The Cost of Quality Child Care in New Jersey
April 2017
The quality of a child’s future depends on the quality of caregiving in the first five years.

High quality early learning programs that are safe, healthy, stimulating, organized and led by well-trained teachers help children enter school ready to learn and succeed.

Quality child care programs also provide a critical support for working parents that rely on safe, dependable, nurturing care so they can work.
What is Quality?

*NJ’s QRIS Defines Quality*

By 2018, 1,790 centers and homes will be involved in GNJK
By 2022, all publicly funded programs will be involved in GNJK
Purpose of the Study

1. Identify issues and challenges involved in creating a high quality early care and education system

2. Determine if the current NJ child care subsidy reimbursement rate is sufficient to support the costs of operating a quality program

3. Make recommendations regarding resources necessary to support and sustain a quality rating and improvement system
Methodology

Identification of Cost Drivers
Collection of Revenue and Expense Statements
Data Analysis
Provider Cost of Quality Calculator
Cost Estimation Models
Recommendations
Center-Based Child Care
Center-Based Child Care Study Sample

**Size of Center**
- Large: 34%
- Medium: 43%
- Small: 23%

**Type of Center**
- For Profit: 30%
- Nonprofit: 25%
- EHS/HS: 26%
- Abbott: 17%
- Military: 2%

Counties:
- Bergen
- Camden
- Cape May
- Cumberland
- Essex
- Gloucester
- Hudson
- Hunterdon
- Mercer
- Middlesex
- Monmouth
- Morris
- Ocean
- Passaic
- Union
BASE SCENARIO

1 Infant Room
1 teacher: 4 infants
Group Size 12

2 Toddler Rooms
1 teacher: 6 toddlers
Group Size 18

2 Preschool Rooms
1 teacher: 10 children
Group Size 20
Assumptions

- Salaries, benefits, and staff time will increase with GNJK levels
- Private tuition rates will increase with GNJK levels
- All eligible programs will participate in the CACFP
Center-Based Child Care Findings
The typical center is not sustainable at higher levels of quality.

**BASE SCENARIO: NET REVENUE AS A PERCENTAGE OF TOTAL**

<table>
<thead>
<tr>
<th></th>
<th>Revenue Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>11.90%</td>
</tr>
<tr>
<td>2</td>
<td>7.80%</td>
</tr>
<tr>
<td>3</td>
<td>-7.80%</td>
</tr>
<tr>
<td>4</td>
<td>-10.50%</td>
</tr>
<tr>
<td>5</td>
<td>-20.50%</td>
</tr>
</tbody>
</table>

**Scenario Information:**

- 5 classrooms – 1 infant room, 2 toddler rooms and 2 preschool rooms
- 25% children receive a child care subsidy
- Program participates in the CACFP
- 85% enrollment
- 3% bad debt
Recommendation: Raise the Child Care Reimbursement Rate
Current Subsidy VS Tuition

Infants

Private Tuition  |  Current Subsidy

Preschoolers

Private Tuition  |  Current Subsidy

Toddlers

Private Tuition  |  Current Subsidy
More subsidy = Less sustainable

No additional revenue (CACFP) included in this model
More subsidy = Less sustainable

CACFP included in this model

- $500,000.00
- $400,000.00
- $300,000.00
- $200,000.00
- $100,000.00
- $0.00

1. 25% Subsidy Enrollment
2. 50% Subsidy Enrollment
3. 100% Subsidy Enrollment

More subsidy results in less sustainable outcomes.

CACFP included in this model.
More infant toddler slots = Less sustainable

Net Revenue

1: Infant-Toddler Only
2: Infant-Toddler Only
3: Infant-Toddler Only
4: Infant-Toddler Only
5: Infant-Toddler Only

- More infant toddler slots = Less sustainable

- Net Revenue

- $0.00
- $50,000.00
- $100,000.00
- $150,000.00
- $200,000.00
- $250,000.00
- $300,000.00

- Infant-Toddler Only
- Preschool Only
What if the Subsidy Rate was Gradually Raised Since 2008?

**Infants**

Current Rate: $160.60

Hypothetical Rate: $237.28

**Preschoolers**

Current Rate: $132.40

Hypothetical Rate: $195.62
What would weekly rates need to be for a center to breakeven?

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Level 1</th>
<th>Level 3</th>
<th>Level 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infant</td>
<td>$254.25</td>
<td>$332.65</td>
<td>$428.00</td>
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<tr>
<td>Toddler</td>
<td>$186.25</td>
<td>$241.65</td>
<td>$307.00</td>
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<tr>
<td>Preschool</td>
<td>$141.25</td>
<td>$181.65</td>
<td>$225.00</td>
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</table>
Recommendation: Address Compensation Issues
## A Closer Look at Salary - Median Salary Data

<table>
<thead>
<tr>
<th>Position</th>
<th>Community Based</th>
<th>Publicly Funded (EHS, HS, ABB)</th>
<th>Total Sample</th>
<th>BLS</th>
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</thead>
<tbody>
<tr>
<td>Director</td>
<td>$39,000.00</td>
<td>$62,500.00</td>
<td>$50,000.00</td>
<td>$49,210.00</td>
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<tr>
<td>Ed Coor./Asst.</td>
<td>$32,175.00</td>
<td>$41,671.00</td>
<td>$39,487.00</td>
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<tr>
<td>Director</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Head Teacher</td>
<td>$26,325.00</td>
<td>$45,000.00</td>
<td>$30,600.00</td>
<td>$35,160.00</td>
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<tr>
<td>Assistant Teacher</td>
<td>$18,768.00</td>
<td>$26,319.00</td>
<td>$20,825.00</td>
<td>$22,070.00</td>
</tr>
<tr>
<td>Title</td>
<td>10th percentile</td>
<td>25th percentile</td>
<td>50th percentile</td>
<td>75th percentile</td>
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<tr>
<td>------------------------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Director</td>
<td>$27,300</td>
<td>$35,000</td>
<td>$39,000</td>
<td>$45,000</td>
</tr>
<tr>
<td>Ed Coordinator/Assistant Director*</td>
<td>$20,475</td>
<td>$26,250</td>
<td>$29,250</td>
<td>$33,750</td>
</tr>
<tr>
<td>Head Teacher</td>
<td>$18,000</td>
<td>$21,625</td>
<td>$26,325</td>
<td>$29,250</td>
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<tr>
<td>Teacher Assistant</td>
<td>$16,575</td>
<td>$16,760</td>
<td>$18,768</td>
<td>$20,563</td>
</tr>
</tbody>
</table>
Recommendation: Improve Business Practices
Enrollment Efficiency

Net Revenue

85% Enrollment Rate  95% Enrollment Rate
How Bad is Bad Debt?

Net Revenue

- $300,000.00
- $250,000.00
- $200,000.00
- $150,000.00
- $100,000.00
- $50,000.00
- $0.00
- $50,000.00
- $100,000.00
- $150,000.00

1 2 3 4 5

3% Bad Debt 10% Bad Debt
Family Child Care Findings
Family child care providers make significantly less money than their center-based counterparts.

Scenario Information:
- 5 children – 1 infant (0-12 months), 2 toddlers (12-24 months), and 2 preschoolers (24-36 months)
- 2 children receive a child care subsidy
- Program participates in the CACFP
- 85% enrollment
- 3% bad debt
Recommendation: Raise the Child Care Reimbursement Rate
More subsidy = Less sustainable
Recommendation: Improve Business Practices
Importance of Enrollment Efficiency & Bad Debt

100% Enrollment and 0% Bad Debt
85% Enrollment and 3% Bad Debt
In Summary
Recommendations

Changes to the Subsidy System
• Rates need to be significantly increased
• Rates need to align with licensing ratio
• Payment practices need to reflect standard payment practices
• Tiered reimbursement to reflect higher levels of quality

Address Workforce Compensation Issues
• Incentives for the child care workforce to participate in quality initiatives (tax credits)

Improve Business Practices
• Training on business and financial management
• Involvement in CACFP
• Shared Services Model

Level 1  Level 2  Level 3  Level 4  Level 5
Thank You!