

# The Daily Parent

A NEWSLETTER FOR WORKING PARENTS

## WHY DOES CHILD CARE COST SO MUCH?



*In every region of the United States, average child care fees for an infant were higher than the average amount that families spent on food.*

– NACCRRRA, Parents and the High Price of Child Care: 2010 Update

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Deciding about child care is one of the most difficult decisions you will ever have to make. You want your child to be safe and healthy; to grow physically, socially and emotionally; and to be ready for school. However, if you are like many parents, you were shocked when you first discovered the high price of child care.

### Why Does Child Care Cost So Much?

Child care is a small service-oriented business, just like a restaurant, a doctor's office, a tax preparer's office, a beauty salon or a pet grooming shop.

- ▶ A service is provided
- ▶ The budget needs to be balanced to stay in business.

Fees child care centers and family child care homes charge are based on a simple formula:

$$\frac{\text{Cost of running the program}}{\text{Divided by the number of children served}} = \text{cost per child}$$

Like many service industries, approximately 80 percent of the cost in a child care program is for payroll and payroll-related expenses. The major way to control the budget is to control salaries. However, despite their tremendous responsibilities, the average income for a full time child care worker is only \$8.39/hour, making child care one of the lowest paying professional fields.

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**Other costs that child care centers and family child care providers have to include in their budgets typically include:**

- ▶ Facilities maintenance
- ▶ Fire alarms/security
- ▶ Food
- ▶ Insurance (business, liability, real estate, worker's compensation)
- ▶ Marketing
- ▶ Professional services (lawyers, accountants, health consultants)
- ▶ Rent/mortgage
- ▶ Staff training
- ▶ Supplies
- ▶ Taxes
- ▶ Toys and equipment
- ▶ Transportation
- ▶ Utilities

**Like most service industries, state licensing regulations govern issues related to health and safety. Child care regulations cover children's health and safety while they are in out-of-home care, and they can affect how much it costs to run a child care program. As noted below, not all child care programs are covered by state licensing regulations. The following are the types of regulations that can affect the cost of running a program:**

- ▶ Group size - the number of children that can be in one group.
- ▶ Ratios - the number of children for each adult.
- ▶ Staff education and training - special training required for working with children.
- ▶ Square footage - the number of square feet required in the building and on the playground for each child.

- ▶ Activities and materials - the types of activities and material that support children's academic, physical, social and emotional growth and school readiness.
- ▶ Health, safety and nutrition - the practices that keep children healthy, safe and well-fed. For example, regulations can require safety drills, certain types of evacuation cribs, resilient playground surfaces under outdoor equipment and safe storage of hazardous materials.

### **Do Public Funds Help Pay for Child Care?**

**Unlike free public education for kindergarten through grade 12 or tuition assistance for college, child care in the United States is primarily considered a workforce support for families rather than education for young children. Paying for child care is seen as solely the responsibility of parents.**

- ▶ About 90 percent of funding for child care in the United States comes directly from parents.
- ▶ Very little federal or state aid goes directly to child care programs.
- ▶ Most public money available for child care is given to parents through state child care subsidies.
- ▶ Programs can benefit from indirect public funding through tax relief.
- ▶ Parents can benefit from federal and state tax programs including the Earned Income Tax Credit, the Child Tax Credit, the Child and Dependent Care Tax Credit, and Dependent Care Assistance Programs.
- ▶ Some parents receive help with child care costs from their employers.

### **Why is Child Care More Expensive in Some Places?**

**In some states, child care is more expensive because the state child care licensing regulations set higher standards. For example, some states allow 18 4-year-old**

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children in a room with one adult. Other states require one adult for every 10 4-year-old children.

Some child care programs receive support from churches and other organizations that help cut costs for rent or maintenance.

Despite what you might expect, not all child care centers and family child care homes are governed by state licensing regulations. Programs that are exempt from licensing do not have to follow regulations about group size, ratios, staff education, square footage, activities and materials, and health and safety practices. If these programs choose not to meet licensing regulations, they can lower their expenses and charge less.

Programs have to balance the quality of the care they provide the children with financial considerations about what they think parents can afford to pay.

- ▶ Programs may pay higher salaries to attract better qualified staff and keep current staff. The staff turnover rate in child care is reported to be around 33 percent. That means that one-third of the child care providers you see at the beginning of the year will not be there at the end of the year. It is better for you and your child to have an ongoing relationship with one teacher, but it costs programs more to keep experienced teachers.
- ▶ A smaller group is better for your child, but it means fewer children in a room and less income for the program.
- ▶ The fewer the children for each adult, the better for your child, but it means hiring more staff.
- ▶ Child care providers with special training in working with children are better able to help your child learn, but it means paying higher salaries.
- ▶ Providing a curriculum and toys and learning activities help promote your child's learning and readiness for school, but they require provider training and additional expenses.

- ▶ Health and safety practices protect your child, but they also require provider training and additional expenses.

When your relative or friend helps you by watching your child, they are assuming some of the costs that programs must pay. For example, they do not charge you for their housing costs and utilities. However, there may be some hidden costs that you should explore:

- ▶ Do they give your child the educational experiences to help your child be ready for school?
- ▶ Do they follow standard health and safety practices?
- ▶ Are they trained in first aid and CPR?
- ▶ Does their insurance cover your child?
- ▶ Do they limit the amount of television that your child watches?
- ▶ Do they have any history of criminal activity, sexual abuse, child abuse or child neglect?

You may need to provide your relative or friend with additional support to make sure your child is getting the kind of care that you want.

### How to Get Help with the High Cost of Care

The Child Care Aware® brochure, Finding Help Paying for Child Care, <http://www.childcareaware.org/docs/pubs/110e.pdf>, has information about how you might be able to reduce your child care costs through child care subsidies, tax credits and exploring alternatives to full-time care.

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### For More Information

- ▶ **Child Care Aware's® Accessing Support for All Parents (ASAP) Decision Making Tool**, [http://www.childcareaware.org/en/tools/decision\\_making\\_tool/](http://www.childcareaware.org/en/tools/decision_making_tool/), allows you to consider how critical areas of your life are impacted by child care decisions, examine your feelings regarding child care options, and seek the most appropriate resources and support for those choices.
- ▶ **Child Care Aware's® Child Care Options Calculator**, <http://www.childcareaware.org/en/tools/calculator.php>, allows you to examine your financial situation both with and without the cost of child care. Factors such as the cost of child care, work-related expenses, monthly bills and savings or retirement contributions are all included in the calculator. You will be able to get an idea about your monthly budget and how child care will impact that budget.

- ▶ **The National Association of Child Care Resource & Referrals Agencies and Child Care Aware's® Videos** about High-Quality Child Care, <http://www.childcareaware.org/en/tools/watch-videos.php>, show video segments that display indicators of high-quality child care. Topics include training and education, caregiver interaction, caregiver to child ratios, activities, and health and safety.
- ▶ **Child Care Aware® Parent Network**, <http://www.ccaparentnetwork.org>, is a free virtual community where everyone who cares about the quality of child care can network, interact or take action.

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