

Alabama CCDF Market Rate Survey-Narrow Cost Analysis

Using the Center for American Progress costofchildcare.org calculator and making assumptions regarding cost drivers, The Alabama Department of Human Resources, Child Care Services Division (CCSD) identified two cost levels:

- Base – basic licensure
- Star 5 Quality – fewer children per teacher, increased salaries, increased resources for classroom materials, provide retirement, increase health care

In reviewing the cost drivers for both base level care and quality, cost data was pulled from the Center for American Progress costofchildcare.org calculator by provider type and age of the child.

CCSD then used the cost data gather by provider type and age of child to compare this cost to the reimbursement rates that were set utilizing the market rate survey which is based on data obtained from all provider types that represent nine (9) geographical regions within the state and by the age of the child. Using the most populous region (Birmingham) to determine the narrow cost analysis.

When determining whether the Center for American Progress costofchildcare.org calculator was a reasonably appropriate estimate of the cost of care, CCSD considered the following:

- The methodology and assumptions made in the cost drivers
- Whether the cost drivers were pertinent to Alabama and the extent these drivers are appropriate for the different levels of care ranging from basic licensing and Star 5 Quality for licensed centers and licensed family day care

CCSD reviewed the Center for American Progress costofchildcare.org calculator assumptions (i.e., BLS wage data for Alabama, standard operating costs, and program defaults) and determined they met general findings in Alabama child care programs. More specifically, CCSD made the following decisions:

- Licensure in Alabama is base level care, and the calculator methodology addresses the cost of child care providers implementation of health, safety, quality and staffing requirements.
- CCSD utilized the base costs in the calculator as their estimation model for meeting health, safety, quality, and staffing requirements in Alabama.
- Higher quality care in Alabama is associated with the cost of child care calculator cost drivers of fewer children per teacher, increased salaries, provide retirement, provide health care, and increased resources for classroom materials. All of these quality elements were selected.
- CCSD utilized the costs in the calculator associated with the quality components identified above as their estimation model for meeting high quality care requirements in Alabama.

Basic licensure

Comparing the cost of an infant/toddler at a licensed child care center \$1,721/month with the monthly reimbursement rate of \$650/month the resulting gap is \$1071/month.

Comparing the cost of a preschooler at a licensed child care center \$1066/month with the monthly reimbursement rate of \$598/month the resulting gap is \$468/month.

Comparing the cost per child at a licensed family child care \$1081/month with the monthly reimbursement rate of \$542/month the resulting gap is \$539/month.

Higher Quality Star 5

Comparing the cost of an infant/toddler at a Star 5 licensed child care center \$1,721/month with the monthly reimbursement rate of \$719/month the resulting gap is \$1002/month.

Comparing the cost of a preschooler at a Star 5 licensed child care center \$1066/month with the monthly reimbursement rate of \$658/month the resulting gap is \$408/month.

Comparing the cost per child at a Star 5 licensed family child care \$1,081/month with the monthly reimbursement rate of \$598/month the resulting gap is \$483/month.

At the time of the MRS, CCSO was paying at the 50th percentile of what child care providers charge based on the most recent market rate survey. CCSO will use this information in planning future rate increases and look at ways to reduce the gap between the cost of child care and the reimbursement rates.