

2024 Cost of Quality Child Care and Market Rate Study – Summary Report

Strong child care subsidy provider reimbursement rates are essential to supporting access to quality early care and education for Washington’s children.

Background

Across Washington, parents, caregivers, and families are increasingly unable to afford the cost of Early Care and Education (ECE), even as ECE providers and their staff earn less than a living wage and receive few benefits. Providers struggle to enter the field, attract and retain staff, and remain in business, limiting the state’s ECE capacity. As a result, parents and caregivers cannot fully participate in Washington’s workforce due to families not being able to access affordable, high quality ECE services. Our state economy loses \$6 billion annually as a result, and less than half of our children enter kindergarten ready to learn, with disproportionately fewer Children of Color ready to learn.

Washington’s Working Connections Child Care (WCCC) program subsidizes child care for income eligible families by reimbursing participating providers for care. However, under Washington law, the rate paid to providers is based on private market rates paid by families – the same market rates that do not provide living wages and benefits for the child care workforce. Therefore, neither the private market, nor the existing subsidized child care system, support living wages and benefits for the child care workforce. As a result, neither support adequate access to quality early care and education.

In 2021, Washington’s landmark Fair Start for Kids Act directed the Washington State Department of Children, Youth, and Families (DCYF) to build upon the Child Care Collaborative Task Force work to establish a cost model to calculate WCCC subsidy rates to reflect the true cost to provide high quality child care instead of using market rates as the methodology. In 2022, the Task Force produced a cost model based on data provided by child care providers, and a report recommending that the state set WCCC subsidy rates according to the Cost of Quality Child Care methodology. It further recommended public funding for the child care workforce to earn living wages and benefits, which was one of the model’s options. In 2023, DCYF requested and received federal approval to move from the market rate to the Cost of Quality Child Care method.



Washington State Department of
CHILDREN, YOUTH & FAMILIES

In 2023, a Child Care Aware of WA-facilitated Early Educator Design Team made up of diverse ECE providers from all sides of the field, and the state, convened, with DCYF providing subject matter expertise. The team recommended baseline assumptions for a Cost of Quality Child Care model – from staff wages to quality elements like curriculum and yearly number of parent-teacher conferences. The team’s transformative recommendations included that WCCC subsidy rates, based on Cost of Quality Child Care, should be sufficient to support child care workforce living wages and benefits. The Design Team further examined the current subsidy geographic rate regions, recommending restructuring based on cost of living. Their work provides a discussion framework for statewide policy development to establish sufficient subsidy rates to support workforce living wages and benefits.

Cost of Quality Care Study and Market Rate Survey

Between January and March 2024, DCYF worked with our partners at Western Washington University (WWU) to conduct a Cost of Quality Care and Market Rate Study survey gathering up-to-date data from licensed providers on all the topics required to set subsidy rates using either methodology – Cost of Quality Care or market rates.

Major topics of the study included the rates providers charge families in the private market for licensed child care, and provider overhead costs like staff wages, rent, mortgage, and utilities. Washington now has the option to move from the market rate methodology (current) to the Cost of Quality Care methodology, which will improve access by supporting living wages and benefits for the child care workforce. The studies provide data that can support either method.

Of the state’s 5,779 licensed providers (as of early 2024) that received the survey, a total of 1,398 licensed providers responded. This resulted in a 24.19% participation rate, which translates to a +/- 2 percent margin of error at a 95 percent confidence level.

Findings on Cost of Quality Care

The study examined two methods for determining the Cost of Quality Care.

Method 1 assumes staff wages at their current level, which are substantially below living wages, and includes no benefits. It examines cost at various quality levels in Early Achievers. Method 1 is included only because it is required under federal rules.

Method 2, based on the true Cost of Quality Care, incorporates recommendations from the Early Educator Design Team. These recommendations include living wages, benefits, and additional staff to support program quality.

The study found that method 2 clearly demonstrates that current subsidy rates are far too low to support the Cost of Quality Care. In the most extreme example, the monthly Cost of Quality Care rates for an infant exceed current subsidy rates by \$2,218 per month. Subsidy rates for school-age children are much more competitive but are consistently lower than Cost of Quality Care by hundreds of dollars. Compare tables 1 and 3 (centers) and 5 and 7 (family homes)

below to see the difference between monthly Cost of Quality Care rates and current subsidy rates, by child age, and by geographic region.

Findings indicate that current subsidy rates can exceed method 1 rates in some scenarios. For example, under this method, which includes current insufficient workforce wages, at levels 2 and 3/3+ in Early Achievers, Cost of Quality Care rates are less than current subsidy rates, depending on child age, most prominently. However, at levels 3 and above, current rates are usually lower. At the highest quality levels, 4 and 5, in most regions the method 1 rate exceeds the monthly infant subsidy rate by more than \$1,000.

Study Findings on Market Rates

Most of Washington’s current subsidy rates – currently based on a standard tied to the 2021 market rate survey – are insufficient for reimbursement based on the current 2024 market rate survey. Statewide, current Center rates are as much as 19% below standard (for infants), while Family Home rates are as much as 26% below standard (school age). The report appendix includes tables comparing market rate to current rates by provider type, child age, and geographic region. Compare tables 1 and 2 (centers) and 5 and 6 (family homes) below to see the difference between market rates based on this study and current reimbursement rates.

Readers may wish to compare rates produced by method 2 to rates from the 2024 Market Rate Survey. Tables 2 and 3 (centers) and 6 and 7 (family homes) below provide this comparison. Finally, method 2 rates using the Design Team’s recommended rate regions are depicted in Tables 4 (centers) and 8 (family homes).

Next Steps

Economic conditions have a direct impact on state budget considerations. State revenue projections for the upcoming biennium indicate a significant downturn and a budget shortfall. This economic reality presents challenges for proposing transformative investment for funding subsidy rates at the Cost of Quality Care in the 2025 legislative session. DCYF continues to use the Early Educator Design Team’s recommendations as the framework for improving access and child outcomes. However, given current economic conditions and law, DCYF requests that subsidy rates be funded based on the market rate methodology, which is currently in law and considered maintenance level. DCYF has submitted a budget request to increase subsidy rates based on the 2024 Market Rate Survey. DCYF is committed to the vision that Cost of Quality Care will one day be the basis for calculating subsidy rates that supports living wages and benefits for the child care workforce, increased family access to high quality ECE, and increased positive child outcomes, all of which supports a flourishing Washington state economy.

Table 1. CENTERS Current Monthly Subsidy Rates – Current Regions

	Infants	Toddlers	Preschool	School Age
Region 1	\$1,365	\$1,235	\$1,170	\$1,174
Region 2	\$1,300	\$1,080	\$985	\$720
Region 3	\$1,949	\$1,768	\$1,595	\$1,440
Region 4	\$2,500	\$2,235	\$1,885	\$1,994
Region 5	\$1,596	\$1,408	\$1,227	\$1,192
Region 6	\$1,694	\$1,485	\$1,270	\$1,105
Spokane	\$1,508	\$1,245	\$1,147	\$1,078
Cost FY24				\$534,319,000
Cost FY25				\$578,428,000
Biennial Cost				\$1,112,747,000

Table 2. CENTERS 2024 Market Rate Survey Subsidy Rates - Current Regions

	Infants	Toddlers	Preschool	School Age
Region 1	\$2,100	\$1,510	\$1,170	\$1,025
Region 2	\$1,674	\$1,510	\$1,340	\$1,245
Region 3	\$2,320	\$2,160	\$1,910	\$1,745
Region 4	\$2,975	\$2,660	\$2,350	\$1,773
Region 5	\$1,910	\$1,795	\$1,645	\$1,470
Region 6	\$1,930	\$1,768	\$1,605	\$1,455
Spokane	\$1,720	\$1,430	\$1,380	\$1,100
Cost FY26				\$132,335,000
Cost FY27				\$142,758,000
Biennial Cost (above current cost)				\$275,094,000

Table 3. CENTERS Design Team Subsidy Rates - Current Regions

	Infants	Toddlers	Preschool	School Age
Region 1	\$3,048	\$2,284	\$1,979	\$1,345
Region 2	\$3,147	\$2,355	\$2,038	\$1,382
Region 3	\$3,726	\$2,766	\$2,382	\$1,600
Region 4	\$3,997	\$2,959	\$2,544	\$1,702
Region 5	\$3,444	\$2,566	\$2,214	\$1,494
Region 6	\$3,348	\$2,498	\$2,157	\$1,458
Spokane	\$2,990	\$2,243	\$1,944	\$1,323
Cost FY26				\$344,014,000
Cost FY27				\$371,109,000
Biennial Cost (above current cost)				\$715,123,000

Table 4. CENTERS Design Team Subsidy Rates – Cost of Living Index (COLI) Regions

	Infants	Toddlers	Preschool	School Age
COLI Group A	\$3,997	\$2,959	\$2,544	\$1,702
COLI Group B	\$3,948	\$2,924	\$2,515	\$1,683
COLI Group C	\$3,480	\$2,592	\$2,236	\$1,507
COLI Group D	\$3,286	\$2,454	\$2,121	\$1,434
COLI Group E	\$3,021	\$2,265	\$1,963	\$1,335
COLI Group F	\$3,118	\$2,334	\$2,021	\$1,371
COLI Group	\$3,997	\$2,959	\$2,544	\$1,702
Cost FY26				\$343,470,000
Cost FY27				\$370,522,000
Biennial Cost (above current cost)				\$713,992,000

Table 5. FAMILY HOMES Current Monthly Subsidy Rates – Current Regions

	Infants	Toddlers	Preschool	School Age
Region 1	\$1,083	\$1,036	\$880	\$805
Region 2	\$1,452	\$1,300	\$1,056	\$880
Region 3	\$1,430	\$1,300	\$1,192	\$1,083
Region 4	\$1,800	\$1,650	\$1,517	\$1,320
Region 5	\$1,300	\$1,300	\$1,083	\$975
Region 6	\$1,300	\$1,210	\$1,166	\$990
Spokane	\$1,056	\$1,056	\$990	\$990
Cost FY24				\$344,097,000
Cost FY25				\$372,503,000
Biennial Cost				\$716,600,000

Table 6. FAMILY HOMES 2024 Market Rate Survey Subsidy Rates - Current Regions

	Infants	Toddlers	Preschool	School Age
Region 1	\$1,320	\$1,320	\$1,125	\$1,320
Region 2	\$1,760	\$1,600	\$1,400	\$1,100
Region 3	\$1,804	\$1,700	\$1,540	\$1,650
Region 4	\$2,124	\$2,167	\$1,980	\$1,733
Region 5	\$2,000	\$1,540	\$1,430	\$1,083
Region 6	\$2,000	\$1,517	\$1,400	\$1,517
Spokane	\$1,232	\$1,210	\$1,100	\$1,100
Cost FY26				\$102,346,000
Cost FY27				\$113,358,000
Biennial Cost (above current cost)				\$215,704,000

Original Date: Nov. 6, 2024 | Revised Date: Month XX, 20XX

Division | Approved for distribution by Matt Judge, Federal Initiatives and Collaboration Senior Administrator

Table 7. FAMILY HOMES Design Team Subsidy Rates - Current Regions

	Infants	Toddlers	Preschool	School Age
Region 1	\$2,878	\$2,224	\$1,831	\$1,569
Region 2	\$2,990	\$2,310	\$1,901	\$1,629
Region 3	\$3,648	\$2,814	\$2,313	\$1,979
Region 4	\$3,957	\$3,050	\$2,506	\$2,143
Region 5	\$3,328	\$2,568	\$2,113	\$1,809
Region 6	\$3,219	\$2,485	\$2,045	\$1,751
Spokane	\$2,812	\$2,173	\$1,790	\$1,534
Cost FY26				\$287,378,000
Cost FY27				\$318,298,000
Biennial Cost (above current cost)				\$605,676,000

Table 8. FAMILY HOMES Design Team Subsidy Rates – Cost of Living Index (COLI) Regions

	Infants	Toddlers	Preschool	School Age
COLI Group A	\$3,957	\$3,050	\$2,506	\$2,143
COLI Group B	\$3,902	\$3,008	\$2,472	\$2,114
COLI Group C	\$3,369	\$2,600	\$2,138	\$1,831
COLI Group D	\$3,149	\$2,431	\$2,001	\$1,713
COLI Group E	\$2,847	\$2,200	\$1,812	\$1,553
COLI Group F	\$2,958	\$2,285	\$1,881	\$1,612
COLI Group	\$3,957	\$3,050	\$2,506	\$2,143
Cost FY26				\$319,364,000
Cost FY27				\$345,667,000
Biennial Cost (above current cost)				\$665,031,000