

Modeling Quality Child Care Center Costs and Revenues in Louisiana
Policy Brief
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OVERVIEW

To develop a cost model for early care and education centers in Louisiana, the Louisiana Policy Institute for Children interviewed eight early care and education providers in East Baton Rouge, Jefferson, Lafayette, Orleans, and Rapides parishes to learn more about actual costs and expenditures. Of those, five providers were also able to provide information about revenue sources.

ACTUAL COSTS & REVENUES AT QUALITY CHILD CARE CENTERS

All eight interviewed providers received a rating of Proficient or higher in 2017-18, including one rating of Excellent and five that would fall in the newly created High Proficient range. Compared to the 17% rate of all Type III centers earning a rating of High Proficient or Excellent, this sample focuses on higher performing providers.

For interviewed providers, center size ranged from 42 to 165 children, with enrollment rates between 57% and 100%. These centers serve children of all ages, with many receiving funds from at least one public program — LA4 (1 provider), NSECD (2), PEG (3), Early/Head Start (2).

Average salaries at interviewed providers were \$25,099 for lead teachers — about half of the average salary of a K-12 teacher — and \$18,406 for assistant teachers. As with many child care centers, interviewed centers provide minimal benefits to staff, typically only paid holidays and vacation days. Three of the centers are able to provide medical coverage to staff. Salaries and benefits are a reflection of centers’ bottom lines. All interviewed providers want to be able to increase teacher salaries, however, most cannot afford to at this time.

Teacher-Child Ratios in Cost Model Centers

Child Age	LA Licensing Requirements (Type II/III)	Average for Interviewed Providers	Early/Head Start	Caring For Our Children National Recommendations
Infants	1:5	1:4	1:4	1:3
1-Year-Olds	1:7	1:5	1:4	1:4
2-Year-Olds	1:11	1:7	1:4	1:4
3-Year-Olds	1:13	1:10	1:8	1:7
4-Year-Olds	1:15	1:11	1:10	1:8

Average per child costs ranged from over \$11,000 for infants to over \$8,000 for 4-year-olds. These costs largely reflect lower teacher-child ratios and enrollment rates. To maintain program quality, many interviewed providers operate with teacher-child ratios lower than state regulations mandate, requiring providers to hire additional teachers and operate in larger facilities. Interviewed centers with less than full enrollment must also still employ enough teachers to staff classrooms, even if those classrooms are not fully enrolled, to sustain program quality and ensure appropriate teacher-child ratios. Capital costs and space constraints also influence center costs, size, and expansion. Some providers spoke about the challenges of affording capital costs, especially with the few funding options available.

Per Child Amounts

Child Age	Average Cost for Interviewed Providers (Quality Centers)	Louisiana Child Care Tuition Rate Statewide (High Quality and Low Quality Centers)	Current Louisiana Child Care Assistance Program Reimbursement Rate
Infants	\$11,071.72	\$8,580	\$5,850
1-Year-Olds	\$10,609.73	\$8,060	\$5,850
2-Year-Olds	\$9,510.20	\$8,060	\$5,850
3-Year-Olds	\$8,346.22	\$7,800	\$5,590
4-Year-Olds	\$8,337.83	\$7,800	\$5,590

Financial data provided by centers underscores the tight margins centers operate in, with most struggling to break even or operating at a loss. For centers participating in Early Head Start and Head Start, the public programs that provide the highest funding per child, participation in these programs can make the difference in the centers' bottom lines. Other providers may get creative or benefit from relationships with other organizations. One interviewed provider forgoes a salary three or four months out of the year to ensure all other bills can be paid, and is only able to do this with a spouse employed full time elsewhere. Three interviewed providers are affiliated with and subsidized by larger organizations, which includes facility use at no cost.

Compounding this is the fact that child care center tuition rates do not always cover program costs. Interviewed providers care about providing access to families of all income levels and try to keep tuition rates affordable, balancing their real costs and what families can afford. Similarly, some interviewed providers participate in public programs even though funding does not cover the full cost because they want families of all income levels to be able to access their program. In some cases, before/after care and summer programs help centers fill gaps between tuition/reimbursements and costs. One interviewed provider set tuition lower than needed when first opening to draw in families and has begun gradually increasing rates, in part due to lower than desired enrollment. This center is now considering increasing tuition rates more aggressively to better cover costs.

Regardless of costs, families need child care year round. Interviewed providers stated tuition-paying families typically utilize child care all year, and a subset of families with children in public programs participate in summer programs. Unfortunately, many public programs, including LA4, NSECD, and PEG, cover only 6 hours per day for 10 months.

COST MODEL FOR QUALITY CENTERS

Data from providers was used to inform the creation of a cost model that, as providers suggested, increased lead teacher salaries by \$3 an hour and assistant teacher salaries by \$2 an hour. Cost model inputs were based on actual averages from providers, including expenses and teacher-child ratios.

Key Takeaways & Findings

- **Enrollment rates significantly impact cost efficiency:** Centers with less than full enrollment must employ more teachers than needed to ensure appropriate teacher-child ratios. Adjusting a sample

center’s enrollment rate from 80% to 100% reduced average per child costs by 8% to 11%, or anywhere from \$673 to over \$1,500.

- **Center size matters:** Even with full enrollment, smaller centers do not prove profitable with significantly higher per child costs, having to spread fixed costs over a smaller number of children. Larger centers experience greater cost efficiency through the ability to distribute fixed costs across a larger number of children.
- **Ensuring quality programs comes at a cost:** Research shows lower teacher-child ratios improve quality. To provide quality programming, centers operate with teacher-child ratios below minimum state licensure requirements. To meet certain pre-kindergarten requirements, centers employ teachers with bachelor’s degrees to lead classrooms for 4-year-olds and pay higher wages to compete with elementary schools for talent. Infant care is expensive, costing at least \$3,600 more than care for 3- and 4-year-olds.

Cost Model Annual Per Child Costs

	Sample Center with Increased Teacher Salaries		Current CCAP Reimbursement
	100% Enrolled	80% Enrolled	
Infants	\$12,010.19	\$13,565.14	\$5,850
1-Year-Olds	\$10,662.56	\$12,010.19	\$5,850
2-Year-Olds	\$9,122.42	\$10,172.52	\$5,850
3-Year-Olds	\$7,967.31	\$8,641.13	\$5,590
4-Year-Olds	\$8,399.61	\$9,203.83	\$5,590

RECOMMENDATIONS

Based on the information gathered from interviewed providers and the created cost model, the Louisiana Policy Institute for Children recommends the following actions to address issues around affordability and access for both families and providers.

- **Increase the infant and toddler reimbursement rates:** Costs of infant and toddler care in quality programs are nearly double the current CCAP reimbursement rate, placing quality care out of financial reach for many Louisiana families. The high costs can also be prohibitive for child care centers, who often opt to not serve our youngest children rather than run the risk of losing money, further reducing the options available to families. Increasing reimbursement rates to better align with actual tuition rates and costs will increase access for families, especially to quality slots, both financially and in availability.
- **Increase use of shared services and other supports to effectively increase center size:** Data from the actual providers and the costs model show that center size matters, especially around efficiency for non-instructional costs. Small centers often manage operational needs at similar costs to larger centers, which has a greater impact on their bottom lines. Spreading operational and fixed costs over larger enrollment would reduce per child costs and increase net revenues for centers.
- **Improve Louisiana’s current Early Childhood Coordinated Enrollment System to accurately capture vacancies in child care programs, as is done now for publicly funded Pre-k and Head Start/Early Head Start programs, to provide families with a single, comprehensive resource and facilitate full enrollment in all programs:** Families seeking care and education for their young children may have multiple options available to them; however, it is not always easy to find available spots in child care. While availability in public programs like Head Start and LA4

are accessible to families from a single source under the current Early Childhood Coordinated Enrollment System, availability in publicly funded child care programs is not part of this system. Parents often must contact individual child care centers to determine availability. This can be a time consuming, and even daunting, task for families. In addition, the current system places child care at a disadvantage when competing with LA4, NSCED and Head Start/Early Head Start for enrolling children. Given that lack of 100% enrollment is a big cost driver for child care, this further compounds the high cost per child for public dollars in the Child Care Assistance Program, as well as for parents paying tuition.

Louisiana Policy Institute for Children

The Louisiana Policy Institute for Children is a source of non-partisan, independent information on issues concerning children ages birth through four in Louisiana. The Institute also develops policy proposals informed by data, research, best practices and the experiences of other states for improving the outcomes of Louisiana’s young children, and then provides educational and outreach activities around these recommendations. For additional information see www.policyinstitutela.org.

