



Cost of Expanding Maine's Child Care Affordability Program



THERESA HAWLEY, PHD
AUTUMN HAGSTROM, MSW
SESSY NYMAN, MS

info@celfe.org

*This report was written by the Center for
Early Learning Funding Equity for the Maine
DHHS Office of Child and Family Services.*

Table of Contents

<i>Introduction</i>	3
OUR CHARGE	3
ABOUT THE CHILD CARE AFFORDABILITY PROGRAM	3
<i>Methodology</i>	4
INCOME- AND WORK-ELIGIBLE COUNTS OF CHILDREN.....	4
CALCULATING COST TO STATE	4
CURRENT PARTICIPATION IN CCAP	6
<i>Results</i>	7
SCENARIO 1: RAISE INCOME ELIGIBILITY TO 250% OF THE STATE MEDIAN INCOME AND ASSUME THE PARTICIPATION RATE REMAINS AT 7%.	7
SCENARIO 2: LEAVE INCOME ELIGIBILITY AT 125% OF THE STATE MEDIAN INCOME AND FOCUS ON INCREASING PARTICIPATION TO 55%.	8
SCENARIO 3: RAISE INCOME ELIGIBILITY TO 250% OF THE STATE MEDIAN INCOME AND ASSUME THE PARTICIPATION RATE INCREASES UP TO 55%.....	9
<i>Comparison of Scenarios</i>	10
<i>Other Opportunities for Ensuring Affordable Care</i>	11
CONSIDER COPAY STRATEGY	11
LOOKING BEYOND SUBSIDY TO IMPROVE SYSTEM QUALITY AND AFFORDABILITY.....	11
EXPAND SALARY SUPPLEMENTS	12
DEVELOP A BASE FUNDING INITIATIVE, ESPECIALLY FOR INFANT-TODDLER CHILD CARE	13
<i>Conclusion</i>	14
<i>Appendix A: Quality and Setting Assumptions Used in Analysis</i>	15
<i>Appendix B: Program Cost Assumptions</i>	16
<i>Appendix C: SMI by Household Size</i>	17
<i>Appendix D: Methods used for Eligible CCAP Family Estimates</i>	18

Introduction

Our Charge

Maine’s 22 MRSA §3740-E requires the Office of Child and Family Services (OCFS) to design a phased implementation plan with benchmarks for limiting child care costs, by 2030, to no more than 7% of a family's income for a family earning up to 250% of the state's median family income. This report lays out various options for expanding income eligibility in the Child Care Affordability Program (CCAP) while capping parent copays at no more than 7% of a family’s income. It also discusses alternative options for expanding access to affordable and high-quality child care.

About the Child Care Affordability Program

Maine’s Child Care Affordability Program helps over 3,000 families afford to enroll their children, from birth to age thirteen, in child care settings across the state. The program provides payment to providers based on the age of the child and the type, location, and quality rating of the program that provides care for that child. CCAP has a parent fee component that calculates a family's contribution as a percentage of their annual income. The percentage of family income charged ranges from 0% to 10%, and it grows as household income grows. This is notable because adding a higher-income family to the program will typically cost the state less than adding a family at a lower income, because a higher-income family will pay a larger share of the child care cost in a parent fee.

Maine has recently increased its income eligibility for CCAP, first expanding to 85% of State Median Income (SMI) in December 2023 and then to 125% of SMI in July 2024. After eligibility was increased, CCAP instituted a waitlist in November 2024 because far more families were eligible for services than could be served with the current appropriation for the program.

As of September 2024, 4,101 children received CCAP subsidies. Approximately 54% of these children were under age 5; the rest were school-aged. Although CCAP serves a similar portion of school-aged and young children, younger children are much more expensive to care for and spend more hours in care. Thus, in FY 24, over 74% of the \$23.2 million in CCAP funding was spent on children under age 5.

Table 1: Number of Children Served and Funding in CCAP FY 24

	Funding	Children Served
Infants and Toddlers	\$8,606,816	1,062
Preschoolers	\$8,321,910	1,137
School Age	\$6,231,393	1,902
Total	\$23,160,119	4,101

Methodology

The estimates provided in this report were calculated using an Excel-based model that uses state demographic data to estimate the number of families who would participate in CCAP at each income eligibility level. The model uses assumptions based on Maine's current supply of child care to calculate the cost of serving families based on the type of child care that families are likely to use and the copayments they will pay based on their incomes.

Income- and Work-Eligible Counts of Children

In the model, we used estimates of the number of children living in families that meet both parental work/school requirements and income thresholds for six levels of Maine's State Median Income (85%, 100%, 125%, 150%, 200%, and 250%) using a methodology created by researchers at NORC at the University of Chicago. For more information about the statistical methods used, see Appendix D. The estimated count of children eligible for CCAP at each income level is shown below.

Table 2: Estimated Number of Children Eligible for CCAP by Family Income Level

Age	85% SMI	100% SMI	125% SMI	150% SMI	200% SMI	250% SMI
0-3	10,313	12,039	16,779	21,332	23,054	23,244
3-5	11,605	13,558	18,912	24,039	25,977	26,188
School Age	31,369	38,019	52,643	64,230	67,454	68,041
Total	53,287	63,616	88,334	109,601	116,485	117,473

Calculating Cost to State

The cost of serving a family in the Child Care Affordability Program depends on...



Care Provided

The rate paid differs based on the age of the child, program type, and quality rating.



Parent Income

Parent copay rate depends on their income and the state's copay scale.



Rate the State Pays

The state sets its maximum payment rates according to market prices. This analysis also includes the cost of paying higher wages.

Because CCAP payment rates vary by setting and Rising Stars for Maine Quality Rating, this analysis needs to predict which children will be served in which settings to understand the cost of serving those children. In our analysis, CELFE assumes that all families who become newly eligible for CCAP and use formal care will be served in the state's existing care supply (or if the supply grows, it will grow in a way that preserves the current percentages that are, for example, in homes vs centers or at each quality level). Our assumptions about the existing state supply of care are based on licensing data from OCFS. See Appendix A for the quality and setting type assumptions used in our analysis.

The model calculates the potential cost to the state of an expanded CCAP program in two ways. The first assumes that the state pays the current CCAP maximum reimbursement rate, less any parent fees. The second assumes that the state pays a maximum reimbursement rate based on the full cost of care, with competitive wages (e.g., bachelor 's-level teachers making parity with K-12 teachers). The cost assumptions used in this analysis are in Appendix B.

Parent fees are calculated by the state based on each family's household income, meaning the cost to the state will vary based on which families across the income spectrum participate in the program. The model designed by CELFE assumes that all copays for families currently eligible will remain the same unless that copay is currently above 7%. The model also assumes that families who are newly eligible for CCAP (i.e., those with incomes between 150% and 250% of SMI) will pay somewhere between 7% and 10% of their income in copays, with no family paying more than 7% of their household income by 2030. While CELFE used the assumptions outlined in this section to meet the requirements of 22 MRSA §3740-E, we recommend that Maine carefully consider its strategy for setting copays and increasing eligibility, particularly for higher-income families. For example, the state may want to prioritize decreasing copays for currently eligible families for CCAP before adding new eligible families. This recommendation is discussed further in the penultimate section of this report.

Cost of Care vs Current Rates

Child care providers typically adopt a business model of “smoothing” the prices that parents pay when their children are infants, toddlers, and preschoolers, rather than charging dramatically higher tuition for the youngest children. Infants and toddlers cost far more to serve because they require more hands-on attention and must be cared for in much smaller groups than preschoolers or school-agers.

To make infant and toddler care more affordable for parents, providers often compensate for their losses in infant and toddler classrooms by charging more than the cost of care for preschoolers. Because of this market reality, the state should be wary of setting subsidy payment rates based solely on the cost of care. The current maximum payment rates are set using the Market Rate Survey, which surveys all providers in Maine to collect data on child care prices. This process allows the state to ensure the maximum CCAP payment rate is competitive enough that a family should be able to purchase care in the private market. Only using cost modeling results to set subsidy rates for preschoolers could unintentionally set rates lower than what that program might currently charge for a preschooler, which would limit that family’s ability to purchase preschooler care with the subsidy and disrupt the business model of providers.

The subsidy system currently funds a very small portion—about 3%—of the entire Maine child care market. If a larger portion of the market, say 40-60%, was paid for using subsidies, enough providers would be receiving a subsidy that paid the full cost of infant care that taking a lower subsidy for a preschool-aged child would not devastate that provider's ability to provide infant/toddler care.

Current Participation in CCAP

A key question in estimating the cost of expanding income eligibility is “**Once eligible, how many families are likely to participate in CCAP?**” The number of families likely to participate in a publicly funded child care system is largely unknown, as no state has yet raised income eligibility up to levels as high as 250% SMI (New Mexico and Vermont currently have the highest eligibility levels, at approximately 166% and 160% SMI, respectively). Participation in Maine’s CCAP is currently very low, with only approximately 7% of eligible children participating. At the time of writing this report, there were over 600 children on the waitlist. Funding the program to clear the waitlist would increase the participation rate marginally, but the participation rate would still be far lower than the national average of 14.5% of qualifying low-income children receiving child care subsidies.¹ We might expect a fully funded child care subsidy system to have an even higher participation rate than 14.5%, as the current national average reflects the fact that many states across the country have a waitlist and are not serving all families who have applied for the subsidy.

Maine’s low participation rate could be explained by many factors, including families’ willingness to participate and providers’ willingness to enroll a child who pays with a subsidy. Participation in CCAP may increase as income eligibility increases, particularly if low subsidy uptake is driven by stigma or lack of awareness. However, if low participation is driven by structural factors such as family copays being so high that CCAP provides little real benefit or payment rates being too low for providers to accept, then expanding eligibility alone will likely not drastically increase participation rates.

Because the cost of expanding income eligibility will vary widely based on the number of families participating, it is difficult to project the cost without knowing why families are not currently participating. Importantly, expanding overall participation by adding higher-income families to the subsidy system does not result in the same cost as increasing participation by already eligible lower-income families because higher-income families would pay much higher parent fees and thus cost the state less to serve.

This report uses three scenarios to outline the possible cost implications of expanding the number of families participating in the subsidy system by increasing either the number of families that are income-eligible for CCAP, the participation rate of those eligible, or a mix of both.

Note: This analysis assumes that eligible families across all incomes would participate in CCAP at the same rate. There is no research available to confirm that families would truly follow this pattern. It could be the case that as wealthier families become eligible, they still do not participate in subsidies or do so less frequently than poor families (for whom the subsidy has a larger value).

¹ Schneider, A., & Gibbs, H. (2023, December 14). Data dashboard: An overview of child care and early learning in the United States. Center for American Progress.

Results

Scenario 1: Raise income eligibility to 250% of the State Median Income and assume the participation rate remains at 7%.

Scenario 1 assumes that families continue to participate in the subsidy system at about the same rate they currently do (7%). It decreases copays for families that are currently eligible to a maximum of 7% of their income by Year 2 (as required by federal regulations) and expands eligibility to families with higher incomes in Year 3-Year 5. At full implementation, this scenario would cost \$39.9 million annually if paid at the current rate and \$56.4 million if paid the full cost of care with competitive wages.

Scenario 1 adds 1,600 children across the income spectrum to CCAP. These children would have household incomes between \$0 and \$328,450². These families would have their costs lowered to a maximum of \$22,992 a year, but the majority would pay less than \$12,000 a year toward care. **However, this scenario assumes that a very small portion of eligible children would be receiving CCAP and that poorer families are no more likely to participate when eligible than are wealthier families.**

	Reimbursement rate paid at	
	Current rate	Cost of care with competitive wages
Current State	\$22.5 M	
Year 1 Decrease copays for currently-eligible families, with no family under 85% SMI paying more than 7% of their income	\$30.7 M	\$43.1 M
Year 2 Decrease copays for currently-eligible families, with no family under 125% SMI paying more than 7% of their income	\$33.6 M	\$46 M
Year 3 Expand eligibility to families whose income is up to 150% of SMI. These families pay up to 10% of their income in copays	\$36.5 M	\$51.7 M
Year 4 Decrease the copay rate for families currently eligible, with no family under 150% SMI paying more than 7% of their income	\$38.6 M	\$54 M
Year 5 Expand eligibility to families whose income is 250% of SMI. These families pay up to 7% of their income in copays	\$39.9 M	\$56.4 M

² For households of 5 people or less.

Scenario 2: Leave income eligibility at 125% of the State Median Income and focus on increasing participation to 55%.

Scenario 2 focuses resources on serving and increasing participation in families with the lowest incomes, rather than increasing eligibility for families at higher incomes. The participation rate is estimated at 55%, closer to the rate seen statewide, for example, in Illinois (48% of eligible families with children 0-5 participate in Illinois, where eligibility is set close to 85% SMI). This scenario decreases copays for families that are currently eligible to a maximum of 7% of their income by Year 2 (as required by federal regulations). At full implementation, this scenario would cost \$263.8 million if paying at the current rate and \$361.3 million if paying the full cost of care with competitive wages.

This scenario targets available funding towards families that make below 125% SMI (about \$119,000 annually for a family of three). It would cap costs for a family of three at about \$8,300. This scenario would add about 29,400 children to the program.

	Reimbursement rate paid at	
	Current rate	Cost of care with competitive wages
Current State	\$22.5 M	
Year 1 <i>Decrease copays for families currently eligible, with no family under 85% SMI paying more than 7% of their income. Raise participation in CCAP to 15% of the eligible population.</i>	\$65.9 M	\$92.4 M
Year 2 <i>Decrease copays for families currently eligible, with no family under 125% SMI paying more than 7% of their income. Raise participation in CCAP to 25% of the eligible population.</i>	\$119.9 M	\$164.2 M
Year 3 <i>Do not expand eligibility, but raise participation in CCAP to 35% of the eligible population.</i>	\$167.9 M	\$229.9 M
Year 4 <i>Do not expand eligibility, but raise participation in CCAP to 45% of the eligible population.</i>	\$215.9 M	\$295.6 M
Year 5 <i>Do not expand eligibility, but raise participation in CCAP to 55% of the eligible population.</i>	\$263.8 M	\$361.3 M

This scenario would also result in a cliff for families who then passed the threshold of 125% SMI and were no longer eligible for a program. For example, a family of three in Cumberland County with an infant whose income became higher than \$119,000 (thereby rendering the family ineligible for CCAP) would see their cost for an infant triple from \$8,300 to about \$24,000.

Scenario 3: Raise income eligibility to 250% of the State Median Income and assume the participation rate increases up to 55%.

Scenario 3 assumes that as more families become eligible and their copays are decreased, families will participate in the subsidy system at a higher rate. Scenario 3 follows the same eligibility and copay pattern as Scenario 1 to offer a point of comparison of what the cost of a similar strategy with greater family uptake would be. It decreases copays for families that are currently eligible to a maximum of 7% of their income by Year 2 (as required by federal regulations) and expands eligibility to families with higher incomes in Year 3- Year 5. At full implementation, this scenario would cost \$313.5 million annually if paid at the current rate and \$443 million if paid the full cost of care with competitive wages.

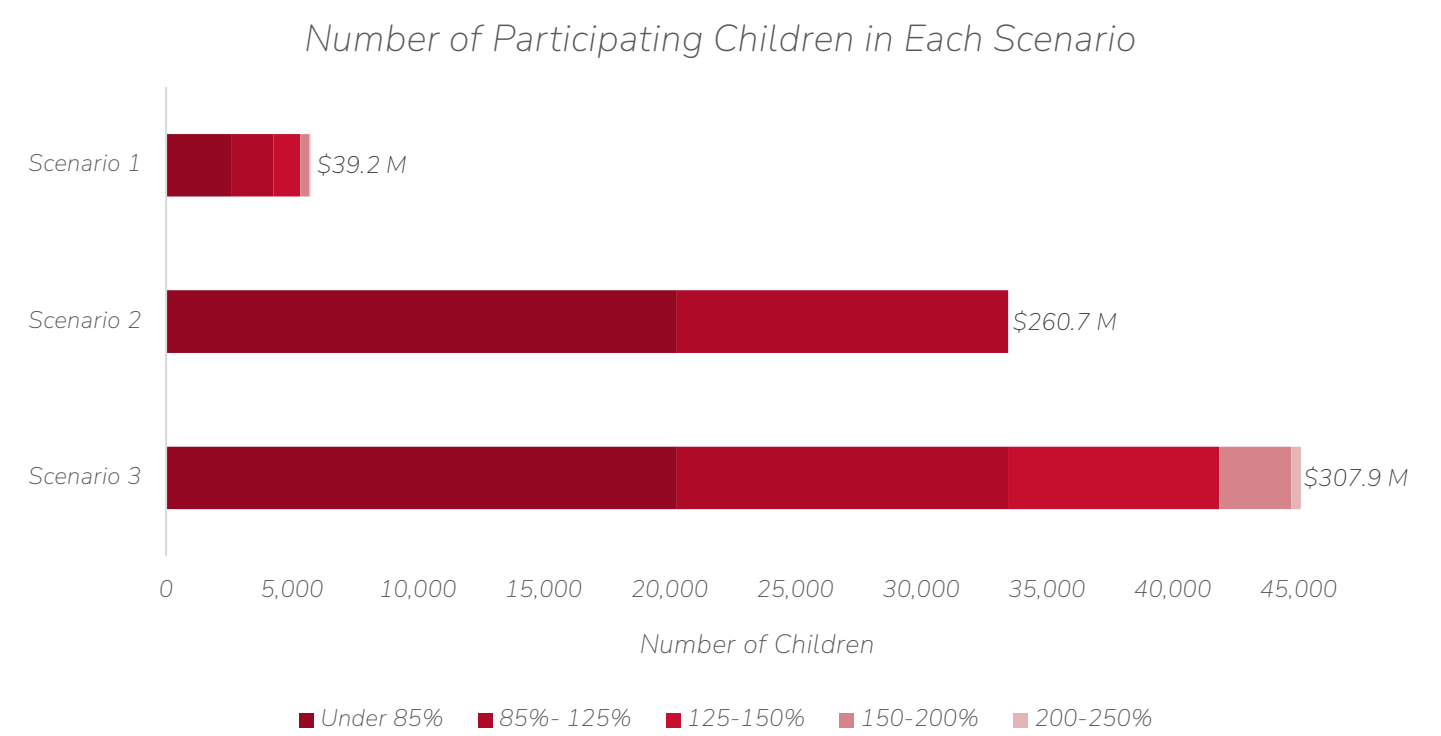
This scenario lowers the cost of child care for families across the income spectrum, with families between incomes of \$0 and \$328,450 being eligible for CCAP.³ Nearly all families would have their costs lowered to below \$32,845 a year, but most would pay less than \$11,892 a year. Unlike Scenario 1, Scenario 3 assumes that a majority (55%) of eligible families are participating in CCAP, thus significantly increasing the cost for the state. This scenario involves serving nearly 41,000 more children in CCAP, and these children would span the income spectrum.

	Reimbursement rate paid at	
	Current rate	Cost of care with competitive wages
Current State	\$22.5 M	
Year 1 Decrease copays for families currently eligible, with no family under 85% SMI paying more than 7% of their income, and increase participation to 15% of eligible families	\$65.9 M	\$92.4 M
Year 2 Decrease copays for families currently eligible, with no family under 125% SMI paying more than 7% of their income, and increase participation to 25% of eligible families	\$119.9 M	\$164.2 M
Year 3 Expand eligibility to families whose income is 150% of SMI. These families pay up to 10% of their income in copays, and increase participation to 35% of eligible families	\$182.7 M	\$258.4 M
Year 4 Decrease copays for families are currently eligible, with no family under 150% SMI paying more than 7% of their income. Raise participation in CCAP to 45% of the eligible population.	\$248.2 M	\$347.1 M
Year 5 Decrease copays for families currently eligible, with no family under 250% SMI paying more than 7% of their income, and increase participation to 55% of eligible families	\$313.5 M	\$443 M

³ For households of 5 people or less.

Comparison of Scenarios

The three scenarios outlined in the report show three pathways toward expanding the CCAP to reach more families, which can be accomplished by either increasing the number of families eligible or focusing on increasing the participation of those currently eligible. These scenarios demonstrate that the largest portion of the funding will need to go towards increasing participation rates from the current participation rate of just under 7% of eligible families. Expanding eligibility to higher-income families is relatively less expensive for the state because these families pay a high share of child care costs in copays. In contrast, adding lower-income families to CCAP is more expensive because these families pay less in copays. Nevertheless, focusing on expanding participation among the lowest-income, already-eligible families is critical for ensuring these families have access to affordable, high-quality child care.



The chart above shows the relative differences between the incomes of children served in each scenario. Scenario 1 adds very few children to the system, and many of these children would be newly income-eligible for CCAP. Scenario 2 adds nearly 30,000 currently eligible children to the system by increasing the participation rate of those currently eligible. Finally, Scenario 3 would add 40,000 new children to CCAP by both increasing the participation rate of those eligible and increasing the income eligibility threshold.

Other Opportunities for Ensuring Affordable Care

Consider Copay Strategy

The scenarios outlined in the report assume that no family that is eligible for CCAP will pay more than 7% of their income by 2030. We recommend that the state carefully consider other approaches to a copay scale.

Families with higher incomes have more disposable income than low-income families. While 7% of annual income for some families may be the maximum of what is affordable, families at 250% of SMI (\$237,842 for a family of three) may be able to afford to put a larger portion of that income towards child care costs. Utilizing a higher copay rate for these families could result in cost savings for the state that could be reinvested in serving the poorest families. For example, if Maine pursued Scenario 2 and expanded eligibility to 250% SMI but collected a copay between 7-10% of family income for those over 125% SMI, the state could save \$75 million annually.

To further target available resources toward the lowest-income families, Maine could also consider decreasing copays for families who are already eligible for subsidies. Currently, copay rates are 0% for families up to 30% SMI (or about 100% of the federal poverty level). Copays slowly increase as income rises, reaching 7% of household income by the time a family's income reaches 75% of the state median income and 10% by the time a family reaches 110% of the state median income.

An alternative approach could be to eliminate or lower copays for families at 45% SMI (or about 150% of FPL), and more slowly ramp up to 7%, reaching 7% for a family who was at 85% SMI. Decreasing these copays results in a relatively small cost for the state (each family's copay would be reduced by less than \$1,500 per year), but this change could have a significant benefit for families. For example, eliminating copays for a family of three at 45% SMI (with an income of about \$42,812) would cost the state around \$1,142 annually. This expense is small in the context of CCAP's larger budget, but it has a huge impact on a family with a low income.

Looking beyond subsidy to improve system quality and affordability

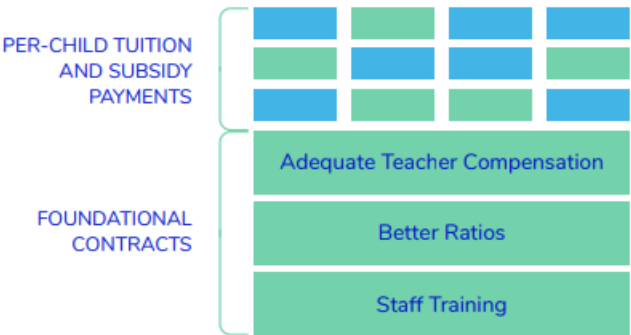
Child care has historically been a low-wage field because program budgets are limited by what parents can afford to pay in tuition. The child care subsidy system, funded by the federal Child Care and Development Fund and state contributions, helps low-income families buy into the child care market, but that market is failing to meet demand and failing to attract and retain the needed workforce. Even if subsidy payment rates were raised above what parents generally pay, the additional revenue would be too little and too unpredictable to justify overall salary increases. It would be too little because most programs enroll relatively few subsidy children. Nationally, only 47% of centers enroll any children with subsidies, and only 10% of centers receive subsidy payments for more than half their children.⁴ Similarly, in home-based care, subsidies support fewer than 10% of all enrolled children.⁵ The revenue would be too unpredictable to support salary

⁴ A R Datta, I Ventura, (2023). Enrollment size and subsidy density of child care centers receiving child care subsidies in 2019, OPRE Report No. 2023-008, Washington DC: Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services.

⁵ National Survey of Early Care and Education Project Team (2020). How Much of Children's Early Care and Education Participation in 2012 Was Publicly Funded? OPRE Report #2020-69, Washington DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services.

increases because the number of subsidy children will vary from month to month. Increased subsidy payment rates are important for covering rising costs in many areas, but a more stable, predictable, and adequate source of revenue will be needed to build the workforce, grow the market, and improve quality.

Innovative foundational funding models address the market’s failure to provide high-quality, accessible programs that meet community needs. They work with programs’ existing per-child tuition and subsidy income, providing a layer of stable, predictable revenue to support compensation and quality. They were designed for broad reach and simple administration.



For broad reach, most use simple eligibility criteria that smaller, newer, and less resourced programs can meet, rather than requiring complex applications or competitive proposals. They specify achievable performance requirements to meet policy goals.

For simple administration, they use formula-based funding models in which programs earn fixed payment rates, rather than the cost reimbursement model commonly used for grants and contracts. The fixed payment rates represent the estimated additional cost for most programs to meet the initiative’s goals or requirements. For example, if the requirement is to pay employees based on a specified minimum salary scale, the funder might compare wages in the new salary scale against wages from a recent salary survey to determine a specific dollar amount per employee that would enable most programs to fill the gap. Or if the goal is to keep licensed or quality-rated programs open in an area where parents cannot afford the full cost, the funder might compare the estimated full cost against current market-based revenue (from a market rate survey) and determine a specific dollar amount per classroom that would keep most programs open.

Expand salary supplements

One option to expand affordable access to high-quality care for every family in Maine is to provide funding to programs or educators that directly improve wages. The availability and stability of a well-qualified workforce is one of the greatest challenges in early childhood, with low wages being a major contributor to turnover in the field. This problem exists across the credential spectrum, with programs competing with retail and service industries for entry-level employees and with the public school system for bachelor's-level teachers.

Maine’s ECEC Educator Salary Supplement is taking steps to address these issues by offering program funding that is used to directly raise educators' compensation. The supplement amount is based on each educators' qualifications according to the Maine Roads to Quality Professional Development Network’s Career Lattice, offering greater supplements to educators who have gained higher credentials. This design both recognizes the investment individuals have made in their professional development and incentivizes teachers to gain more credentials.

While an evaluation of the salary supplement program is still underway, initial findings suggest that it is having a meaningful impact on provider retention. Maine also has achieved very high participation in the Salary Supplement Program, with over 93% of eligible providers participating. This program offers a promising approach for the state to subsidize the cost of high-quality care because funding is offered to all programs and is not tied to a child or even an individual classroom’s characteristics. Additionally, while families and providers have been slow to participate in CCAP, providers have been eager to participate in the Salary Supplement Program, suggesting this type of investment may be preferred.

COST OF EXPANDING MAINE’S CCAP

Develop a base funding initiative, especially for infant-toddler child care

Base funding will be crucial for preserving the supply of infant and toddler care as the state continues expanding universal pre-k, because we expect 4-year-old enrollment in child care centers to decline as participation in school-based preschool increases. Child care providers struggle when they can only recruit and enroll younger children. The per-child cost of providing child care services is significantly higher for infant-toddler classrooms because of their smaller group sizes and lower child-to-teacher ratios. For example, in Cumberland County, the CELFE cost study estimated that it currently costs approximately \$23,000 to provide infant care in a Star 2 center, compared to only \$13,000 to serve a preschooler. However, providers are not able to pass on the full cost of infant-toddler care to families, and instead “smooth” their pricing across age groups, charging a median of \$17,160 for infants and \$15,600 for preschoolers in 2024.

In other states, there is evidence that as school-based preschool enrollment rose, infant-toddler child care capacity declined. In Maine, as in most states, there is already a shortage of licensed infant-toddler care, so the state needs a strategy for preserving capacity.

One potential strategy is to provide foundational operating grants to programs serving infants and toddlers. Building upon the success of the pandemic-era stabilization grants, the Salary Supplement program, and the current infant-toddler “bump” paid currently in CCAP, these grants could provide stable operating funds to programs to partially offset the cost of infant-toddler classrooms (or slots in family child care) in return stabilizing or reducing the price that providers charge for these services. This more universal approach may be more effective in a state like Maine where participation in a means-tested program like CCAP historically has been very low.



Conclusion

This report outlines three potential scenarios for expanding CCAP in Maine. These scenarios are meant to outline potential approaches for serving more families in CCAP by expanding income eligibility, increasing participation of those who are currently eligible, or both. Increasing the participation of those currently eligible for CCAP is an important part of ensuring that child care is affordable for families in Maine with the lowest incomes. However, increasing participation rates of these low-income families will drive the majority of the cost of any CCAP expansions. This report also recommends alternative strategies for expanding access to high-quality ECEC.

Appendix A: Quality and Setting Assumptions Used in Analysis

Because CCAP payment rates vary by setting and Rising Stars for Maine Quality Rating, this analysis needs to predict which children will be served in which settings to understand the cost of serving those children. In our analysis, CELFE assumes that all families who become newly eligible for CCAP and use formal care will be served in the state's existing care supply, or if supply expands the percent that is home vs center-based and at the various STAR levels will remain the same.

Our assumptions about the existing state supply of care are based on licensing data from OCFS.

CELFE does did not calculate the cost of Star 4 and Star 5 programs differently, because many Star 5 programs are Head Start programs. Head Start is far more expensive than typical child care because of the robust standards and the additional family engagement and health services offered through Head Start. Most families who become newly eligible for CCAP would not be eligible (and would not need) Early Head Start/Head Start services. Because of this, our analysis does not assume any children would be paid at a Star 5 rate.

Uptake by Quality Level and Program Type		
Star Level	Centers	FCCs
Star 2	69%	89%
Star 3	8%	5%
Star 4 and Star 5	23%	6%

Appendix B: Program Cost Assumptions

CELFE became engaged with OCFS in June 2023 as part of a project to provide recommendations for a strategic early childhood financing plan. A foundational part of this work was a cost-of-care study. These results were used in this report to understand the cost of paying a subsidy reimbursement rate that meets the cost of care.

Through this work, we used administrative data, market rate survey data, and qualitative data collected from system experts and providers to design a series of comprehensive cost models that calculate the cost of care across settings, geography, and age. These cost models also estimate the cost of care with more competitive wages that are high enough to recruit and retain a well-qualified workforce. These wages ensure that all ECE educators are paid a living wage and that educators with bachelor's degrees are paid parity with the K-12 system.

For the full description of the cost study result and methodology, see our full report titled "[Cost Estimation Study Final Report](#)."⁶

Franklin, Aroostook, Kennebec, Oxford, Penobscot, Piscataquis, Somerset, and Washington County						
	Center-based Care			Family Child Care		
	Star 2	Star 3	Star 4	Star 2	Star 3	Star 4
Infants	\$27,238	\$27,715	\$31,244	\$12,873	\$14,003	\$15,115
Toddlers	\$22,811	\$23,205	\$26,097	\$12,873	\$14,003	\$15,115
Preschoolers	\$14,942	\$15,186	\$18,378	\$12,721	\$13,841	\$14,940
School Age	\$10,431	\$10,595	\$11,863	\$10,670	\$11,611	\$12,534

Androscoggin, Hancock, Knox, Lincoln, and Waldo County						
	Center-based Care			Family Child Care		
	Star 2	Star 3	Star 4	Star 2	Star 3	Star 4
Infants	\$27,508	\$27,992	\$31,407	\$13,123	\$14,146	\$15,116
Toddlers	\$23,031	\$23,430	\$26,232	\$13,123	\$14,146	\$15,116
Preschoolers	\$15,073	\$15,320	\$18,471	\$12,968	\$13,981	\$14,941
School Age	\$10,506	\$10,673	\$11,907	\$10,878	\$11,729	\$12,534

⁶ Hawley, T., Hagstrom, A., & Nyman, S. (2024). Maine cost estimation study: Final report. Center for Early Learning Funding Equity. Retrieved from https://www.maine.gov/dhhs/sites/maine.gov.dhhs/files/inline-files/2024%20Maine%20Cost%20Report_FIN_0.pdf

Sagadahoc and York County						
	Center-based Care			Family Child Care		
	Star 2	Star 3	Star 4	Star 2	Star 3	Star 4
Infants	\$27,890	\$28,381	\$32,035	\$13,700	\$14,754	\$15,745
Toddlers	\$23,317	\$23,721	\$26,716	\$13,700	\$14,754	\$15,745
Preschoolers	\$15,186	\$15,437	\$18,737	\$13,539	\$14,583	\$15,563
School Age	\$10,511	\$10,680	\$11,991	\$11,358	\$12,234	\$13,057

Cumberland County						
	Center-based Care			Family Child Care		
	Star 2	Star 3	Star 4	Star 2	Star 3	Star 4
Infants	\$28,502	\$29,010	\$32,716	\$14,131	\$15,249	\$16,261
Toddlers	\$23,797	\$24,215	\$27,249	\$14,131	\$15,249	\$16,261
Preschoolers	\$15,432	\$15,691	\$19,049	\$13,966	\$15,073	\$16,074
School Age	\$10,863	\$11,037	\$12,380	\$11,716	\$12,646	\$13,486

Appendix C: 2024 SMI by Household Size

The following table shows the income at which a family would no longer be eligible for CCAP at that eligibility cutoff.

	State median income				
	100%	125%	150%	200%	250%
2-person families	\$77,016	\$96,270	\$115,524	\$154,032	\$192,540
3-person families	\$95,137	\$118,921	\$142,705	\$190,274	\$237,842
4-person families	\$113,258	\$141,573	\$169,888	\$226,517	\$283,146
5-person families	\$131,380	\$164,225	\$197,070	\$262,760	\$328,450

Appendix D: Methods used for Eligible CCAP Family Estimates

In the model, we used estimates of the number of children living in families that meet both parental work/school requirements and income thresholds for six levels of Maine’s State Median Income (85%, 100%, 125%, 150%, 200%, and 250%) using a methodology created by researchers at NORC at the University of Chicago. This approach uses a combination of statistical methods to produce estimates of children in CCAP-eligible families using the following steps:

- 1. 2022 American Community Survey (ACS) 1-year data are used to develop a “direct” estimate of the share of children in households eligible for CCAP in each Public Use Microdata Area (PUMA) in Maine.*
- 2. 2022 ACS 1-year and 2022 ACS 5-year data are combined, using statistical regression modeling techniques, to study the association between community characteristics and the share of CCAP-eligible children. These associations are then used to generate predictions of the “model-based” estimate of the share of CCAP-eligible children.*
- 3. The “direct” (step 1) and “model-based” (step 2) estimates are combined to provide final estimates for the baseline year for tracts in Maine using the proportions of children in each tract, based on the variation in each estimate.*
- 4. Basic monthly Current Population Survey (CPS) data is used to build statistical relationships between household socioeconomic status as of the baseline year and CCAP eligibility as of its most recent available data.*
- 5. These CPS-based statistical relationships are applied to the final baseline estimates for Maine, using the specific estimated socioeconomic status of each Maine Census tract to estimate CCAP eligibility as of the most recent month of CPS data.*
- 6. Estimated shares are converted to counts by multiplying the estimates with projected proportions of the overall number of children aged 0-5 and 6-12 forecast using the Decennial Census⁷.*