Understanding the true cost of child care in the City of Seattle and King County

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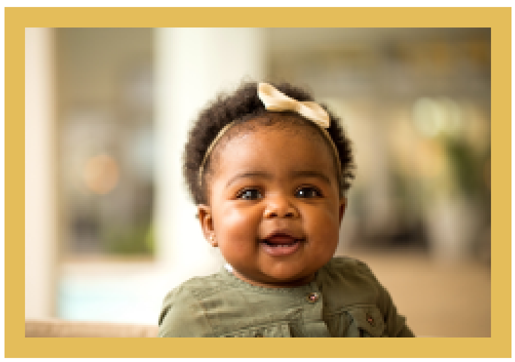

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Acknowledgments

This issue brief was developed for King County Best Starts for Kids and the City of Seattle Department of Education and Early Learning. It relies on the cost estimation model developed as part of a collaborative study in 2022 in partnership with the Child Care Collaborative Task Force, the Washington State Department of Commerce and the Washington State Department of Children, Youth and Families. Data specific to providers in Seattle and King County were analyzed to inform this regional issue brief.

The authors wish to thank the child care providers across Washington state, particularly those in King County and the City of Seattle, who participated in the 2022 cost study. Providers shared their expertise and data with the authors to inform the study, ensuring that provider voice was centered in all aspects of the study. The authors also are grateful to the staff of King County Best Starts for Kids and the City of Seattle Department of Education and Early Learning for their input and feedback throughout the cost study and for this issue brief.

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Executive Summary

This issue brief presents the results of a child care cost of care study conducted on behalf of King County Best Starts for Kids, and the City of Seattle Department of Early Education and Learning in 2022. The study was conducted by Prenatal to Five Fiscal Strategies and built on work completed for a statewide study commissioned by the Washington Child Care Collaborative Task Force.

The study is informed by data collected from child care providers across the city of Seattle and King County. Providers completed an online survey and participated in focus groups and interviews to share data on the cost of operating their business and provide input as to what it truly costs to provide high-quality child care in this region. A cost estimation model was developed, informed by these data and a Child Care Provider Advisory Work Group, to calculate the true cost of child care with adequate compensation for the child care workforce. This model is a dynamic tool that allows policymakers to understand the impact of program characteristics and policy decisions on the cost of care and assess the sufficiency of current funding streams.

The cost of care study finds that the true cost of child care in Seattle and King County is significantly higher than families can afford, or than current subsidy rates will reimburse, leaving a funding gap that threatens the stability and sustainability of the child care sector. Key findings from the study include:

- The true cost of child care when caregivers receive a living wage and benefits is around $40,000 a year for an infant, $30,000 for a toddler, $25,000 for a preschooler, and $13,000 for a school-age child.
- The true cost of care is higher in Seattle and King County than in any other area of the state, while at the same time, this population faces the highest cost of living.
- Personnel expenses account for around 70% of the cost of operating a child care program, creating a direct link between the cost of care and workforce compensation.
- While many families are struggling to afford the current price of child care, paying 20% or more of their income on child care, these private tuition rates are still below the true cost of care, leaving programs struggling to balance their budgets and often unable to pay sufficient wages and benefits to recruit and retain staff.
- The true cost of child care for an infant in a child care center is equivalent to around 35% of the median household income for a family in King County and Seattle, far beyond the 7% of household income threshold recommended by the federal Administration for Children and Families.
- Many families who do not qualify for any public subsidy still struggle to afford the current price of child care, let alone the true cost of care detailed in this study.
- Even with the recent increases in Working Connections Child Care subsidy rates, at the licensing level this subsidy covers only 75% of the true cost of care for an infant in a child care center in King County.
- While Seattle's Child Care Assistance Program (CCAP) provides support to families at higher incomes than the state subsidy program, for a family of three at 61% of state median income, CCAP only covers around 50% of the true cost of care for an infant in Seattle.

- Both the Best Starts for Kids subsidy and Seattle's CCAP allow providers to charge families the difference between the subsidy rate and their private tuition rates, potentially providing a revenue source to fill the gap, but at the expense of families.

The authors make several recommendations for how the data presented in this study and the cost estimation model can be used, including:

1. To understand the gaps in the current system, the disproportionate burden the broken child care market puts on certain populations, such as infants and toddler or those providing home-based family child care, and to support decisions related to prioritizing investments to remediate these inequities.
2. To inform policy and funding decisions that help achieve short- and long-term goals for the child care system in Seattle and King County, including funding models that support increased compensation for the early childhood workforce.
3. To begin a comprehensive fiscal analysis of the multi-faceted solutions needed to address the broken child care market, including the need for increased workforce compensation, decreased family spending on child care, increased access to subsidized care, and additional revenue streams to support the early childhood system.

Introduction

In 2022, the [Washington Child Care Collaborative Task Force](#) engaged Prenatal to Five Fiscal Strategies (P5FS) to conduct a study and develop a cost model to estimate the true cost of providing high-quality child care in Washington state. Child care providers from across the state were engaged in this process to ensure the study reflected the variations in cost across different types of providers. The Task Force published a [report](#) in December 2022 that recommends the state use the cost model to set child care subsidy rates under the Working Connections Child Care subsidy program.

While the P5FS report for the Task Force includes regional cost estimates, they are based on the Child Care Aware of Washington regional groupings. The City of Seattle and King County fall into a regional grouping that covers King and Pierce counties. P5FS also partnered with King County Best Starts for Kids and the Seattle Department of Education and Early Learning to collect data from child care providers across Seattle and King County to develop estimates specific to these two localities. Both localities make local investments in child care, recognizing that child care providers and families need support beyond what is offered by the state. Given this local commitment and investment, it is important to understand the specific costs incurred by providers in these localities and ensure policymakers have tools and resources to inform their local efforts.

This issue brief provides background on the child care system, presents results from the cost estimation model specific to King County and the City of Seattle, and offers recommendations for how this analysis can be used to inform policy.

The Multiple Impacts of the Broken Child Care Market

High-quality child care is arguably a public good, allowing families to work or attend school, and providing children with developmentally appropriate learning opportunities. The benefits of access to affordable child care are multi-faceted. Research shows short- and long-term benefits for children, who engage in a responsive caregiving relationship that supports their development and who are better ready for kindergarten; for families, who currently struggle to weave together a patchwork of care, spend a significant share of their income on child care, and often face career sacrifices which hurt their long-term economic security; and for the broader economy, which benefits through increased labor force participation and tax revenue. Despite this, unlike in the K–12 school system, the responsibility for paying for child care falls primarily on families, with total federal and state funding accounting for less than 40% of the total industry revenue.

The federal Child Care Development Fund, or CCDF, is the main public funding source that supports access to child care. However, this subsidy serves only 1 in 7 eligible children nationally, and eligibility levels are low enough that in 13 states a family of three making more than $33,000 a year does not qualify. Despite Washington's Fair Start for Kids Act that expanded family income eligibility, as of 2021 a family of three in Washington state qualifies for child care assistance only if they earn less than $52,000, which is less than half of the median household income in King County. This leaves thousands of families struggling to cover child care tuition, which currently can easily reach $30,000 a year for an infant in King County. As a result, thousands of families earn too much to qualify for child care subsidy, but still struggle to afford child care tuition. In addition, even for families who do qualify by income, they must still meet activity requirements related to work or school attendance, which can prove burdensome to document and maintain at each eligibility recheck.

At the same time, child care providers struggle to balance their budgets, often operating on razor-thin margins, and unable to pay competitive salaries and benefits. Child care programs must set tuition rates at what families in their community are able to afford, rather than what the service costs, but what families can afford does not necessarily align with what it costs to provide child care. And because the reimbursement rates providers can receive through the CCDF child care subsidy, known as the Working Connections Child Care subsidy program in Washington state, are currently based on tuition prices, neither the prices families can afford to pay, nor the subsidy reimbursement level, cover the true cost of care.

This creates a system that perpetuates and exacerbates inequality between higher-income and lower-income communities. Providers in communities where families cannot afford high tuition prices receive lower subsidy reimbursement rates than providers in higher-income neighborhoods. This often results in lower educator compensation and higher staff turnover in lower-income communities. Setting rates based on the current market also serves to maintain the low wages that early childhood educators receive, particularly in low-income communities. Given that personnel makes up 70% of the operating expenses of a child care program, the staff in the program typically suffer the most from tuition and subsidy payment rates far below the cost of care.

This market failure impacts quality and compensation across the child care sector, but has a particularly negative effect in low-income communities, among disproportionately impacted groups, and communities of color. The inequitable history of a market-driven system for setting publicly funded child care assistance rates impacts both families and child care programs in lower-income communities. Families in these communities have access to a child care subsidy that is lower in value than that of other regions in their state; the purchase power of this voucher is lower; and the providers in the community where the family is seeking care have had their capacity diminished by years of historic underfunding. This underfunding has been more severe than the underfunding in places where child care subsidy comes closer to the actual cost of care, thus resulting in a longer negative impact on their capacity and ability to maintain experienced, quality staff.

Defining terms

PRICE OF CARE means the tuition prices that programs set, which are usually based on local market conditions and what families can afford, ensuring that programs are competitive within their local market and can operate at as close to full enrollment as possible.

COST OF CARE means the actual expenses providers incur to operate their program, including any in-kind contributions, such as reduced rent. It includes allocating expenses across classrooms and enrolled children based on the cost of providing service and not on what parents can afford.

TRUE COST OF CARE refers to the cost of operating a high-quality program with the staff and materials needed to meet quality standards and provide a developmentally appropriate learning environment for all children. Cost of quality is another term often used to refer to the true cost of care. The true cost includes adequate compensation, wages, and benefits to recruit and retain a professional and stable workforce.

Both the City of Seattle and King County have invested local funds in their child care system. Seattle's Child Care Assistance Program (CCAP) primarily helps parents who work, attend school or are in a job training program, to afford access to child care. Funded by the city's tax revenue from the General Fund, the Families, Education, Preschool, and Promise (FEPP) Levy, and the Sweetened Beverage Tax, CCAP, since the 1970s, has supported families who are ineligible for other child care subsidy programs, filling a gap between those who do not qualify for the state subsidy, Working Connections Child Care, and those who still struggle to afford private tuition. In King County, voters approved a Best Starts for Kids Child Care Subsidy in 2021, which helps families in King County who do not qualify for Working Connections. Income limits for the Best Starts for Kids program are set above the state subsidy eligibility requirements, at 85% of State Median Income versus 60% for Working Connections. Best Starts for Kids also does not require families to meet work and activity requirements imposed by the state subsidy program, removing a barrier faced by many families. In addition, both CCAP and Best Starts for Kids allow providers to charge families the difference between the subsidy rate and their posted tuition rates.

Impact on Child Care Providers

Child care is a labor-intensive industry, with personnel expenses accounting for around 70% of a child care program budget. As a result, when resources are constrained, the child care workforce suffers most. Unfortunately, this workforce has long been undervalued, with child care often perceived as part of the service industry, more akin to babysitting than teaching. With women making up over 95% of the child care workforce nationally, and 50% of providers in Washington being people of color, this workforce has long suffered from a gendered and racialized degradation of their work. Well-intended efforts to support the early childhood workforce have too often worked against women of color. For example, tying increased compensation to higher credentials, such as a bachelor's degree, fails to reflect the deep experience many caregivers have in providing developmentally responsive care to children in programs adhering to quality standards for caregiving, teaching and learning. In addition, it fails to acknowledge the racist and sexist barriers to accessing higher education, which in turn affects access to the increased compensation tied to higher credentials. Research also finds that even when child care workers have higher education credentials, such as a college degree, any increased compensation is below the salaries of those with the same degrees in comparable fields.

Tuition prices are kept artificially low, to enable families to access care, but at the price of economic stability for the workers who are asked to care for and educate our youngest children. Based on data collected for the 2022 Washington State Child Care Cost of Quality study, child care lead teachers currently make just over $17 an hour on average in Washington. In King County overall, lead teachers make $20.41 an hour on average while in the City of Seattle the average pay for a lead teacher is $22.33 an hour. In the rest of King County, excluding Seattle, the average is $18.92 an hour. This compares to average pay across all occupations in Washington state of $33.05 an hour, and in the Seattle metro area of $36.62 an hour.

A recent study on pay equity in the human service field in Seattle and King County found that human service workers are paid 30% less than in comparable positions in the non-care industry, and up to 37% less when these positions are in non-profit organizations. Further, the study found that when human service workers leave their position for work in a different industry, they see a net pay increase of 7%. This pay inequity undermines the value of child care workers and drives professionals who are experienced and dedicated to this work to take positions outside their field for purely personal economic reasons.

These low wages have a particularly disproportionate impact on women of color. Researchers from the Center for the Study of Child Care Employment have found that even after controlling for educational attainment, African American educators working with infants and toddlers earn on average $0.77 less per hour than their white counterparts. For those working with preschool age children the gap is $1.73 per hour. Given the low pay across the field, these gaps are significant and point to further evidence of the long-standing undervaluing of care work, especially when it is provided by women of color.

The result is a workforce that faces significant economic hardships, unable to support their own families, which in turn leads to instability, with a turnover rate in the Washington child care field of 43%. During the birth to five period, when children's brains are going through the most rapid development, and at a time when consistent, stable caregiving is important, research shows, this turnover rate risks undermining the benefits of access to quality child care settings. Similarly, teachers living with economic anxiety are often subject to what has been termed "toxic stress," which can significantly strain their physical and mental health.

Impact on Families

Despite the low educator wages and their relationship to the price of care, families still struggle to afford child care tuition. The 2021 Washington state child care market rate survey found the price of center-based child care ranges from $1,300 to $2,500 a month for an infant, and $985 to $1,885 for preschoolers, based on the 85th percentile of the market rate. In licensed family homes, care ranges from $880 to $1,800 a month for an infant and $880 to $1,500 for a preschooler. Data from the Child Care Collaborative Task Force Child Care Access Strategy report found that families are spending significantly more than 7% of their income, which is the limit the federal Department of Health and Human Services recommends, on child care. Across the state, moderate- and middle-income families are spending over 20% of their income on care. The task force report also found that Hispanic/Latino families are spending more of their income on child care than white families, at around 40% of their household income.

When families are confronted with high child care prices, they face an unenviable choice, especially when they live in an area such as King County with a relatively high cost of living. Families must make sacrifices in their household budget to cover the cost of care, forgoing other basic needs or going into debt, or deciding that one parent should drop out of the workforce—harming current and future earnings potential. Alternativity, they have to weave together a patchwork of care between family members, formal and informal child care, and flexible work schedules. None of these choices is ideal and each affects either the continuity of care for children, family well-being, or long-term family economic security, and in many instances, all of these factors together, in some measure.

The issues discussed in this section are not unique to Seattle and King County. Across the United States, the child care workforce is underpaid and undervalued, and families are struggling to afford the price of child care. To begin addressing these issues, policymakers need to have access to data that illustrate the broken system and that can shine a light on potential high-impact solutions.

The True Cost of Care in the City of Seattle and King County

Understanding the true cost of providing high-quality child care, regardless of parents' ability to pay, is a key first step in addressing the broken market. These data can be used to inform child care subsidy rates, rather than relying on child care tuition prices, as well as inform the policy changes needed to promote equitable access to high-quality child care for all children. The City of Seattle and King County now have access to a child care cost estimation model that can help answer this question. Cost estimation models are dynamic tools that allow users to estimate the impact of variables on the cost of care, such as ages of child served, program type, location, size and more. Full details of the assumptions in the Washington state model can be found in the statewide report. This issue brief follows the same assumptions as the statewide model with respect to program size and ages of children served, with local adjustments made for Seattle and King County. As part of the data collection for the statewide study, outreach to providers in Seattle and King County was emphasized to ensure sufficient responses from these localities to produce local estimates.[1]

Adjustments to the statewide model to account for the Seattle and King County context are primarily related to salary data. The cost model includes data on current salaries, based on the survey of child care providers, and living wage salary data, from the MIT Living Wage Calculator. Current salary data are specific to Seattle and King County. The living wage data is available only for King County as a whole, including Seattle, and then the Seattle-Tacoma-Bellevue metropolitan area. Salary data used in the model for lead and assistant teachers are presented in Table 1.

Table 1: **Annual salaries used in model for lead teachers and assistant teachers**

		Current Salaries	Living Wage Floor
Seattle	Lead Teacher	$42,328	$72,427
	Assistant Teacher	$33,509	$55,713
King County	Lead Teacher	$38,992	$76,443
	Assistant Teacher	$30,289	$58,802
Statewide average	Lead Teacher	$35,556	$68,819
	Assistant Teacher	$28,148	$55,713

[1] A total of 831 survey responses were received from providers in Seattle and King County. Of those, 39% were from Seattle and the rest were from other parts of King County.

Estimating the living wage for child care educators

The MIT Living Wage Calculator provides estimates of the cost of meeting basic needs in a state or locality. Developed by Dr. Amy K. Glasmeier at the Massachusetts Institute of Technology (MIT), the calculator draws on expenditure data related to family expenses, including food, child care, health insurance, housing, transportation, and other basic necessities. After taking into account the effects of income and payroll taxes, the calculator determines the minimum employment earnings necessary to meet family basic needs and maintain self-sufficiency. Estimates vary based on family composition, including the number of children and the number of working and non-working adults.

To estimate the living wage in Seattle and King County, P5FS created a composite living wage, based on data provided in the MIT Living Wage Calculator as of September 2022. King County specific estimates are available, but Seattle is included only as part of a larger metropolitan region that includes the cities of Seattle, Tacoma, and Bellevue. Washington state does not gather data on the family composition of early childhood educators, but P5FS was able to draw on data from another state that had conducted a workforce survey which included this data point. In the absence of Washington-specific data, these data were used as a proxy. The percentage of assistant teachers with different family composition was used to create a weighted average living wage for both Seattle and King County. This living wage was applied to the lowest paid position in the child care model, the assistant teacher. Other salaries were adjusted up by a percentage from this position, based on salary data collected from multiple states in recent years, including Washington. In this way, the living wage option represents a floor, where no one in the child care program makes less than a living wage.

Cost Model Scenarios

The child care cost model can be used to estimate the cost of care under many scenarios, with variations for program type and characteristics. For illustrative purposes, this issue brief presents the results of scenarios using the child care cost model. The scenarios include a program meeting minimum state licensing standards and a program meeting higher quality standards, including additional resources for teacher planning and professional development, family engagement activities, and additional education materials. The scenarios are further refined using current salary data and the living wage floor as the salary selections. This results in four scenarios, run for both child care centers and family child care homes, with results for both Seattle and King County. All scenarios include a $6,000-per-employee annual contribution to health insurance, a 6% contribution to a retirement account, and 20 days paid time off.

- Scenario 1: Current salaries, meets all licensing requirements
- Scenario 2: MIT living wage salaries, meets all licensing requirements
- Scenario 3: Current salaries, includes cost to meet quality enhancements
- Scenario 4: MIT living wage salaries, includes cost to meet quality enhancements

Tables 2–5 present the results of these scenarios for center-based child care and family child care homes in Seattle and King County. Note, for family child care homes only one cost per child is presented for infants, toddlers, and preschoolers. While many programs do charge a different tuition rate for different ages, unlike in child care centers where different age classrooms have different ratio and group size requirements which impact cost, in family child care the program operates as one group of children, therefore the cost model does not estimate different costs based on child age. School-age cost is different to account for the fact that these children do not receive full-day, full-year child care services, but before- and after-school care and full-day care during school breaks.

Table 2: **Annual cost per child, Seattle, center-based child care**

	Licensing Standards		Quality Enhancements	
	Scenario 1: Current Salaries	**Scenario 2: Living Wage**	**Scenario 3: Current Salaries**	**Scenario 4: Living Wage**
Infants	$23,553	$37,058	$26,528	$42,491
Toddlers	$17,327	$26,877	$20,302	$32,740
Preschoolers	$14,837	$22,805	$17,812	$28,668
School-age	$ 7,263	$10,888	$8,651	$13,623

Table 3: **Annual cost per child, Seattle, family child care**

	Licensing Standards		Quality Enhancements	
	Scenario 1: Current Salaries	**Scenario 2: Living Wage**	**Scenario 3: Current Salaries**	**Scenario 4: Living Wage**
Infants, Toddlers, Preschoolers	$12,907	$24,277	$27,557	$48,378
School-age	$ 6,245	$11,747	$13,334	$23,409

Table 4: **Annual cost per child, King County, center-based child care**

	Licensing Standards		Quality Enhancements	
	Scenario 1: Current Salaries	**Scenario 2: Living Wage**	**Scenario 3: Current Salaries**	**Scenario 4: Living Wage**
Infants	$22,331	$38,708	$25,173	$44,868
Toddlers	$16,566	$28,020	$19,408	$34,180
Preschoolers	$14,260	$23,744	$17,102	$29,904
School-age	$ 6,987	$11,329	$ 8,313	$14,203

Table 5: **Annual cost per child, King County, family child care**

	Licensing Standards		Quality Enhancements	
	Scenario 1: Current Salaries	**Scenario 2: Living Wage**	**Scenario 3: Current Salaries**	**Scenario 4: Living Wage**
Infants, Toddlers, Preschoolers	$13,735	$25,365	$27,338	$50,717
School-age	$ 6,646	$12,274	$13,228	$24,541

As shown, the estimated cost of care in Seattle and King County is similar, with only small differences between the two localities. As personnel expenses account for around 70% of the cost of care, the similarity between salary data in Seattle and King County is a key driver in this result. Note, in Scenarios 1 and 3 that use current salary data, the cost is higher in Seattle than King County, with the reverse true for Scenarios 2 and 4. This is reflective of current salaries reported by child care providers being higher in Seattle than King County as a whole, whereas the MIT Living Wage Calculator estimates a higher living wage in King County as a whole, than Seattle only.

The (In)Sufficiency of Current Revenue Streams

To understand whether current revenue streams can cover the true cost of care, the results of these scenarios can be compared to the main funding sources available to providers. Providers in this region may be able to access the state subsidy program, Working Connections Child Care, the King County Best Starts for Kids subsidy, and the Seattle Child Care Assistance Program. Each of these funding streams sets a maximum reimbursement that varies based on family, child, and program characteristics. Under Working Connections, a family co-payment may be required, which reduces the amount providers receive directly from the public funding stream. Working Connections does not allow providers to charge the difference between their public tuition rate and the maximum subsidy reimbursement, meaning the revenue available to providers is the sum of the state subsidy and the family co-payment. Neither CCAP nor Best Starts for Kids require a co-payment, but providers can charge families the difference between the subsidy payment and their private pay tuition rates. Thus, under CCAP or Best Starts for Kids, the revenue available to providers is dependent on how much they are able to charge families, above the local subsidy reimbursement.

To illustrate how far public funding goes toward covering the cost of care, analysis was completed to compare true cost of care from the cost estimation model to public funding available through Working Connections, Best Starts for Kids, and CCAP. Because BSK and CCAP rates vary based on family income, this analysis uses the rate for a family of three at 61% of the state median income as an illustrative example.[2] The true cost of care data in these scenarios assume a living wage floor and scenarios are presented at both the minimum licensing level and with additional quality enhancements included, as discussed in the prior section. The

Table 6: **Comparison of reimbursement rates for Working Connections, King County Best Starts for Kids, and Seattle CCAP for a family of 3 at 61% of state median income***

	Working Connections & King County Best Starts for Kids	Seattle CCAP
Child Care Center		
Infant	$31,182	$18,528
Toddler	$25,912	$16,464
Preschooler	$23,392	$13,848
School-age	$14,659	$12,864
Family Child Care Home		
Infant	$19,854	$18,528
Toddler	$18,533	$16,464
Preschooler	$17,207	$13,848
School-age	$11,648	$12,864

*Note: Data are based on maximum rates as of March 2023, not accounting for family co-pays or additional payments providers are able to charge families beyond the subsidy rate. The Working Connections and BSK rate is based on EA level 3 for Region 4 (King County). Annual values are calculated based on 5 days per week, 52 weeks per year.

[2]At this income level, a family would qualify for all three public funding streams (under income criteria) and thus this provides a consistent point of comparison across the funding streams.

reimbursement rates used for comparison in this section are detailed in Table 6. Figure 1 estimates the gap between the true cost of center-based care in King County and the Department of Children, Youth and Families (DCYF) Working Connections subsidy rate, which is also the rate used by the King County Best Starts for Kids subsidy program.[3] Following, Figure 2 estimates the gap between the true cost of center-based care in Seattle and the CCAP reimbursement rate for a family of three at 60% of state median income. Figures 3 and 4 replicate this analysis but for family child care home-based providers.

Figure 1: **Annual gap per child between King County true cost of care and Best Starts for Kids subsidy rates, Child Care Center**

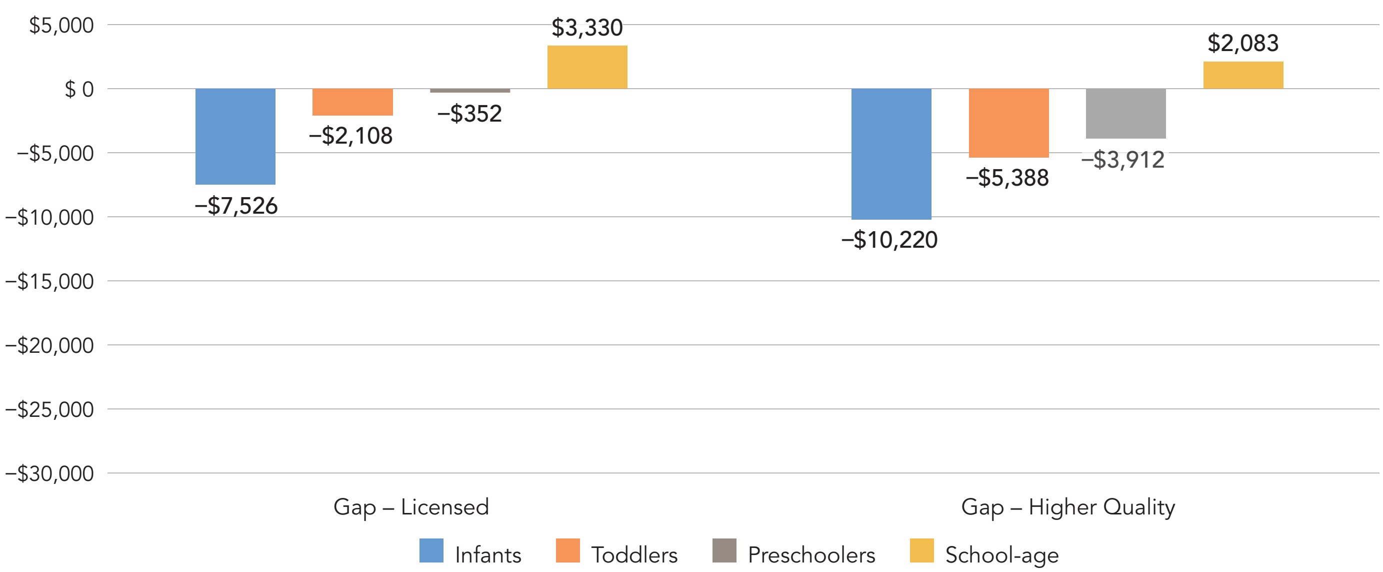
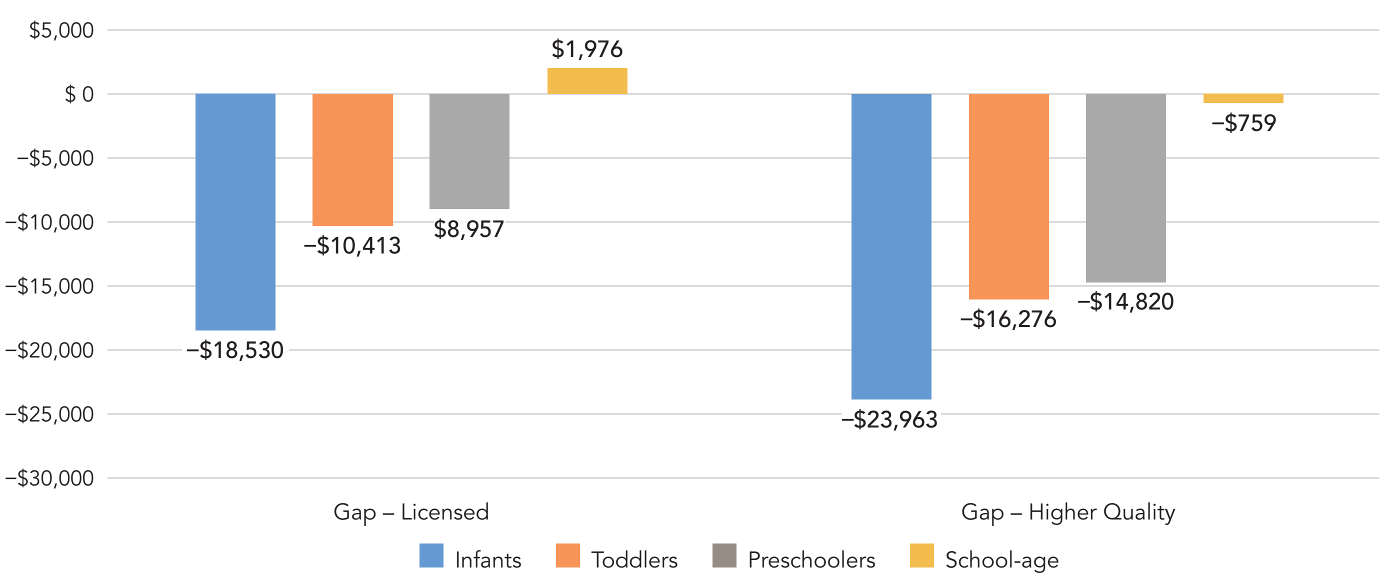


Figure 2: **Annual gap per child between Seattle true cost of care and Seattle CCAP rate, Child Care Center**



[3]Note: Best Starts for Kids and Seattle CCAP allow providers to charge families the difference between the subsidy rate and the providers' tuition rate, which could potentially reduce the gap shown in these charts, assuming families are able to cover any difference between the Best Starts for Kids or CCAP rate and the providers' tuition rate.

Figure 3: **Annual gap per child between King County true cost of care and Best Starts for Kids subsidy rates, Family Child Care Home**

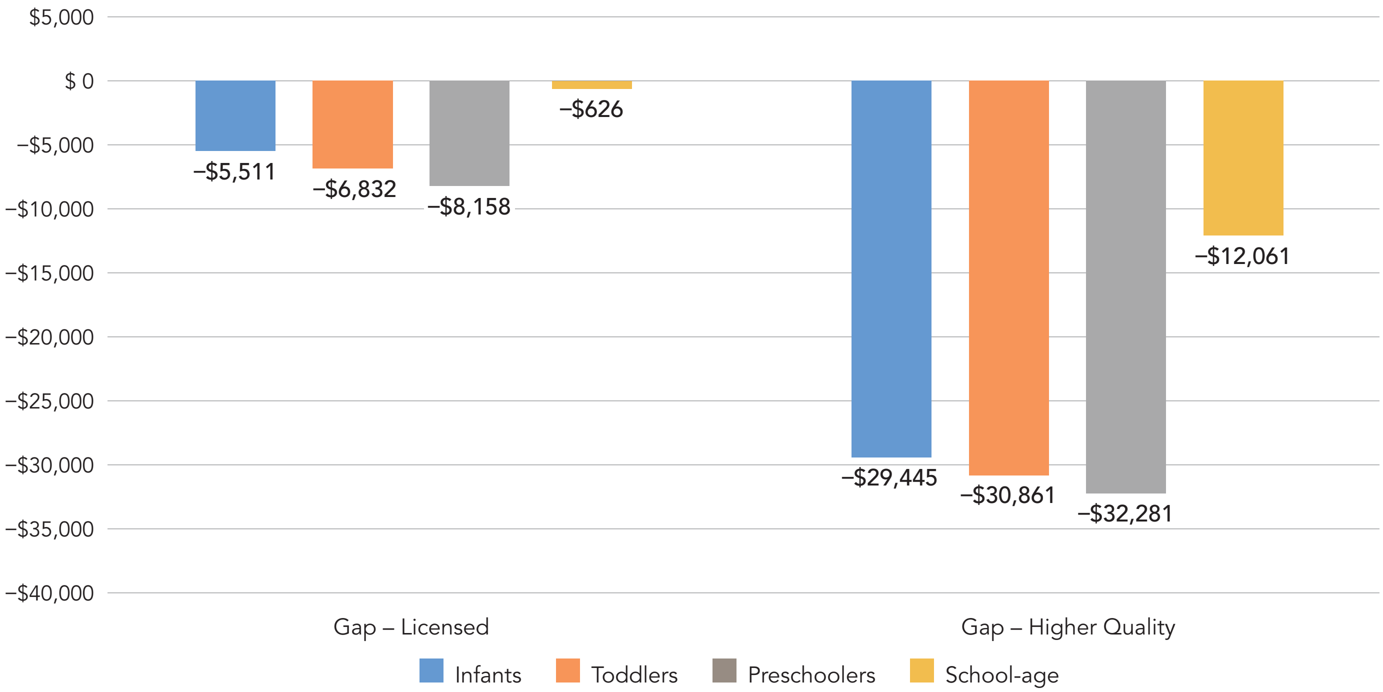
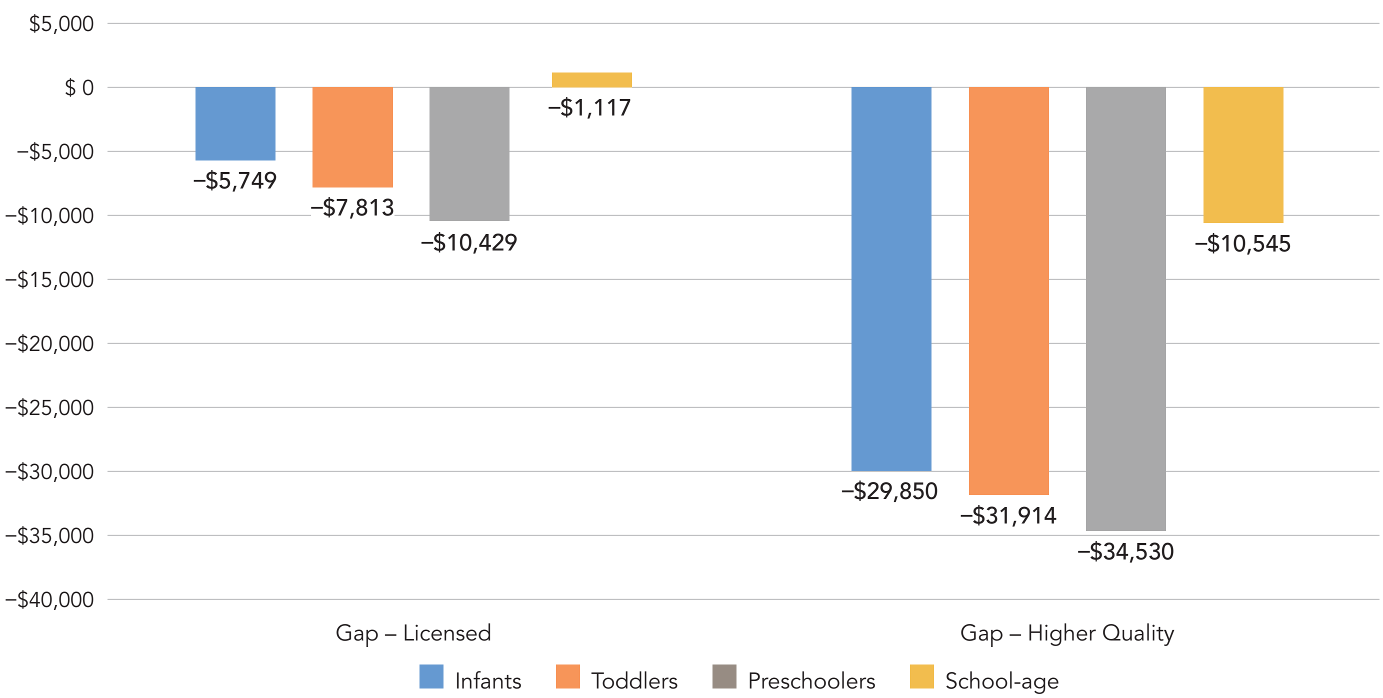


Figure 4: **Annual gap per child between Seattle true cost of care and Seattle CCAP rates, Family Child Care Home**



As shown, there are significant gaps between what public funding might cover and the true cost of care in most of these scenarios. In King County, the Best Starts for Kids subsidy rate covers only the true cost of center-based care for school-age children. For each other age category the program must fill a gap of up to $10,000 per child annually in centers, and a gap of up to $32,000 in family child care homes.

In Seattle, the CCAP rate can cover the true cost of care for a school-age child served in a center-based program meeting minimum licensing standards but for every other age group in centers and family child care homes, the program loses between $800 and $34,000 annually. The largest gaps are seen with infants and toddlers in family child care homes that meet higher quality levels.

As a result, family child care programs, and programs that serve the youngest children, or that implement additional quality-related enhancement, are the least likely to have access to sufficient revenue from public subsidies to cover the true cost of operating their program. Instead, these programs must raise additional revenue either directly from enrolled families, by charging them tuition on top of the subsidy payment, or through a third funding stream such as fundraising or grants. Too often, this is not possible, as families who qualify for subsidized child care are not at an income level where they personally can make up the gap between cost and public funding rates through tuition payments. Programs are left unable to fully staff their programs, pay sufficient compensation, or serve infants and toddlers.

In reviewing these results, it is important to note that providers receive either the CCAP or Best Starts for Kids reimbursement rate or their private tuition rate, whichever is lower. This means providers are able to access the reimbursement rate in this analysis only if their private tuition rates are at or above that level. However, because families are constrained in how much they can afford to pay for child care, these market rates also do not cover the true cost of care, and providers are limited in how much they can charge families above the reimbursement rate. Thus, it is unlikely that the gaps shown in Figures 1–4 can be filled by family co-payments. Figures 5 and 6 illustrate the gaps between the true cost of care, public funding streams, and private tuition. This analysis uses the true cost of care for a program in Seattle meeting minimum licensing standards and a program implementing quality enhancements, with three revenue streams potentially available to provider:

1. Seattle CCAP rate
2. King County Best Starts for Kids rate
3. The 85th percentile of the current market rate, based on the most recent statewide market rate study.[4]

Figure 5 provides results for center-based care and Figure 6 provides the results of the same analysis for family child care.

[4]The 85th percentile is used in this analysis as this is the level that DCYF uses to assess equal access to the child care market for subsidy-eligible families. This rate should be sufficient to allow subsidy-eligible families to access child care at 85% of providers in the locality.

Figure 5: **Comparison between true cost of care, Seattle CCAP subsidy rate, Working Connections/Best Starts for Kids subsidy rate, and 85th percentile of King County market rate, Child Care Center**

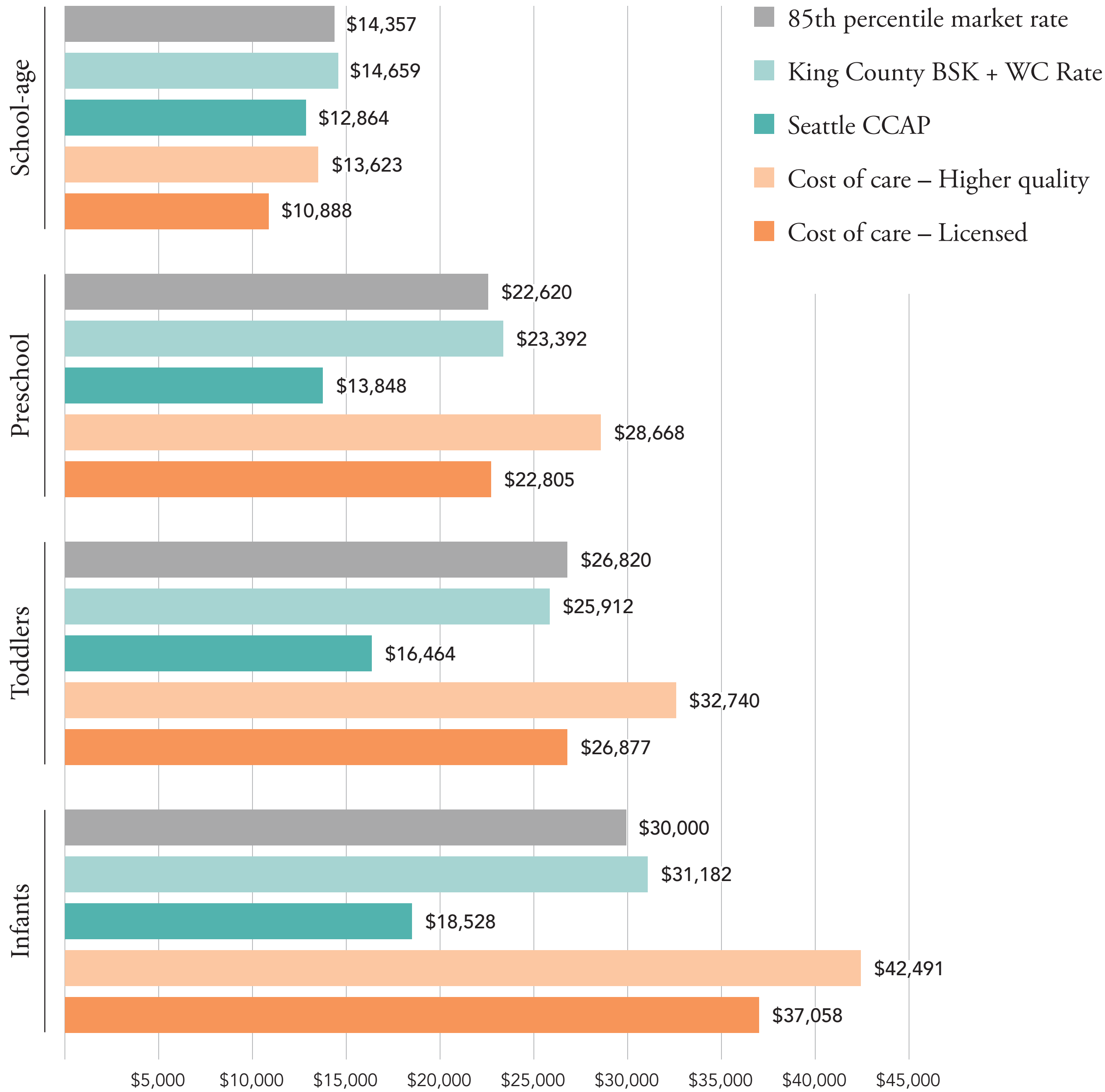
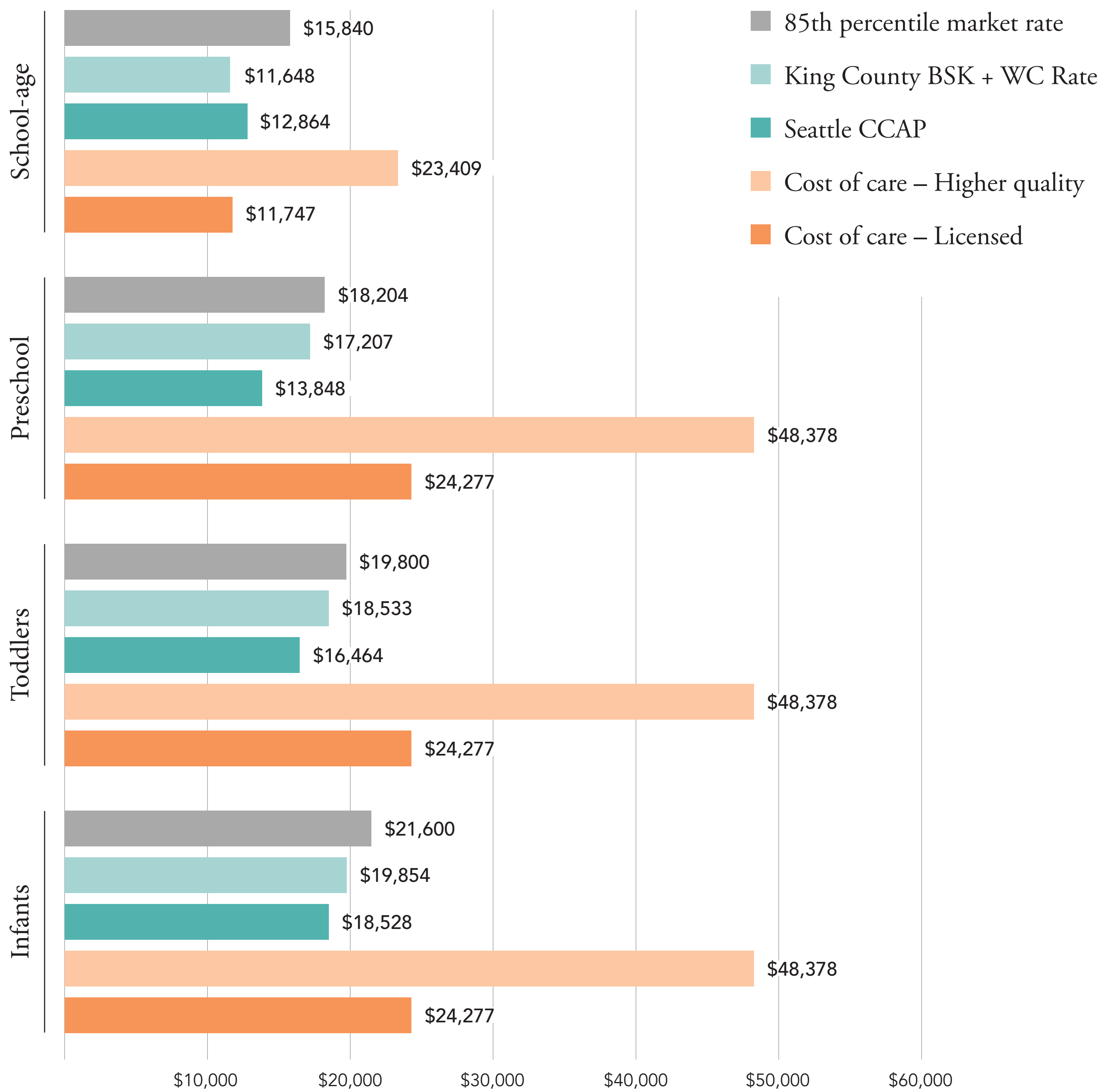


Figure 6: **Comparison between true cost of care, Seattle CCAP subsidy rate, Working Connections/Best Starts for Kids subsidy rate, and 85th percentile of King County market rate, Family Child Care Home**



Using Cost Data to Inform Policy Change

The data presented in this issue brief provide insight into the true cost of child care in Seattle and King County. As shown, the true cost of child care is significantly higher than families can afford to pay, or than current subsidy rates will reimburse. Key findings from this study include:

- The true cost of child care when caregivers receive a living wage and benefits is around $40,000 a year for an infant, $30,000 for a toddler, $25,000 for a preschooler, and $13,000 for a school-age child.
- Personnel expenses account for around 70% of the cost of operating a child care program, creating a direct link between the cost of care and workforce compensation.
- While many families are struggling to afford the current price of child care, paying 20% or more of their income to access child care, private tuition rates are below the true cost of care, leaving programs struggling to balance their budgets and often unable to pay sufficient wages and benefits to recruit and retain staff.
- The true cost of child care for an infant in a child care center is equivalent to around 35% of the median household income for a family in King County and Seattle, far beyond the 7% of household income threshold recommended by the federal Administration for Children and Families.
- Many families who do not qualify for any public subsidy still struggle to afford the current price of child care, let alone the true cost of care detailed in this study.
- Even with the recent increases in Working Connections Child Care subsidy rates, at the licensing level this subsidy only covers 75% of the true cost of care for an infant in a child care center in King County.
- While Seattle's Child Care Assistance Program (CCAP) provides support to families at higher incomes than the state subsidy program, for a family of three at 61% of state median income, CCAP covers only around 50% of the true cost of care for an infant in Seattle.
- Both the Best Starts for Kids subsidy and Seattle's CCAP allow providers to charge families the difference between the subsidy rate and their private tuition rates, potentially providing a revenue source to fill the gap.

Ultimately, building a robust and sustainable child care system in Seattle and King County will require significant additional investment, including public and private dollars. Recent efforts at the federal level have quantified the scale of the investment needed and pointed to the role of the federal government in filling the large gap between current investments and what is needed to cover the true cost of care. At the state level, the Fair Start for Kids Act demonstrated the state's commitment to early childhood, and the efforts of the Child Care Collaborative Task Force and the Department of Children, Youth, and Families related to subsidy rates increases the likelihood that Working Connections rates will soon be based on cost, rather than price.

Local subsidy programs provide an opportunity to develop policies that are responsive to local needs and help address the gaps created by state or federal funding streams. However, it is important that these local efforts are designed as part of a comprehensive approach, complementing, and not competing with, other funding streams. Access to local data and customized tools can help identify where the current system is working and where it is falling short and ensure that solutions are tailored to meet the needs of the local community without undercutting the positive impact of state and federally funded programs. Data from the cost of quality study can be used to inform local efforts in Seattle and King County to support the child care system, as detailed below.

Recommendation 1:
Use the cost study data and cost estimation model to better understand the populations most impacted by the current system and design targeted solutions.

While all parts of the system are struggling, data show that some are struggling more than others. The gap between what families can afford, or public resources can support, and the true cost of care is larger for infants and toddlers than for preschoolers and school-age children. Similarly, areas of the region where families rely on subsidy to access child care are most vulnerable to the disparity between what subsidy rates will cover and the true cost of care. Further, families of color are spending a larger share of their income on child care than white families. As policymakers consider how to prioritize limited resources in the short term while making progress on the long-term vision for the system, these data can be used to better understand the populations most impacted by the current inequitable system and ensure solutions are targeted toward them.

Recommendation 2:
Use the cost estimation model to inform public subsidy rates, family eligibility and co-payment policies, and to develop alternative funding models.

Both the City of Seattle and King County have made local investments in their child care system. Data from this study can help inform the policy and funding decisions related to those local investments. For example, both localities have their own subsidy program, and the cost model can be used to inform rate setting, and understand the fiscal impact of family eligibility and co-payment policies. A thorough understanding of the true cost of care can better illustrate which families need access to public subsidies to cover that cost. In addition, understanding how different policies affect the cost of care can ensure that providers are not required to meet standards that have a fiscal impact without sufficient resources to cover that cost.

The model can also be used to inform the development of alternative funding mechanisms such as operational grants which can provide stability to providers, ensuring a base level of funding regardless of fluctuations in enrollment. Similarly, with compensation driving the cost of care, policymakers can use these data to understand the cost of mechanisms to increase salaries and benefits for the workforce without burdening families, such as a pay equity fund.

Recommendation 3:
Conduct a comprehensive fiscal analysis of the early childhood system and develop a roadmap for implementing a collective vision for the system.

For too long the early childhood system in states and communities has operated in silos, with different agencies or departments managing different programs, potentially with different goals, eligibility criteria, and requirements. The result can often be a confusing system that fails to work properly for children and families or child care providers. Policymakers should conduct a comprehensive fiscal analysis of their early childhood system to identify the inequities and inefficiencies in the system and build a roadmap for change.

This analysis should be paired with a process to develop a shared vision and goals for the early childhood system at the state and local level. At a minimum, these goals should address eligibility criteria to receive child care subsidy assistance as well as how child care providers are reimbursed for the care they provide. The process should include developing an action plan that identifies the steps necessary to make progress on the recommendations of the fiscal analysis, as well as the identification of revenue options to cover the increased investment needed to fully compensate child care providers while also decreasing families' burden of paying for child care.

Conclusion

Child care plays a critical role in the lives of families across King County and Seattle. Thousands of children and families rely on access to affordable child care every day and the impact is felt far beyond the child care classroom as workers throughout the economy depend on the service. Seattle and King County residents and policymakers have recognized the importance of child care and invested in local initiatives to support this vital sector of the economy. As a sector long hampered by a racist and misogynistic view of the work of caring for young children and the caregivers, these local investments have the potential to remediate inequities and help build a system that works for all.

This cost of care study and the associated cost estimation model provide valuable tools to policymakers to inform continued efforts to build this better system. While state and federal investments will likely be necessary to achieve the long-term vision for the system, local initiatives can fill significant gaps that currently exist and work to remediate the greatest inequalities within the current system. Having access to research and customized tools for King County and Seattle ensures that leaders have data that reflect the unique characteristics of the region and that any solutions can be tailored for this context and designed to complement, rather than compete with, state and federal programs.