

## Executive Summary

### *Market Rates (Pricing)*

This study, which used three methods to collect child care rates, provides valuable child care pricing information for policy makers. The most statistically reliable and valid method (method 1) depends on providers reporting their full- and part-time advertised rates either through the survey or Child Care Under the Big Sky (CCUBS) reporting in daily or hourly units for four types of young people, those less than 1 year old (hereafter, called infants), 1 to 2 years of age (hereafter, called toddlers), 3 to 4 years of age (hereafter, called preschool-aged), and 5 years or older (hereafter, called school-aged).

This method produced an adequate sample for each child care region to determine if there are statistically significant differences among daily and hourly rates across the seven child care regions. While there are significant differences among the regions, these differences are relatively minor; hence, this study suggests using statewide rates to set Best Beginning Scholarship reimbursements. As per the contract with the Early Childhood Services Bureau in the Montana Department of Health and Human Services (DPHHS), the most important statistic for this study is the full-time rate for children not enrolled in the Head Start program, and who are receiving no discounts or other scholarships. This report utilizes 75th percentile rates for each of the age groups. Table 1 reports the statewide daily and hourly rates for method 1 using 75th percentile rates.

Table A: Statewide Daily and Hourly 75th Percentile Rates by Method 1

| <b>Facility and Age</b>   | <b>Daily</b> | <b>Hourly</b> |
|---------------------------|--------------|---------------|
| <i>Family Home</i>        |              |               |
| Infant (less than 1 year) | 35.00        | 6.00          |
| Toddler (1 to 2 years)    | 35.00        | 6.00          |
| Preschool (3 to 4 years)  | 35.00        | 6.00          |
| School (5 years or older) | 33.00        | 6.00          |
|                           |              |               |
| <i>Group Home</i>         |              |               |
| Infant (less than 1 year) | 35.00        | 6.00          |
| Toddler (1 to 2 years)    | 35.00        | 6.00          |
| Preschool (3 to 4 years)  | 33.00        | 6.00          |
| School (5 years or older) | 33.00        | 6.00          |
|                           |              |               |
| <i>Center</i>             |              |               |
| Infant (less than 1 year) | 45.00        | 7.50          |
| Toddler (1 to 2 years)    | 45.00        | 7.50          |
| Preschool (3 to 4 years)  | 40.00        | 6.50          |
| School (5 years or older) | 40.00        | 6.50          |

If statewide 75th percentile daily rates are used to set Best Beginnings Child Care Scholarship reimbursements, all rates will increase (Table B). Based on survey results, full day rates would increase most substantially for school-aged children (over 45% across all types of providers). Full day rates for infants and toddlers would increase between 6 and 17%, while full day rates for preschool-aged children would increase between 10 and 25%. The largest percentage increases are recommended for family child care providers for all age groups.

Table B: Current and Recommended Full Day Rates 75th Percentile Rates by Method 1

| Facility and Age          | Full Day |       |    |
|---------------------------|----------|-------|----|
|                           | Current  | New   | %  |
| <i>Family Home</i>        |          |       |    |
| Infant (less than 1 year) | 30.00    | 35.00 | 17 |
| Toddler (1 to 2 years)    | 30.00    | 35.00 | 17 |
| Preschool (3 to 4 years)  | 28.00    | 35.00 | 25 |
| School (5 years or older) | 21.00    | 33.00 | 57 |
| <i>Group Home</i>         |          |       |    |
| Infant (less than 1 year) | 33.00    | 35.00 | 6  |
| Toddler (1 to 2 years)    | 33.00    | 35.00 | 6  |
| Preschool (3 to 4 years)  | 30.00    | 33.00 | 10 |
| School (5 years or older) | 22.50    | 33.00 | 47 |
| <i>Center</i>             |          |       |    |
| Infant (less than 1 year) | 40.00    | 45.00 | 13 |
| Toddler (1 to 2 years)    | 40.00    | 45.00 | 13 |
| Preschool (3 to 4 years)  | 35.00    | 40.00 | 14 |
| School (5 years or older) | 26.25    | 40.00 | 52 |

Other statistical analyses were performed to assess differences in rural and urban communities, high- and low-income counties, and quality of care (measured by participation in STARS to Quality). The urban communities were Billings, Bozeman, Helena, Kalispell, Missoula, Great Falls, and Butte. The high-income counties were Rosebud, Garfield, Fallon, Yellowstone, Sweet Grass, Gallatin, Lewis and Clark, Stillwater, Richland, and Jefferson.

Using regression analyses, urban communities had significantly higher daily rates for all children in centers; however, these urban communities had significantly lower rates for all children in family and group homes. Communities categorized as urban include: Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, and Missoula. High income counties had significantly higher daily rates for all children in centers, but slightly lower or similar rates for children in family and group homes. These differences in market rates across urban and rural counties, and high- and low-income communities warrant further review.

In addition, quality of care (STARS to Quality) was examined as a determinant of market rates. Family providers enrolled in STARS charged significantly higher daily rates for infants and preschool-aged children, while group providers enrolled in STARS charged significantly

higher rates for all children than providers not enrolled in STARS. Center providers enrolled in STARS charged similar rates to those not enrolled in STARS.

### *Business and Billing Policies*

In addition to market rates, this study reviewed business policies that impact costs and benefits for providers and parents and billing policies, which can provide an opportunity to examine how state billing policies compare to private pay billing policies. Fewer than half of providers charge registration and enrollment fees, with a higher percentage of center-based providers charging such fees; well over half of providers charge late pickup and late payment fees, with a slightly higher percentage of home-based providers charging such late fees; and fewer than a third of providers charge additional activity/supply fees and waitlist fees, with a higher percentage of center-based providers charging such fees.

When recurring additional fees are charged, they are most commonly charged each calendar or academic year. Providers most commonly charge monthly fees (49% of home and 65% of centers), daily fees are utilized by 35% of home-based providers and 25% of center-based providers, and weekly and hourly rates are not commonly used (15% of providers or less). The majority of providers charge parents for services before care is provided (54% of homes and 68% of centers). Only 20% of home- and 15% of center-based providers charge parents after care is provided.

Center-based providers are more likely to offer multi-child and employee discounts than home-based providers, and home-based providers are more likely to offer transportation, which benefits parents and is an added cost for providers. A vast majority of providers (94% of homes and 70% of centers) have children who receive the Best Beginnings scholarship enrolled, and home-based providers are more likely to have such children enrolled. A majority of providers also receive monetary reimbursement for food served through the Child and Adult Care Food Program, and it is far more common for parents to have to provide food for their child in center-based programs. It is also far more common for center-based providers to receive free or reduced services for the program, such as building space, supplies, volunteer labor and STARS reimbursements.

### *Supply and Demand*

This study aimed to develop an understanding of the supply and demand for child care in the state, and one variable considered was waiting lists. The number of children on full-time waiting lists in both home- and center-based programs suggests that the demand exceeds the supply, especially for infant and toddler care. Roughly one third of home-based providers have waiting lists, nearly one half of center-based providers have waiting lists, and the number of infants on the waiting lists is over 100% of the total number of infants enrolled in care. One limitation to this assessment is that a child may be on a waiting list for one program while enrolled in another program and a child may be on several waiting lists in a community.

When asked whether they would be more likely to increase or decrease the number of children enrolled in each age group, a greater percentage of providers reported being likely to

increase rather than decrease enrollment, which was true for all age groups. And when asked whether they have children with specific characteristics enrolled, only 6% of providers reported that they did not have any children: with special needs, experiencing homelessness, of low-income, who are migrants, who speak a language other than English in the home, in the care of a relative, or in foster care.

### *Challenges*

This study offered providers an opportunity to share what they believe are challenges with the Best Beginning scholarship program and with opening and operating a child care business. The majority of providers (77% of homes and 83% of centers) accept children receiving the Best Beginnings child care scholarship, and fewer than 12% allocate or limit slots for scholarship recipients. When asked about challenges with the scholarship, the following were selected by over 30% of providers: rates are too low, there is a limit on hours covered, reimbursements occur after service, and billing policies do not match private pay policies.

When asked what challenges might make it hard for new programs to open, the following were the most commonly selected: challenges hiring staff (65% of homes and 86% of centers), challenges meeting training requirements (48% of homes and 51% of centers), and affording startup costs (41% of homes and 53% of centers).

When asked what challenges might lead to providers closing their programs, the following were the most commonly selected: feelings of burnout (77% of homes and 76% of centers), long work hours (74% of homes and 70% of centers), low pay (79% of homes and 82% of centers), and challenges keeping qualified staff (68% of homes and 89% of centers).

### *Methods*

The child care study utilized a revised version of home- and center-based questionnaires developed by the Child and Family Research Institute at the University of Texas to describe market rates charged by child care providers in Montana. The data collection was handled by the Human Ecology Learning and Problem Solving (HELPS) Lab, located in the Department of Political Science at Montana State University. Sixty-two percent of center-based (147 centers) and 53% of home-based providers (362 family and group child care facilities) completed the questionnaires for an overall response rate of 55%. In addition to the 55% of providers who completed the survey, another 22 center-based providers and 98 home-based providers started but did not finish the survey. Responses from partially completed surveys were not included in any rate analyses but were included in all other analyses, and the number of respondents included in all additional analyses are noted beneath each table.

Table C reports the number of respondents by region. The largest number of family and group home respondents were from Region 7 (81), while the largest number of center respondents were from Region 4 (41).

Table C: Number of Respondents by Region

| Region                    | Homes      |            | Centers    |            |
|---------------------------|------------|------------|------------|------------|
|                           | Responses  | %          | Responses  | %          |
| Region 1 - Kalispell      | 59         | 16         | 22         | 15         |
| Region 2 - Missoula       | 56         | 16         | 27         | 18         |
| Region 3 – Butte/Dillon   | 46         | 13         | 9          | 6          |
| Region 4 – Bozeman/Helena | 63         | 17         | 41         | 28         |
| Region 5 - Great Falls    | 30         | 8          | 18         | 12         |
| Region 6 – Havre/Sidney   | 27         | 8          | 5          | 4          |
| Region 7 - Billings       | 81         | 22         | 25         | 17         |
| <b>Total</b>              | <b>362</b> | <b>100</b> | <b>147</b> | <b>100</b> |

The population of interest in this study is child care providers and the children in their child care facilities. The unit of observation in the licensed child care centers is the provider, who reported on the prices charged to groups of children. The units of observation in the registered and licensed child care homes are the provider for standard market rates and the child for actual market rates paid. When considering actual market rates paid, the rate paid by the parents of each child in the family or group child care facility was reported. While a substantial amount of information was collected on all providers and those children in their care, the study is focused on those children who received no discounts or scholarships or were not in Head Start facilities.

Any statistic reported where there were fewer than 10 observations was reported in italics. When no data were reported for a geographic region, statewide estimates and these estimates are denoted with an underline. A Statistical Analysis System (SAS) statistical routine was employed to generate the percentiles and confidence intervals. Using this statistical routine, means were weighted while percentile estimates and confidence intervals were unweighted in provider level analyses. Three methods were used to collect the market rate information and they are as follows:

Method 1, the survey collected full- and part-time “advertised rate” information for four age groups (infant, toddler, preschool, and school) and these full- and part-time “advertised rates” were supplemented by information from the Child Care Under the Big Sky (CCUBS) “advertised daily rates” for full- and half-days. The unit of observation for this method is the provider.

Method 2, the survey collected full- and part-time “advertised rate” information for four age groups (infant, toddler, preschool, and school). Again, the unit of observation for this method is the provider.

Method 3, the survey collected child level market rate information, which was reported by family and group providers for each child in their facility. The unit of observation for this method is the child.

## **Analysis**

The most important statistic for this study is the rate at the 75th percentile for each of the age groups. Four age groups (infants, toddlers, preschool-aged, and school-aged) are reported in the body of the report. While the study reports the rate at the 75th percentile, it was important to report some measure of the variance. In this instance, confidence intervals are reported for the mean, 25th, 50th, and 75th percentiles. Given that child care rates are not normally distributed, a distribution-free 95% confidence interval is reported. These confidence intervals will have different margins of error on the lower bound than the upper bound. Several other tables are included in the final report. These tables examine additional costs (expenses) and benefits (subsidies and discounts); waiting lists; provider schedules; number of children in care, licensed capacity, and drop-in care; definitions of full-time care; and, other characteristics of home and center-based providers. For more information, please see the 2020 Montana Child Care Market Rate Survey: Final Report.