

July 2015

Determining Child Care Market Rates in the State of Tennessee

• • • • • • • • • •

*Prepared by
Emily Pratt, Research Associate*

*Prepared for the
Tennessee Department of Human Services*

DETERMINING CHILD CARE MARKET RATES IN THE STATE OF TENNESSEE

Introduction

Determining appropriate child care market rate subsidy payments is a complex, state-specific process. The goals and structure of state child care subsidy programs are quite different from state to state. While there is much debate on methods across the different states, there does not appear to be a single correct way of determining rates that is applicable to all states. The Center for Business and Economic Research at the University of Tennessee has worked closely with the Tennessee Department of Human Services to determine the most appropriate Tennessee-specific structure for calculating child care market rates. The following discussion outlines the specific process by which the market rates were determined.

Methodology

In an effort to provide adequate subsidy payments to Tennessee child care providers relative to their costs, a Market Rate Survey is conducted annually to determine the maximum payment reimbursement rates for subsidized child care in the state. Providers caring for children who qualify for subsidy assistance through the child care certificate program are currently reimbursed for care at the subsidy rate or at the private-paying rate, whichever is lower.

The Market Rate data are gathered from an Annual Reporting Survey that is required of all licensed child care agencies in the state of Tennessee. Rate data¹ for all active child care providers across the state are collected and reported for three provider categories: Day Care Centers, Group Homes, and Family Homes. Within each provider category, rates are further categorized by age of child (infant through school-age) and by type of rate (i.e., daily, weekly, monthly, full-time). The data are used to understand market prices for child care services in Tennessee.

¹ Data included as data entry errors were entered as no data for the 2015 report.

In order to minimize the effects of state subsidies on the calculations of these market rates, only data for those agencies whose subsidies comprise less than 50 percent of revenue are used in this analysis. Further, it is necessary to perform some adjustments to the raw data before the market rates are calculated. Multiple fee structures are reported across all categories of providers (i.e., daily, weekly, monthly). Therefore, all rates are first converted to one single, standard weekly rate using the following conversion: weekly and full-time rates are used as reported; monthly rates are divided by 4.33; and daily rates are multiplied by 5. For instance, a \$433 monthly rate is divided by 4.33 to yield a \$100 weekly rate. Similarly, a reported daily rate of \$20 is multiplied by 5 to get a weekly rate of \$100. In the event that more than one rate structure is reported within a single age category for an agency, an average weekly rate is computed from the calculated standard weekly rates.

In an effort to exclude part-time rates from the market rate calculations, facilities reporting fees under \$40.00 per week for Infant through 5-Year Olds are excluded in determining the average cost of care or percentile rankings of rates. Likewise, weekly fees for Before and After School care of less than \$30.00 per week are excluded.

An average market rate and ranked percentiles are calculated for the following age categories: Infant, Toddler, 2 Years Old and Over, and School Age. The average rate is a simple average of all the weekly rates within an age group and category. All rates within an age bracket and category are also ranked from highest to lowest. Once the rates are ranked, the 50th, 60th, 70th and 75th percentiles for each age bracket and provider category are calculated and reported. A percentile is the percent of the distribution of ranked rates that are equal to or below a given rate. To illustrate, the 70th percentile is the point in the ranked set of rates where 70 percent of the reported rates are lower, and 30 percent of the reported rates are higher.

Percentiles are reported for two groups of counties, as well as the state as a whole. The method used to identify the counties in the first group (Tier I Market) includes

those Tennessee counties that were either one of the top-20 highest 2013 population counties or one of the top-20 highest 2011-2013 average per capita personal income counties. This method is preferable to one that relies on a ranking of the average daycare rates charged by day care centers. Use of population and personal income rankings allows selection based on measures that are likely correlated with the conditions in each market for child care services, while at the same time it separates the selection criteria from the Department of Human Services' influence on the market rates. These criteria yielded 27 counties to include Anderson, Blount, Bradley, Coffee, Davidson, Fayette, Greene, Hamilton, Knox, Loudon, Madison, Maury, Montgomery, Moore, Putnam, Roane, Robertson, Rutherford, Sevier, Shelby, Sullivan, Sumner, Tipton, Trousdale, Washington, Williamson, and Wilson counties. The second group (Tier II Market) contains all other 68 Tennessee counties.

School-Age care presents some unique problems. Day care facilities report rates of care for school-aged children in several sub-categories: Before School care only; After School care only; Before *and* After School care; School Weekly; School Full-Time; School Monthly; and School Daily. From these, two categories of School-Age care were determined, *School-Age Out* and *School-Age In*. The School-Age Out category represents rates charged for children who are in Kindergarten through 17 years when school is not in session and care is provided all day. An average weekly rate was computed for School-Age Out using the School Full-Time, School Weekly, and School Monthly divided by 4.33 rates. The School-Age In category represents rates charged for children in Kindergarten through 17 years when school is in session and care is not provided for a full day. The School-Age In weekly rate was determined by averaging the School Before and After, School After, School Daily times 5, and 5-Year Before and After rates.

Conclusion

Three summary tables are attached. Table 1 includes summary data for the 27-highest ranking Tennessee counties as defined above. The remaining 68 counties were aggregated and results are presented in Table 2. Table 3 contains summary data for all 95 Tennessee counties. As shown in the tables, calculations were made at the 50th, 60th, 70th, and 75th percentiles for the two aggregated sets of counties, as well as for the state as a whole. The average weekly rate charged by providers in the survey and the number of providers in each age group are also shown for each provider type. The summary tables can be used in establishing appropriate policy regarding child care subsidy reimbursement rates for each county.

TABLE 1
FIRST MARKET -- 27 Counties*
(50% or less subsidies)

	DAYCARE CENTERS				
	Infant	Toddler	2 Yrs Old and Over	School-Age Out	School-Age In
Average Fee for Age Bracket	\$ 170.57	\$ 156.09	\$ 143.56	\$ 87.06	\$ 66.95
50th Percentile Fee for Age Bracket	\$ 158.00	\$ 140.00	\$ 125.00	\$ 70.00	\$ 50.00
60th Percentile Fee for Age Bracket	\$ 165.00	\$ 152.00	\$ 135.00	\$ 80.00	\$ 58.00
70th Percentile Fee for Age Bracket	\$ 175.00	\$ 163.00	\$ 146.65	\$ 90.00	\$ 65.00
75th Percentile Fee for Age Bracket	\$ 185.00	\$ 170.00	\$ 153.98	\$ 95.00	\$ 70.00
Offering Care in this Age Bracket	834	949	1311	414	461
Total Facilities	1869				

	GROUP HOMES				
	Infant	Toddler	2 Yrs Old and Over	School-Age Out	School-Age In
Average Fee for Age Bracket	\$ 132.07	\$ 123.99	\$ 118.03	\$ 87.31	\$ 68.08
50th Percentile Fee for Age Bracket	\$ 130.00	\$ 120.00	\$ 110.00	\$ 90.00	\$ 67.50
60th Percentile Fee for Age Bracket	\$ 135.00	\$ 125.00	\$ 115.00	\$ 95.00	\$ 75.00
70th Percentile Fee for Age Bracket	\$ 140.00	\$ 130.00	\$ 122.50	\$ 100.00	\$ 75.00
75th Percentile Fee for Age Bracket	\$ 140.00	\$ 135.00	\$ 125.00	\$ 105.00	\$ 80.00
Offering Care in this Age Bracket	136	144	166	54	56
Total Facilities	170				

	FAMILY HOMES				
	Infant	Toddler	2 Yrs Old and Over	School-Age Out	School-Age In
Average Fee for Age Bracket	\$ 125.61	\$ 120.29	\$ 112.16	\$ 82.78	\$ 70.89
50th Percentile Fee for Age Bracket	\$ 120.00	\$ 115.00	\$ 102.25	\$ 75.00	\$ 65.00
60th Percentile Fee for Age Bracket	\$ 125.00	\$ 120.00	\$ 110.00	\$ 90.00	\$ 75.00
70th Percentile Fee for Age Bracket	\$ 130.00	\$ 125.00	\$ 118.75	\$ 95.00	\$ 80.00
75th Percentile Fee for Age Bracket	\$ 130.00	\$ 125.00	\$ 120.00	\$ 100.00	\$ 80.00
Offering Care in this Age Bracket	193	188	202	59	23
Total Facilities	204				

*The First Market includes those counties that are either one of the top-20 highest 2013 population or one of the top-20 highest average 2011-2013 per capita personal income counties, thus yielding the following 27 counties: Anderson, Blount, Bradley, Coffee, Davidson, Fayette, Greene, Hamilton, Knox, Loudon, Madison, Maury, Montgomery, Moore, Putnam, Roane, Robertson, Rutherford, Sevier, Shelby, Sullivan, Sumner, Tipton, Trousdale, Washington, Williamson, and Wilson.

Note: Facilities reporting under \$40 per week for full-time care and \$30 per week for School Age In were excluded from the analysis, and were excluded from the reported number of institutions offering care in each bracket. The total facilities for each type of institution includes all facilities.

July 2015

TABLE 2
SECOND MARKET -- 68 Counties*
(50% or less subsidies)

	DAYCARE CENTERS				
	Infant	Toddler	2 Yrs Old and Over	School-Age Out	School-Age In
Average Fee for Age Bracket	\$ 114.40	\$ 111.46	\$ 102.85	\$ 77.73	\$ 51.57
50th Percentile Fee for Age Bracket	\$ 114.00	\$ 105.00	\$ 95.00	\$ 75.00	\$ 47.75
60th Percentile Fee for Age Bracket	\$ 120.00	\$ 110.00	\$ 100.00	\$ 85.00	\$ 50.00
70th Percentile Fee for Age Bracket	\$ 125.00	\$ 115.00	\$ 110.00	\$ 90.00	\$ 54.00
75th Percentile Fee for Age Bracket	\$ 125.00	\$ 120.00	\$ 111.67	\$ 91.00	\$ 55.00
Offering Care in this Age Bracket	169	187	261	53	96
Total Facilities	441				

	GROUP HOMES				
	Infant	Toddler	2 Yrs Old and Over	School-Age Out	School-Age In
Average Fee for Age Bracket	\$ 97.49	\$ 92.43	\$ 89.37	\$ 77.88	\$ 53.58
50th Percentile Fee for Age Bracket	\$ 95.00	\$ 90.00	\$ 89.38	\$ 80.00	\$ 50.00
60th Percentile Fee for Age Bracket	\$ 100.00	\$ 95.00	\$ 90.00	\$ 85.00	\$ 50.00
70th Percentile Fee for Age Bracket	\$ 100.00	\$ 100.00	\$ 95.00	\$ 85.00	\$ 54.00
75th Percentile Fee for Age Bracket	\$ 110.00	\$ 100.00	\$ 100.00	\$ 90.00	\$ 55.00
Offering Care in this Age Bracket	106	120	142	33	53
Total Facilities	146				

	FAMILY HOMES				
	Infant	Toddler	2 Yrs Old and Over	School-Age Out	School-Age In
Average Fee for Age Bracket	\$ 88.73	\$ 88.27	\$ 87.15	\$ 76.17	\$ 65.00
50th Percentile Fee for Age Bracket	\$ 87.50	\$ 85.00	\$ 85.00	\$ 79.50	\$ 60.00
60th Percentile Fee for Age Bracket	\$ 90.00	\$ 90.00	\$ 90.00	\$ 85.00	\$ 75.00
70th Percentile Fee for Age Bracket	\$ 90.00	\$ 90.00	\$ 90.00	\$ 85.00	\$ 75.00
75th Percentile Fee for Age Bracket	\$ 95.00	\$ 97.50	\$ 92.50	\$ 85.00	\$ 75.00
Offering Care in this Age Bracket	48	48	52	12	9
Total Facilities	52				

*The Second Market excludes those counties that are either one of the top-20 highest 2013 population or one of the top-20 highest 2011-2013 average per capita personal income counties, thus yielding 68 counties.

Note: Facilities reporting under \$40 per week for full-time care and \$30 per week for School Age In were excluded from the analysis, and were excluded from the reported number of institutions offering care in each bracket. The total facilities for each type of institution includes all facilities.

July 2015

TABLE 3
ALL TENNESSEE COUNTIES
(50% or less subsidies)

	DAYCARE CENTERS				
	Infant	Toddler	2 Yrs Old	School-Age	School-Age
Average Fee for Age Bracket	\$ 161.11	\$ 148.75	\$ 136.80	\$ 86.00	\$ 64.30
50th Percentile Fee for Age Bracket	\$ 150.00	\$ 135.00	\$ 120.01	\$ 70.00	\$ 50.00
60th Percentile Fee for Age Bracket	\$ 158.00	\$ 145.00	\$ 130.00	\$ 80.00	\$ 55.00
70th Percentile Fee for Age Bracket	\$ 170.00	\$ 159.00	\$ 140.75	\$ 90.00	\$ 62.50
75th Percentile Fee for Age Bracket	\$ 175.00	\$ 165.00	\$ 148.19	\$ 95.00	\$ 67.50
Offering Care in this Age Bracket	1003	1,136	1,572	467	557
Total Facilities	2310				

	GROUP HOMES				
	Infant	Toddler	2 Yrs Old and Over	School-Age Out	School-Age In
Average Fee for Age Bracket	\$ 116.92	\$ 109.64	\$ 104.81	\$ 83.74	\$ 61.03
50th Percentile Fee for Age Bracket	\$ 110.00	\$ 100.00	\$ 100.00	\$ 85.00	\$ 55.00
60th Percentile Fee for Age Bracket	\$ 120.00	\$ 110.00	\$ 102.50	\$ 90.00	\$ 60.00
70th Percentile Fee for Age Bracket	\$ 130.00	\$ 120.00	\$ 110.00	\$ 100.00	\$ 70.00
75th Percentile Fee for Age Bracket	\$ 135.00	\$ 125.00	\$ 115.00	\$ 100.00	\$ 75.00
Offering Care in this Age Bracket	242	264	308	87	109
Total Facilities	316				

	FAMILY HOMES				
	Infant	Toddler	2 Yrs Old and Over	School-Age Out	School-Age In
Average Fee for Age Bracket	\$ 118.27	\$ 113.78	\$ 107.04	\$ 81.66	\$ 69.23
50th Percentile Fee for Age Bracket	\$ 120.00	\$ 110.00	\$ 100.00	\$ 75.00	\$ 65.00
60th Percentile Fee for Age Bracket	\$ 120.00	\$ 115.00	\$ 103.33	\$ 85.00	\$ 75.00
70th Percentile Fee for Age Bracket	\$ 125.00	\$ 120.00	\$ 112.50	\$ 95.00	\$ 75.00
75th Percentile Fee for Age Bracket	\$ 130.00	\$ 123.75	\$ 118.33	\$ 99.00	\$ 80.00
Offering Care in this Age Bracket	241	236	254	71	32
Total Facilities	256				

Note: Facilities reporting under \$40 per week for full-time care and \$30 per week for School Age In were excluded from the analysis, and were excluded from the reported number of institutions offering care in each bracket. The total facilities for each type of institution includes all facilities.

July 2015