

Market-Based and Publicly Managed Child Care Assistance: Role of Market Rate Surveys

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Child care market

Definition:

The collection of buyers and sellers that, through their potential interactions, determine the price of a product or set of products.

Market-based and publicly-managed child care assistance

- Publicly-managed:
 - Government determines amount will pay
 - Government contracts with facility
- Market-based:
 - Facility determines a price
 - Government may pay all or portion of parent fee (voucher or certificate)
- Each approach has strengths
- States are in period of experimentation blending the two approaches

Comparison of typical market-based and publicly-management child care assistance on:

- Quality
- Access
- Continuity
- System Impacts

Quality

- State or territory can direct funds to facilities that meet specific set of criteria linked to quality
- May be able to base payments on cost of care
- Parent selects based on perception of what is best for child and family
- “Federal funds cannot pay more for services than is charged the general public for the same service”

Access

- Parents have access to facilities with which state/territory contracts
- Publicly-managed programs not likely to exist in every community but can provide centers in low-income communities where market does not provide options
- Facilities likely to operate during traditional work schedule
- Funds often directed to facilities that serve preschoolers
- Parents have access to whatever legally-operating facilities exist in their community
- If unregulated family, friend, and neighbor care is legal, some care exists in most, if not all, communities
- Access to legally-operating arrangements available in non-traditional hours
- Funds go to facilities that serve children of all ages

Eligibility and continuity

- Eligibility for assistance and facility linked
 - Eligibility to attend facility may be tied to family income and less likely to be tied to parental employment
 - Child may have to be income eligible in order to attend facility
- Eligibility is often for a school year
- Eligibility for assistance not linked to a facility
 - Eligibility linked to parental employment and family income
 - Child may become ineligible due to change in parent employment or earnings.
 - Child may remain in same facility after spell of subsidy use
- Eligibility redetermined on regular basis—typically six months

System impacts

- Investment in a limited number of facilities
- Cost control must deal with time-based contracts
- Potential to impact a wide range of legally operating child care facilities
- Control costs by changing policy levers: eligibility, copay table, maximum payment rate, wait list

Market-based child care

- Access to child care are linked to how closely payment rates match prices parents find in their community
- Market rate surveys are key to understanding how child care operates in a community
- Market rate studies are tool CCDF regulations require states to use to document relationship of payment rates and child care prices
- Valid market rate studies are necessary but not sufficient to ensure access to child care market

Guidance for Validating Child Care Market Rate Surveys

- Research project funded by Child Care Bureau
- Findings from survey of market rate survey practices and policies of states, territories, and tribes completed and available
- Study of validity of survey methods underway
- Study of effects of subsidies on market prices underway

Findings on market rate survey policies and practices of states, territories, and tribes

- No consensus on survey methods
- States mainly carry out own market rate surveys but more than half of states contract out:
 - Data collection (81%)
 - Data analysis (53%) and reporting (51%)
- States spend between \$1,500 and \$562,698—half of states spend less than \$30,848
- Costs are associated with population size and data collection method

Validity

- Market rate survey findings are valid to the extent they match the prices parents find when seeking care in their community
- Complexity of child care market challenges those who attempt to study it
- In order to produce valid findings methods must:
 - Deal with market complexity
 - Meet data collection and analysis standards

Validity issues: Dealing with child care market complexities

- Representation—Not all facilities have “market price”
 - Singly or in combination, states use three databases to identify facilities to survey: licensing, R&R, and subsidy
 - Some facilities do not charge for service
 - Public funds all or majority of children in some facilities
- Submarkets—Characteristics which affect prices create submarkets
 - Age
 - Type of care
 - Schedule
- Community definition—No geographic unit captures price differences
 - Variation in prices may exist within city or county
 - Prices are similar in noncontiguous units
 - Child care and housing prices are highly associated
- Pricing modes—Facilities typically charge in one or more of four modes (hourly, daily, weekly, monthly):
 - Relationship between modes may not be linear
 - Conversions may introduce error

Validity issues: Dealing with data collection and analysis issues

- Data collection:
 - Who asks?
 - How current?
 - How many facilities respond?
- Unit of analysis:
 - Studying price of slots
 - Facility level analysis does not take into account that one facility has 20 slots and another 120

Major market rate survey issues

- No geographic unit provides perfect definition of community
 - Prices differ within cities and counties
 - Communities with similar prices not contiguous
- Communities with little or no market care
 - Small number of parents who purchase care
 - Government funds majority of child care services