the urban model.

In a review of other states’ cost estimation studies, most do not estimate per-child FCC costs by age, but including a provider wage as a model input was common. Different data sources were used to inform this wage

¹² See section 4.3.4 of Arizona’s 2025-27 CCDF State Plan Draft <https://des.az.gov/sites/default/files/media/Submitted-Draft-CCDF-State-Plan-FY-2025-2027.pdf?time=1727182963920>

¹³ See Massachusetts’ Board of Early Education and Care meeting slides from January, 2024 <https://www.mass.gov/doc/january-board-meeting-slides/download>

¹⁴ See section 4.3.4 of Indiana’s 2025-27 CCDF State Plan Draft <https://www.in.gov/fssa/files/ACF-118-CCDF-FY2025-2027-IN.pdf>

¹⁵ See section 4.3.1 of Maine’s 2025-27 CCDF State Plan Draft https://www.maine.gov/dhhs/sites/maine.gov/dhhs/files/inline-files/Maine%20CCDF_Plan_for_State_Territory%20Final%20Rule_FFY_20252027.pdf

¹⁶ See section 4.3.1 of South Carolina’s 2025-27 CCDF State Plan Draft <https://www.schildcare.org/media/l1zplwtd/acf-118-ccdf-ffy-2025-2027-for-south-carolina-as-of-5-30-pm-5-31-24.pdf>

value (i.e., survey data, Bureau of Labor Statistics data, MIT Living Wage calculator). Alignment with center-based positions varied across studies.

The age of children enrolled in FCC programs primarily impacts revenue rather than costs. Due to licensing ratios and provider preference, enrolling infants and toddlers can result in reduced overall enrollment and, thus, reduced revenue. However, this impact on revenue is experienced differently across age-group enrollments. For example, in current licensing patterns, FCC providers can enroll one infant and one toddler without impacting their overall headcount, but to enroll a second infant requires a significant reduction in enrollment or the addition of an assistant. This additional infant, therefore, has a uniquely high “cost” to FCC programs compared to center-based programs. Due to the complexity of attributing different costs to different age groups within a mixed-age FCC program, the department recommends producing one birth to age five per-child cost and one school age cost in both the next iteration of the cost estimation model, as utilized in the models updated for this report.

Setting subsidy rates using cost will require intentional consideration not only about program goals but also about the child care supply and family preferences throughout the state. Engagement with FCC providers may help inform this process.

Tribal providers

Minnesota conducted community engagement with Tribally-licensed providers in June and October 2024. These sessions were intended to introduce the concept of cost modeling and cost-based rate setting to this group of providers and to gather initial, narrative feedback about how Tribally-licensed program costs may differ from those of state-licensed providers. Participants were asked about their primary costs, how culturally appropriate and responsive teaching may impact those costs, and what funding sources specific to Tribal providers they may access.

Providers stated that some costs they face are due to living in more rural, remote areas as well as special costs tied to providing cultural and ceremonial activities for Native children, including:

- Gas and travel expenses for trips to obtain food and other necessities
- Higher prices at grocery stores on reservations
- Higher internet costs due to a lack of competition on or near reservations
- Costs of supplies such as sewing machines and ribbons for ceremonial regalia
- Additional staff to supervise cultural activities (e.g., spiritual advisers, etc.)
- Curriculum in Native languages such as Ojibwe or Dakota.

Finally, providers stated that they face competition in hiring staff, particularly with public school jobs that pay higher wages.

Consistent revenue streams are a challenge. Tribal CCDF funds may or may not contribute to revenue for Tribally-licensed programs; these funds are limited and used in various ways to meet community needs. Some providers stated that CCAP and Great Start Compensation Support payments were important revenue streams for their program but are insufficient to meet the needs of children.

The department plans to conduct more thorough, quantitative engagement with Tribal providers for the next cost model report (due August 2026). This engagement will begin in 2025 and will be led by FCF, who have staff specializing in Tribally-licensed child care. This engagement will include collecting specific data about Tribal provider costs and revenue, allowing for an exploration of the unique challenges and opportunities the department may have in providing supports particular to this population.

Legal nonlicensed providers

Minnesota currently allows families to access CCAP subsidies while receiving child care services from a legal nonlicensed (LNL) provider. LNL providers, also known as Family, Friend and Neighbor providers, are currently paid a percentage of CCAP's family child care provider rate. Legal nonlicensed care settings are diverse; in state fiscal year 2024, 60% of children served by LNL providers through CCAP were children of color, including 37% Black or African American children.¹⁷ LNL providers are a valuable component of the child care system. As Minnesota explores using cost models to set CCAP subsidy rates, the department will need to consider how to set rates for this group of providers. The 2020 and 2023 Minnesota cost studies did not include the modeling of legal nonlicensed providers.

Most cost studies from other states do not estimate the costs of LNL care or license-exempt care more broadly. Cost studies that did estimate costs for license-exempt care used two primary approaches:

- Identifying a net revenue goal for license-exempt providers (i.e., earning minimum wage) and working backward to identify a per-child cost that would result in this earned wage.¹⁸
- Estimating per-child costs based on any federal or state-imposed health and safety requirements for license-exempt providers.¹⁹

It is essential to remember that states are not required to set rates to meet the full cost of care. States are also deciding what types of care they want to incentivize through the subsidy rates they set. LNL providers can care for a maximum of eight children, and most care for fewer than that. Thus, the per-child cost may be higher than licensed care, depending on the inputs included in a cost model. However, most states model and set lower subsidy rates for license-exempt (including LNL) care, reflecting the value they place on licensing. Given the variation of LNL settings and the goals of a rate setting process, a thorough approach to capturing the costs of LNL care may not be appropriate or the most effective allocation of resources.

The department may consider the following approaches to LNL rate setting or some combination of these approaches:

- Continue to set subsidy rates for LNL care as a percentage of the per-child FCC rates.

¹⁷ Data extracted from the Minnesota Electronic Child Care system (MEC²), October 2024.

¹⁸ New Mexico's "[Understanding the cost of quality child care in New Mexico: A cost estimation model to inform subsidy rate setting](#)" provides an illustration of this approach. See page 10 of the linked report for additional detail.

¹⁹ For their cost model, [Oregon](#) conducted a telephone survey of a number of license-exempt providers. This survey focused on a more limited set of costs than licensed family child care homes, given the different regulations for license exempt providers.

- Identify a target net revenue/wage for LNL providers, potentially informed by the wage scale development process, to inform rate-setting goals.
- Identify and model costs associated with CCAP requirements for LNL providers, such as background checks and required training, to confirm rates meet these costs. A basic cost model with these cost inputs may also include a target wage.
- Complete engagement with LNL providers to understand other costs providers may experience in providing care. Previous research and engagement efforts with FFN providers, such as the [Family Friend and Neighbor Child Care in Minnesota report](#), may inform these efforts.

License exempt (certified center) providers

Similar considerations could be made for license exempt providers. In Minnesota, a license-exempt child care center that participates in CCAP is required by state law to become certified before becoming authorized to receive CCAP payments. These providers are typically located at schools or community centers such as YMCAs. Certified centers are paid at the CCAP center rate. Costs vary significantly from other center providers. Their space is generally not considered an expense, staffing costs differ, and they take in lower tuition for mostly part-time or session-based school age children.

The department held an engagement session with certified center providers, who noted that while the cost of their space is minimal, they struggle with staff turnover and being able to pay a competitive wage. These providers also said they strive to keep tuition costs low, limiting their ability to recoup expenses.

The department may consider investigating the expenses and revenues of certified centers in the next cost estimation study. Findings may demonstrate that continuing to pay certified centers and other child care centers the same subsidy rate is no longer a tenable policy.

Conclusion

Using cost data to set CCAP reimbursement rates provides the state with flexibility and opportunities to target rate increases to meet needs of children and families. The state legislature must make decisions about whether to incentivize certain provider types, wages, quality, geographies, the care of specific age groups, or some combination of these variables. Some additional study of variables may be required, particularly regarding certain provider types. The state can then decide how much of the true cost of care to cover—for example, 85% of the cost of infant care, or 75% of the cost of care for Four-Star Rated providers—within the constraints of the program budget. After these metrics are decided upon, the state can seek federal approval from the Administration for Children and Families to use an alternative methodology to set reimbursement rates. The requirements for federal approval are discussed in the next section.

VI. Plan to seek federal approval

The department and/or legislature may consider using the 2026 cost model to inform options that change payment rates to reflect the cost of providing care, in conjunction with a child care early care and education professional wage scale to set child care provider payment rates for CCAP and Great Start Scholarships.

The Great Start Scholarships Program²⁰ planning is underway, to be established by July 1, 2028, if funding is allocated. It allows for consideration of market rates and cost estimation models to establish payment rates. That program includes CCAP and Early Learning Scholarships. Given the necessary alignment needed to implement Great Start Scholarships, it is reasonable to consider changing payment structures and policies once that program is established. Once that data is collected and community engagement has occurred, some options can be presented to the legislature reflecting fiscal estimates and other considerations.

Following the 2026 cost model report, updated data will be available to inform the department and legislature of options based on cost modeling to augment the market rate survey requirement in current statute. Federal approval of Minnesota's alternative methodology (using costs) is needed before updating the cost model; the department could pursue it, with implementation contingent on passing state legislation. Additionally, Minnesota could seek preapproval of an alternative methodology with the goal of obtaining legislative approval during the 2027 or 2028 session to use cost data to set Great Start Scholarship Program payments.

Below is a listing of the requirements for preapproval of an alternative methodology and a description of how Minnesota has addressed (or is planning to address) each requirement:

1. An overview of the proposed approach, including a description of data sources

This includes a description of data sources, how the alternative methodology will use statistically valid, reliable methods and yield accurate results, how it will account for key factors impacting the cost of providing care, and how those factors vary by provider type, age of children, geography and quality. In addition, the Lead Agency must state how the alternative methodology will provide complete information that captures the universe of providers in the child care market.

The department is confident that the cost analysis completed in 2023 and the updated model set to be completed in August of 2026 will meet the criteria listed above. The cost model methodology includes a robust set of data sources, including provider cost surveys, provider interviews and administrative data.

²⁰ Laws of Minnesota 2023, Regular Session, Chapter 54 1196C.01 Sec. 2

2. Description of information obtained from an alternative methodology that is not obtainable from a narrow cost analysis

The alternative methodology approach is designed to determine costs across several variables, including child age, provider type, quality and geography. It also analyzes revenue and expenses, providing insight into how current revenues can support expenses under different scenarios. The alternative methodology approach is more robust than a cost analysis alone; a narrow cost analysis does not, for example, include a deep level of provider engagement or guidance from providers about how their programs operate and the impact of their operations on cost. While a narrow cost analysis can estimate the current costs of operating a child care program that meets all legal requirements, it does not capture the true cost of child care and all of the expenses necessary in order to operate a program that fully meets the needs of children, families and the child care workforce.

Furthermore, Minnesota's alternative methodology can include scenarios that focus on the inclusion of certain special provider types (e.g., Tribally licensed providers, legal nonlicensed providers, and certified centers) and child populations, such as children with special needs, children living in communities experiencing social vulnerability, and children whose primary language is not English.

3. List of the metrics that will be used to set rates based on the alternative methodology

As discussed above, the metrics used to set rates will depend on the priorities set by the department and the legislature. At a minimum, the results of the cost estimation model will be used to set base payment rates for meeting health, safety and staffing requirements while considering the increased costs of providing quality services at each age group and program type. Based on the study's results, geography may be another metric used, or the state could move toward a single rate structure. Ultimately, the legislature will need to consider the resources available to support operationalizing any changes to the CCAP rate structure.

4. Description of the estimated reporting burden and cost to conduct the alternative methodology approach

Transitioning to using an alternative methodology to set rates requires additional provider engagement; describing and quantifying costs is more intensive than simply reporting their prices, as providers do for the current market rate approach. FCF estimates that child care programs spent approximately an aggregate 590 hours participating in the 2023 cost model through time spent completing surveys, participating in interviews, and engaging in listening sessions or providing other feedback and input. However, there are opportunities to build on past work and streamline what is requested of providers in future iterations of the cost model.

5. Consultation with partners

Per federal guidelines, prior to conducting the alternative methodology, consultation should include partners such as a State Early Childhood Advisory Council (or similar body), CCAP administrators (such as counties and Tribes), local child care resource and referral agencies, organizations representing child care providers, teachers and directors.

The department began this consultation in May 2024 by hosting engagement sessions with providers and other relevant partners. These sessions included ten providers and community partners with variation in provider type, geography, quality and age groups served. Ten additional participants included representatives from the Governor’s Children’s Cabinet, advocacy groups representing providers, organizations representing providers, families, policymakers, and researchers in Minnesota’s child care market.

This engagement aimed to introduce or refamiliarize participants to the idea of setting CCAP reimbursement rates by cost versus price and to better understand the challenges that providers face in running their business. Feedback showed that providers were open to new ways to setting rates, but wanted to ensure that receiving CCAP reimbursements is easy and preferably electronic. Participants understood that while the exact figures for cost-based rate settings were still being configured, they would not see a rate decline if a hold-harmless provision was upheld. In future engagement, the department would likely consider asking providers about the burden of providing cost information to the state versus price information.

VII. Appendix A

This appendix describes 2024 updates to the cost analysis, including:

- Revenue updates, including Great Start Compensation Support payments and new Market Rate Survey tuition data
- Inflation adjustments for non-personnel costs as well as inflation wages.

Revenue Updates

First Children’s Finance (FCF) used data from the [2024 Market Rate Survey](#) (MRS) to make updates to the private tuition and subsidy rates in the cost model. DCYF provided FCF with the median tuition values across price clusters and the new CCAP rate schedule, effective January 2025. Because price cluster assignments were updated in the new MRS, FCF reanalyzed the most common price cluster for each RUCA-defined²¹ geography. Repeating the process used for the 2023 cost model report, FCF identified the most common cluster assignment by geographic grouping to determine which price cluster will be used for each geographic model (see Table 1A below). For example, FCF analyzed the distribution of price clusters for licensed providers categorized as operating in rural areas and selected the most common price cluster to use in the rural model.

This analysis resulted in new clusters being used for the rural family child care (FCC) and small town center models. Reanalyzing cluster assignments enables the cost models to best reflect the current typical rate experience for programs. However, it complicates comparing with the 2023 report for the program types that changed cluster. The table below shows the updated price cluster used for both tuition and subsidy inputs by geography.

Table 1A: Price cluster used, by geography

Geography	Family Child Care	Child Care Centers
Rural	Cluster 2	Cluster 1
Small Town	Cluster 2	Cluster 1
Large Town	Cluster 2	Cluster 2
Urban	Cluster 4	Cluster 4

²¹ The [rural-urban commuting area \(RUCA\) codes](#) classify U.S. census tracts using measures of population density, urbanization, and daily commuting.

Private Tuition

In alignment with the 2023 report, FCF used the 50th percentile weekly tuition rate for each age group in the updated models. The hourly rate was used for school age care during the school year to reflect part time care.

CCAP Rates

FCF used the CCAP rate schedule that will be effective in January 2025 to update the cost models. As new CCAP rates were set at the 75th percentile of tuition, the maximum CCAP rates were higher than the private tuition values, the 50th percentile, used in the model across every geography and price cluster. In alignment with DCYF policy, the model reflects that the reimbursed CCAP rates will not exceed a program's private pay tuition rates. As a result, the 10% of enrollment funded by CCAP in the model program is reimbursed at the model's private pay tuition rate. Therefore, the impact of increased subsidy rates is not seen in the cost models. On a program level, capping reimbursement at the lower of the provider's private pay tuition or the CCAP reimbursement rate may incentivize private pay tuition increases.

Great Start Compensation Support Payment Program

Since the release of the 2023 report, Minnesota implemented the new Great Start Compensation Support Payment Program to provide ongoing support to child care programs and the ECE workforce. FCF used the staffing structure of the modeled programs to estimate a Great Start Compensation Support Payment, in alignment with the program's funding formula, to contribute to a calculation of a per child amount of revenue received for these payments along with Child and Adult Care Food Program payments. FCF met with staff from the department to confirm that these estimates aligned with program policy and realities.

Key assumptions used in this award estimate are included below:

- A Great Start Compensation Support Payment is based on the number of working days in a month. FCF used 22 working days per month to estimate a monthly payment.
- For centers, FCF started with the number of teaching staff in the cost model, which varies by program quality. These staff were assumed to be working 40 hours per week based on survey data collected for the 2023 model. FCF then translated this number of Full-Time Equivalent employees (FTE) to the defined FTE of the Great Start Compensation Program (32 hours/week).
- For family child care programs, FCF assumed that the program provided care for 10 hours a day based on survey data collected for the 2023 model. This was translated into the equivalent FTE for one provider operating 10 hours daily, 22 days per month.
- Based on the Great Start Compensation FTE translations, FCF estimated monthly award amounts, including the 10% increased payment for serving a child receiving either CCAP or an Early Learning Scholarship or when a program is located in a Child Care Access Equity Area.

Using this approach, the estimated annual average Great Start Compensation payments ranged around \$70,000 in the center model and approximately \$7,700 in the FCC models.

Inflation Adjustments

Non-Personnel Costs

Inflation adjustments were made to update the 2023 cost model inputs to reflect non-personnel cost changes more accurately from original data collection to the current costs incurred by providers.

To achieve this, each input in the original cost model was assessed to determine the percentage of total expenses it represented. This analysis helped identify significant contributors (greater than 2% of total costs) that warranted more detailed investigation for inflation adjustments. A structured decision protocol was established to prioritize updates based on the relative budget share of each input, ensuring that more significant inputs receive proportionate attention in the adjustment process.

Appropriate inflation adjustments were sourced for each input, primarily utilizing the Consumer Price Index (CPI) from the Bureau of Labor Statistics (BLS). The CPI measures average price changes for consumer goods and services. Whenever possible, regional CPI data for the Midwest was employed to enhance the accuracy of adjustments.

Direct adjustments were made based on the applicable CPI series for cost model inputs with relevant and aligned CPI series (such as telephone, internet, and repairs and maintenance costs). Inputs that were originally sourced from external data, such as Minnesota Training and Background Check Fees and CACFP payment and reimbursement rates from the U.S. Department of Agriculture, were revised using the most recently updated figures from those sources.

Several inputs that constitute significant portions of the model required additional research and data for accurate inflation adjustments. For example, health care contributions for family child care providers and changes in property taxes were informed by data sourced from Minnesota state websites. Additionally, industry reports were utilized to determine inflation adjustments related to liability insurance. Insights from the FCF Minnesota team and their annual State of Child Care Businesses survey also guided adjustments to center rent and mortgage costs.

For all remaining cost model inputs, which fell under the two percent significance threshold and did not have specific, relevant CPI data, the overall CPI inflation index from the identified timepoints was applied to appropriately estimate inflationary costs. This methodology ensures a systematic and comprehensive approach to adjusting cost model inputs for inflation, aligning with industry standards and reflecting the most current economic conditions. By focusing on significant inputs and leveraging relevant data sources, FCF aimed to provide a more accurate representation of provider costs in 2024.

Inflation Wages

FCF relied on data from the Bureau of Labor Statistics (BLS) and the Minnesota Department of Employment and Economic Development (DEED) to update wages for all staff in the inflation-adjusted cost models. FCF used the BLS roles identified in the 2023 report's future state as the wage data source. For non-teaching staff, these roles represent equivalent positions that are not child care sector specific. "Child Care Workers" was used to identify the change in wages for all teaching staff. For each role, the percent change was calculated between median

wages in 2022 and 2024. That percent change was then applied to the 2023 report wages for each role to find an inflation adjusted wage.

Table 2A: Inflation percent change for all roles

Position	Percent Change
Educator (Teacher, Assistant Teacher, Aide, Substitute)	11.8%
Director	5.5%
Administrative Assistant	6.4%
Cook	6.1%
Accountant	7.5%

VIII. Appendix B

This appendix describes how the recommended Child Care and Early Care and Education Wage Scale and Comparable Competencies developed by the department was integrated into the cost estimation model, and provides examples of the outputs derived from the updated cost model.

DCYF provided FCF with the annual salary parity version of the recommended ECE wage scale for use in cost modeling. To update the 2023 cost model to integrate the wage scale, FCF developed a single wage input for each teaching role that accounts for the varying education, competency, and tenure of the workforce. FCF used a weighted average to represent the range of wages family child care providers and aides, assistants, and teachers in child care centers might experience in the wage scale scenario. DCYF provided FCF with data on the estimated distribution of the ECE workforce across the 10 steps of the recommended wage scale. FCF completed the following steps to reach this weighted average wage:

1. Use Develop data to map anticipated placement of workforce on wage scale steps based on currently verified educational attainment.
2. Adjust the distribution of placement on wage scale steps using verification and comparable competency uptake assumptions, as detailed below.
3. Use data on average tenure of each role, as reported in Wilder’s 2023 [Minnesota’s Early Childhood Educators](#) report, to select appropriate step for years of experience from the wage scale. See table 3B below for the average tenure from the Workforce study alongside the tenure step selected for the wage scale for each role.
4. Determine weighted average for each role and geographic location.

Table 3B: Tenure levels for wage scale roles

Position	Average Experience Working in ECE Field	Wage Scale Tenure Level Used
Family Child Care Provider	22.6 years	Year 20
Lead Teacher	15 years	Year 15
Assistant Teacher	8.5 years	Year 5
Aide	5.5 years	Year 5

The following assumptions guided the adjustments to Develop data outlined below.

Education & Credential Verification Adjustment

General Assumptions:

- Program participation in Parent Aware is likely a driving factor for the ECE workforce to enter verified education and credential data in Develop. Individuals with verified data in the Develop system are more

likely to work at facilities that participate in Parent Aware, given that program's requirements to use Develop.

- According to 2022 Parent Aware participation data from DCYF, fewer than 20% of FCC's participate in Parent Aware. FCF therefore assumed that a significantly higher percentage of FCC providers, in comparison to center staff, do not currently verify their credentials but would verify their educational credentials should a wage scale with public investments be implemented.
- Individuals with less formal education are less likely to input their credentials into the Develop system given the current lack of incentive to do so and the potentially burdensome process of locating and submitting verified transcripts and certificates. FCF assumed that implementation of the wage scale with public investments would incentivize these individuals to submit transcripts and certificates to move to higher steps on the wage scale.
- Verifying educational credentials is less complex than obtaining step increases through the comparable competencies track. FCF assumed that ECE staff that do not currently have verified credentials in Develop are more likely to complete verification first. Therefore, FCF completed the verification-related adjustments first.
- Given the structure of the [MN Career Lattice](#), staff that have non-ECE related higher education experience or credentials may not have entered this information for verification in Develop. Therefore, FCF assumed that staff placed throughout the wage scale may complete the verification process to move to a higher step.

Center-based staff:

- Base Step: FCF modeled 50% of educators will seek verification of their educational credentials.
- Step 1 and Beyond: For each subsequent step, the percentage of educators seeking verification decreases by 5% from the initial 50% at the Base Step.
- Distribution: Educators who leave a step are distributed evenly among the following three steps.

Family Child Care:

- Base Step: FCF modeled 75% of educators will seek verification of their educational credentials.
- Step 1 and Beyond: For each subsequent step, the percentage of educators seeking verification decreases by 5% from the initial 75% at the Base Step.
- Distribution: Educators who leave a step are distributed evenly among the following three steps.

Comparable Competency Adjustment

General Assumptions:

- Individuals at lower steps on the wage scale are more likely to use the comparable competency track to advance to higher steps.
- As individuals progress to higher steps, they are less likely to complete the comparable competency assessment and move up.
- Individuals taking the competency assessment are generally expected to advance only a few steps at a time, rather than making significant leaps.

Center based staff:

- Base Level: After the verification adjustment, 30% of remaining educators at Base level will use the competency track to advance up the wage scale.
- Steps 1 and Beyond: For each subsequent step, the percentage of educators using the competency track decreases by 3% from the initial 30% at Base.
- Distribution: Educators using the competency track will be evenly distributed into the next three steps from their original placement.

Family Child Care:

- Due to the generally longer tenure of FCC providers, a higher percentage of FCC providers are assumed to benefit from and use the competency track for advancement.
- Base Level: After the verification adjustment, 50% of remaining educators at Base level will use the competency track.
- Step 1 and Beyond: At each subsequent step, the percentage of educators using the competency track decreases by 5% from the initial 50% at Base.
- Distribution: Educators using the competency track will be evenly distributed into the next three steps from their original placement.

FCF used adjusted percentages along with the wage scale wages at each step and the tenure outlined in Table 3B to calculate a weighted average wage for each teaching staff role.

The resultant weighted average salaries for each role, across RUCA codes are detailed in Table 5B. To better understand how this weighted average wage may vary by program quality, FCF analyzed Develop data, current as of August 2024, for teachers and FCC providers in Four-Star Rated programs. Given that the Four-Star data reflected verified credentials, FCF did not apply the verification adjustment but did still adjust the distribution for participation in comparable competencies assuming the same pattern of participation as the generalized model. These new weighted averages for Four-Star Rated teachers and FCC providers were similar to the weighted average wages shown below. FCF sees this as encouraging that the assumptions made about the impact of incentivizing credential verification were reasonable.

However, given the currently available data, the only comparison point for the Four-Star Rated model is an aggregated view of all programs. This makes it challenging to use the Four-Star average to map out a picture of unrated programs as well as programs at the other Star Levels. Therefore, FCF applied the percent difference in wages, by program quality, reported by child care programs in the survey from the 2023 cost model. The weighted average wages shown in Table 4B were used as the wage for programs not participating in Parent Aware. At each Star Level lead and assistant teacher wages increased 1.25% and aide wages increased 0.75%. Because FCF did not include family child care compensation in the form of wages in the previous model, there was not a comparison point from the 2023 report. FCF applied the 12% difference in wages reported for directors at unrated and Four-Star Rated centers for FCC providers. As a result, wages increased 3% at each Star Level for FCC providers. These quality differences are outlined in Table 5B below.

Table 4B: Wage scale weighted average salaries for programs not participating in Parent Aware

Position	Rural	Small Town	Large Town	Urban
Lead Teacher	\$54,516	\$55,409	\$56,714	\$61,726
Assistant Teacher	\$40,268	\$41,016	\$41,724	\$46,260
Aide	\$37,848	\$38,602	\$39,110	\$44,068
Family Child Care Provider	\$61,071	\$62,057	\$63,576	\$68,671

Table 5B: Wage scale weighted average salaries for programs participating in Parent Aware

Position	One Star	Two Star	Three Star	Four Star
Lead Teacher	1.25% higher than base	2.5% higher than base	3.75% higher than base	5% higher than base
Assistant Teacher	1.25% higher than base	2.5% higher than base	3.75% higher than base	5% higher than base
Aide	0.75% higher than base	1.5% higher than base	2.25% higher than base	3% higher than base
Director	3% higher than base	6% higher than base	9% higher than base	12% higher than base
Family Child Care Provider	3% higher than base	6% higher than base	9% higher than base	12% higher than base

For providers not participating in Parent Aware, FCF used the base values shown in Tables 5B and 7B.

Approach to Non-Teaching Wages

FCF relied on data from the Bureau of Labor Statistics (BLS) and the Minnesota Department of Employment and Economic Development (DEED) as wages for non-teaching staff in the wage scale cost models. FCF used the BLS roles identified in the 2023 report’s future state. These roles represent equivalent positions that are not child care sector specific. For example, “Secretaries and Administrative Assistants, Except Legal, Medical, and Executive” was the role used to reflect Administrative Assistants. Using BLS data for these roles reflects a more aspirational state where these positions do not pay a “child care tax” in wages by earning less than others in similar roles in other industries.

Because the geographic groupings of available BLS data did not align neatly with the RUCA code geography designations, FCF pulled the statewide median hourly wage data for each role. FCF analyzed the percent difference between each RUCA code groupings’ average wage and the statewide average wage for each role from the 2023 cost model. FCF then applied this resulting percent difference for each geography to the statewide median BLS wage to estimate the appropriate hourly wage for each geography. The annual wages for each role used in the wage scale cost models can be found in the table below. Aligning with the approach used in the 2023 report, director wages increased from the values shown below by 3% at each Star Level.

Table 6B: Non-teaching staff annual wages

Role	Hours Worked per Week	Rural	Small Town	Large Town	Urban
Director	40 hours	\$84,679	\$76,104	\$79,046	\$98,531
Administrative Assistant	32 hours	\$36,235	\$36,235	\$36,235	\$40,977
Accountant	8 hours	\$9,435	\$7,898	\$7,898	\$10,423
Cook	32 hours	\$31,223	\$30,252	\$30,252	\$32,955

Benefits

FCF modeled multiple approaches to benefits across the cost models. For the inflation-adjusted model, FCF included the same benefits reported by programs in the 2023 report. Specific CPI data for health insurance costs was used to update this input. The general inflation value was used to update dental insurance and education benefits costs. FCF updated the value of employee discounts for the care of their own children by using the percent change in tuition rates. Paid Time Off (PTO) options were unchanged from the 2023 report.

The department defined three different benefits scenarios that FCF modeled in the cost models. These included:

- Full Benefits: Health and retirement benefits set at levels equivalent to K-12 teachers nationally, per Bureau of Labor Statistics (BLS) data. PTO and cafeteria plan levels at minimum recommended levels recommended by the [Great Start Task Force](#).
- Partial Plus Benefits: Health and retirement benefits set at levels equivalent to the average U.S. worker, per BLS. PTO and cafeteria plan levels at minimum recommended levels recommended by the Great Start Task Force.
- Partial Benefits: Health benefits scaled by employer norms for participation rates. Assumes not all staff will enroll in employer-sponsored health insurance plan. Retirement benefits set to U.S. average, per BLS. PTO and cafeteria plan levels at minimum recommended levels recommended by the Great Start Task Force.

Dental insurance, education benefits, and employee discounts for the care of their own children would fall under the cafeteria benefits plan and are not included as a separate input in the wage scale benefits models. In

the wage scale models, and PTO was aligned with the Great Start Task Force's recommendations. These recommendations scale the amount of PTO up as staff tenure increases. To reach a weighted average amount of PTO per staff, FCF assumed that 10% were in year one of employment, 40% were in years two through four, and 50% were in years five or more. Five days of paid sick leave were added to this PTO amount.

The specific inputs used in these benefits scenarios are outlined in the table below. Benefits in the wage scale model were all defined in percent of compensation. Because wages differ across roles in the cost model, FCF calculated an average per-staff cost for each of these benefits for input in the cost model.

Table 8B: Benefits inputs across model scenarios

Benefits Scenarios	Health Insurance	Retirement Contributions	Miscellaneous Benefits
Inflation-Adjusted	\$2,712/staff	1% of wages (Four-Star centers only)	Tuition Discount: avg \$1,829/staff Dental Insurance: \$480/staff (Four-Star only) Education Benefits: \$177/staff (Four-Star only)
Wage Scale: Full Benefits	16% of wages	21% of wages	Cafeteria plan: 10% of wages
Wage Scale: Partial Plus	12% of wages	8% of wages	Cafeteria plan: 10% of wages
Wage Scale: Partial	8% of wages	8% of wages	Cafeteria plan: 10% of wages

The cost modeling completed in this report reflects program-level costs. Figure 1B below shows the breakdown of staffing-related costs across geographies for center programs not participating in Parent Aware in the modeled program. Costs in the “Supplemental Wages” categories reflect the wages beyond inflation-adjusted wages in the cost model. Figures 2B and 3B show these costs for family child care programs. Figure 2B illustrates the portion of the modeled FCC program’s total expenses that are for wages and benefits in the full benefits wage scale scenario. Figure 3B illustrates the additional costs for wages and benefits for the full benefits model, above and beyond the inflation-adjusted model’s benefits costs and net revenue (proxy for provider wage). This is the additional investment needed to meet the cost of full wage scale wages and benefits in the FCC cost model. Benefits costs reflect the costs for health insurance, retirement contributions, and cafeteria plans for all staff in the model center. State-level programs to support wages or pooled or subsidized benefits could produce program-level cost savings in these categories.

Model outputs

The figures below show some of the outputs of the cost estimation model, using the updates described in Appendix A and in Appendix B above. These models illustrate increased costs for providers using wages from the recommended ECE wage scale and each benefit package, demonstrating a need for additional investment should the recommended wage scale be approved.

Figure 1B shows the total annual expenses of an average child care program by geography. The “current model” figures include the wages and benefit expenses of providers today as a comparison point. The full benefits, partial plus benefits, and partial benefits figures show expenses include wages from the recommended ECE wage scale and each respective benefits package.

Figure 1B: Total annual expenses for a “typical” child care center, by geography and benefits package

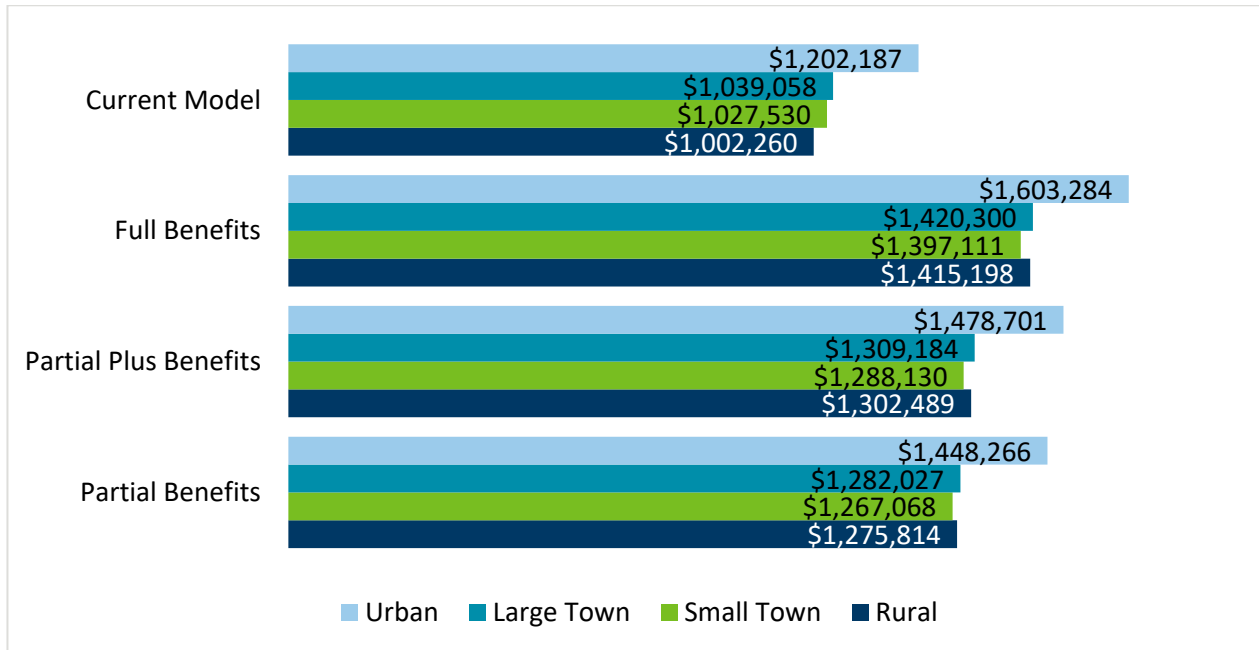


Figure 2B below shows expenses modeled for an average family child care program by geography and recommended ECE wage scale benefits packages. This figure does not include “current model” figures because the current state family child care model did not include a provider wage. This is because family child care providers usually do not pay themselves a salary; instead, their business net revenue represents their take home pay.

Figure 2B: Total annual expenses for a “typical” family child care program, by geography and benefits package

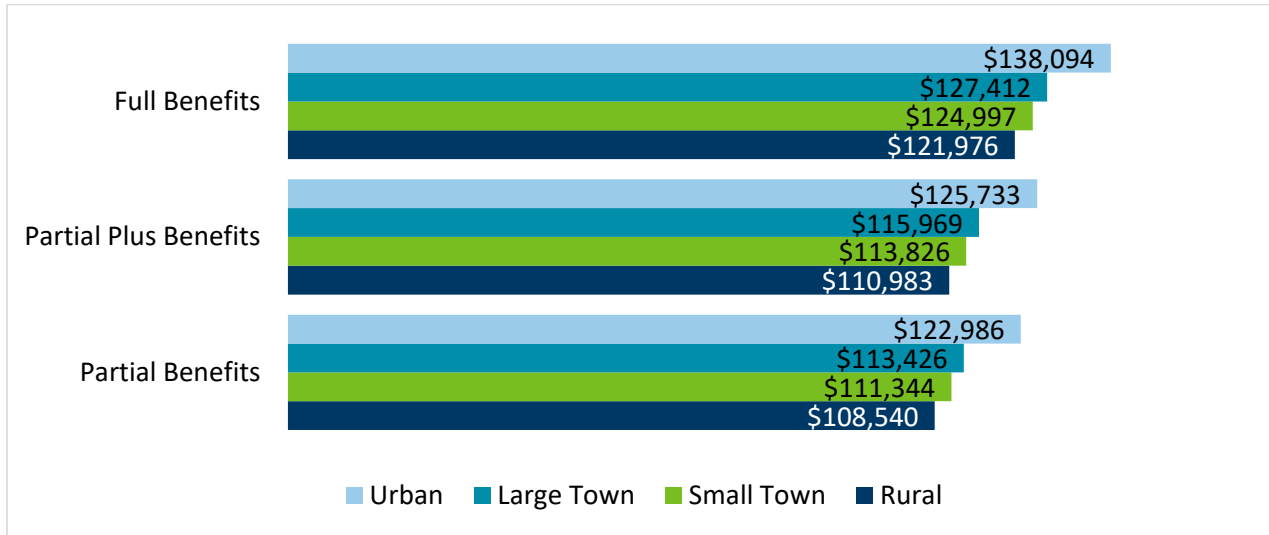


Figure 3B shows annual net revenue for an average center, including estimated payments from the Great Start Compensation Support Payment Program and Child and Adult Care Food Program. These are broken down by geography and each wage and benefit level from the proposed ECE wage scale.

Figure 3B: “Typical” center annual net revenue by geography and wage/benefit model

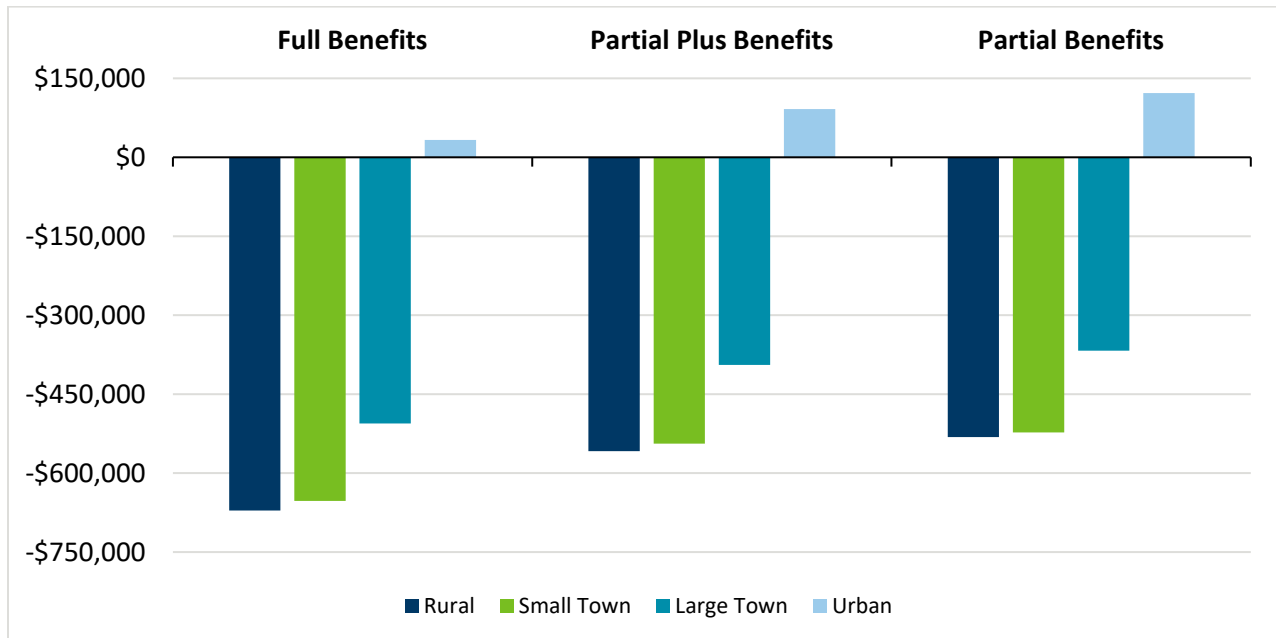
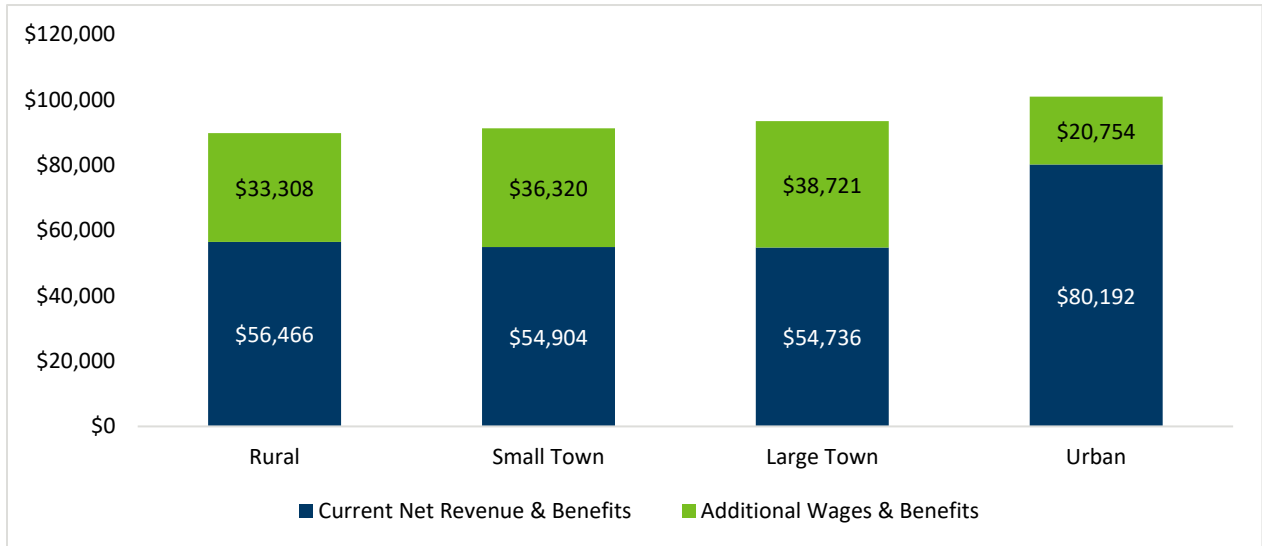


Figure 4B below shows the current total annual net revenue (i.e., wages), including estimated payments from the Great Start Compensation Support Payment Program and Child and Adult Care Food Program, along with current benefit levels, plus the additional cost of full benefits from the proposed ECE wage and benefit scale.

Figure 4B: Current FCC wages (net revenue) and benefits with additional annual costs for full benefits from proposed wage scale



IX. Appendix C

This appendix shows all per-child costs developed in the cost estimation models. The first set of tables show per-child costs from the updated models (e.g., updates demonstrated in Appendix A) without the recommended ECE wage scale included. Sets Two through Four show the updated models with the wages from the recommended ECE wage scale included, plus full benefits (Set Two), partial plus benefits (Set Three), and partial benefits (Set Four).

Given that FCC programs operate in a mixed age setting, per-child family child care costs are split into per-child costs for ages birth to five and school age. To calculate these per-child costs, FCC assumed the total amount of time each child in the model spends in care annually. This reflects school age children being in care part time during the school year and full time in the summer. Hours in care were then multiplied by the number of children in the two age groups to determine the percentage of the providers' time spent with children ages birth to five and school age children. Those percentages were then applied to the general per-child cost to determine the most appropriate values for children ages birth to five and those who are school age.

The inflation-adjusted comparisons can provide a helpful comparison for centers. However, these models do not reflect a wage input for family child care providers. In these models, the net revenue is understood as the provider wage. As a result, per-child FCC costs in the inflation model do not reflect the cost of a provider wage. Caution should be used in comparing per-child FCC costs across the wage scale and inflation models.

Model Set 1: Inflation-adjusted comparison (Wage scale wages and benefits not included)

Center Annual Per-Child Costs: Infants

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$22,404	\$22,791	\$23,230	\$23,856	\$24,628
Small Town	\$21,390	\$21,755	\$22,171	\$22,774	\$23,519
Large Town	\$21,661	\$22,033	\$22,456	\$23,067	\$23,820
Urban	\$25,569	\$26,009	\$26,511	\$27,200	\$28,047

Center Annual Per-Child Costs: Toddlers

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$13,927	\$14,148	\$14,399	\$14,836	\$15,307
Small Town	\$13,348	\$13,556	\$13,794	\$14,217	\$14,672
Large Town	\$13,502	\$13,715	\$13,957	\$14,384	\$14,844
Urban	\$15,736	\$15,987	\$16,274	\$16,746	\$17,265

Center Annual Per-Child Costs: Preschool

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$10,536	\$10,691	\$10,867	\$11,227	\$11,579
Small Town	\$10,131	\$10,277	\$10,443	\$10,794	\$11,133
Large Town	\$10,239	\$10,388	\$10,557	\$10,911	\$11,254
Urban	\$11,802	\$11,979	\$12,179	\$12,565	\$12,952

Center Annual Per-Child Costs: School Age

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$6,887	\$6,991	\$7,108	\$7,339	\$7,569
Small Town	\$6,617	\$6,714	\$6,825	\$7,050	\$7,272
Large Town	\$6,689	\$6,789	\$6,901	\$7,128	\$7,352
Urban	\$7,731	\$7,849	\$7,983	\$8,230	\$8,484

Family Child Care Annual Per-Child Costs: Under Age 5

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$3,580	\$3,593	\$3,608	\$3,712	\$3,784
Small Town	\$3,723	\$3,737	\$3,752	\$3,856	\$3,928
Large Town	\$3,739	\$3,752	\$3,768	\$3,871	\$3,943
Urban	\$4,028	\$4,041	\$4,057	\$4,160	\$4,232

Family Child Care Annual Per-Child Costs: School Age

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$1,556	\$1,562	\$1,569	\$1,614	\$1,645
Small Town	\$1,619	\$1,625	\$1,631	\$1,676	\$1,708
Large Town	\$1,626	\$1,631	\$1,638	\$1,683	\$1,714
Urban	\$1,751	\$1,757	\$1,764	\$1,809	\$1,840

Model Set 2: Wage Scale Wages & Full Benefits

Center Annual Per-Child Costs: Infants

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$32,727	\$33,402	\$34,131	\$35,052	\$35,890
Small Town	\$32,275	\$32,946	\$33,672	\$34,590	\$35,493
Large Town	\$32,855	\$33,539	\$34,280	\$35,212	\$36,130
Urban	\$37,429	\$38,201	\$39,038	\$40,061	\$41,097

Center Annual Per-Child Costs: Toddlers

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$19,826	\$20,212	\$20,629	\$21,233	\$21,751
Small Town	\$19,568	\$19,951	\$20,366	\$20,969	\$21,525
Large Town	\$19,899	\$20,290	\$20,714	\$21,325	\$21,889
Urban	\$22,513	\$22,954	\$23,432	\$24,095	\$24,732

Center Annual Per-Child Costs: Preschool

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$14,665	\$14,936	\$15,228	\$15,705	\$16,096
Small Town	\$14,484	\$14,753	\$15,044	\$15,521	\$15,937
Large Town	\$14,716	\$14,991	\$15,287	\$15,770	\$16,193
Urban	\$16,546	\$16,855	\$17,190	\$17,709	\$18,186

Center Annual Per-Child Costs: School Age

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$9,640	\$9,820	\$10,015	\$10,324	\$10,579
Small Town	\$9,520	\$9,699	\$9,892	\$10,201	\$10,473
Large Town	\$9,674	\$9,857	\$10,054	\$10,367	\$10,643
Urban	\$10,894	\$11,100	\$11,323	\$11,660	\$11,972

Family Child Care Annual Per-Child Costs: Under Age 5

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$11,166	\$11,426	\$11,690	\$12,041	\$12,361
Small Town	\$11,443	\$11,707	\$11,975	\$12,330	\$12,654
Large Town	\$11,663	\$11,935	\$12,208	\$12,569	\$12,899
Urban	\$12,641	\$12,933	\$13,227	\$13,609	\$13,960

Family Child Care Annual Per-Child Costs: School Age

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$4,855	\$4,968	\$5,083	\$5,235	\$5,374
Small Town	\$4,975	\$5,090	\$5,206	\$5,361	\$5,502
Large Town	\$5,071	\$5,189	\$5,308	\$5,465	\$5,608
Urban	\$5,496	\$5,623	\$5,751	\$5,917	\$6,070

Model Set 3: Wage Scale Wages & Partial Plus Benefits

Center Annual Per-Child Costs: Infants

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$29,910	\$30,491	\$31,125	\$31,948	\$32,689
Small Town	\$29,551	\$30,131	\$30,765	\$31,588	\$32,395
Large Town	\$30,077	\$30,668	\$31,315	\$32,151	\$32,971
Urban	\$34,315	\$34,982	\$35,713	\$36,630	\$37,553

Center Annual Per-Child Costs: Toddlers

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$18,216	\$18,548	\$18,911	\$19,460	\$19,922
Small Town	\$18,011	\$18,342	\$18,705	\$19,254	\$19,754
Large Town	\$18,311	\$18,650	\$19,019	\$19,576	\$20,084
Urban	\$20,733	\$21,115	\$21,532	\$22,135	\$22,707

Center Annual Per-Child Costs: Preschool

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$13,538	\$13,771	\$14,025	\$14,464	\$14,815
Small Town	\$13,395	\$13,627	\$13,881	\$14,320	\$14,698
Large Town	\$13,605	\$13,842	\$14,101	\$14,545	\$14,929
Urban	\$15,300	\$15,568	\$15,860	\$16,337	\$16,769

Center Annual Per-Child Costs: School Age

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$8,889	\$9,044	\$9,213	\$9,497	\$9,725
Small Town	\$8,793	\$8,948	\$9,117	\$9,400	\$9,647
Large Town	\$8,933	\$9,091	\$9,264	\$9,551	\$9,801
Urban	\$10,063	\$10,242	\$10,437	\$10,745	\$11,027

Family Child Care Annual Per-Child Costs: Under Age 5

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$10,210	\$10,443	\$10,677	\$11,000	\$11,291
Small Town	\$10,472	\$10,708	\$10,946	\$11,272	\$11,567
Large Town	\$10,669	\$10,910	\$11,154	\$11,486	\$11,786
Urban	\$11,567	\$11,827	\$12,089	\$12,439	\$12,757

Family Child Care Annual Per-Child Costs: School Age

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$4,439	\$4,540	\$4,642	\$4,783	\$4,909
Small Town	\$4,553	\$4,656	\$4,759	\$4,901	\$5,029
Large Town	\$4,639	\$4,744	\$4,850	\$4,994	\$5,124
Urban	\$5,029	\$5,142	\$5,256	\$5,408	\$5,547

Model Set 4: Wage Scale Wages & Partial Benefits

Center Annual Per-Child Costs: Infants

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$29,243	\$29,808	\$30,427	\$31,234	\$31,958
Small Town	\$29,024	\$29,449	\$30,068	\$30,875	\$31,667
Large Town	\$29,398	\$29,974	\$30,605	\$31,424	\$32,227
Urban	\$33,554	\$34,203	\$34,916	\$35,815	\$36,719

Center Annual Per-Child Costs: Toddlers

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$17,835	\$18,158	\$18,512	\$19,052	\$19,505
Small Town	\$17,710	\$17,953	\$18,307	\$18,846	\$19,338
Large Town	\$17,923	\$18,253	\$18,613	\$19,160	\$19,659
Urban	\$20,298	\$20,670	\$21,077	\$21,669	\$22,231

Center Annual Per-Child Costs: Preschool

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$13,271	\$13,498	\$13,746	\$14,178	\$14,523
Small Town	\$13,184	\$13,355	\$13,602	\$14,035	\$14,406
Large Town	\$13,334	\$13,565	\$13,817	\$14,255	\$14,632
Urban	\$14,996	\$15,256	\$15,541	\$16,011	\$16,435

Center Annual Per-Child Costs: School Age

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$8,711	\$8,862	\$9,027	\$9,306	\$9,530
Small Town	\$8,653	\$8,766	\$8,931	\$9,210	\$9,452
Large Town	\$8,752	\$8,906	\$9,074	\$9,357	\$9,603
Urban	\$9,861	\$10,034	\$10,224	\$10,528	\$10,804

Family Child Care Annual Per-Child Costs: Under Age 5

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$9,986	\$10,211	\$10,439	\$10,755	\$11,039
Small Town	\$10,244	\$10,472	\$10,704	\$11,023	\$11,311
Large Town	\$10,435	\$10,669	\$10,906	\$11,231	\$11,524
Urban	\$11,315	\$11,567	\$11,821	\$12,163	\$12,474

Family Child Care Annual Per-Child Costs: School Age

Geography	Not Rated	One-Star	Two-Star	Three-Star	Four-Star
Rural	\$4,342	\$4,440	\$4,539	\$4,676	\$4,800
Small Town	\$4,454	\$4,553	\$4,654	\$4,793	\$4,918
Large Town	\$4,537	\$4,639	\$4,742	\$4,883	\$5,010
Urban	\$4,919	\$5,029	\$5,140	\$5,288	\$5,423