Testimony to the House Committee on Early Childhood and Family Supports

Roberta Weber
Oregon Child Care Research Partnership
Hallie Ford Center for Healthy Children and Families
College of Public Health and Human Sciences
Oregon State University
Overview

• Child Care System and Types of Public Investment
• Child Care and Development Fund
  • History and rules
  • Rate setting
• Employment Related Day Care
  • Funding
  • Study findings
• Challenges of Using ERDC Rates to Improve Provider Income
• Strategies for Improving Child Care in Low-Wage Communities
Market Child Care System: Parents Pay almost Three Fourths of Child Care Expenditures

- $919,509,590 (72%) paid by families
- $119,771,366 (9%) paid by the state
- $248,551,703 (19%) paid by the federal government

TOTAL $1,287,832,659
Public Child Care Programs: Demand-Based & Supply-Based

Demand-Based: Child Care Subsidy Program, Tax Credits
- Payments based on provider prices made by State on behalf of parents
- Parent selects provider
- Staff are employees of program in which employed
- State pays portion of fee—parents pay a copay.

Supply-Based: Preschool Promise, Oregon Head Start, Early HS
- Payments based on provider costs delivered through a contract with State agency
- State selects provider
- Staff are employees of program in which employed
- No fee to parents.
Child Care and Development Fund (CCDF)

- Federal child care assistance programs began 1980s
- Federal child care programs combined into CCDF 1996
- Demand-based approach to assistance:
  - Primary goal is to provide eligible families access to market child care of their choice in their own community
  - Price is major barrier to accessing child care
  - States encouraged to pay a high enough payment rate to ensure access to 75% of the child care slots in a community
- Percent of fund set aside to support quality
State Rate Setting

- Federal rule requires states to complete a study that differentiates by age, type of care, and geography and to use the findings in setting rates:
  - Market price studies are named and the only reliable and cost efficient method for meeting Rule requirements.
  - States are encouraged to include consideration of cost of quality.
- Payment rates set maximum provider can charge
  - Federal Principle: Providers can only charge State what they charge private pay parents
- Oregon State University conducted national study on validity of market price studies
  - Study guidance used by national Office of Child Care and other states
  - Study findings referenced in 2016 CCDF rule
Employment Related Day Care (ERDC)

• Funding:
  • 57% Federal (primarily Child Care and Development Fund (CCDF))
    • Majority of funds for subsidy but set aside for quality investments
  • 43% State funds

• Children served:
  • 18% of eligible children
  • 8% of children in paid care supported by subsidy program

• Providers:
  • All legally operating providers eligible
  • Selected by parents
  • With exception of large home-based providers, the majority do not care for a child on a subsidy

College of Public Health and Human Sciences
## Provider Participation in Subsidy Program by Type of Community

<table>
<thead>
<tr>
<th>Type of Care</th>
<th>Percent with At Least One Child on Subsidy</th>
<th>Percent of Desired Capacity filled with Children on Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rural</td>
<td>Micropolitan</td>
</tr>
<tr>
<td>Center</td>
<td>33%</td>
<td>40%</td>
</tr>
<tr>
<td>Small Home-Based</td>
<td>26%</td>
<td>28%</td>
</tr>
<tr>
<td>Large Home-Based</td>
<td>12%</td>
<td>62%</td>
</tr>
</tbody>
</table>

College of Public Health and Human Sciences
Oregon Market Price Study

• Market price studies have been conducted every 2 years since 1990

• Child care prices vary by:
  • Age of child—infant care most expensive
  • Type of care—center care most expensive
  • Geography—metropolitan areas are more expensive

• Child care prices have increased over time
  • Exceed inflation
Change in Child Care Prices Adjusted for Inflation

Small Home-Based

Infant
Toddler
Preschool Age

Price per hour

Year

Large Home-Based

Infant
Toddler
Preschool Age

Price per month

Year

Centers

Infant
Toddler
Preschool Age

Price per month

Year

College of Public Health and Human Sciences
Findings from 2016 Market Price Study

• Community child care prices created geographic clusters
• Prices consistently differed by clusters for all types of care and age of child served.
  • Higher numbered clusters are consistently the highest prices in the state
• The greatest differences in prices by clusters were found for center care and large home-based care.
  • For example, in Cluster 4 the 75th percentile center care for infant care is $1,466 per month while in Cluster 1 this percentile price is $715 per month, a difference of $751 per month.
• Small home-based care prices showed only small differences in prices, by geographic areas.
  • Small home-based care monthly prices ranged from $750 in Cluster 3 to $500 in Cluster 1 for infant care.
Higher number clusters represent zipcodes with higher prices and vice versa for lower cluster numbers.
Oregon Minimum Wage Map

Region 1: Malheur, Lake, Harney, Wheeler, Sherman, Gilliam, Wallowa, Grant, Jefferson, Baker, Union, Crook, Klamath, Douglas, Coos, Curry, Umatilla, Morrow

Region 2: Benton, Clackamas, Clatsop, Columbia, Deschutes, Hood River, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Wasco, Washington, Yamhill

Region 3: Metro Area UGB
Comparison of Market Price and Minimum Wage Maps

• Difference: market price map done at smaller geographic level
  • Goal for child care program is access for parents to child care in their community—smaller than a county

• Similarity: 31 of 36 counties clustered similarly in both maps:

• Five counties differed:
  • Counties with parts in lowest child care price cluster but standard minimum wage: Clatsop, Josephine, Wasco
  • Counties with part in second lowest child care cluster but lowest (nonurban) minimum wage: Crook, Umatilla
Revenue Problems Faced by Providers in Low-Wage Counties

• The United States has a market-based child care system:
  • Providers charge what parents are willing and able to pay,
  • Parents in metropolitan areas are willing to pay almost double what rural parents are willing to pay.

• Costs of providing care in rural and urban communities differ somewhat:
  • Many costs in rural areas are lower than in metropolitan areas (e.g., wages and housing),
  • Result is not that costs are half of costs in metropolitan areas, although prices are.

• Limited revenue challenges rural providers attempts to provide high quality care.
Challenges with Attempts to Increase Provider Funding with ERDC Payment Rates

• Goal of rate setting is to provide parents access to child care in their community:
  • Parents in metro area have to pay up to twice as much as those in rural areas.

• Increased ERDC rates will have limited impact on overall provider revenue:
  • Majority of providers do not participate in ERDC.
  • Minority of children in care are supported by subsidy--8% of children in paid care affected by ERDC payment rates.

• Federal Principle: State can pay rates higher than those the provider charges private pay parents
  • CCDF rule allows if service is of documented higher quality.
Strategies to Support Quality of Rural Providers: Use Demand-Based Mechanism (payment on behalf of parent)

- Make use of ERDC enhanced rates for SPARK-rated programs
  - Authorized in HB 2105 in 2015
- Help providers qualify for enhanced rates:
  - Focused Child Care Networks:
    - Providers join a network of providers in their community
    - Trainer supports their professional development and other quality improvements
  - Early Learning Professional Development Consortia:
    - Partnerships involving community colleges to create early childhood stackable and portable certificates, credentials, and degree programs.
    - Make AA degree programs to be flexible in meeting the needs of the existing early learning workforce
Strategies to Support Quality Rural Providers: Supply Based Mechanisms (contract with provider)

- Use Contracted slots to support high quality care in targeted communities:
  - Use CCDF to contract with providers that meet quality standards.
  - Payment based on cost of providing quality service.

- Expand supply of free early care and education in rural areas:
  - Preschool Promise can be provided in any type of care.
  - Preschool Promise allows for mix of publicly funded slots and private-pay slots:
    - Supply-based model so funding based on documented cost rather than prevailing price.

- Head Start Child Care Partnerships:
  - Partnering child care providers supported to meet Head Start standards
  - Slots free to parents and providers are paid based on cost
References


Thank You

Roberta Weber
bobbie.weber@oregonstate.edu

Oregon Child Care Research Partnership
http://health.oregonstate.edu/sbhs/family-policy-program/occrp