

**The Rhode Island  
Child Care Policy  
Research Partnership**

is a collaboration among the Rhode Island Department of Human Services (DHS), researchers from the Wellesley College Child Care Research Partnership, and Rhode Island KIDS COUNT. The Partnership facilitates research and data collection that are critical to supporting Rhode Island's child care system and to improving access to high-quality affordable child care for Rhode Island families.

**The Rhode Island  
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is a State Child Care Data and Research Capacity Project funded by the Federal Child Care Bureau in the Administration for Children and Families, in the US Department of Health and Human Services.

**Child Care Snapshots**

is a series of publications produced by Rhode Island KIDS COUNT that highlights major issues related to child care policy.

**Snapshot Number Three**

is based on the most recent child care market rate survey conducted in 2004 by Dr. Matthew Bodah at the Charles T. Schmidt, Jr. Labor Research Center at the University of Rhode Island: *Statewide Survey of Child Care Rates in Rhode Island*.

# CHILD CARE SNAPSHOTS

# 3

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Number Three

## The 2004 Market Rate Survey: Assessing the Price of Child Care in Rhode Island

Rhode Island state law requires that a biennial market rate survey be used to establish the reimbursement rates for child care services provided to families participating in the Child Care Assistance Program (CCAP). The most recent market rate survey – *Statewide Survey of Child Care Rates in Rhode Island* – was conducted between October 1 and December 1, 2004 by Matthew M. Bodah, Ph.D. at the Schmidt Labor Research Center of the University of Rhode Island. The survey is sponsored by the Rhode Island Department of Labor and Training (DLT) and the Rhode Island Department of Human Services (DHS). The market rate survey is performed every two years. The DHS child care subsidy rates are subsequently adjusted to reflect the survey's results.

### The Market Rate Survey and Child Care Subsidy Rates

Under federal law, states are required to conduct a biennial market rate survey of child care providers. The U.S. Department of Health and Human Services (HHS) requires states to set subsidy rates high enough to ensure that families using subsidies have sufficient access to child care. States can choose whether they want to use the results of the market rate survey to set the subsidy rates paid to child care providers for children in subsidized care. USHHS indicates that

reimbursement rates set at the 75th percentile of the market rate can be considered to provide sufficient access to child care.<sup>1</sup> Providers who serve children with subsidies rely on the reimbursement rates set by the state for payment of all or part of the cost of care for each subsidized child served. Adequate reimbursement rates increase the likelihood that child care providers will accept children with subsidies, pay staff better wages, and increase the quality of care.<sup>2</sup>

# Child Care Subsidy Rate Changes in Rhode Island

**S**tarting Right, Rhode Island's comprehensive child care law passed by the General Assembly in 1998, required that the state gradually increase child care provider reimbursement rates to the 75th percentile of the current market rate by the year 2000. The increase in the child care subsidy rates under Starting Right was the first comprehensive rate increase since 1991. Reimbursement rates were incrementally increased until they reached the 75th percentile of the 1998 market rate on January 1, 2000. Rates were adjusted again in 2002 and 2004 based on the results of the biennial market rate surveys. The results of the 2004 market rate survey will be used to update new rates effective in 2006. A budget article passed for SFY2006 defers DHS established rate increases from January 2006 to July 2006 (for this year only).

Child Care Subsidy Rates Paid to Providers, 1992-2004

	Apr-92	Aug-94	Jan-98	Jan-99	Jul-99	Jan-00	Jan-02	Jan-04
Center-based Infant/Toddler Care	\$98	\$98	\$111	\$120	\$129.50	\$160	\$172.50	\$182
Center-based Preschool Care	\$67	\$74	\$84	\$92	\$100	\$140	\$140	\$150
Center-based School Age Care	\$64	\$64	\$72	\$79	\$85	\$125	\$125	\$135
	Apr-92	Aug-94	Jan-98	Jan-99	Jul-99	Jan-00	Jan-02	Jan-04
Family Child Care Infant/Toddler Care	\$81	\$81	\$91	\$98	\$105	\$125	\$135	\$150
Family Child Care Preschool Care	\$54	\$63	\$77	\$88	\$100	\$125	\$135	\$150
Family Child Care School Age Care	\$53	\$53	\$70	\$85	\$100	\$120	\$125	\$135

Source: Rhode Island Department of Human Services, 2005.

\* Dates listed correspond to points at which the subsidy rate changed. Rates represent a subsidy rate paid per child per week. Note that rates for 2000, 2002, and 2004 reflect data from the 1998, 2000, and 2002 market rate surveys respectively.

Between April 1992 and January 2004, the subsidy rate for children in center-based infant and toddler care increased from \$98 a week to \$182 a week, an increase of 86%. The rates for other types of center-based care more than doubled, from \$67 a week to \$150 a week for preschool care and from \$64 a week to \$135 a week for school age care.

During the same time period, the subsidy rate for infants and toddlers in family child care homes increased from \$81 to \$150, an increase of 69%. The rates paid to family child care providers caring for preschoolers nearly tripled, increasing from \$54 a week in 1992 to \$150 in 2004. School age care in family child care homes more than doubled from just over \$50 a week in 1992 to \$135 a week in 2004.

# Findings from the 2004 Market Rate Survey

A *market rate* describes the open market price of child care for both subsidized and non-subsidized children whereas a *subsidy rate* or *reimbursement rate* is the specific price paid by the state for children in subsidized child care. The 75th percentile of the market rate means that 75% of child care providers charge that rate or less and 25% charge that rate or more.

Market Rates for Child Care Centers			Market Rates for Family Child Care Homes		
	2002	2004		2002	2004
	75th percentile	75th percentile		75th percentile	75th percentile
Infant	\$185	\$200	Infant	\$150	\$160
Toddler	\$180	\$190	Toddler	\$150	\$160
Preschool	\$150	\$165	Preschool	\$150	\$150
School Age	\$135	\$150	School Age	\$150	\$150

Source: *Statewide Survey of Child Care Costs in Rhode Island 2002 and 2004*. School Age care is the school age rate for full-time care during the summer and school year vacations. Rates for other types of school age, youth, and kindergarten care are measured, but not included in this table.

Between 2002 and 2004, the average 75th percentile of the market rate for all child care services increased 5%. This increase was driven by market rate increases for infant, toddler, preschool, and kindergarten care which rose 8%. School-age and youth care rose by just under 4%.

## Availability of Care during Extended and Nontraditional Hours

In addition to obtaining information on child care prices, the market rate survey also polls providers on characteristics of care including the hours during which care is available. The 2004 market rate survey revealed increases in both the hours providers were open and the number of providers serving children during nontraditional hours.

In 2004, on average family child care homes were open 11.02 hours per day and child care centers were open 9.29 hours per day.

In 2004 family child care homes were much more likely than centers to provide care during nontraditional hours, including during the evenings and weekends. Less than 1% of centers provide such care. The group of surveyed homes providing evening care grew from 19% in 2002 to 34% in 2004. In 2004,

16% of family child care homes provided weekend care.

Access to child care during nontraditional hours is essential for low- and moderate-income families, where adults often work outside the standard workday. Family child care homes typically have schedules that are more flexible than those at centers and are critical to meeting the needs of parents who work nontraditional hours.<sup>3</sup>

# Methodology of Rhode Island's 2004 Market Rate Survey

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The Rhode Island market rate survey is designed primarily to provide data on the child care market in order to determine the rates (or prices) that providers charge for child care. The data from the biennial market rate survey are used to establish the DHS maximum reimbursement rate for providers who serve children who are enrolled in the Child Care Assistance Program. The survey includes questions related to the price of care, the types of care available, age groups served, hours of operation and enrollment data. A copy of the survey tool and the complete survey report is at [www.uri.edu/research/lrc/](http://www.uri.edu/research/lrc/)

All family child care homes and child care centers licensed through the Department of Children, Youth and Families (DCYF) receive a mail survey with follow-up by phone to non-responders. The 2004 market rate survey results are based on responses from 874 child care providers: 578 family child care homes and 294 child care centers. Of the 874 responses, 248 were from Spanish speaking providers, up from 62 in 2002. The response rate for the 2004 Rhode Island market rate survey was 43% for family child care homes and 64% for child care centers.

Among the group of providers who completed the survey, 90% of homes and 95% of centers reported that they accept children with subsidies. According to records kept by the Department of Human Services, 81% of family child care providers and 86% of child care centers accept children with DHS child care subsidies.<sup>4</sup> The group of providers responding to the survey reflects a slightly higher concentration of those accepting subsidies than is typical in the state.

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## Source:

Bodah, Matthew M. (2004). *Statewide Survey of Child Care Rates in Rhode Island*. Kingston, RI: Charles T. Schmidt, Jr. Labor Research Center, University of Rhode Island.

## References:

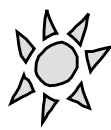
<sup>1</sup> United State General Accounting Office. (2002). *Child Care: States Exercise Flexibility in Setting Reimbursement Rates and Providing Access for Low-Income Children*. Report to Congressional Requesters. GAO-02-894.

<sup>2</sup> *Rhode Island Kids Count Special Report. Building an Early Care and Education System in Rhode Island*. (1999). Providence, RI: Rhode Island Kids Count.

<sup>3</sup> Mezey, J., Schumacher, R., Greenberg, M., Lombardi, & J., Hutchins, J. (2002). *Unfinished agenda: Child care for low-income families since 1996*. Washington, DC: Center for Law and Social Policy.

<sup>4</sup> Rhode Island Department of Human Services, June 2005.

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Wellesley Child Care Research Partnership

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For more information on the Child Care Snapshots or the Child Care Policy Research Partnership visit [www.dhs.ri.gov](http://www.dhs.ri.gov) and [www.rikidscount.org](http://www.rikidscount.org)