

Summary
Second Advisory Committee Meeting for the Market Rate Survey Project

December 5-6, 2005
Melrose Hotel
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Project Summary

The *Guidance for Validating Child Care Market Rate Surveys* project is a study of how states currently conduct market rate surveys, methods to validate market rate survey findings, and the effects of child care subsidies on the larger child care market. Specifically, the three objectives of the project are:

- *Objective 1:* Describe key elements of market rate survey methods, policies, and practices in order to capture current practice of states, tribes and territories, and to refine the proposed research design for validating market rate survey findings.
- *Objective 2:* Evaluate the effect of using various samples and methods on validity, market representation, and cost effectiveness in producing child care market rate findings at the level of community.
- *Objective 3:* Explore the effects of subsidies on child care prices in different policy environments.

In order to ensure that the research is well informed and relevant, an Advisory Committee, composed of representatives of key stakeholder groups was established to advise researchers throughout the project. Members include representatives from state Lead Agencies for the Child Care and Development Fund, market rate survey and other child care researchers, the National Child Care Information Center, organizations representing the range of child care providers, association of regulatory agencies, and child care resource and referral agencies.

Meeting Goals and Overview

The two major goals for the second meeting of the Advisory Committee were to:

- Present the findings to date related to Objectives 1 and 3, and
- Refine the design for the validity study (Objective 2).

The first day of the meeting began with a report by Liz Davis on preliminary findings of the effects of child care subsidies on the larger child care market (Objective 3). Next, findings to date were presented on our initial Tribal survey and the market rate survey practices of states, territories, and tribes. The purpose of these later presentations was to provide a foundation for the validity study; identifying the validity issues that emerge from an understanding of current market rate survey practices. We want to be sure that the validity study design addresses the validity issues with which states struggle.

The second day of the meeting was focused on reaching consensus on foundational concepts on which tests of validity will be built. As preparation for this task we asked Arthur Emlen, who has worked on market rate survey validity issues for 15 years, to provide a background piece on the validity issues one needs to consider when conducting market rate surveys (see Appendix A). Bobbie Weber facilitated a group process designed to identify consensus on key foundational concepts related to the child care market. Agreement on what constitutes the child care market is challenging but consensus is foundational. Findings can accurately describe only the prices of child care that are included in the study. We started with a description of all types of care. Once the group agreed upon what is in the universe we call child care, we then moved to agreement on which portions of the child care universe are included in the child care market and why. The final process identified the characteristics of care that differentiate subgroups within the child care market (those likely to have distinct prices).

Once we completed this process we briefly presented the proposed validity study design, and talked about refinements to the design. The remainder of this summary outlines the process involved in the different consensus steps and the corresponding outcomes.

Consensus Process and Outcomes

Committee members were each assigned to a group that included a mix of state administrators, researchers, child care representatives, and others. Throughout the day the members broke into small groups which fully discussed a concept and created a recommendation. Each group brought their recommendations into a large group discussion whose purpose was to identify consensus – a definition or description accepted by the whole group. When the discussion of a particular issue or topic reached a point nearing consensus, the facilitator asked everyone to show from 1 to 5 fingers indicating their opinion on the specific issue. This process is called the 5-Finger Rule (see box for the meaning behind displaying 1 to 5 fingers). If anyone revealed a 1 or 2 they were asked what it would take from them to move from a 1 or 2 to at least a 3; what change in the statement would make it one that they could accept. Discussion would carry on until consensus was reached, the point at which everyone indicated a 3 or higher.

<p>5 – Finger Rule</p> <p>5 = “Go for it” 4 = “I like it” 3 = “I can accept it” 2 = “I have a problem with it” 1 = “Over my dead body”</p>

Before forming the assigned groups, we first reached consensus on two key definitions: validity and the child care market.

Definitions

Validity

The research team proposed:

Market rate survey results are valid to the extent that the survey findings accurately describe child care prices parents will find when seeking care in their community.

Group Consensus on the definition of validity

The Advisory Committee members agreed to the definition.

Child Care Market

The research team presented a definition of the child care market:

A market is the collection of buyers (parents/guardians or companies) and sellers (child care providers) that, through their potential interactions, determine the price of a product (child care) or set of products (child care for full day, part day, part week, etc). [Pindyck & Rubinfeld, 1995, p.9]

Advisory committee members were unwilling to accept the definition of the child care market primarily because it did not capture the government role in determining prices. There was extensive discussion of the government as both buyer and seller (this discussion is captured in other places throughout this summary). In order to move the group forward, one member suggested removing the qualifying statements from the definition.

Group Consensus on the definition of the child care market:

A market is the collection of buyers and sellers that, through their potential interactions, determine the price of a product or set of products.

Step 1: Consensus on Child Care Universe – Continuum of Care

The group began with consensus on what is in the universe we call child care. The process included the following steps:

Process

1. Break into assigned groups
2. Select a group recorder/reporter
3. Review the handout on child care continuum (Figure 1) and identify any missing types of care
4. Come to agreement on any types of care that should be added to the continuum

5. Work as a large group
6. List any types of care not included in the original continuum
7. Come to consensus on continuum of care

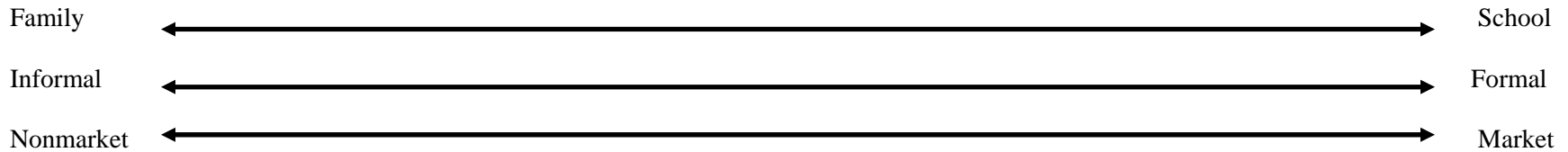
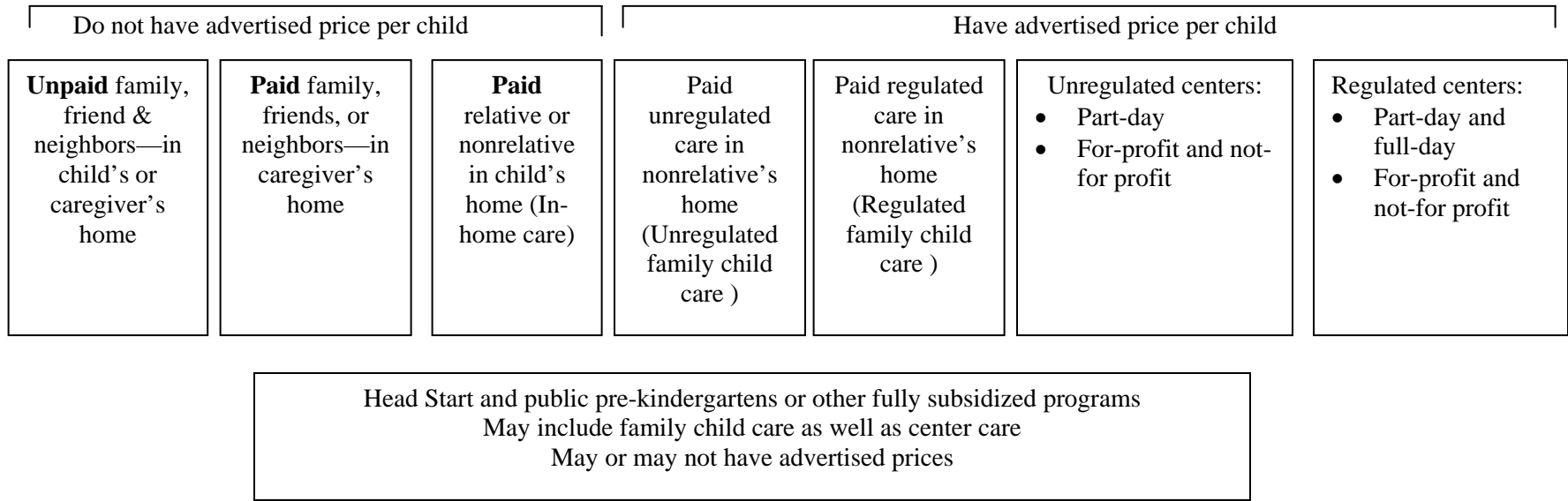
Outcome

Of the four assigned groups, two groups worked from the child care continuum shown in Figure 1. The other two groups created a different visualization of the child care universe (shown below). For the purpose of being able to define what types of care are included in the child care market (Step 2), the group agreed to use the continuum depicted in Figure 1 and the consensus reached on the child care continuum is presented in Figure 2.

Group Consensus on the child care continuum:

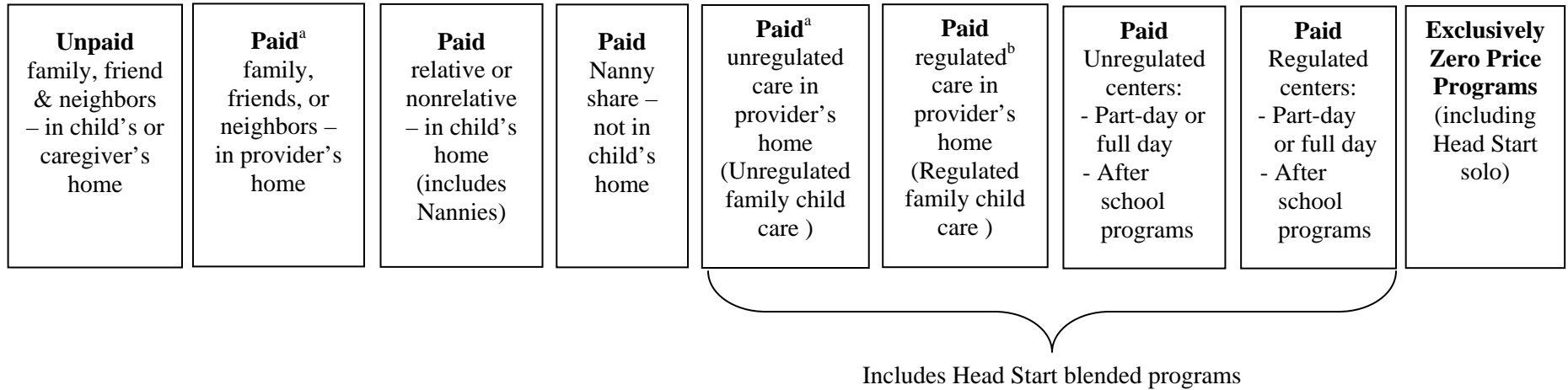
The group agreed upon the 9 distinct subsets of the child care continuum shown in Figure 2.

Figure 1. Handout on Child Care Continuum



Note: Descriptors of continuum taken from graphic created by Mon Cocharn.

Figure 2. Advisory Committee Members' Consensus on Child Care Continuum

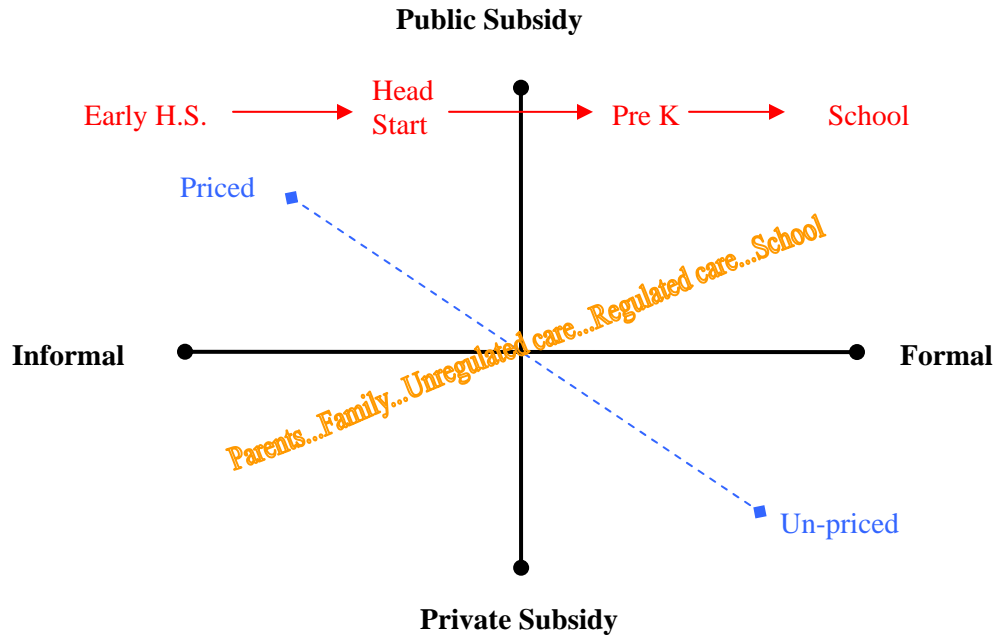


^a Advertising differentiates “Paid unregulated care in provider’s home” from that of “paid family, friends, or neighbors in provider’s home”. It states that exempt care based on low numbers of children and families, there are numbers of unregulated providers who enroll with a local R&R and/or advertise through newspaper, etc. Advertising to care for community children moves these providers into the market and from family, friend, and neighbor care to family child care.

^b Regulated for our purposes is defined as facility licensing. The facility is licensed for the purpose of child care and includes registration, certification, and/or licensing (but does not include processes solely for the purpose of giving someone a subsidy).

Other visualizations of the Child Care Continuum

1st – Setting the Context of Child Care



2nd – another visualization

Child's Home		Caregivers Home			Center		
relative	non-relative	relative	non-relative (small or large)			non-relative	
			regulated	non-regulated		regulated	non-regulated
				illegal	exempt		
						illegal	exempt

Note: Debbie Moore expressed concern with the illegal category shown on this chart.

Other issues that arose while discussing the continuum of care were:

- Whether this was a study of costs or prices?
- What is meant by regulated?

Group Consensus on a study of prices:

The group agreed market rate studies are studies of prices, not the costs associated with providing care. When writing the report for this work, the advisory committee members encouraged the research team to start off with a statement that clearly describes the differences between costs (payrolls, rents, supplies) versus the price providers charge buyers. Then indicate that this work is focused on the price providers charge. We should also note that the federal CCDF Final Rule is for a survey of the rates or prices charged for child care, not a survey of the cost of child care. Further, it is not just parents who are the buyers of child care. The price of care is relevant for whoever is the buyer.

Group Consensus on what is meant by regulated:

Pauline Koch offered NARA's definition of regulated which the group accepted.

Facility Licensing – the facility is licensed for the purpose of child care and includes registration, certification, and/or licensing (but does not include processes solely for the purpose of giving someone a subsidy).

Step 2: Consensus on Portion of Child Care Universe that is in the Child Care Market

Advisory Committee members returned to their assigned groups to discuss which of the 9 subsets in Figure 2 should be included in the child care market. As part of this process, they were also charged with identifying the criteria they used in selecting subsets to be included in the market. The specific process was as follows:

Process

1. Return to assigned small groups
2. Using the definition of child care, the continuum graphic (see Figure 2), and the dimensions of care (location, relationship, regulated, paid), agree upon which types of care you would place in the child care market.
3. Identify the criteria for including types of care in the child care market. For example, Oregon uses the following three criteria:
 - a. Provider is in business (has hung out their shingle) as indicated by becoming regulated by the Child Care Division or enrolling with their local R&R
 - b. Provider has a price for the service(s) they deliver, i.e., there is a price parents are expected to pay for the service
 - c. Provider is active, i.e., the provider is providing services as of the date of data collection
4. Work as large group
5. Come to consensus on types of care in the child care market
6. Come to consensus on criteria to be used for inclusion of a type of care in the child care market.

Outcome

Definition of Child Care

The group came up with a couple of different definitions of child care.

- (Based on intentionality) A parent/guardian has a need for care for child while they are unavailable (work, work-related activities, going to school) and they turn the care of their child over to someone else.
- (Minnesota definition) The care of a child by someone other than a parent, stepparent, legal guardian, or eligible relative caregiver or any of the spouses of the foregoing in or outside the child's own home for gain, or otherwise, on a regular basis, for any part of a 24-hour day.¹

¹ Child Care Provider (Minnesota Definition) – An individual or child care center or facility, either licensed or unlicensed, providing legal child care services as defined under Section 245A.03 (MN Licensing Statute).

Group Criteria

Each small group came back to the large group with a set of criteria they identified when determining the types of care in the child care market. The large group worked from the collection of criteria to reach consensus on a single shared set of criteria (see below).

Criteria – Deana Grobe’s Group

- Private pay counterpart
- In a list that allows contact (recognize that even those on the list may not be representative of all those who could be on the list. Thus it is important to take a random sample from the list).
- Have a price
- Availability to community
 - Special consideration in analysis: Tribal slots that are only available to tribes, employer slots that are only available to employees, Head Start / heavily subsidized slots that are only available to population meeting specific eligibility, highly CCDF subsidized.

Criteria – Liz Davis’s Group

- Gets paid and
- Generally available to community /public (defined as “caring for kids other than relatives” possibly in addition to relatives)

Criteria (for who is out of the market) – Lee Kreader’s Group

- Personal relationship only
- Not on any list
- Exclusively government fixed price
- No compensation

Note: Designated market areas must span diverse income groups.

Criteria – Clara Pratt’s Group

- Open to community
- Identifiable to state (part of the market)
- Percent of subsidy children served (interaction > market)

Group Consensus on shared criteria for inclusion in the child care market rate survey:

1. Available to general public (excluding “personal relationships” only)

For example, a grandmother who is taking care of grandchildren and other children is in the market; a grandmother who will care for only related children, but no one else’s, is not in the market

2. On a list that allows contact – identifiable on a list

Indicate in our final report that the market also includes providers that are not part of a list; name and contact information are not available. A sample of these providers could be reached through a household survey. Although this approach is more expensive, it is something states could consider for future market rate surveys in order to determine the prices charged by market providers whose contact information is not captured in any list (licensing, R&R, subsidy).

3. Has a price
4. Care of a substantial percent of children served in the facility is not subsidized

The issue of the government effect on child care prices wove through the day and a half of discussion. There seemed to be agreement that government changes the community context, primarily in low-income communities. There did not appear to be agreement of the impact government has in these communities. Some said that government props up prices; left on its own a low-income community will only be able to support very low-price child care providers. Others said that government depresses prices by paying low rates, paying less than the true cost and excluding payment of some fees charged by the provider (i.e., registration, field trip).

Advisory committee members felt the research team needed to consider different aspects of this issue when analyzing the data. Prices are a result of market interactions that may be distorted. We need to know at what point a market doesn't exist (for example, a threshold of 85% subsidized children). Someone suggested more carefully analyzing outliers to determine whether there is a market in that community. The group thought of a couple of different ways one could analyze outliers to determine whether a particular provider was part of the child care market: (a) identify context: what percent of slots are subsidized in a particular geographic area; what percent of subsidized slots should there be; how do subsidy rates compare to non-subsidized rates? and (b) if all the children are being subsidized, look at community characteristics to provide a context (e.g., the number of head start slots, the number of subsidy slots, etc). Mildred Warner suggested flagging prices in a community with heavily subsidized providers.

Aside conversation

What happens (in terms of the survey) in 3 states that do not regulate family child care? The three states that do not license family child care are Idaho, Louisiana, and New Jersey. These three do the following (supplied by Pauline Koch):

- Idaho – no state licensing or regulation of family child care
- Louisiana – has voluntary registration for homes, with licensing required if they participate in the subsidy program
- New Jersey – by statute, New Jersey has a voluntary certification process which is administered by nonprofit community organizations under contract with the state.
- Both New Jersey and Louisiana consider the care of more than 6 children as a child care center.

Step 3: Consensus on which Subgroups should be Differentiated in a Market Rate Survey

Validity issue – by combining prices that are actually differentiated in the market, the findings may represent a rate that does not exist in the community. For example, if the prices of infant care and preschool care are not differentiated, the study will report a child care price which is less than the community prices for infant care and more than the community price of preschool care. The process in this step was to agree on subgroups whose prices should be differentiated in the validity study.

Process

1. Stay in large group
2. Began with the following list of characteristics of care, come to consensus on subgroups of child care whose prices should be differentiated in the validation study.
 - a. Age of child
 - b. Type of care
 - c. Geographic location – definition of community
 - d. Time care is offered (part day, full day, part week, full week)
 - e. Mode of pricing (hourly, daily, weekly, monthly)
 - f. Quality of care (how measured)
 - g. Percentage of slots whose ‘price’ is paid partially or fully by a public entity (subsidized care)

Outcome

No one questioned the list of submarkets above. The discussion focused more on specific issues to consider within each submarket.

Geography

- In addition to differentiating geography by zipcode and county, consider looking at school district and possibly geocoding using the provider’s address.

Time schedule

The following are questions committee members felt were important to ask providers in order to identify part-time rates more clearly:

- Do you have part time rates and what are they?
- How do prices vary by part-day as defined by various numbers of hours (4, 5, 6)?
- Is part-day rate offered by full day program versus part day offered by part-day only?
- How do you define part-day? What will the study use as the cut off point for part-day (e.g., 6 hours)?
- Do they care for children during nonstandard hours (before or after 6:00pm), weekend, over night?
- Do family child care providers have a different rate for a child who only comes part-time?
- Are there different rates for school-age children?

The group did decide that it would be too difficult to try and separate out the wrap around programs. Although some providers care for children in hours they are not in Head Start or another part-day program, there is not an identifiable group to be surveyed for a product called “wrap around care”.

Mode of pricing

The group talked about different ways we can go about testing the validity of converting rates. Ultimately the question is whether we can empirically measure the extent that bias is present when rates are converted in a certain way.

Conversion within survey:

1. Ask providers all the ways they charge and then convert their rates to a set mode using a standard calculation. Ask the provider whether this conversion is an accurate representation of what they would charge for that particular mode.
2. Conversion of provider prices after the analysis.
3. Premium and discounts – how to determine if providers are consistent in how they set their rates for different modes. Are there patterns to how providers convert, or should we treat each mode as a different submarket?

Suggestions on two questions to include in a provider survey: (a) do providers discount for longer periods of times? (b) do providers ask for payment for days off?

Quality of care

Group Consensus on quality of care:

Include facility accreditation for centers or CDA for family providers in study surveys and relate quality measures to prices.

Percent of slots whose ‘ price’ is paid by a public entity (subsidized care)

- Demand driven submarket (absence of clear market based demand)
- Where is the threshold (can you empirically test this?) – a committee member suggested at a minimum the threshold should be 50% before you worry about it.
- Determine the amount of public subsidies in a particular community compared to total revenue and the percent of children in care. Is the area all or part public?
- How are vouchers given? Number of hours? Per day?

Follow-up

Time was not adequate for a full discussion of how to treat highly subsidized facilities in a market rate survey. Advisory Committee members decided to continue the discussion via email.

Conclusion and Next Steps

The primary goal for this meeting was to reach consensus on foundational concepts which will be used to help redesign the validity study. One of the overarching issues over the day and a half meeting was how government affects child care prices. The group provided various ideas on how market rate data could be analyzed to better understand the impact of government on prices, especially in low-income communities. In addition, the group reached consensus on the following issues:

- Definition of Validity: Market rate survey results are valid to the extent that the survey findings accurately describe child care prices parents will find when seeking care in their community.
- Definition of the child care market: A market is the collection of buyers and sellers that, through their potential interactions, determine the price of a product or set of products.
- Child Care Continuum: The group agreed upon the 9 distinct subsets of the child care continuum shown in Figure 2.
- Study of Prices: The group agreed market rate studies are studies of prices, not the costs associated with providing care.
- What is meant by regulated: Facility Licensing – the facility is licensed for the purpose of child care and includes registration, certification, and/or licensing (but does not include processes solely for the purpose of giving someone a subsidy).
- Shared criteria when selecting subsets of providers to be included in the child care market:
 - Available to the general public
 - On a list that allows contact – identifiable on a list
 - Have a price
 - Care of a substantial percent of children served in the facility is not subsidized
- Quality of care: Include facility accreditation for centers or accreditation or CDA for family providers in study surveys and relate quality measures to prices.

The guidance gained in this advisory committee meeting is currently being used to redesign the validity study. The Study Team is developing a survey instrument for the study which we will share with the advisory committee and ask for any revisions prior to data collection. In addition, the team will also be sending an email on the project listserv restarting the conversation on how to treat highly subsidized facilities in a market rate survey.

The Study Team will share preliminary drafts of the findings on market rate survey policies and practices of states, territories, and tribes prior to publication of these reports.

The final Advisory Committee will be held in the spring of 2007. The purpose of that meeting will be to (1) present the results of the validity study, (2) elicit the Advisory Committees' interpretations of the overall findings, and (3) receive guidance for the 2007 summer institute on utilizing new market rate survey approaches geared towards those who are conducting market rate surveys in states, territories, and tribes.

Attachment A

The Validity of Child-Care Market-Rate Surveys by Arthur Emlen for the Advisory Committee

States that provide child-care assistance survey the market every two years to learn the prices providers are charging for care in centers and family homes. The market-rate survey calculates the frequency and range of prices charged for infants, toddlers, preschoolers, and school-age children. To measure the range of rates, specific rates are reported at key percentiles such as at the 25th, 50th (median), and 75th percentiles, and even at the 90th to identify the point at which only ten percent are more expensive.

The federal government requires this survey because presumably it will provide guidance, helpful but not determining, in setting the amount states will pay in subsidizing care for low-income families. The policy is intended to peg child-care assistance at a level of subsidy high enough so that assisted parents can have wide access to child care in their own community. Federal policy speaks of providing “equal access” to the child-care market. Easier said than done. Since quite a range of rates is found across a state and within each community as well, a market survey is needed to report that variation and to estimate where the subsidy succeeds in positioning these parents in relation to prevailing community rates.

A burden, therefore, falls on the market-rate survey to produce valid data. As it turns out, that task is not so simple as it might seem. The child-care market is complex, and the validity of these data hinges on how a number of issues are dealt with:

- 1) ***How the “child-care market” is defined.*** If all kinds of care for all ages were lumped together, some kinds would skew the rates in unknown ways. So validity requires classifying the market into its submarkets that behave differently. Care in centers and family homes have different rates, as does the in-between category of group homes. It is even necessary to distinguish part-day preschool programs from full-day center care for preschoolers. Since providers charge more for care of infants than toddlers, toddlers than preschoolers, and preschoolers than school-age children, types of care must be classified by age. Each sub-category is distinguished and validated as a distinct sub-market when the survey finds a different range of rates at key percentiles.
- 2) ***How market rates include all the prices parents could encounter.*** Even if you know every provider’s listed charges, you’re not out of the woods yet. The prices listed by a large center would under-represent all the possible price transactions it has to offer parents for all the children it can serve. The idea of a market survey is to accurately describe the prices parents will encounter in seeking care. So if a center can serve a hundred children, its set of prices shouldn’t only be counted once. If big centers charge more, then counting them only once would depress the market rates. It makes sense to use an appropriate multiplier, such as data on the provider’s capacity. Unfortunately, this means that market rates are an estimation of market rates. At least such estimation improves the accuracy of rates available to parents and the effect can be tested against the unadjusted data. How to arrive at an accurate estimation of realistic capacity is an issue, of course.
- 3) ***How the market is further defined by how providers charge.*** A more vexing problem in defining the child-care market arises from how providers charge for care: whether by the hour, day, week, or month. Why should that be a problem? Well, because how they charge creates different markets. This may seem just an artifact of language, but it’s not. By-the-month care and by-the-hour care create price differentials that cannot validly be converted into one single rate by any a priori rational formula such as supposing a 9-hour day, 5-day week, or 23-day month. To

the extent that a minority of providers report rates two or more ways, there is an empirical basis for estimating a conversion, and a survey has shown that providers can be successfully encouraged to give both an hourly and monthly rate. But one is stuck with a choice of obtaining multiple modes of charging, reporting all rates separately by mode of charging, or else converting and combining the rate data into an estimate with an unknown but significant amount of distortion. This validity issue is further complicated by variations in packaging part-time care at special monthly rates.

- 4) ***Why some considerations may be ignored in defining markets.*** Keep in mind that a market-rate survey cannot address a host of undefined issues, even issues such as quality of care or caring for a child's special needs. These may be important in terms of how providers represent themselves and how parents assess and choose, but they are issues best left to the market. The reason is that, because of their subtle complexity, these issues do not readily define separate markets. It's true that many states now pay a higher rate for care that meets higher standards (tiered reimbursement), but these higher rates come from rule making rather than emerging from market-rate surveys. With an objective measure of quality such as verified accreditation, one could explore whether or not accredited facilities made up a distinct market. Remember too that a market rate may not be the final price parents pay. Negotiation may follow, and many providers offer "two-fers" and other discounts when they meet the parents. Many providers also have charges in addition to the price; examples include registration and field trip fees, and meal or diaper charges.
- 5) ***How "community" is defined.*** Doing market rates by county doesn't work. In urban/rural counties, communities with very different child-care rates cannot validly be lumped together. To capture urban, suburban, and rural differences, one state has used zip codes and combined those zip-code areas having similar rates. The method is not perfect because even zip-code areas may contain diverse neighborhoods, as may adjacent small zip-code areas in the same city. Adjacent urban zip-code areas may have to be combined as a compromise for community consistency, aided by mapping to show contiguous areas. So the method is not perfect. All that can be said is that the method illustrates the need to find more valid ways of representing the community criterion for market rates than use of gross alternatives.
- 6) ***How rate data are collected.*** How rate data are collected affects what they mean. Logically what do they represent? Are they responses to an interview or actual advertised rates? The accuracy of interview responses depends on how well the respondent understands the purpose of the survey and trusts how the data will be used. Interviews have some advantages. They allow a greater amount of careful questioning and corroborating detail. Use of advertised rates also have their advantages. Most providers of center care publicly state the rates they charge, and a large proportion of those who provide care in family homes hang out their shingle and tell a community-based child-care resource and referral agency (an R&R) how much they will be charging. The agency enters the stated rates into their computer and uses them on-line in talking to parents looking for child care. Parents are given referrals and told what prices to expect. Thus, these rates are not what a provider told a survey researcher in interview; these are live rates. They are advertised rates put into motion in the child-care market. These two methods are amenable to comparison, and more such studies would be helpful.
- 7) ***How representative the data are of the state's population of all child-care providers who are "in the market."*** Theoretically, this divides into two issues: geographic representation across the state, and which kinds of care are being represented. As a practical matter, the issues are inseparable. The test for a market survey boils down to how you define and identify the population, reach all regions of the state where providers are found, and collect enough rate data or sample sizes to represent all communities. The U.S. Census goes everywhere, but they survey

households not providers, and they don't collect such data. At the other extreme, a statewide random sample won't do the job of yielding a wide-reaching community-based analysis of rates if the sample is small. A telephone survey could do the job if it has a list of providers in the child-care market. The cost of calling all households to discover them would be prohibitive. The R&R has a handy list, and their population contains clear examples of providers who are in the child-care market. That list can be used for interview surveys, or the R&R data themselves are obtainable statewide in large enough numbers to produce a useful study of market rates.

However, questions still remain about the extent to which the R&R's listed providers or any interview survey will accurately represent the population of all, and only, providers "in the market." Even a state's list of centers may not be a complete list. Some centers may be exempt from licensing, and some small, unknown centers may not be licensed or listed with the R&R. Other centers may have exclusive clientele for their membership and may not be generally accessible to others, such as church centers or corporate on-site facilities. Likewise, not all providers of care in family homes open their doors to other than known friends or neighbors. They don't advertise or list with the R&R. They're not "in the market" in the sense of offering services. That doesn't mean they aren't a resource or don't provide care for pay. Many parents receiving child-care assistance turn to such providers. The point is that for many reasons the line demarcating the child-care market is not sharp. Lacking a complete list of the vast universe of child care of varying shades of accessibility to parents, we are hard pressed to know precisely how representative any sample is of the population of providers defined as "in the market." Obviously, further work is needed. We need to compare alternative methods and alternative samples of known composition, more fully described, and then analyze whether they produce reasonably close sets of market rates.

- 8) ***How relevant the market rate is to parents receiving child-care assistance.*** Assuming that a state has a valid method of collecting rate data that are reasonably representative of rates charged by providers "in the market," how relevant or applicable are those market rates to parents receiving subsidy? As noted, many parents receiving child-care assistance turn to providers they know, including grandmothers, friends and trusted neighbors. If these providers tend to charge less than providers in the market, and if the market rates do not represent those kinds of paid but exclusively arranged child-care, then to that extent the higher market rates are not so applicable. On the other hand, when subsidized parents go beyond such family resources and seek care in the wider marketplace, then the market rates are indeed an applicable set of rates.
- 9) ***The extent to which federal subsidy policy results in "equal access" to the child-care market.*** Federal policy encourages states to identify the 75th percentile market rate and subsidize up to that level. Presumably that would enable parents receiving child-care assistance to purchase all but the top 25 percent of care available in a community. That is the widely accepted operational definition of providing "equal access." But how do you measure whether that standard has been achieved? And what does "equal access" really mean?

Would allowing subsidies up to the 75th percentile provide equal access? Well, no. Subsidized parents still couldn't afford the most expensive 25 percent. The goal of allowing 75 percent of prices is still a curtailed definition of "equal access." But 75 percent of parents in the general market aren't paying that top 25 percent of prices either. The market doesn't have a single "going rate;" the market has a range of rates. The same goes for subsidized parents; they also select care at a range of rates, not necessarily choosing the more expensive care even if subsidized. The size of their copay may be one reason, but it's not the only one. They may want the care next door. The point is that equal access doesn't mean everybody's equal; it means that the range of rates recipients of child-care assistance can enjoy are closely similar to the range of rates in the general market.

So, one method for assessing equal access is to compare general market rates with the prices of subsidized care parents chose (subsidy plus copay). How close are the two sets of rates for the various child-care submarkets in similarly priced communities? This comparison has limitations, because the subsidized price is the negotiated price, not necessarily an advertised market rate, and it may not even reflect the possibility that the provider waived the parent's copay.

Another method is to examine what percentage of community rates subsidized parents could have access to at their level of subsidy and copay. Again, this method allows one to calculate separately for the various submarkets and communities. One could say, for example, that parent subsidies would allow them access to 20 percent of care in centers and 60 percent of care in family homes at current market rates for toddlers in designated communities.

These are indicators of equal access. They don't fully tell us about the parent's experience of equal access or lack of it. Even if the subsidy were high enough to create equality of access to the market, equal rates would not guarantee that child care is equally affordable. Parents in the wider market have a wider range of incomes on the high side. Recipients of child-care assistance have a lower and narrower range of household incomes and have limited capacity to purchase food, rent, transportation, clothes, books, or much of anything. Could this depressed economic context affect choice, subsidy notwithstanding? To understand how lack of equal access to market rates plays out for parents we need to study their circumstances and decisions, comparing those who use market care and those who use family members and other immediate relationships, as well as comparing subsidy and non-subsidy families at comparable child-care prices, such as at the 20th percentile and 75th, to see what happens at different subsidy levels.

One question for assessment might be whether equal access to market rates has any relationship to finding better quality of care. Some would make that assumption, though the matter would not be easy to test. Market rates have an empirical clarity one cannot claim for the subject of quality. Quite possibly some arguably excellent child-care programs are found at the top 25 percent of prices, beyond the reach of most, with or without subsidy. On the other hand, some of the lucky ones may be among those parents who, with or without subsidy, rely on family or other non-market care at lower cost and don't need to enter the marketplace in search of child care. Don't look for strong linear correlations between price and quality. All is not lost, however. It would be fair to say that the equal-access policy is designed simply to widen the choices available to parents and that the additional financial flexibility may lead to better choices and even create demand for the care parents want.

And it might help to understand how parents view their prospects. Despite forced hours of employment and child care and facing an uncertain future, parents in the child-care subsidy program are currently experiencing a federal subsidy policy that was designed to be forward-looking, anticipating an improved economic status. Possibly. Yet the prospect, after time is up on assistance, will quite likely be one of low-wage jobs without health benefits, job insecurity without savings or much safety net, and a tax-policy hazardous to the economic strength of families. If we were to study the longer-term effects of this sojourn with equal access to child care, then equality of opportunity in the larger context may be at issue.

In the meantime, child-care market rate surveys provide a useful perspective on a significant program. They aren't a piece of cake, and they require judgment, but they're not impossible to do with reasonable validity. They are a work in progress, however. We have much to learn about them and with them.