

2022 Hawaii Narrow Cost Analysis
Supplement to the Child Care Market Rate Survey

I. **Introduction**

The Hawaii Department of Human Services (DHS) oversees programs that serve vulnerable families, children and individuals statewide. To encourage self-sufficiency and to support families, one of these programs is the Child Care Subsidy Program which provides benefits to eligible families who are working, attending an educational program, or participating in a job-training program to help pay for child care for all eligible children.

The department conducts a market rate survey annually to examine current market rates for child care in Hawaii. Throughout 2021, DHS held meetings with the department's contractor, People Attentive to Children (PATCH), who administers the child care resource and referral program, to discuss and provide feedback for revisions to the 2022 Market Rate Surveys. In addition, the department also held meetings with community stakeholders to address the feasibility to continue pursuing a market rate study, as a proposed cost estimation model was introduced for the department's consideration. However, Hawaii DHS elected to continue with the Market Rate Survey for 2022, and will entertain alternate methodologies with upcoming plan cycles.

Due to the impact of the COVID-19 pandemic emergency in Hawaii, many families have experienced reduced work hours, furloughs, or unemployment. Hawaii DHS made temporary changes to the child care subsidy program to expand support to more families affected by the COVID-19 pandemic. Hawaii DHS established emergency rules to temporarily suspend certain eligibility requirements such as suspending income eligibility requirements for families affected by the pandemic and temporary increases to child care payment rates for licensed and registered child care providers, to support children, families, and child care providers who were impacted by the pandemic. Hawaii DHS also developed health and safety guidelines for child care providers who continued operations or resumed operations during the pandemic emergency.

This year, Hawaii DHS conducted a Narrow Cost Analysis (NCA). The NCA typically addresses the child care provider's costs of implementing standards for health and safety, higher quality care, and staffing requirements. For the purpose of this NCA, Hawaii DHS focused on the gap between the current child care payment rates and salaries in higher quality care settings. Hawaii DHS does not have a Quality Rating and Improvement System (QRIS); however, the department sets child care payment rates for licensed Group Center-Based providers with accreditations from either the National Association for the Education of Young Children (NAEYC) or the National Early Childhood Program Accreditation (NECPA). Hawaii DHS also recognizes licensed Infant and Toddler Center-

Based providers as providing quality care. Information gathered from the NCA and the 2022 Market Rate Survey will help the department in future administrative policy amendments and legislative decision making for the Child Care Subsidy Program.

II. Methodology

An online cost calculator, accessed through <https://costofchildcare.org/>, a tool that estimates the cost of providing care in Hawaii, was used for the NCA in addition to the 2022 Hawaii Market Rate Survey. For this purpose, Hawaii DHS chose to analyze the cost to increase staff salaries to incentivize quality in licensed Center-Based Infant and Toddler Centers and licensed Group Center-Based providers and compare the findings to Hawaii's current child care payment rates for these particular child care centers.

III. Results

The Hawaii DHS model attempts to identify the gap between the cost to increase staff salaries to incentivize recruitment and retention of qualified staff in licensed Center-Based Infant and Toddler Centers and licensed Group Center-Based providers and Hawaii's current child care payment rates.

Licensed Center-Based Infant and Toddler Centers

For the NCA, the average monthly cost of care for licensed Infant and Toddler Center-Based providers was \$1,496 per child. Effective July 1, 2022, Hawaii's child care payment rate will revert to \$1,733 per month per child, regardless of the need for full-time or part-time care. Based on this analysis, Hawaii's current child care payment rate is \$237 more or 14% higher than the monthly base cost for higher quality of care.

Licensed Group Center-Based

For the NCA, the monthly cost of care for licensed Group Center-Based providers was \$945 per child. Effective July 1, 2022, Hawaii's child care payment rate for an accredited provider will revert to \$980 per month per child, regardless of the need for full-time or part-time care. Hawaii's current child care payment rate is \$35 more or 4% higher than the monthly base cost for higher quality of care.

IV. Summary

There were limitations and assumptions in choosing to analyze salaries and the gap between Hawaii's current child care payment rates in higher quality care settings. The NCA, using the online cost of child care calculator tool, provided an estimated monthly base cost, and comparing the estimated base cost to the child care payment rates for quality child care for the Hawaii DHS. One limitation in using the online tool was the

NCA was based on publicly available data for Hawaii for estimates of the cost of care by age group and salaries.

Assumptions were made for the child care settings of licensed Infant and Toddler Center-Based providers and licensed Group Center-Based providers. One assumption was these were not accredited facilities, which incur additional expenses to the overall costs to be accredited.

Based on the data collected for the 2022 Hawaii Market Rate Survey, to provide equal access (75th percentile) to child care in the following care settings, the child care payment rates should be set at:

- \$1,990 per month per child in a licensed Center-Based Infant and Toddler setting, and
- \$1,278 per month per child in a licensed Accredited Center-Based setting

Hawaii DHS is currently working on policy amendments for the Child Care Subsidy Program and one area being reviewed is the child care payment rates as referenced in chapter 798.3, Hawaii Administrative Rules. Hawaii DHS continues to collaborate with PATCH as well as other child care stakeholders on ways to narrow the gap in the department's child care payment rates to provide equal access for CCDF families.

Hawaii DHS has issued approximately \$56.12M in American Rescue Plan Act (ARPA) Child Care Stabilization Grant funds to help eligible child care providers during the emergency pandemic as well as to help incentivize staff retention. The department plans to disburse remaining ARPA stabilization grant funds and will be starting the second round of funding in the upcoming months. Child care providers are responsible to issue staff retention bonuses to all eligible staff. Hawaii DHS did not use data gathered from the ARPA grant into this year's analysis, however, will be used to aid future discussions and decision making for the Child Care Subsidy Program.