



Cost of Child Care

There are 117,000 licensed slots in Colorado for children under the age of 6. As recently reported in "2009 Kids Count in Colorado!" the cost of care for these children has escalated in recent years making the cost of licensed care unaffordable for many Colorado families. Colorado is ranked as 3rd in the nation for the cost of care for 4 year olds and 8th in the nation for the cost of infant care. What factors have contributed to this rise? The cost of care in Colorado varies widely between types of facility (family home provider or child care center or preschool), geographic location (rural vs. urban) and age of child. This paper will look at the factors affecting the cost of care in licensed child care centers.

The largest expense category for a center is personnel cost. For every dollar of tuition 65 cents or more go toward staff wages, employer taxes and employee benefits. Child care licensing regulations contribute to the costs by prescribing educational and training requirement for staff as well as the staffing levels. Recent increases by licensing in the educational requirements of early childhood teachers have resulted in higher staff development expenses for centers which pay for their staff's college courses and/or training and resulting higher staff wages. Also contributing the cost of training is the Department of Labor's requirement that centers pay not only for the cost of the training but for the time that the employee spends in the training. These costs are typically passed along to parents in higher tuition rates.

Greater emphasis on quality has encouraged many providers to voluntarily lower their child to teacher ratio especially in the infant rooms. However lowering child to teacher ratios greatly increases staffing costs which are passed along in the form of higher tuition rates. Licensing is considering a change in the infant ratios which will increase the cost of infant care by approximately \$50 per infant per week.

The next largest expense is occupancy which accounts for 20% of a center's budget. In Colorado, child care centers are assessed as commercial property and therefore are subject to property taxes at a higher rate which is approximately twice the residential rate for family home providers. Consequently commercial property owners pay taxes based on 29% of appraised value compared to a residential home owner who pays taxes based on 15% of appraised value. Building costs are high in Colorado averaging approximately \$140/sq foot.

After personnel and facility costs, there is only 15% left in the budget for food, supplies (classroom and office), insurance, and vehicle costs. Profit margins range from 1% - 4% for a typical center.

There are other factors affecting the cost of care. Many facilities accept children whose care is paid through the Colorado Child Care Assistance Program (CCCAP). Most often this program pays providers at a much lower rate than is charged to a private paying family and is insufficient to cover operating costs. Consequently this shortfall is often cost shifted to private families who are in effect subsidizing the care for low income children. Other CCCAP policies on payment of registration fees, activity fees, absence days, and holidays contribute to a shortfall which is either absorbed by the program or cost shifted to private pay families.

Approximately 90% of child care centers are small businesses owned by individuals. Administrative tasks are shared by owners and their directors or by the owners themselves. While this may take time away from programming activities, it doesn't typically add expenses to the bottom line. However, burdensome paperwork requirements for government programs such as CCCAP and the Colorado Adult and Child Food Program are a deterrent to participation for providers who do not have administrative staff.

As the cost of care continues to increase due to these factors, middle class families are finding themselves priced out of licensed care. Penelope Leach in her book, *Child Care Today, Getting It Right for Everyone*, reported, "In many parts of the United States, there is a curvilinear relationship between wealth and child care, with center-based care affordable only by the rich and by poor families who have access to subsidies; for middle-income families, center care – particularly for a second child – is unaffordable"

The affordability of child care is central to all discussions of child care but is wrongly framed. The real issue is not so much what child care costs but how those costs are to be met. Until help is available to middle class families here are some recommendations to mitigate the rising cost of care:

- Change property tax assessment rates to allow child care facilities to be taxed at residential rates.
- Raise CCCAP reimbursement rates to cover a provider's costs so that private pay families are not subsidizing the cost of low-income care.
- Balance mandated quality requirements in affordable increments so that middle families can remain in licensed care.