

CHILD CARE PUERTO RICO

Market Rate Study: Ensuring Fair Access

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List of Acronyms

ACUDEN	Administration for Integral Child Care and Development (Translated)
BLS	Bureau of Labor Statistics
CCDBG	Child Care and Development Block Grant
CCDF	Child Care and Development Fund Plan
MRS	Market Rate Survey
NAICS	North American Industry Classification System
PECC	Pandemic Emergency Child Care
SULME	Uniform System of Licensing and Monitoring of Establishments (Translated)

Introduction

The Puerto Rico Department of the Family, through the Administration for Integral Child Care and Development (ACUDEN), commissioned the consulting firm StratSol, Inc to conduct a Market Rate Survey (MRS) of child care services. This study collects and analyzes the prices and fees charged by child care providers in the market. The purpose of the Market Rate Survey is to evaluate child care rates among centers and homes licensed by the Department of the Family. The collected rates will serve as a guide to provide child care subsidies to qualifying families based on their annual income and number of family members. This report presents the collected rate data for different age categories of children, including infants, toddlers, preschoolers, school age children, and children with special needs, also considering whether the services are provided on a full-time or part-time basis.

Context

Discussing the topic of child care is crucial for society, as these services play a key role in the development and well-being of children and enable parents to participate in the workforce or pursue educational opportunities. High-quality child care services are essential not only for children's growth but also for the economic and social development of the community. In Puerto Rico, understanding the current market rates for child care services is vital for both policymakers and families. This study aims to provide a comprehensive analysis of current market rates for child care in Puerto Rico, which is a requirement for the state's Child Care and Development Fund (CCDF) Plan, as mandated by the Child Care and Development Block Grant (CCDBG) Act of 2015.

Study Objectives

The primary objectives of this market rate study are:

- **To determine current market rates for licensed child care providers across Puerto Rico:** This includes understanding the rates charged by child care centers and family child care homes.
- **To assess the adequacy and purchasing power of child care subsidy payment rates:** This involves comparing current subsidy rates with market rates to ensure that low-income families have access to affordable, high-quality child care services.
- **To provide recommendations for adjustments to subsidy rates:** Based on the findings, this study will suggest necessary adjustments to ensure that subsidy rates are aligned with market rates and support the accessibility and sustainability of child care services.

By achieving these objectives, this study will contribute to the broader goals of enhancing the quality and affordability of child care in Puerto Rico, ultimately benefiting children, families, and the community at large.

Methodology

The Market Rate Survey of child care services in Puerto Rico was designed to collect and analyze detailed data on the fees charged by child care providers across the state. This section outlines the methods used for sample selection, data collection, and analysis of the gathered information. The following describes the steps and procedures taken to ensure the validity and reliability of the study results.

Study Design

This study's objective is to analyze and describe the rates and associated costs of child care centers and family child care homes in Puerto Rico. This information is

crucial for understanding the cost structure of child care in the region and providing updated data that can inform policy and funding decisions for the Child Care program.

This study employs a descriptive design. According to Hernández Sampieri, Fernández Collado, and Baptista Lucio (2014), a descriptive design is appropriate when the aim is to specify the properties, characteristics, and profiles of people, groups, communities, or any other phenomenon being analyzed. This approach is particularly useful for conducting a Market Rate Survey (MRS), which is a common tool in market research for collecting and analyzing data on service rates in a specific region or sector (Hernández Sampieri, R., Fernández Collado, C., & Baptista Lucio, P. (2014).

Population and Sample

The study population consists of all child care centers and family child care homes in Puerto Rico. A census sampling approach will be used, aiming to cover most of the universe of centers and family child care homes to obtain representative and comprehensive data. According to Teddlie and Yu (2007), a census sampling is suitable when the researcher seeks to include all members of a specific population to ensure representativeness and comprehensiveness (Teddlie, C., & Yu, F. (2007).

Participation Rate

The universe of child care centers was obtained through the contact database of the Department of the Family of Puerto Rico, specifically the Uniform System of Licensing and Monitoring of Establishments (SULME). Additionally, through the contact information databases of ACUDEN's recovery programs, which have updated contact information for each child care center, a combined list of phone numbers and email addresses for child care centers and family child care homes was established.

Table 1. Universe of Child Care Centers and Homes

	Child Care Center	Childcare Homes
Potential Number of Participants	511	43

Source: SULME and PECC.

Table 2. Child Care Centers: Reasons for Exclusion from Universe

Child Care Centers (Reasons for Exclusion from Universe)				
Declined to Participate	Three or more unsuccessful contact attempts were made	Ineligible (do not charge private rates)	Wrong contact information	Business was closed
7	39	75	2	2

Table 3. Child Care Center: Participation Rate

	Universe	Excluded from the Survey	Eligible Centers	Answered the Survey	Study Participation Rate
Child Care Centers	511	125	386	286	74.09%

Table 4. Child Care Homes: Reasons for Exclusion from Universe

Child Care Homes (Reasons for Exclusion from Universe)				
Declined to Participate	Three or more unsuccessful contact attempts were made	Ineligible (do not charge private rates)	Wrong contact information	Business was closed
0	0	15	0	5

Table 5. Child Care Homes: Participation Rate

	Universe	Excluded from the Universe	Eligible Homes	Answered the Survey	Study Participation Rate
Child Care Homes	43	20	23	19	82.61%

Data Collection Instrument

Data were collected using a structured questionnaire, which included questions related to various aspects of child care services to capture comprehensive and detailed information. Specifically, the questionnaire covered:

- Monthly child care rates by type of population (infants, toddlers, preschoolers, school-age children, and children with special needs).
- Operational costs associated with child care (staff, maintenance, supplies, etc.).
- Demographic and operational information of the centers and homes (location, number of children served, types of services offered, etc.).

The questionnaire was administered through telephone interviews and online surveys. According to Creswell (2014), using mixed methods of data collection can enhance the quality and validity of the data obtained.

The inclusion of specific categories, such as the type of population (infants, toddlers, preschoolers, school-age children, and children with special needs), allowed for a detailed and nuanced understanding of the varying costs associated with different age groups and care requirements.

The operational costs section included detailed questions about expenses related to staff salaries, maintenance, and supplies. This level of detail was crucial for capturing the full spectrum of costs incurred by child care providers, thus providing a more accurate representation of the financial demands of child care services.

To ensure the questionnaire's relevance and effectiveness, pilot tests were conducted with selected child care centers. These pilot tests were instrumental in identifying any potential issues or ambiguities in the questions. Feedback from these tests led to revisions that improved the questionnaire's clarity and comprehensiveness. Additionally, meetings were held with committees responsible for developing the State Plan to validate the questionnaire's content. This collaborative approach ensured that the questionnaire was aligned with both the study's objectives and the practical realities of child care operations (Presser et al., 2004).

Information Gathering Procedure

Data collection took place from March 19 to April 19, ensuring enough time to reach out to the identified child care centers and family child care homes. The questionnaire was administered through telephone interviews and online surveys to maximize response rates and ensure accessibility for all respondents. Follow-up calls and emails were made to non-respondents to encourage participation and obtain a representative proportion of the universe of child care centers and homes. The collected data were systematically entered into a secure database, with each response checked for completeness and consistency to minimize errors and ensure data integrity. Throughout the data collection and entry process, regular checks were conducted to maintain high data quality, including cross verifying a sample of entries against the original responses and conducting consistency checks.

Data Analysis

The collected data were analyzed using a variety of statistical methods to ensure comprehensive and accurate insights into the child care rates and associated costs. The primary statistical techniques included:

Descriptive Statistics:

- **Measures of Central Tendency:** The mean, median, and mode were calculated to summarize the central point of the data regarding child care rates and operational costs.
- **Measures of Dispersion:** Standard deviation and range were used to assess the variability and spread of the data points.
- **Frequency Distributions:** Frequency counts and percentages were calculated to understand the distribution of different categories, such as the type of population served (infants, toddlers, preschoolers, school-age children, and children with special needs).

Comparative Analysis:

- **Cross-tabulations:** Cross-tabulations were performed to explore the relationships between different variables, such as geographic location and child care rates.
- **Group Comparisons:** Comparisons were made between different types of centers and family child care homes to identify any significant differences in rates and costs.

Analysis Tools

1. **Microsoft Excel:** Excel was the primary tool used for all statistical analyses, including descriptive statistics, cross-tabulations, and other analyses. Its functionalities for pivot tables, charts, and data analysis tools provided the necessary capabilities to perform detailed and comprehensive analysis.
2. **ARCGIS:** ARCGIS was utilized to perform spatial analysis and create detailed geographic maps that visualized the distribution and characteristics of child care centers across different municipalities. This tool helped in understanding geographic patterns and relationships in the data.

Results

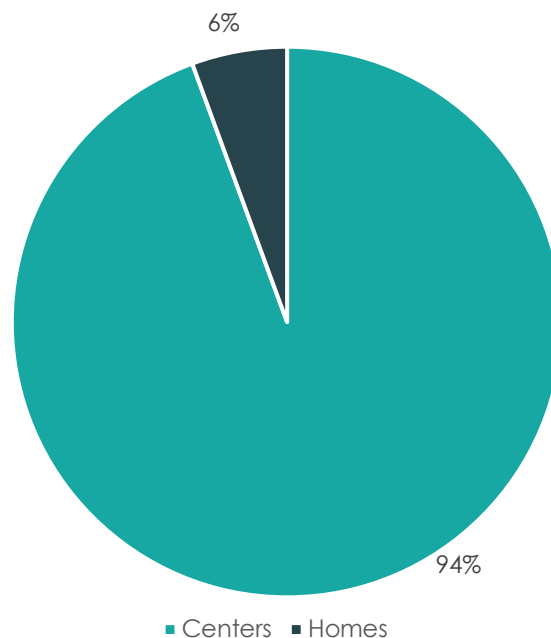
This section presents the findings from the analysis of the collected data on child care rates and associated costs for centers and family child care homes in Puerto Rico. The results are organized into several key areas, including descriptive statistics and comparative analyses.

Profile of Surveyed Centers and Homes

Type of Provider

Based on the graph below, the surveyed respondents predominantly represent childcare centers, accounting for 94.4% of the total providers. In contrast, home-based childcare services make up only 5.6% of the respondents.

Figure 1. Type of Provider

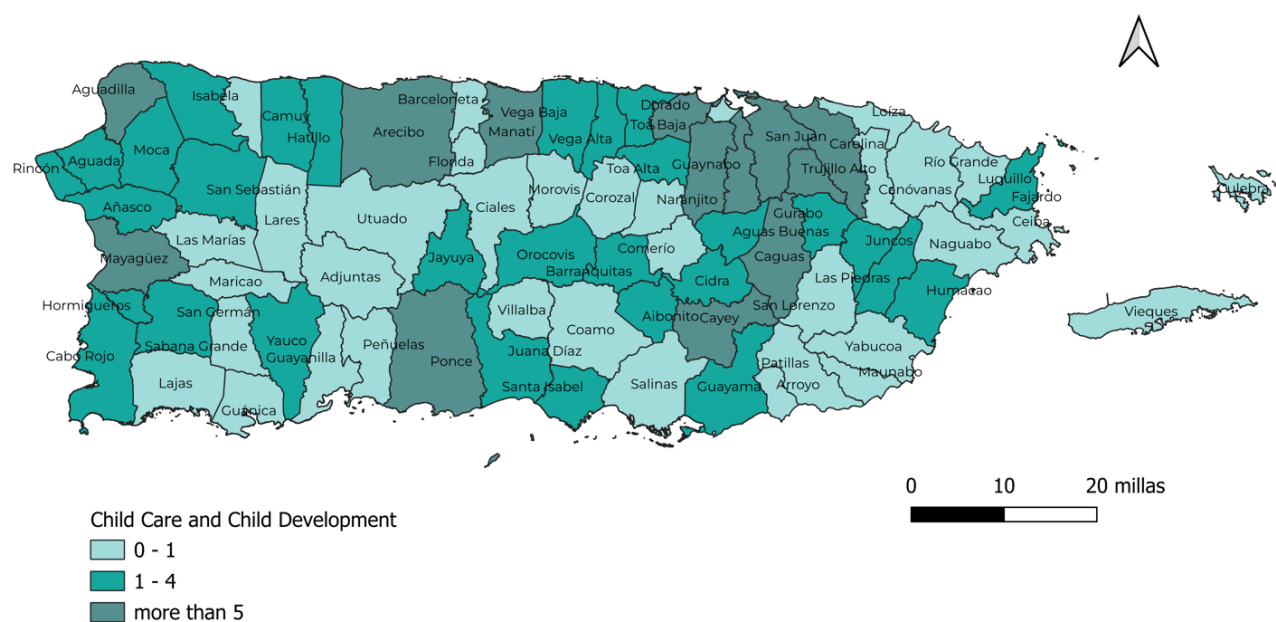


Geographical Distribution (Municipalities)

In the analysis of participation among municipalities, it is noteworthy that San Juan registered the highest participation with 40 counts, followed by Bayamón with 23 and Caguas with 14. Other municipalities with significant participation include

Carolina with 13, Toa Baja with 9, Arecibo and Ponce with 8 each, and Guaynabo and Manatí with 7. Mayagüez also had notable participation with 6 counts. These municipalities show a higher offer of child care services compared to others, reflecting a more substantial availability of child care centers and homes in their respective areas. Consequently, these municipalities hold the highest participation in the study. In terms of the total universe of centers and homes, there is a greater presence in these areas.

Map 1. Municipal Participation and Distribution

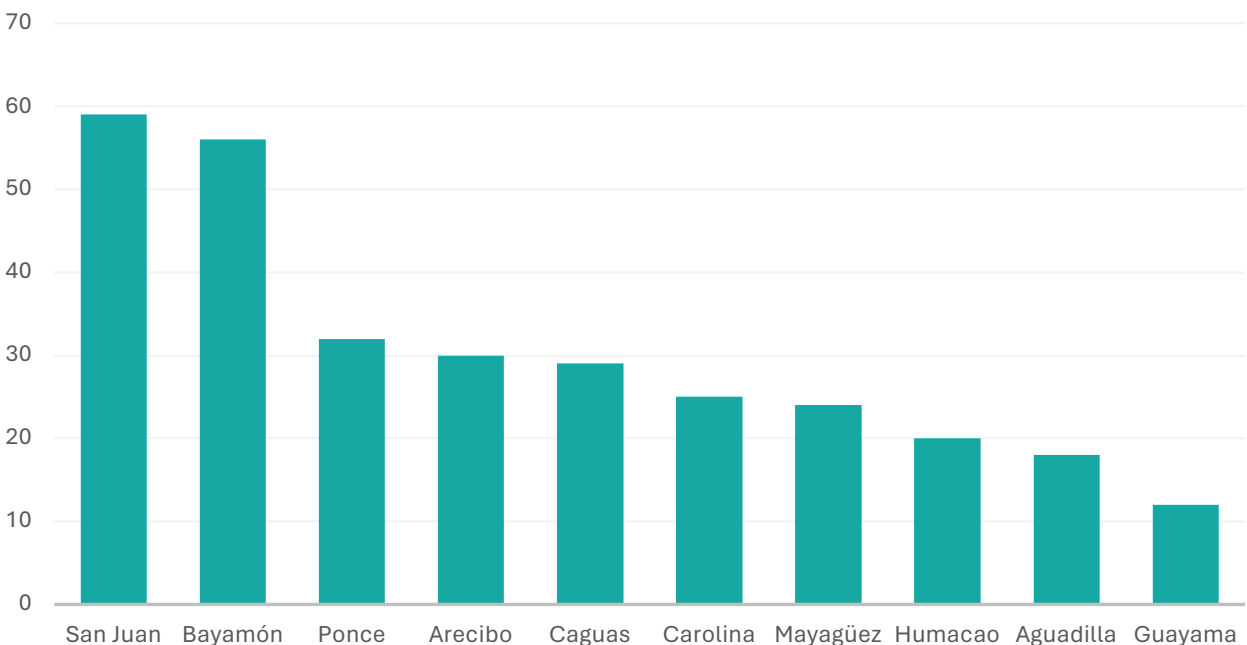


Prepared by StratSol, Inc.

San Juan has the highest concentration of child care centers and homes, followed closely by Bayamón. These regions show a robust presence of child care services, leading to the highest participation in the study. Ponce and Arecibo also have a considerable number of centers and homes, contributing significantly to the study's data. Caguas and Carolina reflect a moderate concentration, with Mayagüez following closely. Humacao has fewer facilities, while Aguadilla and Guayama have the least number of child care services among the regions listed.

This distribution demonstrates that urban and more populated areas like San Juan and Bayamón not only have a higher demand for child care services but also a greater availability of facilities to meet this demand. Consequently, these regions exhibit the highest participation in the study, as the majority of child care centers and homes are located there. This concentration of services in these areas directly correlates with their significant representation in the study.

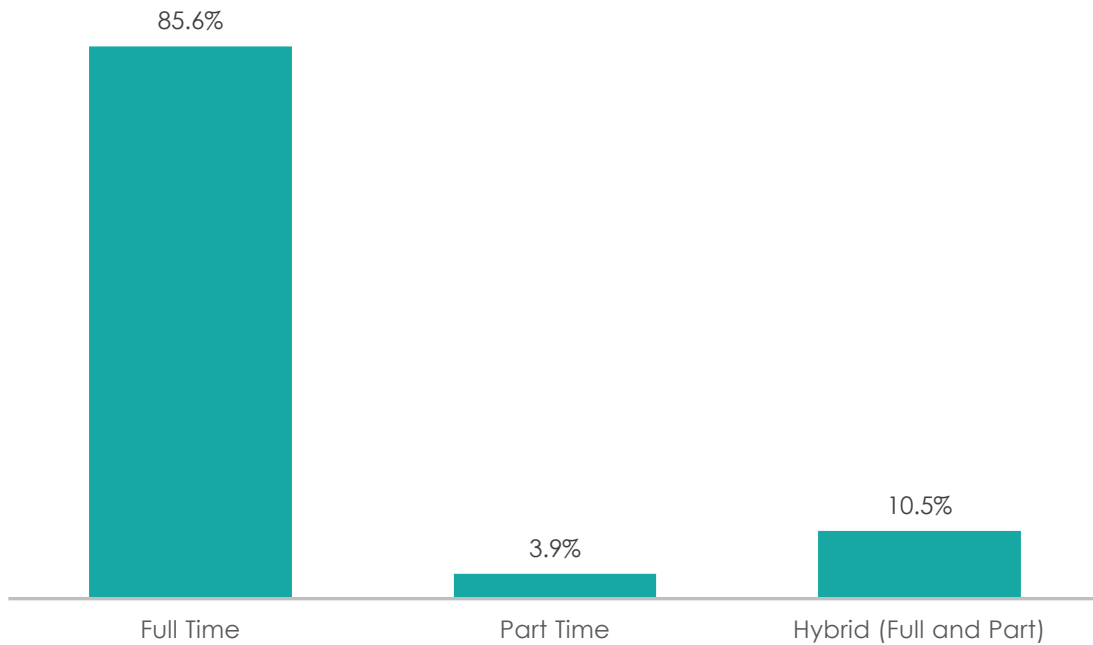
Figure 2. Location of surveyed homes and centers by Department of the Family Region



Operating Hours of Childcare Services

Based on the graph below, most respondents (85.6%) describe their business operations as full-time. A smaller proportion (10.5%) operate on a hybrid model, offering both full-time and part-time services. Only a minority (3.9%) run their operations on a part-time basis. This indicates that full-time childcare services are the predominant operational model among the surveyed businesses.

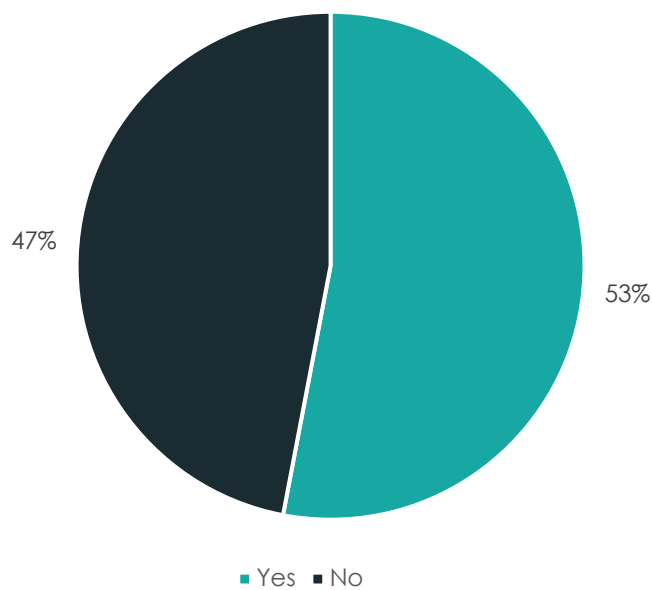
Figure 3. Operating Hours Child Care Services



Subsidized Childcare Services

Based on the graphic below, 53% of providers offer services to children whose care is partially or completely covered by ACUDEN subsidies, while 47% do not offer such services.

Figure 4. Subsidized Childcare Services

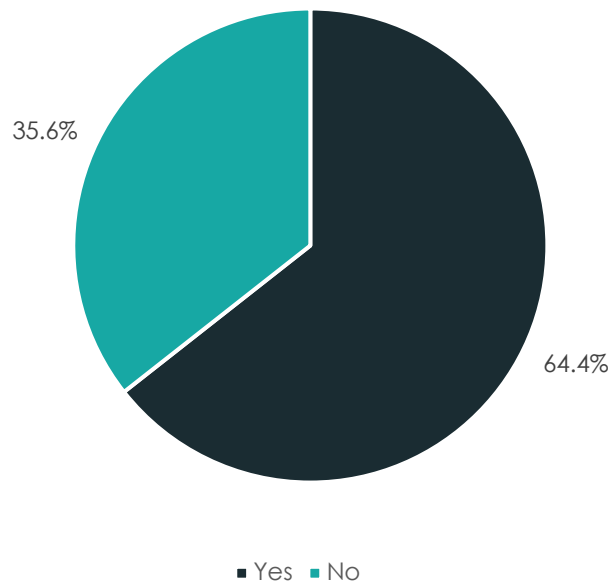


Populations Served by Providers

Infant Population

64.4% of providers offer services to infants, while 35.6% do not provide services to this population. In contrast to other populations that will be discussed below, the infant population is the least served among providers, meaning a significant number of providers do not cater to infants. Among the reasons, as discussed in the stakeholder roundtable discussions during the State Plan participation, is the high operational cost associated with serving the infant population. This makes it challenging for many centers to include infants in their care services.

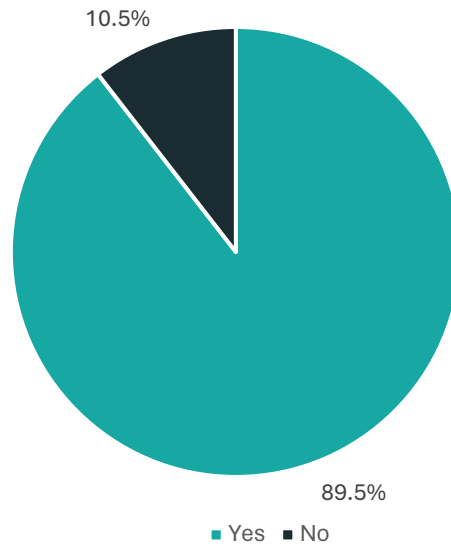
Figure 5. Centers and homes offering services to infants.



Toddler Population

89.5% of providers offer services to toddlers, while only 10.5% do not. Compared to other age groups discussed previously, toddlers receive more extensive coverage from providers, indicating a higher availability of services for this age group.

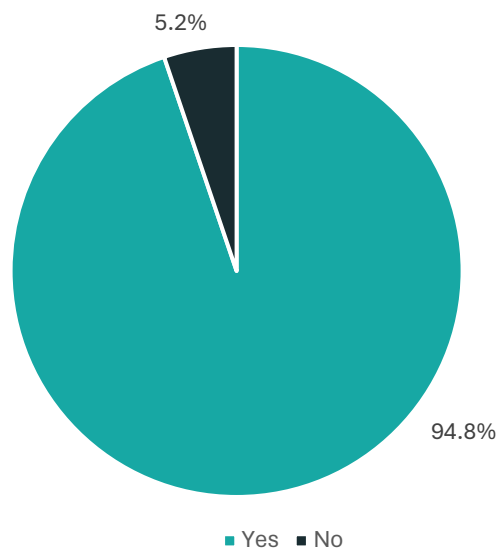
Figure 6. Centers and homes offering services to Toddlers



Preschooler Population

94.8% of centers or homes provide services to children ages 3 to 5 who are not enrolled in preschool, while only 5.2% do not. This indicates significant coverage for this age group, showing that the vast majority of providers offer services to preschool-aged children.

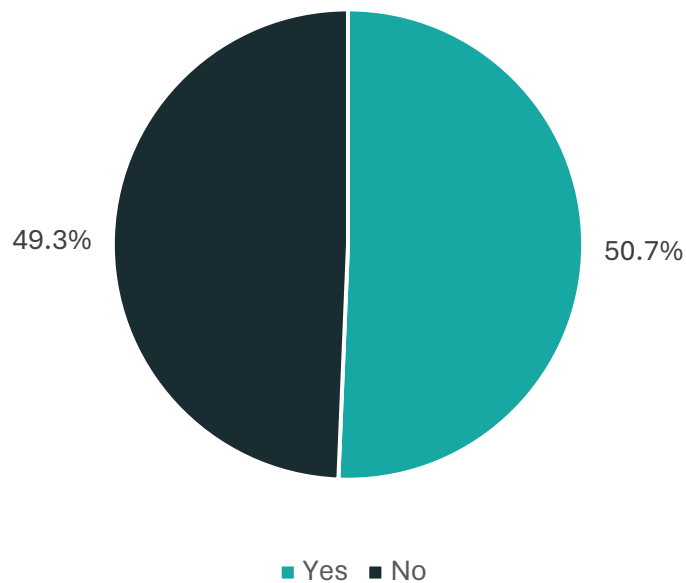
Figure 7. Centers and homes offering services to preschool-aged children.



Special Needs Population

50.7% of the homes and centers surveyed offer services to special needs children, making this the population least served by the surveyed providers. Since special training and facilities are often required to offer services to this population, fewer centers and homes are equipped to meet their needs.

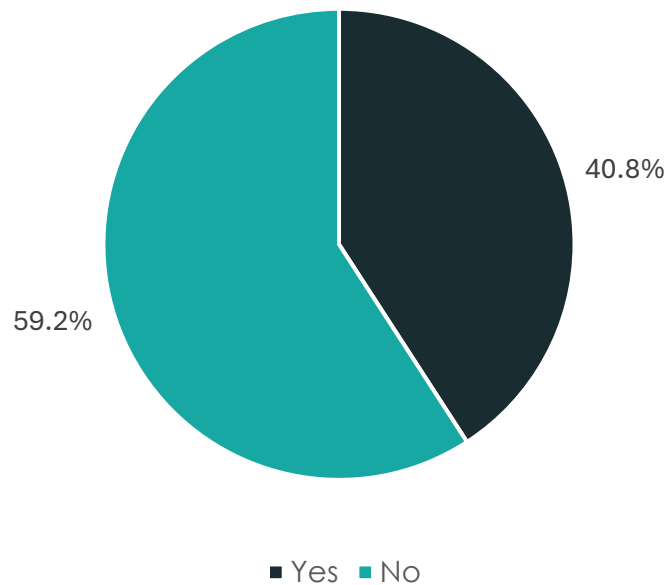
Figure 8. Centers and Homes offering services to special needs children



School-Age Population

A majority (59.2%) of the homes and centers surveyed do not offer services to school-age children outside of any summer programs they might have. This is the second least-served group, primarily due to school-age children being legally obligated to attend school.

Figure 9. Centers and homes offering services to school age children



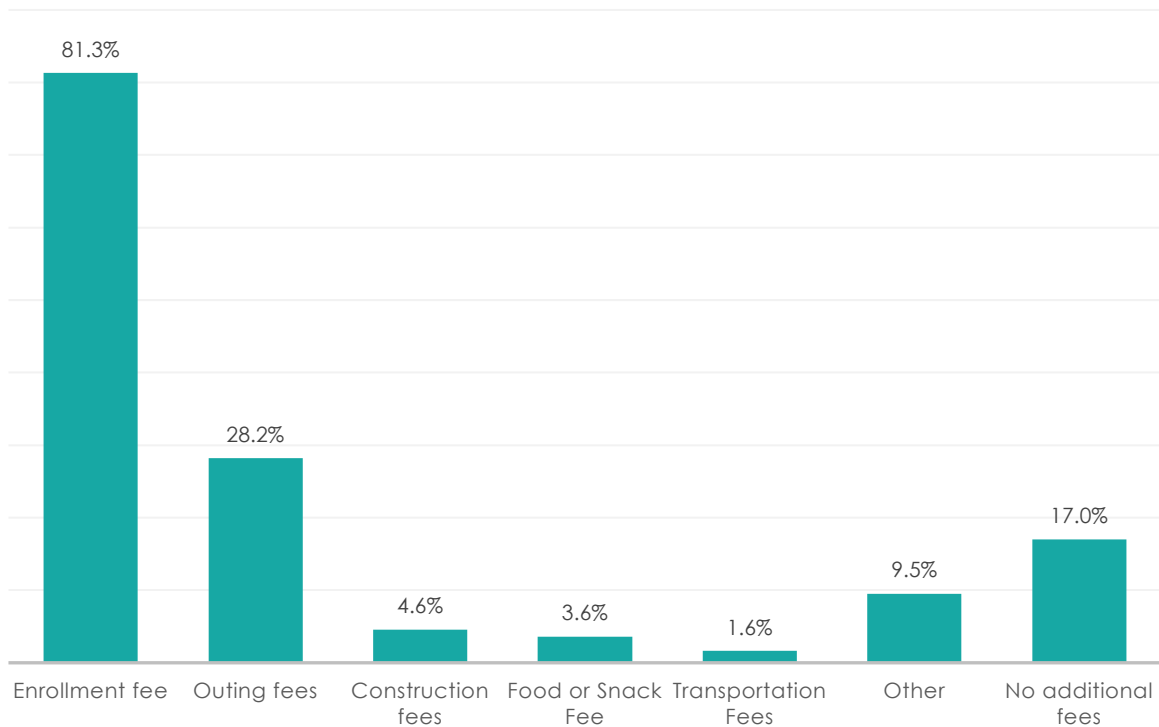
Additional Survey Questions

Aside from questions directly related to the monthly fees charged to children, the survey included additional questions aimed at better understanding the operational realities of child care centers.

Additional Fees Charged by Child Care Providers

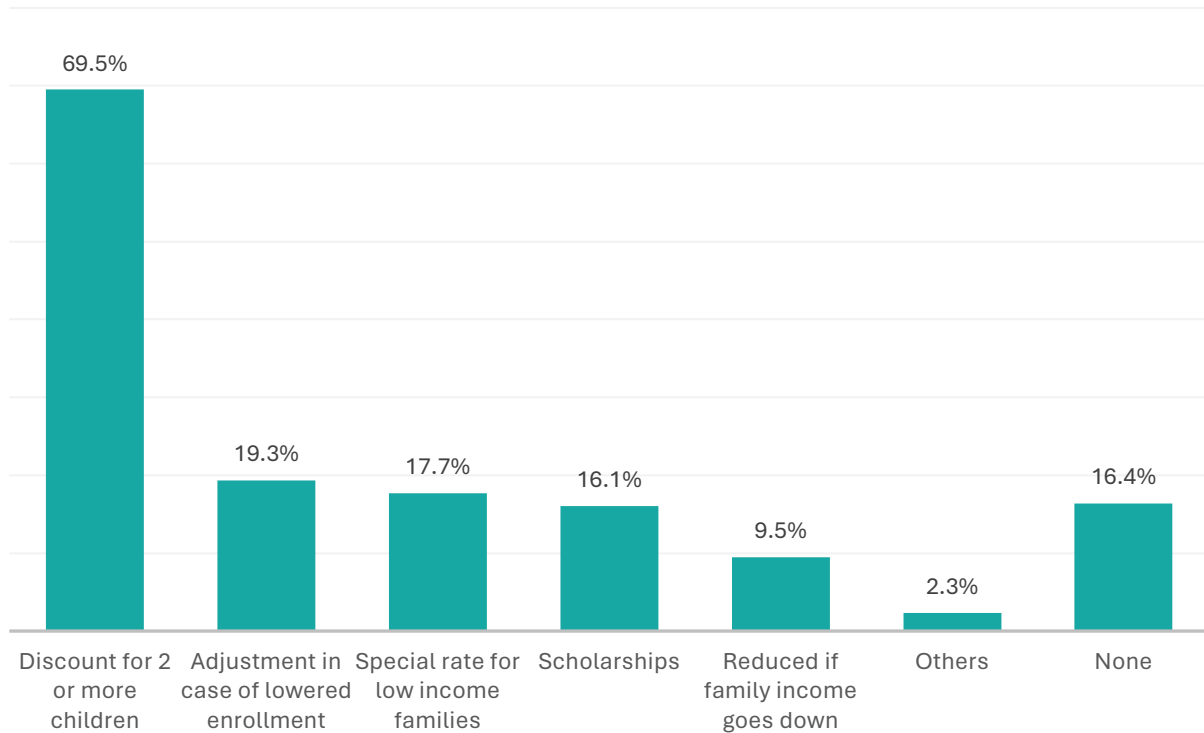
The graph illustrates the distribution of additional fees charged by child care providers. The most common fee is the enrollment fee, charged by 81.3% of providers. Outing fees are the second most prevalent, with 28.2% of providers including them. Other fees, such as construction fees, food or snack fees, and transportation fees, are less common, being charged by 4.6%, 3.6%, and 1.6% of providers, respectively. Additionally, 9.5% of providers charge other unspecified fees, while 17.0% of providers do not charge any additional fees beyond the regular rates.

Figure 10. Additional fees charged by centers and homes



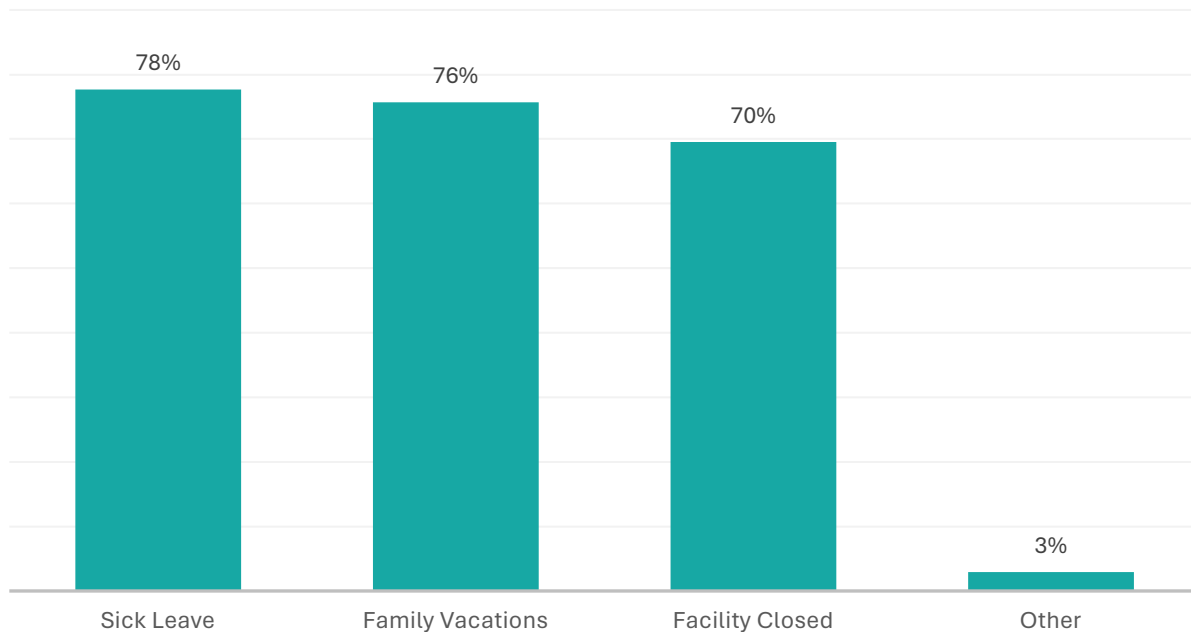
Fee Adjustments by Child Care Providers

This chart illustrates the various types of fee adjustments that child care providers make based on specific circumstances. The most common adjustment, offered by 69.5% of providers, is a discount for families with two or more children. Additionally, 19.3% of providers adjust their fees in case of lowered enrollment, and 17.7% offer special rates for low-income families. Scholarships are provided by 16.1% of providers, while 9.5% reduce fees if a family's income decreases. Other unspecified forms of fee adjustments are offered by 2.3% of providers. Notably, 16.4% of providers do not offer any fee adjustments. These adjustments indicate that a majority of child care providers offer some form of financial relief or support to accommodate the varying needs of families.

Figure 11. Rate adjustments used by centers and homes

Absence Fee Policies of Providers

Most of the providers surveyed charge fees for at least one type of absence. None of the providers surveyed indicated that they do not charge for absences. The type of absence most frequently charged for is when children are sick, with 78% of providers implementing this fee. This is closely followed by charges for family vacations, which are imposed by 76% of the providers.

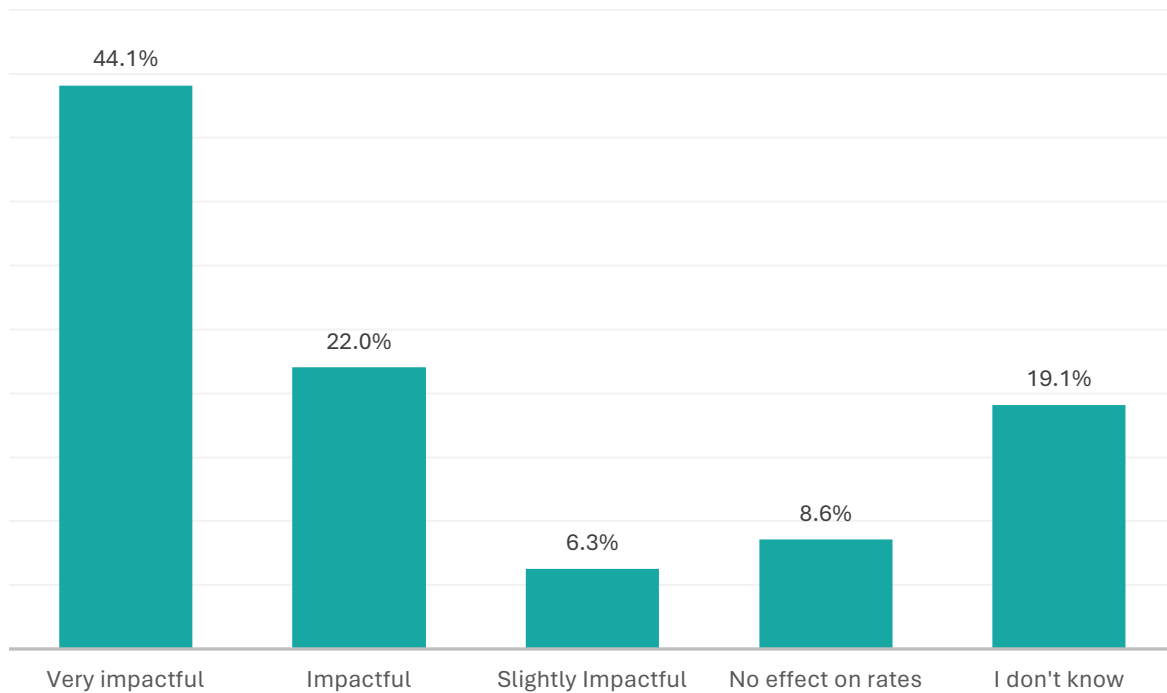
Figure 12. Charges for days not attended

Rate-Setting Trends

Understanding the factors that influence rate-setting in the child care sector is crucial for ensuring fair and sustainable pricing. This section examines the impact of various elements on the rates charged by child care providers, including market competition, non-salary expenses, personnel salaries, and quality standards.

Impact of Market Competition on Rates

A substantial portion, 44.1%, of providers reported that market rate competition is very impactful in determining their rates. Additionally, 22.0% of providers found it to be impactful, and 6.3% considered it slightly impactful. A smaller segment, 8.6%, indicated that market rate competition has no effect on their rates, while 19.1% of providers were uncertain about its impact. This suggests that market rate competition plays a crucial role in influencing the pricing strategies of child care providers.

Figure 13. Impact of Market Competition on Rates

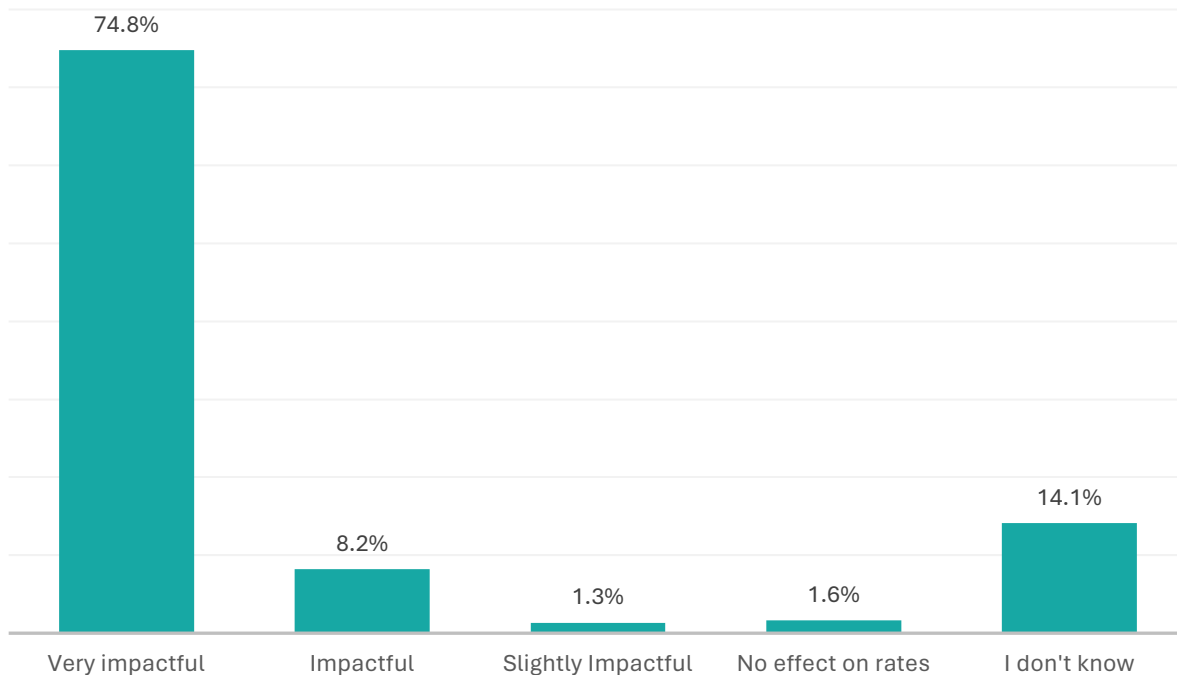
Impact of Non-Salary Expenses on Rate Setting

The data reveals that non-salary expenses significantly impact the rate setting for providers. A large majority, 74.8%, of providers reported that non-salary expenses are very impactful in determining their rates. Additionally, 8.2% of providers found these expenses to be impactful, and 1.3% considered them slightly impactful. A small percentage, 1.6%, indicated that non-salary expenses have no effect on their rates, while 14.1% of providers were uncertain about the impact. This underscores the importance of non-salary expenses in influencing the pricing strategies of child care providers.

One of the larger non-salary expenses for businesses in Puerto Rico is power costs. Puerto Rico's public power utility company is currently undergoing a debt restructuring process that could culminate in rate increases that could reach up to 30%. This will make Puerto Rico's power costs, already the 3rd highest in the

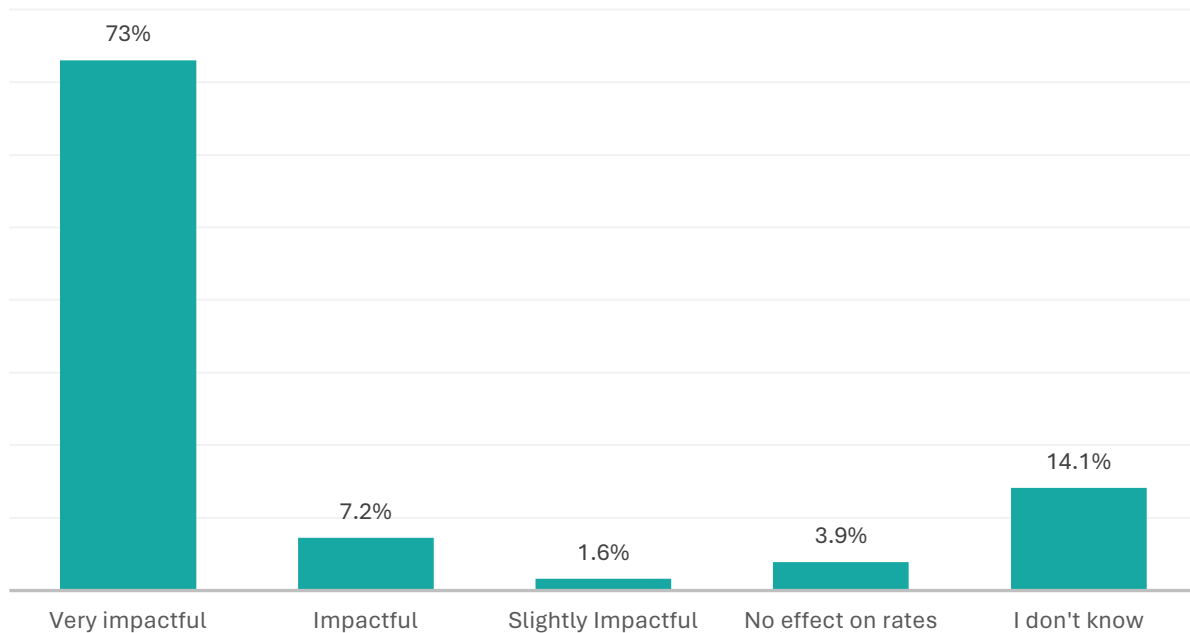
United States, even higher; creating an additional non-salary financial burden for all business on the island.

Figure 14. Impact of Non-Salary Expenses on Rate Setting



Impact of Personnel Salary on Rate Setting

The data highlights the significant impact of personnel salaries on rate setting for child care providers. A substantial majority, 73%, of providers indicated that personnel salaries are very impactful in determining their rates. Additionally, 7.2% found salaries to be impactful, and 1.6% considered them slightly impactful. A small percentage, 3.9%, reported that salaries have no effect on their rates, while 14.1% of providers were uncertain about the impact. This indicates that personnel salaries are a critical factor in the pricing strategies of child care services.

Figure 15. Impact of Personnel Salary on Rate Setting

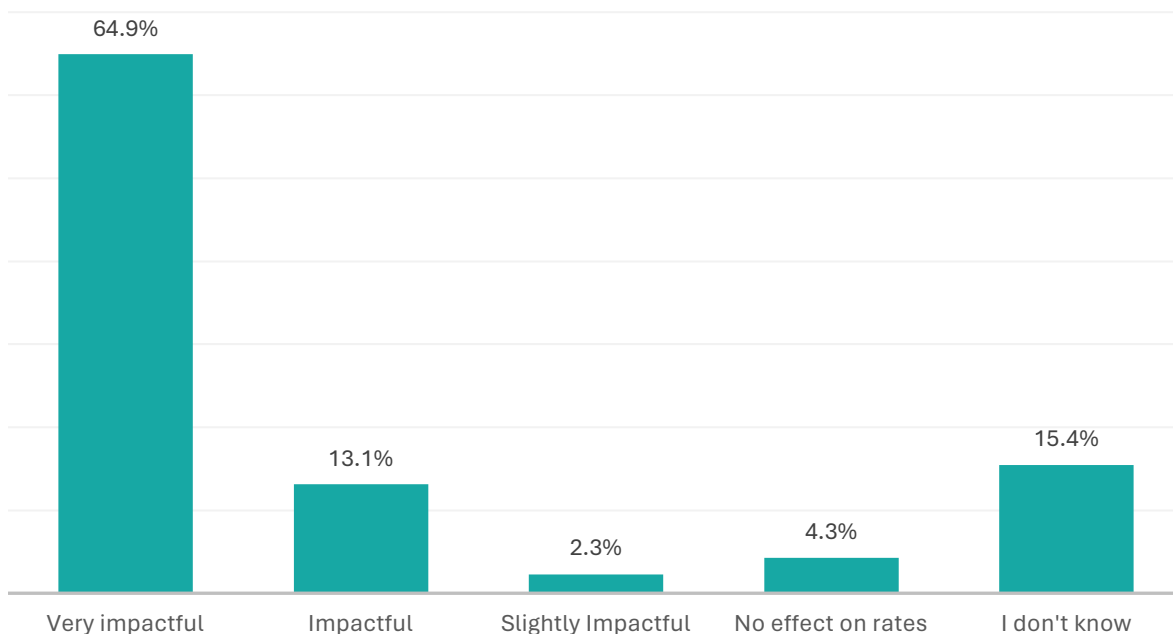
Impact of Quality Standards on Rate Setting

The data highlights the impact of quality standards on rate setting for child care providers. A significant majority, 64.9%, of providers reported that quality standards are very impactful in determining their rates. Another 13.1% found quality standards to be impactful, while 2.3% considered them slightly impactful. A smaller percentage, 4.3%, indicated that quality standards have no effect on their rates, and 15.4% of providers were uncertain about the impact.

Quality standards are a fundamental element for the development of early childhood, ensuring that children receive the best care and education during their early years. High-quality child care promotes better learning and overall well-being for children, laying a solid foundation for their future. However, guaranteeing such quality comes at a cost. Implementing high-quality standards

often requires investments in better facilities, staff training, safer environments, and enriching educational materials. These factors significantly contribute to the operational costs of child care providers, thus influencing the rates they charge for their services. The need to balance affordability for families with the costs of maintaining high-quality care remains a critical challenge in the child care sector.

Figure 16. Impact of Quality Standards on Rate Setting



Percentile Analysis

The percentile analysis and statistical estimation process is a methodical approach designed to ensure that the final data is representative and meaningful for decision-making purposes. The process involves several key steps, which are outlined below.

Data Collection and Initial Analysis

The process begins with the collection of raw data from various child care centers and homes participating in the program. Once the data is gathered, an initial

analysis is conducted to compute basic statistical measures such as the mean, median, and standard deviation. These measures provide a preliminary understanding of the data distribution and central tendencies.

Identification and Exclusion of Atypical Values

To refine the dataset, it is essential to identify and exclude outliers, which are data points that significantly deviate from the rest of the dataset. The interquartile range (IQR) method is employed for this purpose:

Calculation of Quartiles: The first quartile (Q1) and the third quartile (Q3) are calculated. Q1 represents the 25th percentile, and Q3 represents the 75th percentile of the data.

Determination of IQR: The IQR is computed as the difference between Q3 and Q1 ($IQR = Q3 - Q1$).

Establishment of Bounds: Upper and lower bounds are determined using the IQR. The lower bound is calculated as $Q1 - 1.5IQR$, and the upper bound is calculated as $Q3 + 1.5IQR$.

Identification of Outliers: Data points that fall below the lower bound or above the upper bound are considered outliers and are excluded from further analysis.

Calculation of Adjusted Statistics

After excluding the outliers, the dataset is re-analyzed to compute the adjusted statistical measures. These adjusted statistics provide a more accurate representation of the typical values within the dataset, excluding the influence of extreme values.

Percentile Analysis for Different Categories

The percentile analysis is conducted separately for child care centers and homes. This segmentation allows for a more detailed understanding of the data across

different types of providers. The 75th percentile is specifically highlighted in each age category, as it is a critical benchmark used in the program guidelines. This percentile helps in setting competitive and fair rates for the services provided.

Presentation of Results

The results, including the adjusted mean, median, standard deviation, and percentiles, are presented in detailed tables for each age category. These tables provide a clear and comprehensive view of the data, enabling stakeholders to make informed decisions based on robust statistical analysis.

Child Care Centers Descriptive Statistics

Below, the tables are broken down for infants, toddlers, preschoolers, children with special needs, and school-aged children.

Table 6. Percentile Analysis Infants (Center)

Descriptive Statistics	Original Values (\$)	Adjusted Values (\$)
Mean	433.91	408.32
Standard Deviation	127.32	80.07
Minimum	100.00	200.00
Maximum	864.00	635.00
Median (50th percentile)	400.00	400.00
60th percentile	425.00	420.00
75th percentile	475.00	450.00
80th percentile	495.00	475.00
85th percentile	545.00	489.00
90th percentile	575.00	513.00

Table 7. Percentile Analysis Toddlers (Centers)

Descriptive Statistics	Original Values (\$)	Adjusted Values (\$)
Mean	410.50	387.26
Standard Deviation	122.67	79.61
Minimum	100.00	200.00

Descriptive Statistics	Original Values (\$)	Adjusted Values (\$)
Maximum	864.00	600.00
Median (50th percentile)	385.00	380.00
60th percentile	400.00	400.00
75th percentile	450.00	430.00
80th percentile	478.00	450.00
85th percentile	500.00	475.00
90th percentile	550.00	495.00

Table 8. Percentile Analysis Preschool (Centers)

Descriptive Statistics	Original Values (\$)	Adjusted Values (\$)
Mean	387.75	383.44
Standard Deviation	103.76	91.64
Minimum	100.00	190.00
Maximum	755.00	600.00
Median (50th percentile)	380.00	380.00
60th percentile	400.00	400.00
75th percentile	432.50	425.00
80th percentile	460.00	450.00
85th percentile	485.50	480.00
90th percentile	547.60	504.00

Table 9. Percentile Analysis School-Age (Centers)

Descriptive Statistics	Original Values (\$)	Adjusted Values (\$)
Mean	320.57	320.57
Standard Deviation	99.62	99.62
Minimum	95.00	95.00
Maximum	580.00	580.00
Median (50th percentile)	300.00	300.00
60th percentile	350.00	350.00
75th percentile	400.00	400.00
80th percentile	400.00	400.00

Descriptive Statistics	Original Values (\$)	Adjusted Values (\$)
85th percentile	421.00	421.00
90th percentile	450.00	450.00

Table 10. Percentile Analysis Special Needs (Centers)

Descriptive Statistics	Original Values (\$)	Adjusted Values (\$)
Mean	415.39	390.12
Standard Deviation	134.13	84.88
Minimum	150.00	220.00
Maximum	840.00	600.00
Median (50th percentile)	390.00	380.00
60th percentile	400.00	400.00
75th percentile	450.00	432.50
80th percentile	480.00	450.00
85th percentile	521.10	478.50
90th percentile	595.50	499.00

Child Care Homes Descriptive Statistics

Below, the tables are broken down for infants, toddlers, preschoolers, children with special needs, and school-aged children.

Table 11. Percentile Analysis Infants (Homes)

Descriptive Statistics	Original Values (\$)	Adjusted Values (\$)
Mean	402.00	352.22
Standard Deviation	159.80	59.96
Minimum	260.00	260.00
Maximum	850.00	450.00
Median (50th percentile)	380.00	380.00
60th percentile	388.00	380.00
75th percentile	400.00	400.00
80th percentile	410.00	400.00

Descriptive Statistics	Original Values (\$)	Adjusted Values (\$)
85th percentile	432.50	400.00
90th percentile	490.00	410.00

Table 12. Percentile Analysis Toddlers (Homes)

Descriptive Statistics	Original Values (\$)	Adjusted Values (\$)
Mean	326.24	339.00
Standard Deviation	195.66	115.34
Minimum	0.00	75.00
Maximum	800.00	576.00
Median (50th percentile)	310.00	335.00
60th percentile	372.00	376.00
75th percentile	400.00	400.00
80th percentile	400.00	400.00
85th percentile	430.00	402.50
90th percentile	500.40	435.00

Table 13. Percentile Analysis Preschool (Homes)

Descriptive Statistics	Original Values (\$)	Adjusted Values (\$)
Mean	382.60	336.22
Standard Deviation	164.34	78.66
Minimum	250.00	250.00
Maximum	800.00	491.00
Median (50th percentile)	335.00	310.00
60th percentile	368.00	350.00
75th percentile	395.00	380.00
80th percentile	418.20	388.00
85th percentile	459.15	396.00
90th percentile	521.90	418.20

Table 14. Percentile Analysis School-Age (Homes)

Descriptive Statistics	Original Values (\$)	Adjusted Values (\$)
Mean	342.4	291.56
Standard Deviation	185.31	97.71
Minimum	320	280
Maximum	320	280
Median (50th percentile)	365.6	344
60th percentile	378.5	374
75th percentile	384	376.4
80th percentile	393	378.8
85th percentile	440	384
90th percentile	620	392

Table 15. Percentile Analysis Special Needs (Homes)

Descriptive Statistics	Original Values (\$)	Adjusted Values (\$)
Mean	363.33	363.33
Standard Deviation	47.26	47.26
Minimum	310.00	310.00
Maximum	400.00	400.00
Median (50th percentile)	380.00	380.00
60th percentile	384.00	384.00
75th percentile	390.00	390.00
80th percentile	392.00	392.00
85th percentile	394.00	394.00
90th percentile	396.00	396.00

Equality of Access

In this section, we will break down an analysis of the factors considered to ensure that every child has equal access to quality child care. The analysis takes into account the various market factors specific to Puerto Rico, as well as future trends and projections that will influence or determine pricing structures. Understanding these elements is fundamental to guaranteeing that all children, regardless of their background, have equal opportunities to access high-quality child care services in Puerto Rico. This comprehensive review aims to highlight the necessary measures and strategies to achieve and maintain equality of access across the territory.

One of the main obstacles to equality of access to child care on the island is Puerto Rico's economy. Aside from the lack of growth over the past decade, one example of the challenges facing local businesses can be seen in the World Bank's "Ease of Doing Business" Index. Puerto Rico ranks 65th in this index compared to the US's 6th. This section will illustrate in four interconnected ways the challenges facing child care centers in Puerto Rico.

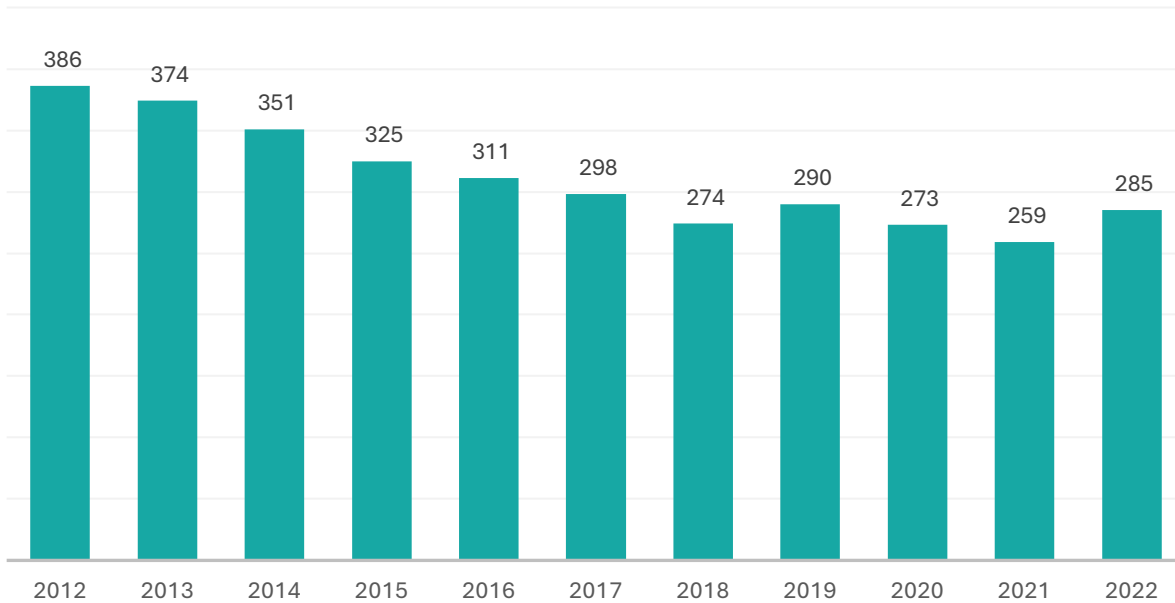
Economic Stability of the Child Care Industry

The following chart shows Bureau of Labor Statistics (BLS) data on the number of operating child care centers (NAICS code 6244, Child Care Services) on the island. The number of centers according to BLS is lower than the number of centers surveyed due to some municipalities not being available in the BLS database and some centers and homes being misclassified. However, the general trend within the industry is still well represented in the BLS data.

The number of child care centers on the island has decreased from 386 in 2012 to just 285 in 2022, a 26% drop in just 10 years. This highlights the severity of the situation for child care centers on the island. The 10% increase seen in 2022 points towards recovery funds playing a significant role in the continued operation, opening, and reopening of centers on the island.

Our survey shows how the average center's operational difficulties could lead to closure, further threatening equality of access to quality child care services on the island.

Figure 17. Number of Child Care Centers in Puerto Rico (BLS)



Source: BLS NAICS code 6244.

Operational Analysis

Based on our survey of child care centers in Puerto Rico, we estimated mean and median monthly income and expenses in order to paint a clearer picture of the current operational state of the average center on the island. The data reveals a troubling financial situation for these centers, posing a significant threat to the equality of access for families seeking quality child care services.

The average monthly income for a child care center is \$15,732, while the median monthly expenses amount to \$19,204. This disparity results in an operational deficit of \$3,472, or 22% of their income. This deficit is not sustainable and indicates that many centers are operating at a loss. The financial instability of child care centers significantly impacts the ability of families to access quality child care services.

During the roundtable discussions with representatives from child care center associations, it was affirmed that there has been a continuous closure of educational centers, and they projected a future wave of closures. Several factors contribute to this situation. The average center is unable to cover its basic operating expenses, leading to a reliance on recovery funds to remain operational. This dependency on external funds is not a viable long-term solution. While recovery funds have temporarily increased the number of operating centers, their depletion may lead to further closures, reducing access to child care services.

If this trend continues, it will exacerbate the already critical shortage of child care services, making it even more difficult for families to find quality care for their children. The closure of more centers will disproportionately affect low-income families who are less able to afford alternative care options, widening the gap in access to quality child care and undermining efforts to provide equal opportunities for all children.

In conclusion, the financial health of child care centers in Puerto Rico is precarious, with many centers operating at a significant deficit. Ensuring that child care centers can operate without deficits is crucial for maintaining and expanding access to quality child care services for all families in Puerto Rico. Without intervention, the continued closure of centers will further limit access and exacerbate inequalities.

Table 16. Operational Analysis of Child Care Centers

Income and Expenses	Dollars (\$)
<i>Median Income</i>	\$15,732
<i>Median Expenses</i>	\$19,204
<i>Income - Expenses</i>	-\$3,472
<i>Deficit</i>	22%

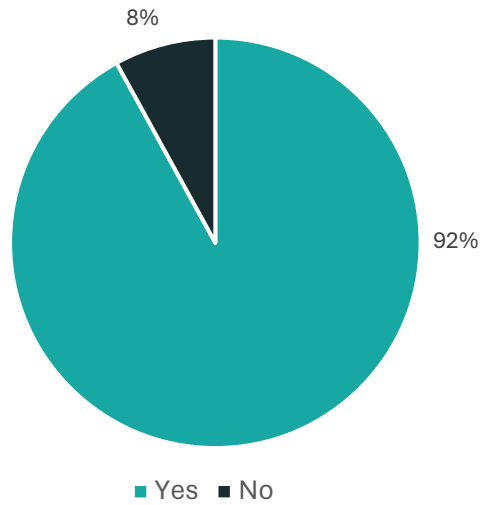
Recovery Funds

The COVID-19 pandemic led to one of the largest disbursements of recovery funds towards private industry ever made. The American Rescue Plan Act of 2021 allocated \$1.9 trillion aimed at the economic stabilization of virtually every facet of American life. Puerto Rico received billions in recovery funds, and through one of these programs, the Pandemic Emergency Child Care (PECC), child care centers in Puerto Rico that participate in the Administration for Children and Families' subsidy programs received over \$169 million in funding.

These \$169 million in recovery funds resulted in many child care centers relying on these non-recurring funds for their continued operations. Part of the survey conducted in the 2024 Needs Assessment Study included questions about whether the centers received recovery funds and the importance of these funds for the continuity of their operations. The survey data about center participation in recovery programs was used to triangulate the information and better understand the child care market rate survey.

The following figure shows that, out of the 303 centers and homes surveyed as part of the the 2024 Needs Assessment Study, 92% participated in recovery fund programs during the COVID-19 pandemic. This indicates the widespread participation in programs such as PECC and how centers received millions of dollars in federal funds. It is important to note that PECC is just one of ACUDEN's programs aimed at stabilization and recovery; there are seven additional programs that supported centers in various ways, including recruitment, retention, and training of direct service staff.

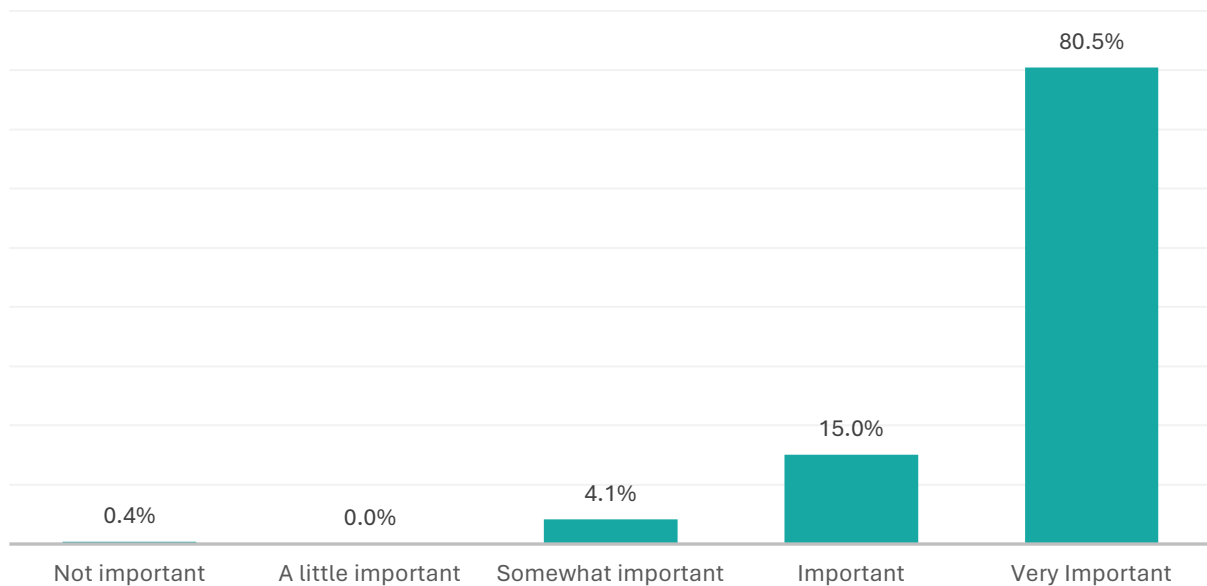
Figure 18. Participation in Recovery Fund Programs



Source: 2024 Needs Assessment Study.

The next graph shows the importance of the millions in recovery funds that arrived on the island for child care centers. Of those who answered the question, 95.5% responded that these funds were either important or very important, highlighting the crucial role these funds played in the operation of child care centers.

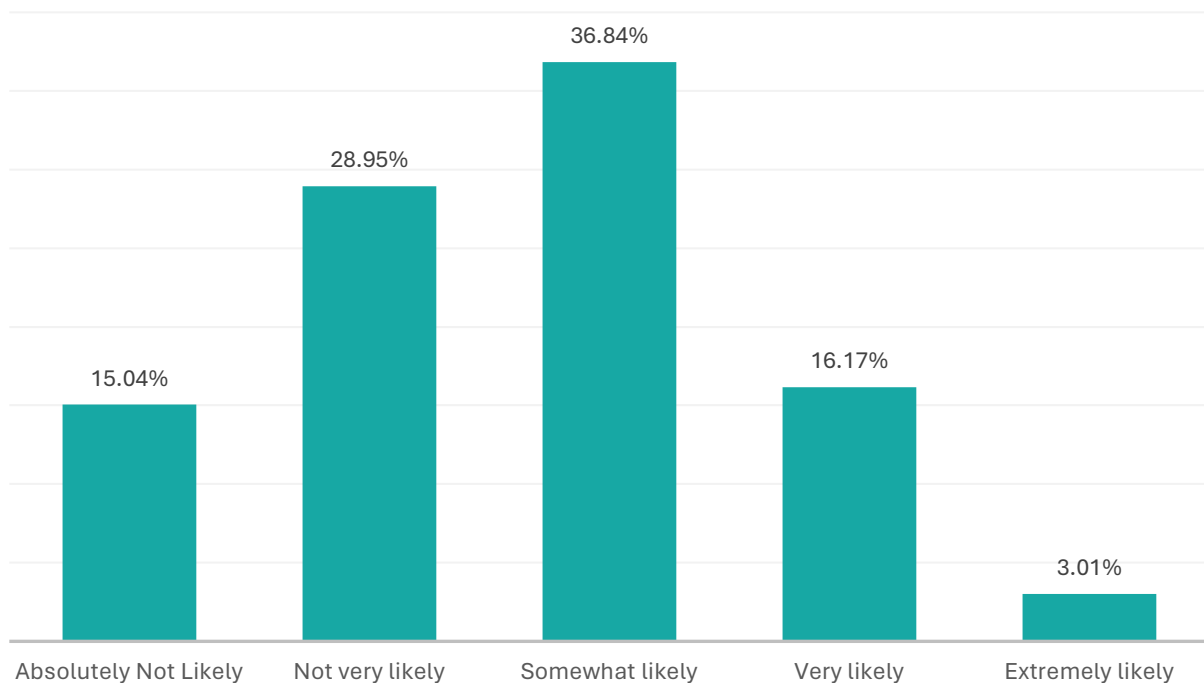
Figure 19. Importance of Recovery and Stabilization Funds



Source: 2024 Needs Assessment Study.

80.83% of surveyed centers believe they would face the risk of shutting down without access to federal recovery funds, highlighting the pivotal role these external funds have played in keeping child care centers afloat. These survey responses leave no doubt about the significant impact of these funds on the continued operation of child care centers in Puerto Rico. Without these funds, a large majority of those surveyed stated that they would have closed, and a similar majority rated them as extremely important to their ability to keep providing services to the target population. Ensuring that centers can operate without these non-recurring funds is essential to maintaining equality of access and opportunity within the child care industry in Puerto Rico.

Figure 20. Likelihood that Center Could Operate without Recovery Funds



Source: 2024 Needs Assessment Study.

Salary Considerations

Minimum Wage Increase Analysis

Puerto Rico's Law 47 from 2021 established a series of minimum wage increases whose final implementation will take place in July 2024. These increases were enacted to be gradual and yearly in Puerto Rico culminating in a \$10.50 hourly minimum, with future increases to be reviewed yearly.

The increase from a minimum wage of \$7.25 in 2020 to a minimum of \$10.50 in 2024 amounts to a 44.8% increase in the minimum wage. While teachers earning the minimum wage is not the industry norm, it is well documented that minimum wage increases tend to have a ripple effect that results in salaries that are close to it being pushed upwards (Grossman, 1983).

This upcoming \$1.00 increase in the hourly minimum wage (which is equivalent to a 10.5% increase) must be taken into consideration when discussing childcare workers' salaries, particularly non-teacher salaries. Since these salaries are on average close to the minimum wage, this increase's effects on non-minimum wage salaries within the childcare industry must be taken into account.

Table 17. Minimum Wage Increase in Puerto Rico

Salary	Hourly Wage	Full-time Monthly salary with benefits
<i>Puerto Rico minimum wage</i>	\$9.50	\$1,967.21
<i>PR minimum wage after July 1st 2024</i>	\$10.50	\$2,169.03

Source: Puerto Rico Labor Department

Child Care Salaries in Puerto Rico

ACUDEN's delegated childcare contracts recommend pay rates for teachers and teacher's assistants. The following table shows the hourly rates recommended by ACUDEN as well as BLS data showing average pay rates in Puerto Rico for pre-school teachers. Salaries are also shown for child care

employees, which is representative of teacher's assistants and other non-teacher employees within the centers.

ACUDEN's rates for teachers are currently 9.9% higher than the BLS average. When the minimum wage increases by 10.5% in July, this will also exert upwards pressure on salaries that are close to it, such as childcare workers; whose current established rate is \$13.27 and who on average earn \$10.49 an hour in Puerto Rico.

Table 18. ACUDEN Delegated Contract Rates and BLS Averages

Salary	Hourly Wage	Full-time Monthly salary with benefits
<i>Delegated Contract Rate for Teachers</i>	\$15.58	\$3,193.61
<i>Delegated Contract Rate for Teacher's Assistants</i>	\$13.27	\$2,727.89
<i>BLS 25-2011 Average Teacher's Salary for Puerto Rico</i>	\$14.17	\$2,909.68
<i>BLS 39-9032 Average Childcare Employee Salary for Puerto Rico</i>	\$10.49	\$2,167.01

Source: ACUDEN Delegated Contract Rates, BLS

Wage Pressures on Teacher salaries

The following table shows the difference between the new minimum hourly wage of \$10.50 and current ACUDEN delegated contract rate recommendations for teachers. As can be seen, the difference is \$5.08 per hour. Adding on to this difference is the aforementioned upwards pressure that will be applied to teacher's and child care workers' wages in the island as a result of the minimum wage increase.

This could lead to a scenario where many that would have previously sought employment in child care, particularly non-teachers, could look for jobs in other sectors of the economy. This would be a particularly noticeable tendency if the upwards wage pressure is not taken into account and childcare workers' salaries are not increased.

Another factor to consider is inflation. This has been one of the largest economic concerns both in Puerto Rico as well as throughout the world in the past years. Even though inflation has gone down below 3%, accumulated price increases since the beginning of 2020 have reached 15.4%. (Puerto Rico Labor Department, Concatenated CPI Tables). This has had a significant effect on businesses on the island as well as applied pressure on salaries in general.

A 10.5% increase in the minimum wage could lead to a catastrophic failure in the childcare sector if the rates paid to centers and homes do not reflect the new wage reality. This would be an existential threat to equality of access to child care services.

Table 19. Difference between New Minimum Wage and ACUDEN Contract Rates

Salary	Hourly Wage	Full-time Monthly salary with benefits
<i>Puerto Rico Increased minimum wage</i>	\$10.50	\$2,169.03
<i>Delegated contract rate for teachers</i>	\$15.58	\$3,193.61
<i>Difference</i>	\$5.08	\$1,024.58

Source: ACUDEN Delegated Contract Rates, Puerto Rico Labor Department

Discussion

As discussed in the previous section, various factors influence the stability of the child care market in Puerto Rico, which in turn affects access to these essential services. Now, we will delve into the process of setting child care rates in Puerto Rico, taking into consideration elements of equality of access. Understanding how these rates are determined is crucial for ensuring that all children have the opportunity to receive high-quality care, regardless of their socioeconomic background.

This section will cover the impact of market competition, non-salary expenses, personnel salaries, and quality standards on the rate-setting process. Each of these elements plays a significant role in shaping the pricing strategies of child care providers, ultimately influencing the affordability and accessibility of child care services across the territory.

Salaries to Promote High Quality, Recruitment, and Retention

In setting the salaries for child care providers, we have taken into consideration the recommended salaries provided by ACUDEN in their fund delegation contracts. These recommendations are aimed at ensuring high quality in child care services, as well as effective recruitment and retention of qualified staff. By aligning salaries with these standards, we aim to attract and retain skilled professionals who are essential for delivering high-quality care. This approach is critical for maintaining operational stability and fostering an environment conducive to the healthy development and well-being of children in Puerto Rico.

Salary Contribution and Gaps for Different Child Populations

The analysis of salary contributions and gaps for various child populations in child care settings, based on ACUDEN's recommended salaries for teachers and assistants, reveals significant insights into the current financial dynamics of the sector. The table below provides a detailed breakdown for each child population, including class size, child-to-adult ratio, and the MRS 2024 rates. It highlights the monthly salary contributions per child needed to cover direct teacher and assistant salaries and the resulting gap compared to the MRS 2024 rates.

For infants, the monthly salary contribution per child needed to cover the direct salaries of teachers and assistants is \$711. However, the MRS 2024 rate for infants is \$450.00, resulting in a deficit of \$261.08 per child per month.

For toddlers, the monthly salary contribution per child is \$711, while the MRS 2024 rate is \$430.00, leading to a deficit of \$281.08 per child per month.

For special needs children, the monthly salary contribution per child is \$720.78, while the MRS 2024 rate is \$432.50, resulting in a significant deficit of \$288.28 per child per month. This highlights the additional costs required to provide specialized services and support.

In summary, the analysis demonstrates that current MRS rates frequently fall short of covering the full costs of providing high-quality child care, particularly when considering the need for competitive salaries to attract and retain qualified staff. The observed deficits, especially in infant, toddler, and special needs care, suggest that additional funding or rate adjustments are essential to ensure the sustainability and quality of child care services.

It is important to note that centers have not adjusted their rates in line with market inflation, as federal recovery funds have supported the sector and mitigated immediate impacts. However, as these funds are depleted, the market is likely to react with rate adjustments. This could adversely affect equal access and create significant challenges for families, particularly those with low incomes.

Table 20. Salary contributions per class size and age group using ACUDEN delegated contract rates

Population	Class Size	Child to Adult Ratio	MRS 2024	Monthly teacher salary with benefits	Monthly assistant salary with benefits	Combined teacher/assistant salary	Contribution per child for direct salary payment	Contribution gap per Child/MRS 2024
Infants	16	4	\$450	\$3,194	\$8,183	\$11,377	\$711	-\$261.08
Toddlers	16	4	\$430	\$3,194	\$8,183	\$11,377	\$711	-\$281.08
Preschool	24	3	\$425	\$3,194	\$5,456	\$8,649	\$360	\$64.61
Special Needs	12	3	\$432.5	\$3,194	\$5,456	\$8,649	\$721	-\$288.28
School Age	12	1	\$400.0	\$3,194	-	\$3,194	\$266	\$133.87

Operational Costs Including Other Non-Direct Service Salaries

In addition to direct service salaries, child care centers incur various operational costs that are essential for maintaining quality services. According to roundtable discussions with child care associations in Puerto Rico, it was found that on average, the operational cost for centers, excluding direct service salaries, is approximately 40%. This increase is attributed to rising utility costs, professional services, and other associated operational expenses.

It is important to highlight that the previous analysis only considered the contribution analysis of direct service employees, such as teachers and assistants. Other salaries, including those for directors, maintenance staff, kitchen staff, substitute teachers, and other personnel, were not factored into that analysis. This suggests that the 40% figure, mentioned and validated by the representatives of the child care associations—which include the majority of providers in Puerto Rico—is conservative.

Understanding the full scope of operational costs is crucial for setting realistic and sustainable child care rates that ensure quality of care, promote staff recruitment and retention, and maintain accessibility for families. As federal recovery funds dwindle, the ability of child care centers to cover these costs without substantial rate adjustments will be a significant challenge, potentially impacting the equality of access to quality child care services in Puerto Rico.

The table below illustrates the necessary adjustments in the monthly contribution to cover teacher and assistant salaries, with the addition of non-salary expenses.

Table 21. Monthly Contribution Plus Operational Costs

Population	Class Size	Adult/Child Ratio	Monthly Salary Contribution	Monthly Salary Contribution +Non-Salary expenses
Infants	16	4	\$711	\$1,185
Toddlers	16	4	\$711	\$1,185
Pre School	24	3	\$360	\$601
Special Needs	12	3	\$721	\$1,201
School Age	12	1	\$266	\$444

Table 22. Difference between Previous and Proposed Monthly Contribution

Population	Class Size	Adult/Child Ratio	MRS 2024	Monthly Salary Contribution +Non-Salary expenses	Difference
Infants	16	4	\$450	\$1,185	\$735
Toddlers	16	4	\$430	\$1,185	\$755
Pre School	24	3	\$425	\$601	\$176
Special Needs	12	3	\$433	\$1,201	\$769
School Age	12	1	\$400	\$444	\$44

The detailed analysis of the rates reveals a significant disparity between the current rates (MRS 2024) and the rates necessary to fully cover the costs of serving the child and the family, including indirect service salaries. The disparity is most pronounced in categories such as infants and special needs, underscoring the urgency to review and adjust rates to ensure equal access for families, the sustainability of the sector, and the quality of child care in Puerto Rico.

Rate Setting

Full-Time Rates

The recommended new rates for child care providers reflect a comprehensive adjustment to better align with the realities of the Puerto Rico child care market. For centers, the rates are set at \$1,185 for infants and toddlers, \$601 for preschoolers, and \$1,201 for children with special needs. For home-based providers, the rates are \$682 for infants, toddlers, and special needs children, and \$455 for preschoolers. These new rates aim to bridge the gap between current funding and actual operational expenses, ensuring that providers can maintain sustainable operations while delivering superior care. The primary objective of these rates is to ensure equal access for children and families, considering the implications of the child care market in Puerto Rico and future market projections, as discussed in the preceding study. Rates for school-age care do not apply as they are for part-time care.

These rates were reached by first calculating the necessary monthly salary contribution necessary to cover 100% of the salary for the teachers and teacher's assistants necessary for the largest class sizes. For example, if the total monthly salary paid for a class room with 16 infants, who require 1 teacher and 3 assistants, was \$11,377.28, this total salary was divided by 16, to arrive at a monthly salary contribution of \$711. After this initial contribution was reached, this number was then divided by 0.6, which is representative of our study's assumption that salary expenses represent 60% of total expenses, with the remaining 40% being non-salary expenses (utilities, materials, etc.). This allows us to reach our final rate of \$1,185, of which \$711 represents salary expenses and \$474 represents non-salary expenses. This process was then repeated across the remaining categories to reach our rate recommendations.

Table 23. Proposed Full-time Rates

	Centers	Homes
<i>Infants</i>	\$1,185	\$682
<i>Toddlers</i>	\$1,185	\$682
<i>Pre School</i>	\$601	\$455
<i>Special Needs</i>	\$1,201	\$682
<i>School Age</i>	N/A	N/A

Part-Time Rates

To estimate part-time rates, a methodology based on a proportional approach that considers two-thirds of the full-time rate was used. This adjustment was made with the goal of promoting full-time child care while ensuring that part-time rates remain fair and reasonable for both providers and families.

For infant care, the part-time rate is \$790 in centers and \$454 in homes. For toddlers, the part-time rate is also \$790 in centers and \$454 in homes. Preschool care part-time rates are \$400 in centers and \$303 in homes. For special needs care, the part-time rate is \$801 in centers and \$454 in homes. Lastly, for school-age care, the part-time rate is \$444 in centers and \$379 in homes. These rates were adjusted based on two-thirds of the full-time rates, balancing the needs of both providers and families.

Table 24. Proposed Part-time Rates

	Centers	Homes
<i>Infants</i>	\$790	\$454
<i>Toddlers</i>	\$790	\$454
<i>Pre School</i>	\$400	\$303
<i>Special Needs</i>	\$801	\$454
<i>School Age</i>	\$444	\$379

Comparison with Current Rates**Center: Full-Time Rates**

The proposed rates for full-time child care reflect significant changes compared to current rates across various age groups. For Infants and Toddlers, the current rate of \$824 is proposed to increase to \$1,185, a change of \$361 or 44%. For Preschool, the current rate of \$565 is proposed to increase to \$601, a change of \$36 or 6%. For children with Special Needs, the current rate of \$838 is proposed to increase to \$1,201, a change of \$363 or 43%.

Table 25. Rate Comparison for Center Full-Time

<i>Full Time</i>	<i>Current Rate</i>	<i>Proposed Rate</i>	<i>Change</i>	<i>%Change</i>
<i>Infants and Toddlers</i>	\$824	\$1,185	\$361	44%
<i>Pre School</i>	\$565	\$601	\$36	6%
<i>Special Needs</i>	\$838	\$1,201	\$363	43%
<i>School Age</i>	-	-	-	-

Center: Part-Time Rates

The proposed rates for part-time child care show varied changes compared to current rates across different age groups. For Infants and Toddlers, the current rate of \$747 is proposed to increase to \$790, a change of \$43 or 6%. For Preschool, the current rate of \$545 is proposed to decrease to \$400, a change of -\$145 or -27%. For children with Special Needs, the current rate of \$724 is proposed to increase to \$801, a change of \$77 or 11%. For the School Age group, the current rate of \$422 is proposed to increase to \$444, a change of \$22 or 5%.

Table 26. Rate Comparison for Center Part-Time

<i>Part time</i>	<i>Current Rate</i>	<i>Proposed Rate</i>	<i>Change</i>	<i>%Change</i>
<i>Infants and Toddlers</i>	\$747	\$790	\$43	6%
<i>Pre School</i>	\$545	\$400	-\$145	-27%
<i>Special Needs</i>	\$724	\$801	\$77	11%
<i>School Age</i>	\$422	\$444	\$22	5%

Homes: Full-Time Rates

The proposed full-time rates for child care in homes show notable changes across different age groups. For Infants and Toddlers, the current rate of \$576 is proposed to increase to \$681.97, a change of \$105.97 or 18%. For Preschool, the current rate of \$491 is proposed to decrease to \$454.65, a change of -\$36.35 or -7%. For children with Special Needs, the current rate of \$576 is proposed to increase to \$681.97, a change of \$105.97 or 18%.

Table 27. Rate Comparison for Homes Full-Time

	Full Time	Current Rate	Proposed Rate	Change	%Change
Infants and Toddlers		\$576	\$681.97	\$105.97	18%
Pre School		\$491	\$454.65	-\$36.35	-7%
Special Needs		\$576	\$681.97	\$105.97	18%
School Age		-	-	-	-

Homes: Part-Time Rates

The proposed part-time rates for child care in homes indicate changes across different age groups. For Infants and Toddlers, the current rate of \$426 is proposed to increase to \$454.19, a change of \$28.19 or 7%. For Preschool, the current rate of \$357 is proposed to decrease to \$302.80, a change of -\$54.20 or -15%. For children with Special Needs, the current rate of \$408 is proposed to increase to \$454.19, a change of \$46.19 or 11%. For the School Age group, the current rate of \$372 is proposed to increase to \$378.50, a change of \$4.50 or 2%.

Table 28. Rate Comparison for Homes Part-Time

	Part time	Current Rate	Proposed Rate	Change	%Change
Infants and Toddlers		\$426	\$454.19	\$28.19	7%
Pre School		\$357	\$302.80	-\$54.20	-15%
Special Needs		\$408	\$454.19	\$46.19	11%
School Age		\$372	\$378.50	\$4.50	2%

Conclusions

Ensuring equality of access to child care and the sustainability of child care centers and homes in Puerto Rico necessitates a thorough reassessment and adjustment of the current rates. Our extensive survey and wide participation with industry leaders have highlighted the substantial impact of both salary and non-salary costs on rate setting. This analysis has revealed that non-salary expenses play a larger role than previously recognized, necessitating their inclusion in the rate-setting process.

Early childhood education is fundamental for lifelong learning and economic opportunities. Our rate recommendations are designed to secure access to child care and address the significant challenges currently facing child care providers. These challenges include reliance on recovery funds, the risk of center closures due to rising expenses, and the inadequacy of current rates to cover operational costs.

Summary of Key Findings

- **Reliance on Recovery Funds:** Child care centers have become increasingly dependent on recovery funds to maintain operations. Without these funds, many centers would face closure.
- **Risk of Closure:** A significant number of centers are at risk of closing due to rising expenses, threatening the sustainability of child care services on the island.
- **Access to Child Care:** Many children risk losing access to child care if rates do not accurately reflect the operational realities faced by providers. This would disproportionately affect low-income families.
- **Inadequate Current Rates:** Current rates fail to account for increasing salaries driven by minimum wage hikes and rising non-salary expenses, creating a financial strain on providers.

- **Contribution Gap:** There is a significant contribution gap, as discussed in the study. The payment contribution per child according to the MRS 2024 does not fully cover the costs of caring for children enrolled in centers and homes. It is essential to address this gap to ensure financial viability and equal access.
- **Significance of Non-Salary Expenses:** Non-salary expenses constitute a larger portion of total operational costs than previously thought. These expenses must be incorporated into the new rates to close the contribution gap and ensure the sustainability of child care services. This information was confirmed and validated through roundtable discussions with child care providers and the main associations in Puerto Rico.

Recovery funds have been a critical lifeline for many centers, allowing them to continue operating amidst financial strain. However, these funds are not a sustainable solution. As these funds deplete, the market must adjust to ensure that child care providers can continue to offer quality services without financial jeopardy. Failure to adjust rates accordingly could result in widespread closures, disproportionately affecting low-income families and compromising the quality of early childhood education in Puerto Rico.

To address these challenges, our recommended rate adjustments aim to reflect the true costs of child care, ensuring that providers can sustain operations while maintaining high-quality standards. This approach will help secure equal access to child care for all families in Puerto Rico, supporting both the providers and the children they serve. By implementing these necessary rate adjustments, we can create a more equitable and sustainable child care system that benefits the entire community.

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