RAND Response #1
January 31, 2023

Follow-up Questions from RAND's presentation of the ECE Study to Committees: Batch #1

1. What is the average cost of high-quality, accessible care assumed in the Study:
   a. Across ages 0-4?
   b. Across ages 0-2?
   c. Across ages 3-4?

   Response: The cost of high-quality ECE reported in Table 3.3 of the report by child age and setting type can be averaged across the three age groups defined above for an unweighted direct cost of care in 2022 (exclusive of system-level cost). Accounting for the distribution of hours across age groups and settings gives the following per child direct cost of high-quality ECE in 2022 (exclusive of system-level cost) across age groups in 2022 dollars:

   a. Across ages 0 – 4: $19,799
   b. Across ages 0 – 2: $22,251
   c. Across ages 3 – 4: $16,142

   Keep in mind that these are the total per child cost implied in the aggregate spending figure, a portion of which is assumed to be paid for through family contributions and the remainder through public funding.

2. What share of Vermont children ages 0-4 come from families with incomes in the range:
   a. 350% to 400% of FPG?
   b. 400% to 450% of FPG?

   Response: The table below shows a more detailed distribution of pre–school-aged children (those ages 0 to 4 as defined in the report) than what is presented in Table 2.1 of the report.

Distribution of Pre–School-Aged Children in Vermont by Family Income Relative to Poverty

Indicator	Percentage of Children	Cumulative Percentage of Children in Families
Family income to poverty		
Up to 1.5 times poverty	22.2	22.2
1.5 up to 2.0 times poverty	9.8	32.0
2.0 up to 2.5 times poverty	7.4	39.4
2.5 up to 3.0 times poverty	10.4	49.8
3.0 up to 3.5 times poverty	9.9	59.7
3.5 up to 4.0 times poverty	7.1	66.7
4.0 up to 4.5 times poverty	8.1	74.8
4.5 up to 5.0 times poverty	6.3	81.1
Over 5.0 times poverty	18.9	100.0

SOURCE: RAND analysis of 2015–2019 American Community Survey Public Use Microdata Sample file for children in families.

NOTE: Percentage distributions might not total 100 percent because of rounding.

3. Why does the report state that the payroll tax is progressive? Is it the result of using compensation as the tax base rather than wages only?

   Response: Our approach to the payroll tax was to use total employee compensation as a proxy for wages as breaking out cash compensation from other compensation was not contained within the underlying data. Additionally, most of the income generated by lower income households is in the form of transfers rather than employee compensation. Our well-being estimates incorporate changes in income, disposable income, and all the underlying prices to produce an index of well-being that is based on the consumption pattern of the underlying data. Thus, our approach to characterizing a progressive policy is one where the welfare impacts in the overall economy are either monotonically increasing or decreasing. If the relative welfare is increasing as incomes rise, we define that as a regressive policy. If the relative welfare is decreasing as incomes rise, we define that as a progressive policy. Although the data do not allow us to apply a payroll tax to wages only, we would expect to find a similar effect in terms of the progressivity of the payroll tax on well-being as we find when the payroll tax is applied to compensation (Table 4.4).

4. If possible, what is the average and median household income in Vermont for households with children (CPS)?

   Response: The table below shows the median family income for Vermont families with at least one pre–school-aged child (as defined in the report). The median is shown for all families with pre–school-age children and separately for these families based on family size, specifically sizes 2, 3, 4, 5, and 6+.

Median Family Income for Vermont Families with at Least One Pre–School-Aged Child

Indicator	Median Family Income (2019 $)	Median Family Income (2022 $)
Families with at least one pre–school-aged child		
Total	74,456	86,146
By family size		
Size 2	30,723	35,547
Size 3	68,120	78,815
Size 4	92,924	107,513
Size 5	86,642	100,245
Size 6 or more	92,708	107,263

SOURCE: RAND analysis of 2015–2019 American Community Survey Public Use Microdata Sample file for children in families.
NOTE: Sample size is 1,036 Vermont families with at least one pre–school-aged child.

5. What are your thoughts on the advisability of linking CCFAP provider reimbursement to the provider's STARS rating?

   Response: According to the 2021 Quality Compendium which provides a catalog of Quality Improvement Systems across the states (https://qualitycompendium.org/), 37 out of 45 states with a quality rating system, including Vermont, tie the provider reimbursement under the state child care subsidy system to the provider's rating on the state's quality rating system. This strategy has been adopted by the states in recognition of the higher cost associated with providing higher-quality ECE. For example, in most state rating systems, a higher rating requires hiring staff with more education which typically requires higher compensation. Higher ratings usually require smaller staff-child ratios which also raise the per child cost of care.

By using a higher reimbursement rate for achieving higher and higher tiers on the rating system, providers are more likely to be able to achieve and sustain high-quality program features. States have used cost studies, in addition to market price surveys, to determine the appropriate level of reimbursement associated with movement to higher quality ratings. States that do not tie subsidy reimbursement rates to the quality rating system often find that there is little financial incentive for providers to achieve a higher-quality rating because they cannot cover their costs with the standard per child reimbursement rate. Or providers may be able to achieve a higher rating for a time, but the business model is not sustainable if they cannot recover the cost of quality through the subsidy reimbursement system.

6. Does the following comparison look reasonable (Note: PFML uses the average cost per week according to our model, plus 7.5% administrative costs; for the maximum weekly PFML benefit, the 14-week cost would be about $17,000)

Response: These estimates are consistent with the cost estimates we report in Table 3.3.

Cost of ECE for infants, 2022 $$			
	Annual	Per week	14 weeks
Small center	$39,152	$752.92	$10,541
Medium center	$35,661	$685.79	$9,601
Large center	$34,387	$661.29	$9,258
Small FCCH	23,351	$449.06	$6,287
Large FCCH	17,515	$336.83	$4,716
Source: RAND ECE Report, p. 36, Table 3.3			

PFML Cost		
	Per week	14 weeks
100%, cap at SAWW	$586.22	$8,207
Source: JFO estimates including 7.5 percent for administrative costs.		