

**Alaska Child Care Assistance Program (CCAP)
Market Price Survey Report
2020 and 2021
Addendum
Revised Rate Methodology – CCAP Rate Schedule**

Prepared for
THE ALASKA CHILD CARE PROGRAM OFFICE

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Introduction

Alaska Child Care Market Price Survey Report 2020 and 2021 (Volumes 1 and 2), Executive Summary, and proposed 2021 rates were shared with child care providers in September 2021. Community meetings were conducted to gather their response and feedback. Questions posed and responded to during the meeting and after by child care providers, child care advocates, CCPO staff, legislators, and concerned and interested Alaskans.

Based on the comments and feedback the methodology for the Proposed CCAP assistance rate schedule as presented in the Market Price Survey Report 2020 and 2021 and community meetings in September 2021 was reviewed and revised.

Highlights of comments and feedback included:

- Use of 2019 rates raised concerns for the geographic variation of the rates across and within the 29 regions
- Requests to consider comparability within and across the geographic regions and to make the rates more homogenous within the 29 geographic regions. These geographic regions have similarity of the population and economic factors.
- Continue to ensure that the selected methodology is fair and equitable within the regions as well as across regions.

Consistent with this feedback, the assistance rate methodology was revised. This revised methodology results in some child care rates increasing, but no proposed rate decreased.

Revised Methodology

States are encouraged to establish state rates so that 75% of children currently receiving a given type of care in an area would be fully covered. Establishing this rate requires two pieces of information, enrollment by age group and type of care and provider rate by age and type of care. Assistance rates are calculated for each type of care, age group, and by geographic area. First, an Updated Market Rate is calculated based on the rates respondents report most recently in the Market Price Survey. Updated Market Rates are calculated so that 75% of children currently receiving a given type of care in an area would be fully covered. This level is consistent with federal guidelines to ensure equal access to high quality care. The Updated Market Rate is modified so that no increase is less than 4% their current assistance rate and no more than 35% greater than their adjusted current assistance rate. Rates are established for each combination of Alaska borough, age group, provider type, full and part time care, and daily and monthly rates.

Calculating Rates at the 75th Percentile

Updated Market Rates are the rates which would fully cover tuition for a particular type of care (e.g., full month school age care at a licensed center) in a specific area (e.g., Fairbanks North Star Borough) for at least 75% of children enrolled with providers responding to the survey.

For example, say a borough has 4 licensed center providers: A, B, C, D. Altogether they care for 100 school age children enrolled in full time monthly care, these providers charge the following rates:

- A: 20 school age children, \$300/month
- B: 30 school age children, \$350
- C: 25 school age children, \$400
- D: 25 school age children, \$450
- Total: 100 school age children

In this example if Updated Market Rates are set at \$400, then this rate would fully cover the 20 children at provider A, the 30 children at B, and the 25 children at C ($20+30+25=75$), which totals 75/100 children, 75%, of school age children in the borough. The updated market rate of \$400 would fully cover children enrolled at provider A, B, and C. Children at provider D would be covered up to \$400.

Adjusting the March 2019 Rate Schedule

Providers would receive the 75th percentile of their geographic area's market rate bounded by a minimum based on their current 2019 assistance rates and maximum ceiling but is based on *adjusted* 2019 state rates. Listed below are the steps to adjust the current 2019 state rates:

1. We calculate the median¹ (middle, or 50th percentile) rate by economic region for each category of care: i.e., facility type, age group, and duration of care.

For example:

- a. The current 2019 state rate for Juneau licensed center/group home school age full month care is \$350.
- b. Juneau is in the Southeast Economic Region. The state rates for licensed centers/group homes school age full month care in each of the boroughs and census areas in the Southeast Economic Region are:

Juneau City and Borough	Ketchikan Gateway Borough	Sitka City and Borough	Haines Borough	Hoonah-Angoon Census Area	Petersburg Borough	Prince of Wales-Hyder Census Area	Skagway Municipality	Wrangell City and Borough	Yakutat Borough
\$350	\$550	\$575	\$742	\$742	\$742	\$742	\$742	\$742	\$742

- c. The median rate of among the Southeast Economic Region rates for licensed centers/group homes school age full month care is \$742 per month.

2. We define the adjusted 2019 state rate for each category of care as the higher of the calculated median (described in Step 1), or the actual 2019 state rate for that category of care.

In other words:

- a. If the median rate calculated in Step (1), is higher than a category of care's actual 2019 rates, the median rate will be the adjusted 2019 state rate.
- b. If a category of care's actual 2019 rates are higher than the median rate calculated in Step (1), the actual 2019 rate will be the adjusted 2019 state rate.
- c. For example, Juneau licensed centers/group homes school age full month care's actual current 2019 state rate is \$350/month. The median rate for licensed centers/group homes school age full month care in the Southeast is \$742/month. The higher number is \$742/month, so this is Juneau licensed centers/group home school age full month care's adjusted 2019 rate is used as the base rate.

¹ Median - middle number in a given sequence of numbers when it's ordered by highest to lowest rank.

Modifying Updated Market Rates – minimum 4% and a maximum 35% change

The Updated Rate is modified by establishing a minimum and maximum change from the adjusted March 2019 rate schedule. Setting a minimum and a maximum change for each rate provides stability and predictability in the rate schedule

- a. Using the actual 2019 state rate we calculate the 4% floor. Using the adjusted 2019 assistance rate we calculate a 35% ceiling for each facility type, age group, duration of care, and borough/Census Area.
- b. No provider will see an increase less than 4% of their current 2019 assistance rate, and no provider will see an increase more than 35% of the adjusted 2019 state rate.

Establishing a minimum and maximum change is motivated by two factors. First, it provides stability in the rate schedule. Due to non-response to the Market Price Survey, the composition of providers that did respond will impact the assistance rates that are ultimately calculated. By anchoring the Updated Rates to the adjusted assistance rates, missing responses from particularly high or low tuition providers will not skew the results beyond the established bounds. Many providers set their tuition rates to the assistance rates. For these providers, a 4% increase floor allows them to continue to set their rates at the assistance rate and receive an increase consistent with general inflation in the economy. On the other hand, the 35% cap provides a mechanism to control the escalation of child care tuition. Anchoring the rates to the adjusted assistance rate schedule also provides for predictability, as extreme changes from Market Price Survey to Market Price Survey will be smoothed out.

Sufficient Providers in Each Area

During data collection all types of care were not provided in all places and the response rates are less than 100%. Data is also missing for some *boroughs, facility types and age group* combinations depending upon the completeness of the survey by providers. A non-response leads to data holes.

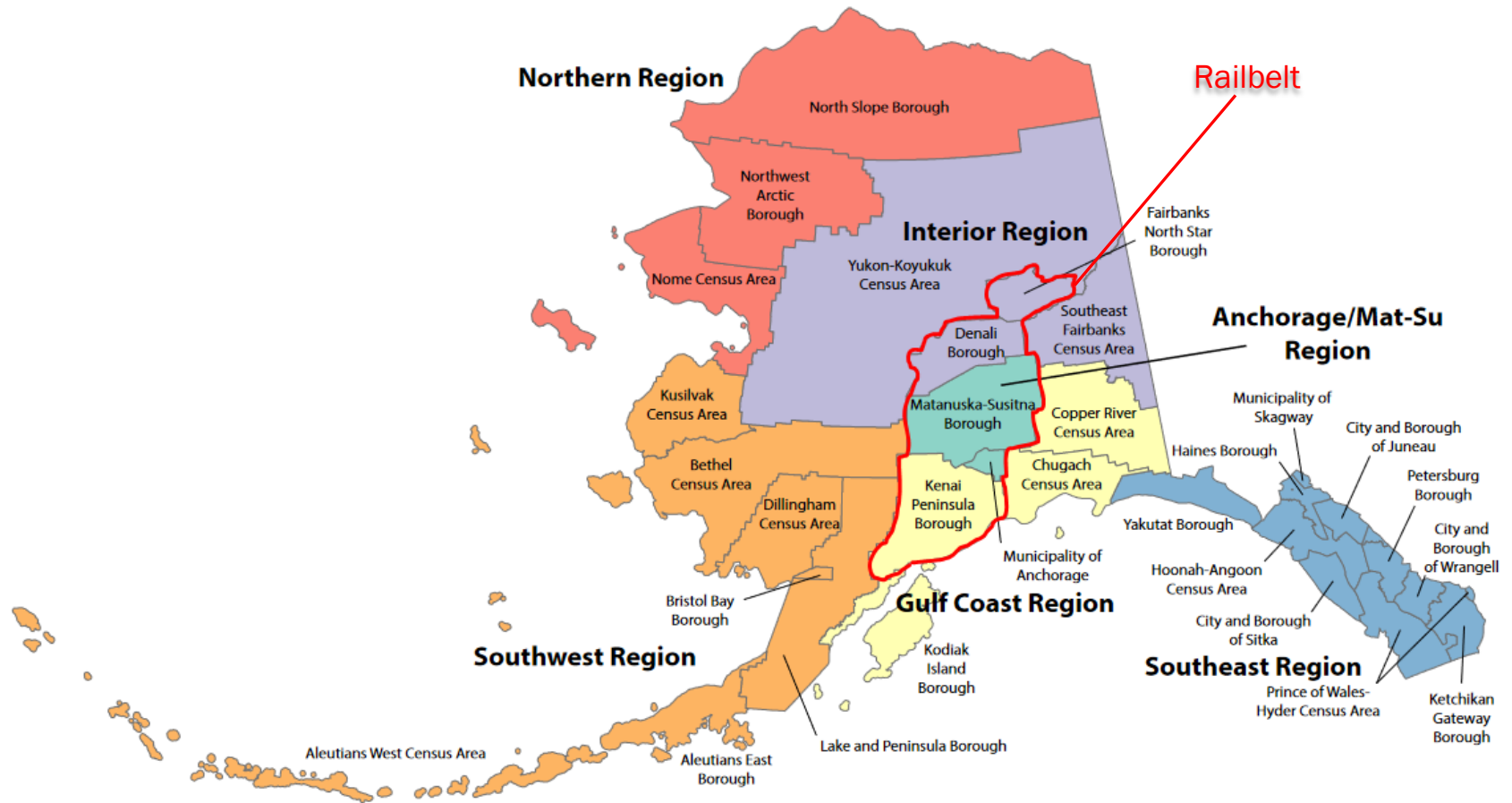
To fill in the missing data, we used group boroughs in similar geographic economic regions together to form a larger pool of providers across a larger area. We used the data as provided by child care providers to determine the 75th percentile for all places, facility types, age groups, and duration of care.

- **If** sufficient data are not available to calculate a weighted 75th percentile at the level of *borough + facility type + age group + duration of care (full or part month)*
- **Then** Calculate 75th percentile of the *economic region + facility type + age group + duration of care*
- **If** economic region is still not sufficient,
- **Then** Calculate 75th percentile of the *Railbelt v non-Railbelt region + facility type + age group + duration of care*

We define 'sufficient' as areas having valid responses from 4 or more providers. When we reach the aggregation of at least 4 or more providers using the tiers as described below – the 75th percentile at that aggregated geographic level is selected for that borough, facility type, and age group. Grouping boroughs to achieve a minimum of 4 child care providers reduces the influence of a single provider responding for an area and thereby setting the rates for every facility in that region. If an area has only a single provider, this also prevents them from effectively setting their own state rates through their response to the survey.

Aggregating over space recognizes that the nature of child care markets differ across the state based on the cost of living, the local labor market, and other factors. The geographic levels are:

- **Boroughs** are 29 Child Care Assistance Rate Regions based on boroughs within the state of Alaska
- **Economic regions** are groups of boroughs with similar economic structures, including labor markets and transportation costs. These economic regions are defined by the Alaska Department of Labor and Workforce Development, and used by other state agencies. See Figure XXX below for the groupings of boroughs into these regions.
- **Railbelt** is a convenience grouping separating the areas of the state, which are integrated via road, rail, and power from those that are not. The railbelt economies of Fairbanks, Denali, Mat-Su, Anchorage, and Kenai are more closely tied together due to the road, electricity, and rail network. This reduces the cost of moving goods to these communities and more closely links their labor markets (and therefore their childcare markets). We considered ad-hoc groupings for the highest tier (Railbelt), but ultimately chose an accepted and conventional grouping.



To clarify the 29 boroughs are the preferred basis we are using for calculation of rate percentiles. However, if there are less than 4 providers in a borough, we used the Alaska economic region grouping. If there are less than 4 providers at the economic region level we used the Railbelt vs non-Railbelt grouping. For example, in the Sitka City and Borough, 4 Licensed Centers who offer full-time care to preschoolers responded to the survey with enrollment and rate information. Because at least four providers in this borough offer this category of care and responded, the enrollment-weighted 75th percentile for these four providers determines the rate for the Sitka City and Borough full-time preschool aged care at Licensed Centers. In contrast, only three responding Licensed Centers in the Sitka City and Borough offer *part-time* care for preschoolers. To obtain a sufficient number of respondents for this category, we look at Sitka's economic region: Southeast. In the Southeast economic region, 11 responding Licensed Centers offer part time care for preschoolers. These include the 3 centers in Sitka, plus 4 in Juneau, and 1 each in Petersburg, Prince of Wales-Hyder, Ketchikan, and Haines. Grouping these centers together provides sufficient data to calculate the enrollment weighted 75th percentile for these 11 providers. This rate determines the rate for Sitka. Finally, for the case of part-time Licensed Home care for preschool children, Sitka had only 1 responding provider. The Southeast economic region has only 2 responding providers. As Sitka is not on the Railbelt, we look at all non-Railbelt Licensed Homes providing part-time preschool care, of which there are 4, meeting our requirement to calculate the enrollment-weighted 75th percentile, which determines the rate for Sitka for this category of care.

Calculating Daily Assistance Rates

The process for calculating the Updated Market Rate above is applied to all monthly tuition rates, and a monthly assistance schedule is calculated. As in the previous assistance rate schedule, we calculate the daily assistance rate as 1/16.5 the monthly rates.

Proposed Rate Schedule Using Revised Methodology

Assistance rates are determined for each of Alaska's 29 Census Areas and Boroughs

Borough	Age	LICENSED CENTER/GROUP HOME				LICENSED HOME			
		Day		Month		Day		Month	
		Full	Part	Full	Part	Full	Part	Full	Part
Aleutians East Borough	Infants	73	36	1208	591	55	29	900	482
	Toddlers	67	33	1107	551	48	31	800	516
	Pre-school	54	33	886	537	47	28	776	466
	School Age	55	27	914	450	47	26	776	432
Aleutians West Census Area	Infants	73	36	1208	591	55	29	900	482
	Toddlers	67	33	1107	551	48	31	800	516
	Pre-school	54	33	886	537	47	28	776	466
	School Age	55	27	914	450	47	26	776	432
Anchorage Municipality	Infants	69	40	1135	660	55	35	900	575
	Toddlers	70	43	1148	717	48	33	800	550
	Pre-school	62	35	1019	574	42	27	700	441
	School Age	54	27	884	450	39	25	650	406
Bethel Census Area	Infants	73	36	1208	591	55	29	900	482
	Toddlers	67	33	1107	551	48	31	800	516
	Pre-school	54	33	886	537	47	28	776	466
	School Age	55	27	914	450	47	26	776	432
Bristol Bay Borough	Infants	73	36	1208	591	55	29	900	482
	Toddlers	67	33	1107	551	48	31	800	516
	Pre-school	54	33	886	537	47	28	776	466
	School Age	55	27	914	450	47	26	776	432
Denali Borough	Infants	66	39	1095	650	55	29	900	475
	Toddlers	59	38	976	625	56	33	918	550
	Pre-school	55	41	900	676	47	28	770	462
	School Age	45	30	750	488	36	21	600	353
Dillingham Census Area	Infants	73	36	1208	591	55	29	900	482
	Toddlers	67	33	1107	551	48	31	800	516
	Pre-school	59	33	975	537	47	28	776	466
	School Age	55	27	914	450	47	26	776	432
Fairbanks North Star Borough	Infants	81	39	1342	650	59	29	976	475
	Toddlers	67	36	1100	600	56	33	918	550
	Pre-school	55	43	900	702	47	28	770	462
	School Age	45	26	750	425	44	20	728	328

Borough	Age	LICENSED CENTER/GROUP HOME				LICENSED HOME			
		Day		Month		Day		Month	
		Full	Part	Full	Part	Full	Part	Full	Part
Haines Borough	Infants	70	39	1162	641	55	29	900	482
	Toddlers	61	37	1004	616	55	32	900	530
	Pre-school	54	32	884	536	55	27	905	446
	School Age	61	23	1002	375	40	29	652	473
Hoonah- Angoon Census Area	Infants	70	45	1162	750	55	29	900	482
	Toddlers	61	45	1004	750	55	32	900	530
	Pre-school	54	33	884	545	45	27	743	446
	School Age	61	28	1002	468	40	24	652	392
Juneau City and Borough	Infants	73	46	1205	752	55	29	900	482
	Toddlers	68	40	1114	666	55	30	900	493
	Pre-school	65	32	1071	536	61	31	1000	513
	School Age	61	29	1002	475	40	24	652	392
Kenai Peninsula Borough	Infants	60	39	993	649	51	33	834	552
	Toddlers	55	43	900	707	48	33	800	550
	Pre-school	45	33	750	550	42	33	690	545
	School Age	46	33	758	542	38	24	624	400
Ketchikan Gateway Borough	Infants	51	30	840	494	55	29	900	482
	Toddlers	45	37	750	616	55	32	900	530
	Pre-school	39	23	650	379	50	27	819	446
	School Age	35	21	575	350	45	24	743	392
Kodiak Island Borough	Infants	61	36	1000	600	55	30	900	501
	Toddlers	59	26	975	437	45	29	744	480
	Pre-school	44	36	725	589	42	27	697	448
	School Age	41	27	674	450	37	23	611	387
Kusilvak Census Area	Infants	73	36	1208	591	55	29	900	482
	Toddlers	67	33	1107	551	48	31	800	516
	Pre-school	54	33	886	537	47	28	776	466
	School Age	55	27	914	450	47	26	776	432
Lake and Peninsula Borough	Infants	73	36	1208	591	55	29	900	482
	Toddlers	67	33	1107	551	48	31	800	516
	Pre-school	54	33	886	537	47	28	776	466
	School Age	55	27	914	450	47	26	776	432
Matanuska- Susitna Borough	Infants	49	30	805	500	53	32	873	524
	Toddlers	46	29	760	477	45	24	744	402
	Pre-school	43	27	706	445	42	26	693	426
	School Age	43	27	702	438	40	24	652	400

Borough	Age	LICENSED CENTER/GROUP HOME				LICENSED HOME			
		Day		Month		Day		Month	
		Full	Part	Full	Part	Full	Part	Full	Part
Nome Census Area	Infants	65	36	1073	591	55	29	900	482
	Toddlers	60	34	995	562	48	31	800	516
	Pre-school	55	33	905	545	51	27	838	452
	School Age	73	31	1202	519	45	26	736	432
North Slope Borough	Infants	81	48	1331	799	55	29	900	482
	Toddlers	81	48	1331	799	48	31	800	516
	Pre-school	55	33	905	545	51	27	838	452
	School Age	73	31	1202	519	45	26	736	432
Northwest Arctic Borough	Infants	65	36	1073	591	55	29	900	482
	Toddlers	60	34	995	562	48	31	800	516
	Pre-school	55	33	905	545	51	27	838	452
	School Age	73	31	1202	519	45	26	736	432
Petersburg Borough	Infants	70	39	1162	641	55	29	900	482
	Toddlers	67	45	1100	750	55	32	900	530
	Pre-school	59	33	980	545	45	27	743	446
	School Age	61	28	1002	457	40	24	652	392
Prince of Wales-Hyder Census Area	Infants	73	39	1210	641	55	29	900	482
	Toddlers	67	45	1100	750	55	32	900	530
	Pre-school	59	33	980	545	45	27	743	446
	School Age	61	29	1002	483	40	24	652	392
Sitka City and Borough	Infants	80	45	1320	750	55	29	900	482
	Toddlers	72	50	1182	820	68	41	1118	681
	Pre-school	57	23	945	375	45	45	743	750
	School Age	39	23	650	375	40	36	652	590
Skagway Municipality	Infants	70	39	1162	641	55	29	900	482
	Toddlers	61	37	1004	616	55	32	900	530
	Pre-school	54	32	884	536	45	27	743	446
	School Age	61	23	1002	375	40	24	652	392
Southeast Fairbanks Census Area	Infants	66	39	1095	650	55	29	900	475
	Toddlers	59	38	976	625	56	33	918	550
	Pre-school	55	41	900	676	47	28	770	462
	School Age	45	30	750	488	36	21	600	353
Valdez-Cordova Census Area	Infants	61	36	1000	600	54	30	886	501
	Toddlers	59	34	975	567	45	29	744	480
	Pre-school	45	33	750	550	42	28	697	460
	School Age	50	32	827	522	36	24	600	400

Borough	Age	LICENSED CENTER/GROUP HOME				LICENSED HOME			
		Day		Month		Day		Month	
		Full	Part	Full	Part	Full	Part	Full	Part
Wrangell City and Borough	Infants	70	39	1162	641	55	29	900	482
	Toddlers	61	37	1004	616	55	32	900	530
	Pre-school	54	32	884	536	45	27	743	446
	School Age	61	23	1002	375	40	24	652	392
Yakutat Borough	Infants	70	39	1162	641	55	29	900	482
	Toddlers	61	37	1004	616	55	32	900	530
	Pre-school	54	32	884	536	45	27	743	446
	School Age	61	23	1002	375	40	24	652	392
Yukon- Koyukuk Census Area	Infants	66	39	1095	650	55	29	900	475
	Toddlers	59	38	976	625	56	33	918	550
	Pre-school	55	41	900	676	47	28	770	462
	School Age	45	30	750	488	36	21	600	353