

# Iowa Department of Human Services



## *2017 Market Rate Survey Report*

June 2018

# 2017 Market Rate Survey Report

## Introduction

The State of Iowa receives federal funds through the Child Care and Development Block Grant (CCDBG) to assist low-income families with accessing quality child care when they are attending school, working, or a combination of both. In Iowa, this program is known as Child Care Assistance (CCA), which is administered by the Iowa Department of Human Services (DHS). A federal requirement of obtaining and utilizing these funds is to evaluate the cost of providing child care across the State, using a market rate survey or other methodology that is statistically valid, no less often than every 3 years.

In addition to the market rate survey (MRS), federal regulations require that the DHS estimate the cost of care necessary to support 1) implementation of regulatory requirements (including health, safety, quality and staffing requirements) and 2) higher quality care at each level of quality. A study using the Delphi method was done to estimate these costs.

A *Market Rate Survey* is an analysis of data regarding the price of the child care market, including variation by geographic location, child care facility category, and the ages of children served.

The *Delphi method* is a process for gathering input through a series of questionnaires or surveys sent to a specific population, in this case, child care providers. Responses from earlier surveys inform the development of later surveys. Results are then evaluated and aggregated into measurable data.

## Method

### Market Rate Survey

Iowa uses rate data from the statewide Child Care Resource and Referral (CCR&R) NACCRRAware database of active full-time child care providers for their Market Rate Survey. Iowa CCR&R is required to update this rate information annually, per the state contract.

The CCR&R NACCRRAware database rates are broken out into four categories; hourly, daily, weekly and monthly. First, all provider rates are converted to half-day rates (as Iowa reimburses per unit which is a 5 hour timeframe). The rates are then split out by type of care and age groups.

The four types of care are: Licensed Child Care Centers, Child Development Home C, Child Development Home A & B and Non-Registered Family Home, and the three age groups are: Infant/Toddler, Pre-School, and School Age which makes a total of 12 separate rate categories. The 75th percentile of each of the 12 rate categories is then

calculated using SPSS Statistical software.

SPSS Statistical software was also used to analyze urban/rural rates. For urban counties in Iowa, the Metropolitan Statistical Areas defined by the U.S. Office of Management and Budget (OMB) for Census data are used.

## **Delphi Method**

The Iowa Department of Human Services (DHS), Child Care Bureau used the Delphi method to conduct studies to determine cost necessary to support:

- Compliance with regulatory requirements (including health, safety, quality and staffing requirements)
- Completing requirements for different levels within the Iowa Quality Rating System(QRS).

### *Regulatory Delphi Study*

In preparation for the Regulatory Delphi study, staff members of the Child Care Bureau reviewed regulatory requirements and created a list of regulatory requirements related to health, safety, quality and staffing that were believed to contribute to the cost of providing child care services. The first regulatory survey asked respondents to review the identified regulatory requirements and determine if each regulatory requirement contributed to the cost of providing child care services.

Two versions of the survey were sent, one for homes and one for centers. The first home survey was sent to 14 Child Development Home (CDH) providers and the first center survey was sent to 19 center program administrators. The recipients were chosen by random selection out of a list of all registered and licensed programs that did not have a QRS rating. This is typical of a Delphi method in which a small sample of respondents who have knowledge of the topic area are asked to build consensus. Eleven CDHs completed the survey for a return rate of 79% and 12 center program administrators completed the survey for a return rate of 63%. Survey data was evaluated and those requirements in which more than forty percent of respondents agreed that it contributed to the cost of care were included in the second survey. A total of 21 home requirements and 22 center requirements were identified as contributing to the cost of providing care (Appendix A).

The DHS then developed a second survey, using the regulatory requirements identified in the first survey. The second survey asked providers to indicate an average monthly or yearly cost for each identified requirement. In February 2018, the survey was sent to 200 licensed child care center program administrators and 200 CDH providers. This survey was sent to a wider audience in an effort to obtain a large enough sample to develop statistically significant averages. The DHS intentionally sent the survey during this timeframe in hopes that the timing would coincide with when programs would be completing financial reviews for tax purposes. Unfortunately, the response rate was very low, with only 9 center program administrators and 6 CDH providers completing the

survey. While results are provided in following sections of the paper the sample size was too limited to have statistical validity.

### *Quality Rating System Delphi Study*

The DHS used a similar process as described above in the Regulatory Delphi study to complete the QRS Delphi study. For the first QRS survey, staff at the DHS identified requirements related to participation in the QRS that were believed to contribute to the cost of providing child care services.

In January 2018, two versions of the first QRS survey were sent, one for homes and one for centers. The home version was sent to all 189 CDHs that had a current QRS rating and the center version was sent to all 178 licensed centers or preschools that had a current QRS rating. Although the Delphi method would suggest that the initial sample size should be smaller due to the low response rates in the regulatory survey the DHS sent the QRS survey to additional recipients. Thirty-five CDHs completed the survey for a return rate of 19% and forty-eight center program administrators completed the survey for a return rate of 27%. A total of 23 home QRS requirements and 29 center QRS requirements were identified as contributing to the cost of providing care (Appendix A).

The development of the second QRS survey mirrored the process used above to develop the second regulatory survey, with results from the first survey being used to inform the second survey. The survey was sent in March 2018 to the same group of 189 CDH providers and 178 program administrators as the first QRS survey. Fourteen CDH providers completed the survey for a return rate of 7% and 13 center program administrators completed the survey for a return rate of 7%.

### **Child Care Provider Survey**

In 2017 as part of a larger survey, child care providers were asked if they participated in the CCA program, if they limit the number of CCA clients they accept and any barriers to participating in the CCA program. The survey was done electronically and the link to the survey was widely distributed throughout the state.

## **Study Results**

### **MRS Results**

Data from the 2017 statewide survey of provider rates found that the 75<sup>th</sup> percentile of 2017 rates ranged from \$12.50 per half day to \$21.90 per half day; with the lowest rate being for school-age care in a Category A or B CDHs and the highest rate being for infant and toddler care in a licensed center. Table 1 shows the 75<sup>th</sup> percentile of the 2017 market rate survey broken out by type of care and age of child. Half day rates for special needs care are calculated by taking the basic rate times 1.5 and are shown in Table 2. Rates for non-registered child care homes are not included in the charts as these rates remain unchanged due to legislative direction which states the DHS shall,

“...set rates in a manner so as to provide incentives for a nonregistered provider to become registered by applying the increase only to registered and licensed providers.”

**Table 1: 75<sup>th</sup> Percentile of Half Day Rates from the 2017 Iowa Child Care Provider Survey-All Providers Statewide**

Age Group	Licensed Center		Child Development Home Category C		Child Development Home Category A & B	
	Rate	#	Rate	#	Rate	#
Infant/Toddler	\$21.90	947	\$15.00	985	\$14.00	5511
Preschool	\$18.69	1683	\$15.00	1535	\$13.75	8534
School Age	\$15.00	951	\$14.00	599	\$12.50	3805

Cell Key: # = Number of valid responses

**Table 2: Half Day Rates for Special Needs Care**

Age Group	Licensed Center	Child Development Home Category C	Child Development Home Category A & B
	Rate	Rate	Rate
Infant/Toddler	\$32.85	\$22.50	\$21.00
Preschool	\$28.04	\$22.50	\$20.63
School Age	\$22.50	\$21.00	\$18.75

When the current maximum reimbursement rates paid by the Child Care Assistance (CCA) program, are compared with the results from the 2017 market rate survey the DHS found that CCA rates range from the 15<sup>th</sup> percentile to the 55<sup>th</sup> percentile of the 2017 data. Comparisons of the percentile rankings for each type of care can be found below in Tables 3 through 5.

**Table 3: Comparison of percentile rankings of the current CCA maximum reimbursement rates and the 2017 MRS 75<sup>th</sup> percentile rates for Licensed Centers**

Age Group	Current CCA Max Rate*	Percentile	2017 MRS	Percentile	Percentile Difference
Infant/Toddler	\$16.78	35	\$21.90	75	40
Preschool	\$13.53	20	\$18.69	75	55
School Age	\$12.18	43	\$15.00	75	32

\* Current CCA Max Rate is based on the 75<sup>th</sup> Percentile of the 2004 MRS +2%, +2%, +4%

**Table 4: Comparison of percentile rankings of the current CCA maximum reimbursement rates and the 2017 MRS 75<sup>th</sup> percentile rates for Child Development Homes Cat. C**

Age Group	Current CCA Max Rate*	Percentile	2017 MRS	Percentile	Percentile Difference
Infant/Toddler	\$12.44	20	\$15.00	75	55
Preschool	\$12.18	15	\$15.00	75	60
School Age	\$10.82	40	\$14.00	75	35

\* Current CCA Max Rate is based on the 75<sup>th</sup> Percentile of the 2004 MRS +2%, +2%, +4%

**Table 5: Comparison of percentile rankings of the current CCA maximum reimbursement rates and the 2017 MRS 75<sup>th</sup> percentile rates for Child Development Homes Cat. A & B**

Age Group	Current CCA Max Rate*	Percentile	2017 MRS	Percentile	Percentile Difference
Infant/Toddler	\$12.98	55	\$14.00	75	20
Preschool	\$12.18	35	\$13.75	75	40
School Age	\$10.82	45	\$ 12.50	75	30

\* Current CCA Max Rate is based on the 75<sup>th</sup> Percentile of the 2004 MRS +2%, +2%, +4%

## Delphi Results

### Cost of Regulatory Results

Demographics of the respondents are summarized below. Data charts are available in Appendix B.

#### *Licensed Centers/Preschools*

Of the nine program administrators that responded to the survey two-thirds operated only one location, while the remaining one-third had multiple locations ranging from 3 sites to 11 sites. The total licensed capacity of the program administrator respondents were overseeing ranged from 50-800 children, with an average of 193 children served.

The average annual cost of all the identified regulatory requirements in the survey for licensed child care centers was \$483,032.19. DHS reminds readers that this data is not able to be generalized to the larger population of child care providers in Iowa due to the low number of responses.

Additionally it is difficult to determine the amount of income that a center/preschool program could receive from CCA annually to make a determination if the rates are sufficient. CCA maximum reimbursement rates differ based on age of child and the number and age of children at each center varies. The licensed capacity of a center varies greatly throughout the state so it is difficult for an “average” to represent the diversity of center programs throughout the state.

#### *Child Development Homes*

The majority of Child Development Home (CDH) respondents were operating Category C child development homes. There was one Category A and one Category B represented in the respondents. The majority of the respondents had been in operation for more than 10 years.

The average annual cost of all the identified regulatory requirements for Child Development Homes was \$33,981.59. DHS reminds readers that this data is not able

to be generalized to the larger population of child care providers in Iowa due to the low number of responses.

Determining the amount of income that a CDH provider could receive from CCA in a year is difficult as each age range has different maximum reimbursement rates and each program will have a different number of children served at each age range. For example, if a Category A program was running at 100% capacity on all ratios for one shift Monday through Friday (4 full-time infants/toddlers; 2 full-time preschool children; 2 before and after-school children only during the school year) CCA maximum reimbursements would be approximately \$44,000.

#### Cost of Quality Rating System Results

Demographics of the respondents are summarized below. Data charts are available in Appendix C, however the DHS reminds readers that this data is not able to be generalized to the larger population of child care providers in Iowa due to the low number of responses.

#### *Licensed Centers/Preschools*

Of the 13 program administrators that responded to the survey 85% operated only one location. The programs served anywhere from 15 to 200 children. QRS ratings of respondents ranged from level three to five with 3 level three programs, 5 level four programs and 5 level five programs. All of the program administrators had worked for their program for over 3 years, with almost half having more than 10 years at their program.

Since the requirements in the Quality Rating System are organized as a “menu of options” programs will not complete all the requirements and therefore did not have the data to respond to all questions. As a result, we could not produce an average cost for some requirements as there were one or no responses for that particular requirement.

#### *Child Development Homes*

Of the 14 CDHs that responded to the survey, both Category B and C programs were represented, with the majority operating as Category B CDHs. No Category A CDHs responded to the survey. All of the respondents had at least five years of experience with the majority having over 10 years. Respondents served an average of 11 children per program.

Since the requirements in the Quality Rating System are organized as a “menu of options” programs do not complete all the requirements and therefore did not have the data to respond to all questions. As a result, we could not produce an average cost for some requirements as there were one or no responses for that particular requirement.

#### **Barriers**

Seventy-five percent of 532 surveyed child care providers indicated that they accept children on Child Care Assistance (CCA) into their program. Of the 211 providers that responded to the follow up question, “How many CCA children may be enrolled in your program at one time?” 68% of respondents indicated that they have a limit.



Twenty-five percent of 513 child care providers that responded indicated barriers to participating in the CCA program.

A total of 100 child care providers gave further descriptive response regarding barriers.

- 79 respondents indicated that there is a loss in income due to low reimbursement rates for CCA versus private pay clients.
- 16 respondents indicated that they cannot follow the same private pay policies, such as billing of absent days or notice to terminate care.
- 23 respondents do not wish to spend time on administrative duties or communication with the Department that is required to participate in the CCA program.
- 13 indicated concerns that clients receiving CCA have higher needs and clients are unreliable or do not follow program rules.

## Agency Response

The DHS recognizes that the current maximum CCA reimbursement rate is below what many child care providers charge private pay families. The current rates range from a low of the 15<sup>th</sup> percentile of the current market rate to a high of the 55<sup>th</sup> percentile of the current market rate. The DHS further recognizes that the current reimbursements rates have the potential to limit child care choices for families that participate in the CCA program.

Multiple provider rates will be increased effective January 1, 2019. In the 2018 legislative session, the Iowa Legislature dedicated fiscal resources to begin raising CCA reimbursement rates. The 2018 Health and Human Services appropriation bill specified three million dollars to raise provider reimbursement rates. The bill directed the DHS to start the increases with the rates that are at the lowest percentiles and outlines a goal of raising all provider reimbursement rates to at least the 50<sup>th</sup> percentile of the 2014 market rate. Additionally, the legislature specified the use of increased federal CCDBG funding to increase infant/toddler provider reimbursement rates subject to the quality rating system criteria. An increase to QRS level 5 rates will be set at the 75<sup>th</sup> percentile of the 2017 market rate survey. The DHS is in the process of developing necessary policies for implementation of reimbursement changes by January 1, 2019.



## Appendix A: Identified Requirements

### Regulatory

Homes	Centers
Provide appropriate supervision at all times	Office Supplies
Safety Gates	Center Director
2A 10 BC Fire Extinguishers	On-Site Supervisor
Smoke Detectors	Record Checks for Employees
Vehicle Insurance (if applicable)	Employees attending Essentials training
Office supplies	Employees attending Mandatory Reporter Training
Fencing around property (if applicable)	Employees attending CPR and First Aid training
Enhanced emergency plans and preparedness	On-going Professional Development
Sleep equipment	Staff to maintain required Adult:Child ratios
Food that meets CACFP requirements **unable to discern if any respondents are also getting reimbursed from CACFP**	First Aid Kits
Play equipment	Vehicle Insurance/car seats (if transporting)
1st Aid and CPR certification	Supplies for enhanced emergency plans
24 hours ongoing professional development	Physical building/facility
Fingerprint cards	Materials and wages for appropriate cleaning and sanitation
Secondary exit and steps for Category B and C (if applicable)	Gas line inspection (if gas appliances)
Lab analysis of water supply (if	Maintain play equipment

applicable)	
Private sewer analysis (if applicable)	Maintain sufficient changing tables (if caring for infants & toddlers)
Lead assessment (if applicable)	Infant sleeping equipment (if caring for infants)
Substitutes/Assistants	Maintain other furniture
Physicals for self, family members, subs, assistants	Meals/Snacks
Pet health exams (if applicable)	Accommodations for special needs
	Items needing attention from Fire Marshal Report

### Quality Rating System

Homes	Centers
ChildNet Certification	Wages for staff to completed basic orientation
3 Semester Hour Health,Safety,Nutrition Class	Completion of 3 semester hour Health, Safety and Nutrition class at community or 4-year college
Other approved H&S options	Completion of other approved health and safety training options
Emergency Prep Plan	Child and Adult Food Program guidelines
Enhanced H&S policies	Emergency preparedness plan
Corrections from Injury Prevention Checklist	Enhanced health and safety policies
Corrections from Health & Safety Assessment	Corrections on an Injury Prevention Checklist
Reduced ratios	Bachelor's degree
NAFCC Accreditation	Master's degree
Membership in Professional Organization	Corrections on a Health and Safety Assessment

10 hours PD beyond regulatory	Director or assistant director completion of ERS training appropriate to the ages of children in care
20 hours PD beyond regulatory	Accreditation standards for group/class size
EC-PBIS training	Accreditation by NAEYC, Council on Accreditation, National Afterschool Association or National Early Childhood Program Accreditation
PITC training	Program or director is a member of a professional organization specific to age group for whom care is provided
9 college credits	Annual conferences with parents
CDA	Annual group parent meeting
Apprenticeship Cert.	Parent advisory board meets quarterly
1 year diploma	Wages for staff to complete Iowa State University Extension New Staff Orientation training
Associate's degree	Center director obtaining credential
Bachelor's degree	Staff-15 hours training
Master's degree	Staff-30 hours training
	9 college credit hours
	CDA credential
	1 year diploma in early childhood education
	Associate's degree

## Appendix B: Data from Regulation Surveys

### Licensed Centers/Preschools

\*Readers are reminded that Average Annual Cost column is not statistically significant due to the low number of responses

<b>Regulation</b>	<b>Average Annual Cost*</b>	<b>% of respondents that strongly agree or agree that the regulation is appropriate to minimum health and safety of children in child care</b>
Supplies for enhanced emergency plans	\$245.00	33%
Employees attending Essentials training	\$1,011.69	56%
Maintain play equipment	\$1,244.44	56%
Accommodations for special needs	\$16,160.00	57%
Gas line inspection (if gas appliances)	\$319.75	60%
On-going Professional Development	\$1,283.89	67%
Infant sleeping equipment (if caring for infants)	\$805.00	71%
On-Site Supervisor	\$8,445.00	75%
Center Director	\$20,063.44	78%
Record Checks for Employees	\$643.75	78%
Meals/Snacks	\$41,842.38	78%
First Aid Kits	\$225.89	79%
Vehicle Insurance/car seats (if transporting)	\$2,338.25	83%

Maintain sufficient changing tables (if caring for infants & toddlers)	\$301.25	86%
Office Supplies	\$562.91	89%
Employees attending Mandatory Reporter Training	\$2,613.75	89%
Employees attending CPR and First Aid training	\$1,065.56	89%
Staff to maintain required Adult: Child ratios	\$336,132.78	89%
Physical building/facility	\$41,393.00	89%
Materials and wages for appropriate cleaning and sanitation	\$4,685.56	89%
Items needing attention from Fire Marshal Report	\$375.52	100%
Maintain other furniture	\$1,273.38	**

\*\*Due to an error with the electronic survey system this information was not collected for this regulatory requirement.

## Child Development Homes

\* Readers are reminded that Average Annual Cost column is not statistically significant due to the low number of responses

<b>Regulation</b>	<b>Average Annual Cost*</b>	<b>% of respondents that strongly agree or agree that the regulation is appropriate to minimum health and safety of children in child care</b>
Lab analysis of water supply (if applicable)	\$610.00	40%
Play equipment	\$1,233.33	50%
24 hours ongoing professional development	\$140.00	50%
Fingerprint cards	\$28.75	50%
Secondary exit and steps for Category B and C (if applicable)	\$687.33	60%
Private sewer analysis (if applicable)	\$376.50	60%
Lead assessment (if applicable)	\$65.00	60%
Office supplies	\$741.67	67%
Enhanced emergency plans and preparedness	\$511.67	67%
Substitutes/Assistants	\$3,960.00	67%
Physicals for self, family members, subs, assistants	\$302.50	67%
Pet health exams (if applicable)	\$211.25	67%

Provide appropriate supervision at all times	\$14,260.00	83%
Vehicle Insurance (if applicable)	\$1,609.60	83%
Fencing around property (if applicable)	\$1,090.00	83%
Sleep equipment	\$613.33	83%
Food that meets CACFP requirements **unable to discern if any respondents are also getting reimbursed from CACFP**	\$7,150.00	83%
1st Aid and CPR certification	\$63.83	83%
Safety Gates	\$184.00	100%
2A 10 BC Fire Extinguishers	\$68.33	100%
Smoke Detectors	\$74.50	100%



## Appendix C: Data from QRS Surveys

### Licensed Centers/Preschools

\* Readers are reminded that Average Annual Cost column is not statistically significant due to the low number of responses

QRS Requirement	Average Annual Cost*	% of respondents that strongly agree or agree that the QRS requirement is appropriate
Master's degree	No Responses	8%
1 year diploma in early childhood education	Only 1 response	17%
Completion of 3 semester hour Health, Safety and Nutrition class at community or 4-year college	\$445.25	23%
Accreditation by NAEYC, Council on Accreditation, National Afterschool Association or National Early Childhood Program Accreditation	\$184.75	23%
9 college credit hours	Only 1 response	25%
Associate's degree	No Responses	25%
Center director obtaining AIM4Excellence credential	\$225.00	31%
Valid license as a Pre-K principal	Only 1 response	31%
Staff-30 hours training	\$4,125.00	33%
CDA credential	\$1,040.25	33%
Bachelor's degree	No Responses	33%
Center director obtaining NAC credential	\$84.25	42%

Staff-15 hours training	\$246.25	42%
Emergency preparedness plan	\$9,934.37	46%
Parent advisory board meets quarterly	\$69.30	50%
Enhanced health and safety policies	\$257.14	54%
Accreditation standards for group/class size	\$5,179.00	55%
Program or director is a member of a professional organization specific to age group for whom care is provided	\$307.80	58%
Annual conferences with parents	\$1,489.20	58%
Annual group parent meeting	\$61.00	67%
Child and Adult Food Program guidelines	\$2,182.88	69%
Corrections on a Health and Safety Assessment	\$328.57	69%
Completion of other approved health and safety training options	\$4,729.44	77%
Corrections on an Injury Prevention Checklist	\$283.33	77%
Wages for staff to complete Iowa State University Extension New Staff Orientation training	\$427.98	82%
Wages for staff to complete basic orientation	\$2,083.04	85%

Director or assistant director completion of ERS training appropriate to the ages of children in care	\$126.66	85%
Completing HeadStart Management Acceleration Program (MAP)	No Responses	N/A

### Child Development Homes

\* Readers are reminded that Average Annual Cost column is not statistically significant due to the low number of responses

<b>QRS Requirement</b>	<b>Average Annual Cost*</b>	<b>% of respondents that strongly agree or agree that the QRS requirement is appropriate</b>
Reduced ratios	\$10,528.89	0%
Apprenticeship Cert.	Only 1 response	0%
9 college credits	\$987.50	9%
CDA	\$1,348.33	9%
NAFCC Accreditation	\$852.50	17%
1 year diploma	\$2,350.00	17%
Associate's degree	\$8,166.67	17%
Bachelor's degree	\$12,000.00	17%
Master's degree	\$50,000.00	17%
EC-PBIS training	\$75.00	18%
Cost to buy additional materials to increase FCCER-R score	\$1,202.05	25%
PITC training	\$83.75	33%
Corrections from Health & Safety Assessment	\$817.75	42%

Membership in Professional Organization	\$73.64	42%
FCCERS-R training	\$40.00	42%
20 hours PD beyond regulatory	\$283.90	46%
Enhanced H&S policies	\$123.33	50%
3 Semester Hour Health, Safety, Nutrition Class	\$241.25	54%
Other approved H&S options	\$179.88	62%
Emergency Prep Plan	\$380.75	62%
Corrections from Injury Prevention Checklist	\$93.90	62%
10 hours PD beyond regulatory	\$93.09	62%
ChildNet Certification	\$63	69%