

MAGNIFYING INEQUALITY

A Look at the Inequities of
The 2004-2005 Regional Market Rate (RMR)
Survey of California Child Care Providers

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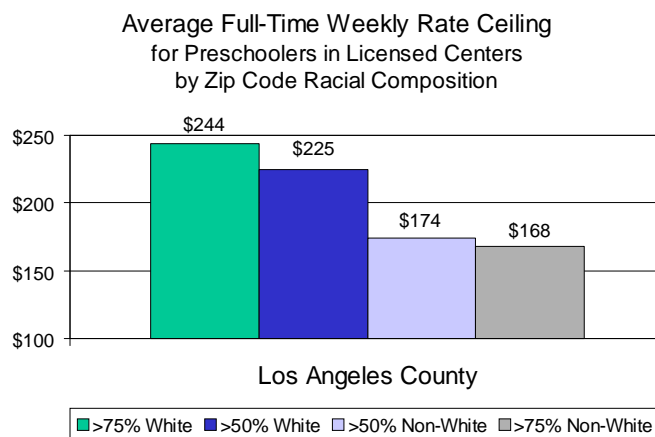
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I. EXECUTIVE SUMMARY

On October 3, 2005, the California Department of Education released the new child care reimbursement ceilings. These ceilings impact the resources available to tens of thousands of child care providers across the state. Every year, the state conducts a market survey to update the rate ceilings, but this year the state made a radical change: instead of setting rates at the county level, as it has done in the past, market profiles were created at the zip code level. As a result, the new rate ceilings vary tremendously within counties, cities, and communities. This new system generally results in lower rate ceilings in minority neighborhoods and in low-income neighborhoods. Undoubtedly, this will mean that providers in these neighborhoods will have fewer resources compared to areas with higher rate ceilings. Such a policy can only exacerbate the racial and geographic inequalities that plague our state and our communities.

In Los Angeles County, the primary focus of this study, providers in zip codes with an overwhelmingly white population can be paid an average of over 20% more than providers in minority zip codes. To illustrate this trend, the following graph reports the new average full-time daily rate ceiling for preschoolers in licensed centers by the racial composition of the zip code.



Advocates for the change may argue that the new rates accurately reflect the actual prices paid by non-subsidized families and that the state should rely on such market prices to set its ceilings. The problem with this approach, however, is that the cost of providing child care does not vary as much as prices. As a result, subsidized providers in minority and low-income areas will likely have to make do with less than providers in white and high income areas. But the state need not – indeed, it should not -- follow such market-produced inequalities. Rather, market rates can be balanced against goals such as equality, fairness, and quality of care -- none of which are inherent outcomes of market forces.

Crystal Stairs recommends that the state continue setting rate ceilings at the county level and that the ceilings be updated using the countywide 85th percentile rates found in the new market rate survey. This recommendation is necessary given the discriminatory nature of rate ceilings at the zip code level and their potential for exacerbating inequality. This recommendation would result in a general and more equal increase in rate ceilings (reflective of the general increase in costs and prices since the last market rate survey).

II. BACKGROUND

The state of California spends more than \$3 billion a year on child care services with more than 44% of that coming from the federal government.¹ This money is divided between Center-Based Programs² and Alternative Payment Programs.³ The primary difference between these two programs is that under the Center-Based Programs, funding goes directly to the child care center, while the Alternative Payment Programs are managed under a voucher system. It is the care provided by the Alternative Payment Programs that is impacted by the new zip code level rate system.

The various Alternative Payment Programs are administered by 87 organizations across the state ranging from county welfare agencies to local school boards to non-profit agencies. Under this system, eligible families apply directly to the administering organization for certification and can pick nearly any child care provider that meets their needs including licensed child care centers, licensed family child care homes, and even a friend or family member who is exempt from the requirement of licensure (license exempt). Typically, child care providers are paid for their services directly from the administering organization. In addition, some families are required to pay fees on a sliding scale depending on their income or make co-payments to the provider if the provider charges more than the administering organization can pay.

A. Rate Ceilings

The amount of the child care reimbursement depends on a complex set of regulations written by the California Department of Education (CDE). At its simplest, providers are paid the same rates they charge non-subsidized families, but those rates cannot exceed the rate ceilings set by CDE. It is these rate ceilings that are at issue here. The rate ceilings are set according to an annual regional market rate survey of child care prices. Child care rates are divided into 54 rate categories depending upon three factors:

- **Provider Type:** There are three types of providers under the rate ceilings: licensed child care centers, licensed family child care homes, and license exempt providers.
- **Age of the Child:** Three different age groupings are used in the rate ceilings: infants (under age 2), pre-schoolers (2 to 5 years old), and school age (6 years old and older).
- **Time Categories:** The time period over which the rate is paid can vary between one of six different groupings: hourly, daily, part-time weekly, full-time weekly, part-time monthly, and full-time monthly.

B. The New RMR Survey

Historically, rate ceilings were set in each of 54 categories at a countywide level across the state. This meant that within a county, all providers faced the same rate ceilings, but the ceilings varied

¹ California Budget Project, Budget Backgrounder: Making Dollars Make Sense, April 2005, pp 7-8.

² Center Based Programs include: the State Preschool Program, General Child Care & Development Program, Community Colleges Program, Campus Tax Bailout Program, Migrant Child Care & Development Program, Extended Day Program, and Handicapped Program.

³ Alternative Payment Programs include: the Non-CalWORKs Alternative Payment Program, CalWORKs Stage 1, CalWORKs Stage 2, CalWORKs Stage 3, and Migrant Alternative Payment Network Program.

between counties. Since market prices vary even within a county, the new 2004-2005 Regional Market Rate (RMR) Survey of California Child Care Providers conducted by ORC Macro identified market rates at the zip code level. It did this by grouping together a series of non-contiguous zip codes to form “Market Profiles.” There are two sets of market profiles, one for licensed centers and a second for licensed homes and license exempt providers. All of the zip codes in a given market profile share the same rate ceilings.

For licensed child care centers, the state is divided into 13 market profiles. Eight different indicators were used to divide zip codes into the different market profiles:⁴

- Median home value
- Median real estate taxes
- Median gross rent
- Proportion of 25+ population with the maximum of a high school degree
- Proportion of 16+ employed full-time
- Proportion of 25+ population with at least a college degree
- Proportion of family households
- Proportion of children aged 0-6 with single parent in the labor force

For licensed family child care homes and exempt providers, the state is divided into 25 different market profiles. Twelve different indicators were used to divide zip codes into the different market profiles:⁵

- Median home value
- Median gross rent
- Median household income
- Median age of housing units
- Median commute
- Proportion of 25+ population with the maximum of a high school degree
- Proportion of 16+ unemployed
- Proportion of family households
- Proportion of single parent family households with own children 0-18
- Proportion of children aged 0-6 with single mother in the labor force
- Proportion of households with phone service
- Housing density

The rate ceilings are set at the 85th percentile of child care prices within each market profile based on the regional market rate survey of licensed centers and licensed homes. Since license exempt providers are not surveyed, their rate ceilings are set at 90% of the rate ceilings for licensed homes.

The new zip code based system was explicitly designed “to address the differences in child care costs [price]... in wealthier urban areas compared to less wealthy urban areas.”⁶ Such an approach raised concerns that the new system would exacerbate existing geographic inequalities

⁴ ORC Macro, 2004-2005 Regional Market Rate (RMR) Survey of California Child Care Providers, pp. 12-13.

⁵ Ibid, pp. 28-29.

⁶ Ibid, p. 3.

between neighborhoods and even discriminate against minority neighborhoods. This analysis was undertaken to determine whether there is discrimination in the new zip code based system and provide the contours for understanding the potential consequences on providers and children.

III. METHODOLOGY

This analysis examines the relationship between race, class, and the new child care regional market rate ceilings. This task is complicated because every zip code contains 54 different rate ceilings, allowing for a myriad of different impacts. To compare rates across categories, an index was established. First, it takes an average of each rate across all of the market profiles. This average was then used as a base to compute a ratio for each rate category. For example, the average (across all market profiles) full-time daily infant rate for centers is \$64.22. In Market Profile Number 6, the same rate is \$80.15. As a result, this rate would be indexed at $80.15/64.22 = 1.25$. An index of 1.25 indicates that the rate is 25% higher than the average. Similarly, an index of 0.86 would indicate that the rate is 14% below the average. In this way, indexed rates can be added together across categories. The process is illustrated below.

Index Table
Infant Center, Full-Time Daily Rate

Market Profile	Rate Ceiling	Calculation	Index
06	\$80.15	$\$80.15 / 64.22 =$	1.25
09	\$55.44	$\$55.44 / 64.22 =$	0.86
16	\$59.88	$\$59.88 / 64.22 =$	0.93
17	\$52.76	$\$52.76 / 64.22 =$	0.82
20	\$51.44	$\$51.44 / 64.22 =$	0.80
21	\$59.08	$\$59.08 / 64.22 =$	0.92
22	\$60.49	$\$60.49 / 64.22 =$	0.94
23	\$62.64	$\$62.64 / 64.22 =$	0.98
29	\$72.04	$\$72.04 / 64.22 =$	1.12
30	\$79.01	$\$79.01 / 64.22 =$	1.23
31	\$75.82	$\$75.82 / 64.22 =$	1.18
56	\$54.07	$\$54.07 / 64.22 =$	0.84
57	\$72.04	$\$72.04 / 64.22 =$	1.12
AVERAGE	\$64.22		

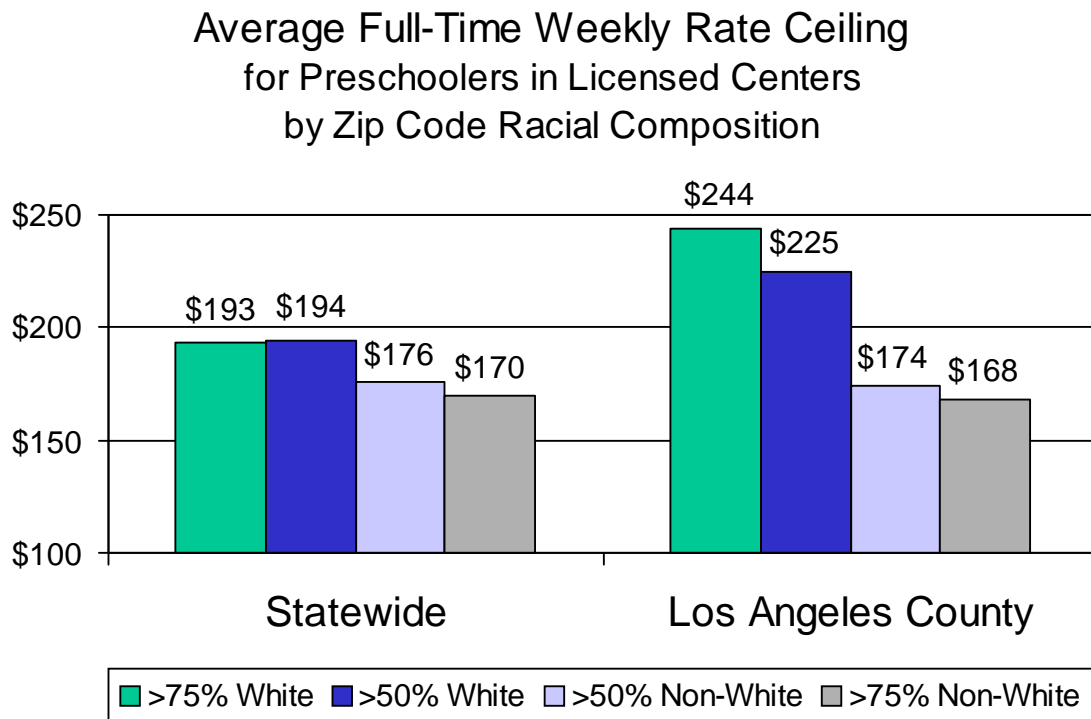
For Market Profile Number 6, the sum of all of the indexed rates for Centers is 23.66. The average index for centers would be 18 (18 rates all set to 1). In this way we can see that on average, rates in Market Profile Number 6 are 31% higher than the average rates. We can now also compare differing zip codes, even adding up the indexed rates for homes, centers, and exempt providers. An indexed rate was created for every zip code in the state.

These indexed rates were then compared to various demographic data taken from the 2000 Census at the zip code level, including: race, median family income, and poverty status. Linear regression analysis was used to compare the index rates to the demographic data. The rate information was treated as a dependent variable and the demographic data was treated as the independent variable. The analysis looked at the state of California as a whole and separately at the County of Los Angeles. A list of all the regressions can be found in Appendix C.

IV. FINDINGS

A. The New RMR Survey Exacerbates Racial Inequality

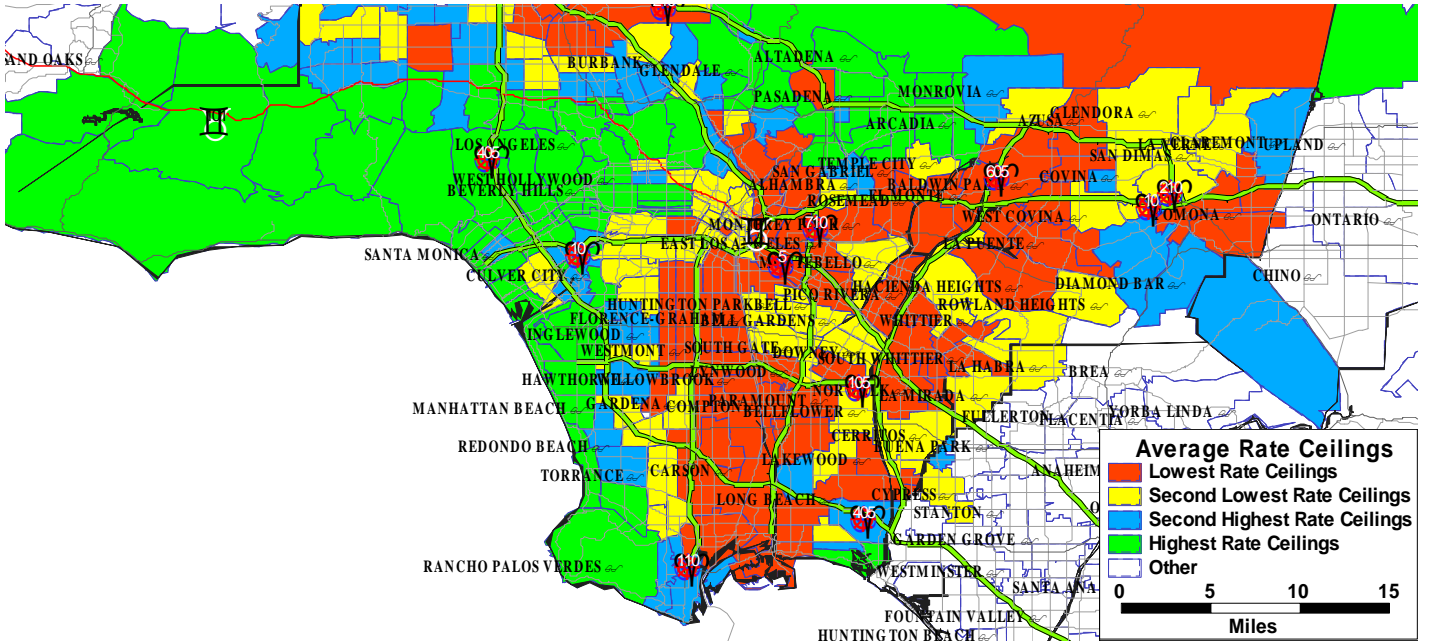
Within Los Angeles County there is a clear correlation between rate ceilings and race, although on a statewide level the correlation is extremely weak. Within Los Angeles County, overwhelmingly white zip codes (more than 75% white) have ceilings that average 23% higher for licensed centers and 22% higher for licensed homes than overwhelmingly non-white zip codes (more than 75% non-white). At a statewide level, overwhelmingly white zip codes have ceilings that average 8% higher for licensed centers and 4% higher for licensed homes. To illustrate this trend, the following graph reports the average full-time daily rate for preschoolers in licensed centers by the racial composition of the zip code



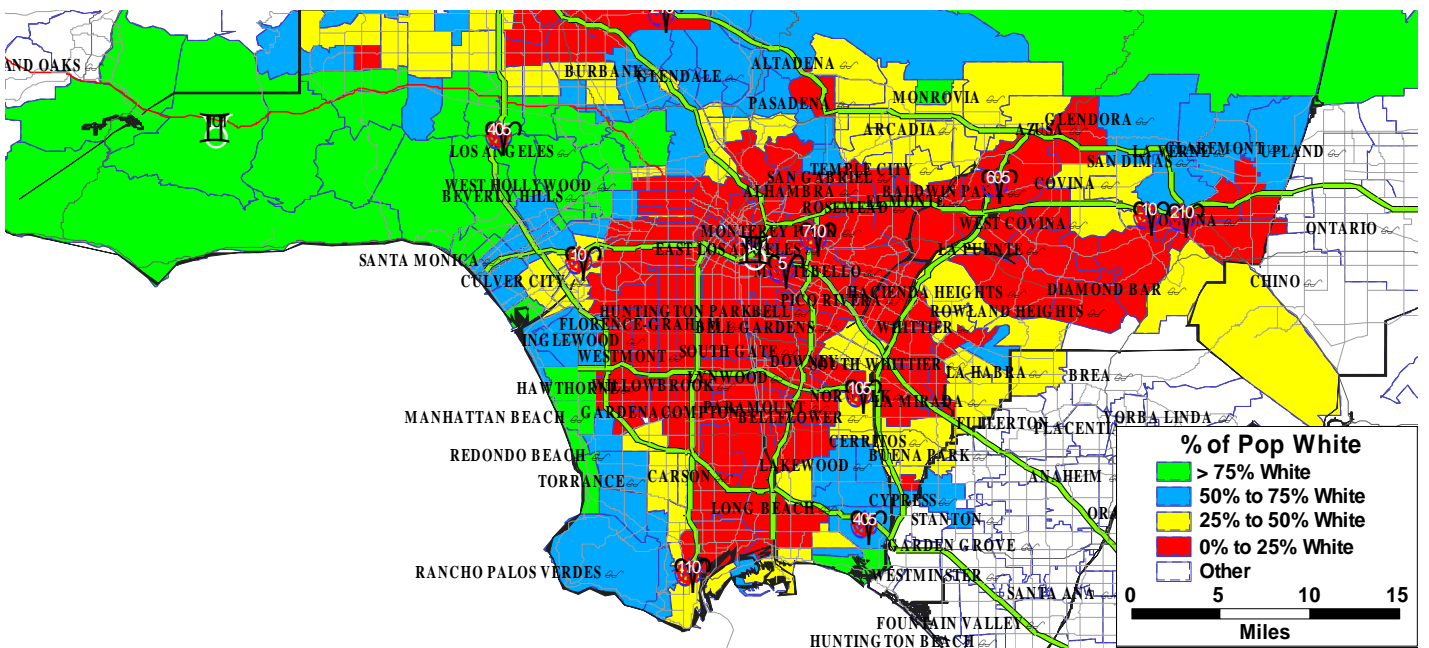
Within Los Angeles County, minority zip codes are nearly three times more likely to have rate ceilings below the statewide average. At the same time, white zip codes are five times more likely to have rate ceilings above the statewide average. With such clear disparities between racial communities, there is a significant danger that these new rate ceilings will exacerbate existing racial inequality.

The maps on the following page illustrate the racial disparities of the new zip code level system. Maps of the entire county can be found in Appendix B.

Average Rate Ceilings For All Provider Types Southern Los Angeles County



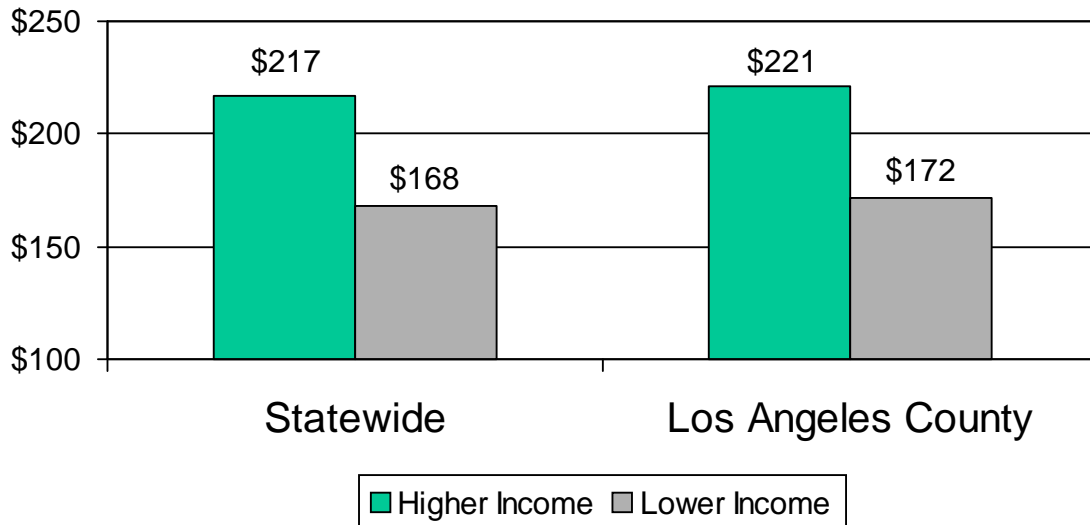
Racial Distribution Southern Los Angeles County



B. The New RMR Survey Exacerbates Geographic Income Inequality

Rate ceilings also correlate strongly with income levels both across the state and in Los Angeles County. This result is not surprising because it is consistent with the stated goal of the 2004-2005 Regional Market Rate Survey. Statewide, zip codes with incomes higher than the median income had rate ceilings 18% (for licensed centers) to 23% (for licensed homes) higher than lower income zip codes. Within Los Angeles County, higher income zip codes had rate ceilings 15% (for licensed homes) to 16% (for licensed centers) higher than lower income zip codes. Again the average full-time daily rate for preschoolers in licensed centers provides an illustration of this disparity.

Average Full-Time Weekly Rate Ceiling
for Preschoolers in Licensed Centers
by Zip Code Income Levels



Compared to zip codes where more than half the population lives below 200% of the poverty level, the higher income zip codes have rate ceilings that are 11% to 15% higher. Similar trends can be seen comparing zip codes by poverty rate. No matter how one defines a low-income neighborhood, the new rate ceilings will reinforce the existing geographic inequality within California and within Los Angeles County.

C. A Tale of Two Cities

While these averages demonstrate on a general level the systemic discrimination within the proposed new rate structure, they do not capture the starkness of the inequality that will occur on a more specific level. Take for example two neighborhoods within the city of Los Angeles that are located only seven and a half miles from one another: Playa del Rey (zip code 90293) and part of South Los Angeles (zip code 90047). Playa del Rey is 74% white and has a median

family income of \$88,402. The community in South Los Angeles is almost 75% African American and 23% Latino and has a median family income of \$39,524 (see table below).

Demographic Comparison of South Los Angeles and Playa del Rey

Neighborhood	South Los Angeles (90047)	Playa del Rey (90293)
Total Population	47,992	11,241
% African American	73.6%	3.8%
% Asian	0.9%	7.5%
% Latino	22.9%	9.4%
% White	1.1%	73.5%
% Other Race	1.5%	5.8%
Median Family Income	\$39,524	\$88,402
% of population below poverty level	23.3%	6.5%
% of population below twice the poverty level	43.0%	14.7%
Average Home Value ⁷	\$403,000	\$747,000

Under the old reimbursement system, rate ceilings would be the same in these two communities. But under the new system, rates in Playa del Rey are much higher. For instance, the rate ceilings for licensed centers are 63% higher on average in Playa del Rey. In the case of the full-time weekly rate for pre-schoolers, the Playa del Rey rate ceiling is more than twice that of South Los Angeles. An example closer to the average difference is the full-time monthly rate for infants in licensed centers. It is \$1,406.31 in Playa del Rey, but only \$889.22 – a 58% difference.

On average, the rate ceilings for licensed homes and license exempt providers are 53% higher in Playa del Rey. At the extreme, the full-time daily rate for pre-schoolers is 81% higher than in South Los Angeles. Even license exempt providers in Playa del Rey have rate ceilings 37% higher than licensed homes and 26% higher than licensed centers in South Los Angeles. This is a striking contrast, because it means that a fully accredited high quality child care center in South Los Angeles could get a significantly lower reimbursement from the state than an inexperienced and unlicensed provider in Playa del Rey.

The inequities of the new state reimbursement system are both clear and profound. In light of this finding the state and the child care community must grapple with the potential of this new reimbursement policy to exacerbate the racial and geographic inequality in communities like Los Angeles. This danger may take shape in both the impact on child care providers and ultimately in the impact on the children in care. Both must be considered when evaluating this new policy. Of course, the zip code based rate system was not created in a vacuum. The motivations for this

⁷ Average value home sales for May to October 2005 from Melissadata.com on 10/27/05. For zip code 90293, n = 176. For zip code 90047, n = 359.

type of system must also be reconsidered in light of the problems inherent in a zip code level approach to setting rate ceilings.

V. POLICY DISCUSSION

A. Close Adherence to Market Prices Is Not Always Best

Determining the right level to reimburse child care providers is a tricky business. The State of California takes the approach of trying to mimic the market. Such an approach is in keeping with our cultural deference to the market economy; the new policy of calculating market rates down to the zip code level is really just an effort to more accurately mimic the market.

Nothing, however, is magical or inherently good about market prices or outcomes. In fact, the entire subsidy program was created because of dissatisfaction with the outcomes in the child care market (we, as a country, have decided we want more and better child care than will be provided by the current market). It does not make sense for the Alternative Payment Program, whose existence is a testament to the shortcomings of the market system, to blindly follow market prices. Mimicking the market may lead the state to recreate or reinforce market-produced inequities – as is the case with the zip code level rate ceilings. As the next section demonstrates, close adherence to market prices, in this instance, is in conflict with the objectives of providing equal access to quality child care and to reducing the socioeconomic inequalities.

B. The Cost of Providing Quality Care Does Not Vary as Much as the Market Price

Setting reimbursement ceilings at the zip code level will only harden the existing inequality by putting subsidized providers in low-income neighborhoods at a disadvantage. Undoubtedly, this will result in lower wages, but even worse, it could result in lower quality care for subsidized children in areas with lower ceilings. Consider how child care providers use the money paid to them and the implications of the varying rate ceilings. Child care revenue can be divided into four uses:

1. **Labor Costs:** Labor accounts for about 50% to 80% of the cost of child care.⁸
2. **Occupancy Costs:** Occupancy accounts for about 5% to 25% of the cost of child care.⁸
3. **Food and Other Costs:** Food accounts for about 5% to 15% of the cost of child care.⁸
4. **Profit:** Child care is a notoriously low profit margin business. A profit margin of 5% would be a reasonable assumption.⁹

In order for subsidized providers in South Los Angeles to provide child care with only a fraction of the resources of Playa del Rey providers, some combination of the following six factors must be true in South Los Angeles:

⁸ Self Help, The Business Side of Child Care, A Reference Manual for Child Care Advocates and Lenders, 2002, p. 25.

⁹ Ibid, p. 72.

- **Wages must be lower.** Lower wages would not only reinforce the current inequality, but since higher wages in a child care setting have been linked to higher retention and thus higher quality,¹⁰ lower wages in South Los Angeles would negatively impact child care quality compared to Playa del Rey.
- **Child to staff ratios must be higher.** Since labor is the highest cost in providing child care, the easiest way to cut cost is to have one person care for more children (within the state licensing requirements). Because staff ratios are also directly linked to quality,¹⁰ lower staff ratios would negatively impact child care quality in South Los Angeles compared to Playa del Rey.
- **Child care facilities must be of a lower quality.** As the second largest expense providers face, one possibility is to cut corners in the facility. This is not to suggest that safety or the minimum licensing requirements will be compromised, but that overall child care quality would suffer in South Los Angeles compared to Playa del Rey.
- **Comparable facilities must cost less.** Rather than spending less by acquiring lower quality facilities, it is distinctly possible, even likely that facility costs are lower in South Los Angeles. A lower cost for comparable facilities is the only legitimate justification among these factors for the state's new policy. Assuming that occupancy costs are 85% higher in Playa del Rey (85% is the difference in housing prices), then the differences in occupancy costs could account for a 5% to 21% higher price in Playa del Rey. But this factor alone is not sufficient to explain the 53% to 63% difference in rate ceilings.
- **Providers must spend less on food and other costs.** There is no reason to believe that food, office supplies, and toys cost less in South Los Angeles. Although there may not be significant cost differentiation in this area, providers will be pressured to spend less on these items – potentially reducing quality.
- **Profits must be lower.** Although the profit margins in the child care business are small, undoubtedly, subsidized providers in South Los Angeles will be forced to accept lower profit margins. This again reinforces the geographic inequality and may discourage providers from opening their doors in certain neighborhoods.

Evaluating all six of these factors, only one (lower facility costs) provides any support for the new state policy. It would be indefensible for the state to mandate lower child to staff ratios, lower wages for child care workers, lower quality child care facilities, less money for food, or lower profits for providers in certain neighborhoods. Yet these will likely be outcomes of the new state reimbursement policy. Left to its own devices, the market may produce such unequal outcomes, but the government should strive for something better.

C. Rationale for New Rate Structure Is Unsubstantiated

In addition to the goal of following the market, which for the reasons above is not justified here, advocates may offer three other reasons for supporting the new system. None of these rationales are sufficient to justify the inequities of the zip code level rate ceilings.

¹⁰ Shonkoff, Jack P. and Phillips, Deborah A. (editors) *From Neurons to Neighborhoods The Science of Early Childhood Development*, National Academy Press, Washington, D.C. 2000, pp. 314 – 317.

- **Choice for subsidized families in wealthy neighborhoods:** The rate ceilings are set so that 85% of providers have rates at or below the rate ceilings. The purpose is to allow families to be able to choose from 85% of the providers in their area. Some argue however, that when the rate ceilings are set at the county level, fewer than 85% of providers will have rates at or below the ceilings in high priced neighborhoods. This means that families in these areas cannot access providers up to the 85th percentile in their neighborhoods – limiting their choices.

However, this perspective looks at choice from a narrow viewpoint. If the market produces a greater number and variety of child care providers in wealthy neighborhoods, then families in those neighborhoods may actually have more choices, even though prices are generally higher. The RMR survey does not provide a sufficiently nuanced view of the child care market to really understand how choice is impacted by the rate ceilings in different neighborhoods. This looks like a situation in which the proposed solution may be worse than the problem it is meant to address.

- **Negative impact on full-pay families in low-income neighborhoods:** Child care providers are required to charge the same rates for subsidized families and non-subsidized (or full-pay families). If the rate ceilings are set higher than market prices in low-income neighborhoods, some argue that providers will have the incentive to serve only subsidized families or to charge full-pay families more (up to the rate ceiling). Either way, the theoretical impact on full-pay families would be higher prices and/or less availability of child care.

This is certainly a concern that needs to be taken into consideration, but it is still only a theoretical concern. And again, the solution may be worse than the problem. The child care market may well be sufficiently dynamic and diverse to make this a moot point. Consider low-income families in wealthier neighborhoods who do not receive any subsidies. Do these families spend more of their income on child care than similar families in low-income neighborhoods? Do they have to leave their neighborhoods to find affordable care? Or does a low-cost market niche exist in even wealthy neighborhoods? We should seek answers to these questions and look to less radical solutions before turning to zip code level ceilings.

- **“Unfair” pay to providers serving only subsidized children in low-income neighborhoods:** Taking the logic of the above issue in a slightly different direction, some argue that there are providers who only serve subsidized children and charge an above market price (up to the rate ceilings). Thus, these providers are making more than providers who charge market prices and serve both subsidized and unsubsidized families. It is argued that these providers are taking advantage of the system.

This concern seems odd given that these providers are only being paid what market rate providers are making in other neighborhoods. If there is a concern over inequity, it seems that it should focus on how market rate providers in low-income neighborhoods are not making as much money as providers in wealthier neighborhoods. It is this inequity, which is likely to generate larger social problems.

VI. RECOMMENDATION – Maintain the Countywide Rate System

The state should reverse course and -- instead of implementing the new survey at the zip code level -- should use the survey to create new ceilings at the countywide level. The state can implement rate ceilings from the new survey while maintaining the current policy of countywide rate ceilings set at the 85th percentile. Fortunately, while conducting the 2004-2005 regional market rate survey, ORC Macro determined countywide rate ceilings at the 85th percentile. This action is recommended because:

- It will allow for general increases in the rate ceilings (see Appendix A) without entrenching a system of inequality.
- It will create a more appropriate balance between responding to market rates without reinforcing market inequities.
- It is the best option for the field given the very short timeline established by the California Department of Education. The information regarding the new policy was released on October 3, 2005 and the new rate ceilings are supposed to be implemented by January 1, 2006.
- The contractors responsible for implementing the new policy do not have adequate time to implement the zip code level system. However, the systems and processes of the contractors around the state are already established based on countywide rates – making their implementation much simpler than the bigger changes associated with the zip code level ceilings.

This recommendation requires the consent and cooperation of many stakeholders. The rate ceilings can be reissued at the countywide level from CDE with new instructions reversing the directions to implement the zip code level rates. In order for this change to take place, the California Department of Education, the Department of Finance, the Department of Social Services, and key legislative committees all need to agree to the change. Hopefully, these bodies will step forward to prevent the state from taking a mis-step that will reinforce the racial and geographic inequalities, which inflict our communities.

Appendix A:

Impact of Crystal Stairs' Recommendation

If rates from the new RMR survey are implemented on a countywide basis, a review of 56 of California's 58 counties¹¹ shows that every county would see an increase in rates, on average, although some rates will decline.

- For licensed centers, rates increase by an average of 5% to 67% in every county.
- For licensed homes, rate decrease by an average of 2% in Sierra County, but increase by 13% to 46% in every other county.
- For license exempt providers, rates increase by an average of 18% to 70%

The specifics for each county, including the number of rates that increase and decrease are shown below.

COUNTY	Type of Care	Average Change in Rate Ceilings	# of Increased Rate Ceilings	# of Decreased Rate Ceilings
ALAMEDA	CENTER	26.0%	16	2
ALAMEDA	HOME	17.1%	16	2
ALAMEDA	EXEMPT	44.6%	11	1
ALPINE	CENTER	63.2%	17	0
ALPINE	HOME	26.3%	17	1
ALPINE	EXEMPT	50.1%	12	0
AMADOR	CENTER	54.8%	16	1
AMADOR	HOME	24.0%	16	2
AMADOR	EXEMPT	48.9%	12	0
BUTTE	CENTER	65.2%	16	0
BUTTE	HOME	27.9%	17	1
BUTTE	EXEMPT	48.9%	12	0
CALAVERAS	CENTER	54.2%	17	0
CALAVERAS	HOME	26.8%	17	1
CALAVERAS	EXEMPT	56.2%	12	0
COLUSA	CENTER	60.6%	16	0
COLUSA	HOME	27.3%	17	1
COLUSA	EXEMPT	32.4%	11	1
CONTRA COSTA	CENTER	28.0%	15	3
CONTRA COSTA	HOME	13.4%	16	2
CONTRA COSTA	EXEMPT	36.1%	10	2
DEL NORTE	CENTER	61.9%	16	0
DEL NORTE	HOME	25.2%	16	2
DEL NORTE	EXEMPT	33.0%	10	2
EL DORADO	CENTER	41.3%	16	1
EL DORADO	HOME	19.4%	15	3
EL DORADO	EXEMPT	45.9%	11	1

¹¹ Ventura and Yolo counties are not included in this analysis because the current RMR ceilings vary at the sub-county level within these counties. Data from the new RMR survey with the same sub-county level breakouts was not yet available.

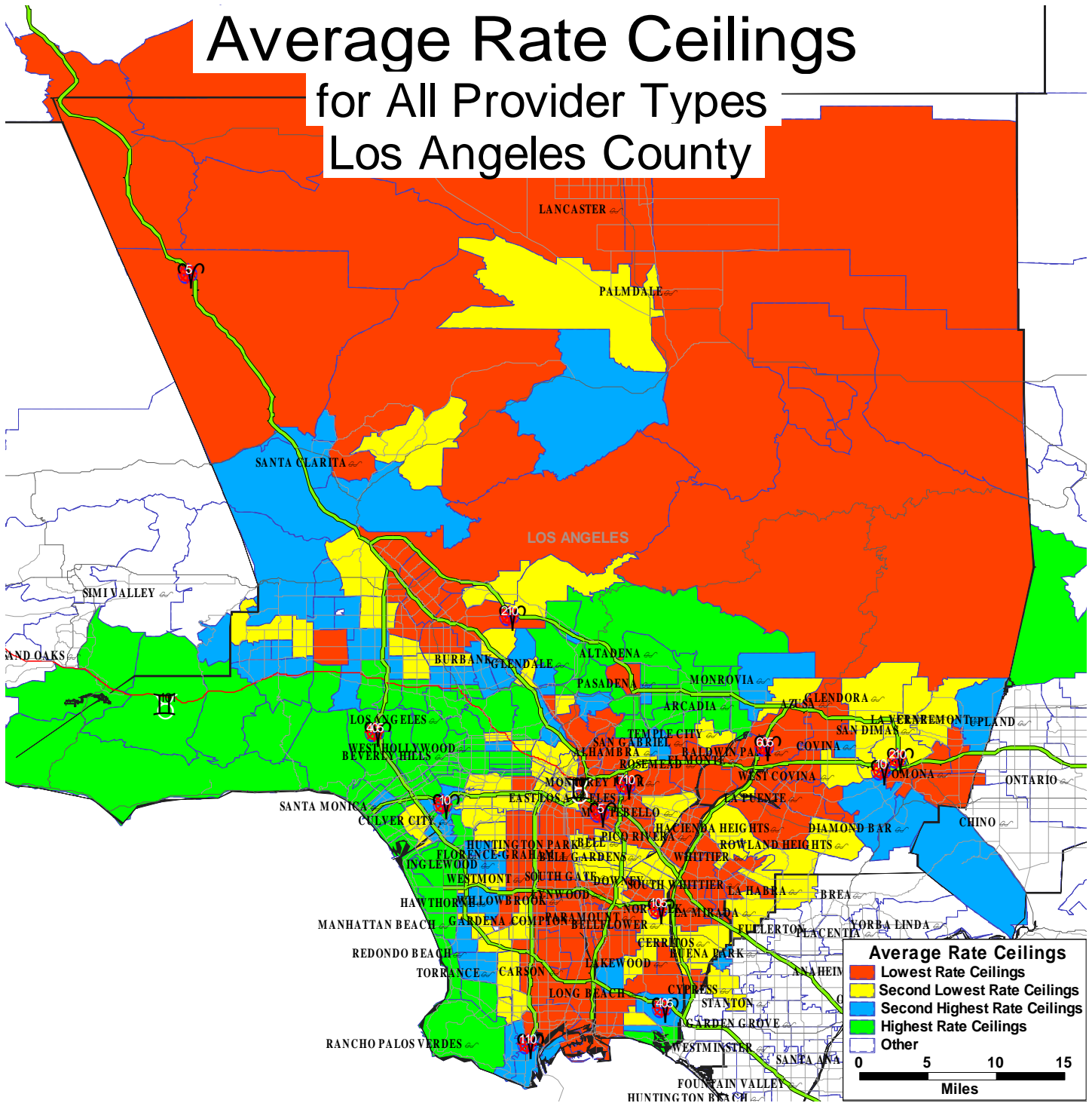
COUNTY	Type of Care	Average Change in Rate Ceilings	# of Increased Rate Ceilings	# of Decreased Rate Ceilings
FRESNO	CENTER	46.5%	17	1
FRESNO	HOME	21.1%	17	1
FRESNO	EXEMPT	37.7%	11	1
GLENN	CENTER	62.7%	16	0
GLENN	HOME	27.0%	17	1
GLENN	EXEMPT	33.6%	11	1
HUMBOLDT	CENTER	65.6%	15	1
HUMBOLDT	HOME	23.7%	15	3
HUMBOLDT	EXEMPT	24.5%	9	3
IMPERIAL	CENTER	49.7%	17	1
IMPERIAL	HOME	19.9%	17	1
IMPERIAL	EXEMPT	51.9%	12	0
INYO	CENTER	46.9%	17	1
INYO	HOME	35.5%	18	0
INYO	EXEMPT	53.0%	12	0
KERN	CENTER	54.1%	17	1
KERN	HOME	23.7%	18	0
KERN	EXEMPT	45.5%	12	0
KINGS	CENTER	51.0%	17	1
KINGS	HOME	36.1%	18	0
KINGS	EXEMPT	69.8%	12	0
LAKE	CENTER	63.8%	16	0
LAKE	HOME	27.4%	18	0
LAKE	EXEMPT	47.3%	12	0
LASSEN	CENTER	60.6%	16	0
LASSEN	HOME	26.2%	17	1
LASSEN	EXEMPT	32.6%	10	2
LOS ANGELES	CENTER	39.2%	18	0
LOS ANGELES	HOME	12.7%	17	1
LOS ANGELES	EXEMPT	38.0%	11	1
MADERA	CENTER	46.6%	17	1
MADERA	HOME	22.6%	18	0
MADERA	EXEMPT	38.7%	12	0
MARIN	CENTER	47.4%	17	1
MARIN	HOME	32.3%	17	1
MARIN	EXEMPT	52.8%	11	1
MARIPOSA	CENTER	44.9%	17	1
MARIPOSA	HOME	15.6%	18	0
MARIPOSA	EXEMPT	36.1%	12	0
MENDOCINO	CENTER	67.0%	16	0
MENDOCINO	HOME	38.6%	18	0
MENDOCINO	EXEMPT	48.8%	12	0
MERCED	CENTER	53.9%	17	1
MERCED	HOME	22.4%	18	0
MERCED	EXEMPT	47.3%	12	0
MODOC	CENTER	62.3%	16	0
MODOC	HOME	28.4%	17	1
MODOC	EXEMPT	34.3%	11	1

COUNTY	Type of Care	Average Change in Rate Ceilings	# of Increased Rate Ceilings	# of Decreased Rate Ceilings
MONO	CENTER	61.0%	18	0
MONO	HOME	44.3%	18	0
MONO	EXEMPT	68.3%	12	0
MONTEREY	CENTER	64.9%	18	0
MONTEREY	HOME	45.9%	18	0
MONTEREY	EXEMPT	62.6%	12	0
NAPA	CENTER	12.6%	12	6
NAPA	HOME	18.9%	14	4
NAPA	EXEMPT	43.6%	10	2
NEVADA	CENTER	36.9%	16	1
NEVADA	HOME	20.3%	16	2
NEVADA	EXEMPT	42.4%	12	0
ORANGE	CENTER	46.2%	18	0
ORANGE	HOME	21.6%	18	0
ORANGE	EXEMPT	47.7%	12	0
PLACER	CENTER	47.1%	16	1
PLACER	HOME	26.9%	18	0
PLACER	EXEMPT	48.4%	12	0
PLUMAS	CENTER	60.6%	16	0
PLUMAS	HOME	29.5%	17	1
PLUMAS	EXEMPT	33.8%	11	1
RIVERSIDE	CENTER	36.5%	17	1
RIVERSIDE	HOME	17.9%	17	1
RIVERSIDE	EXEMPT	39.3%	12	0
SACRAMENTO	CENTER	34.9%	16	1
SACRAMENTO	HOME	13.8%	17	1
SACRAMENTO	EXEMPT	39.3%	12	0
SAN BENITO	CENTER	62.9%	18	0
SAN BENITO	HOME	39.3%	18	0
SAN BENITO	EXEMPT	54.6%	12	0
SAN BERNARDINO	CENTER	39.5%	16	2
SAN BERNARDINO	HOME	22.6%	18	0
SAN BERNARDINO	EXEMPT	48.6%	12	0
SAN DIEGO	CENTER	38.0%	18	0
SAN DIEGO	HOME	15.7%	17	1
SAN DIEGO	EXEMPT	40.5%	12	0
SAN FRANCISCO	CENTER	32.4%	16	2
SAN FRANCISCO	HOME	20.1%	17	1
SAN FRANCISCO	EXEMPT	45.7%	11	1
SAN JOAQUIN	CENTER	59.2%	16	1
SAN JOAQUIN	HOME	17.6%	17	1
SAN JOAQUIN	EXEMPT	41.2%	12	0
SAN LUIS OBISPO	CENTER	57.4%	18	0
SAN LUIS OBISPO	HOME	42.1%	18	0
SAN LUIS OBISPO	EXEMPT	54.8%	12	0

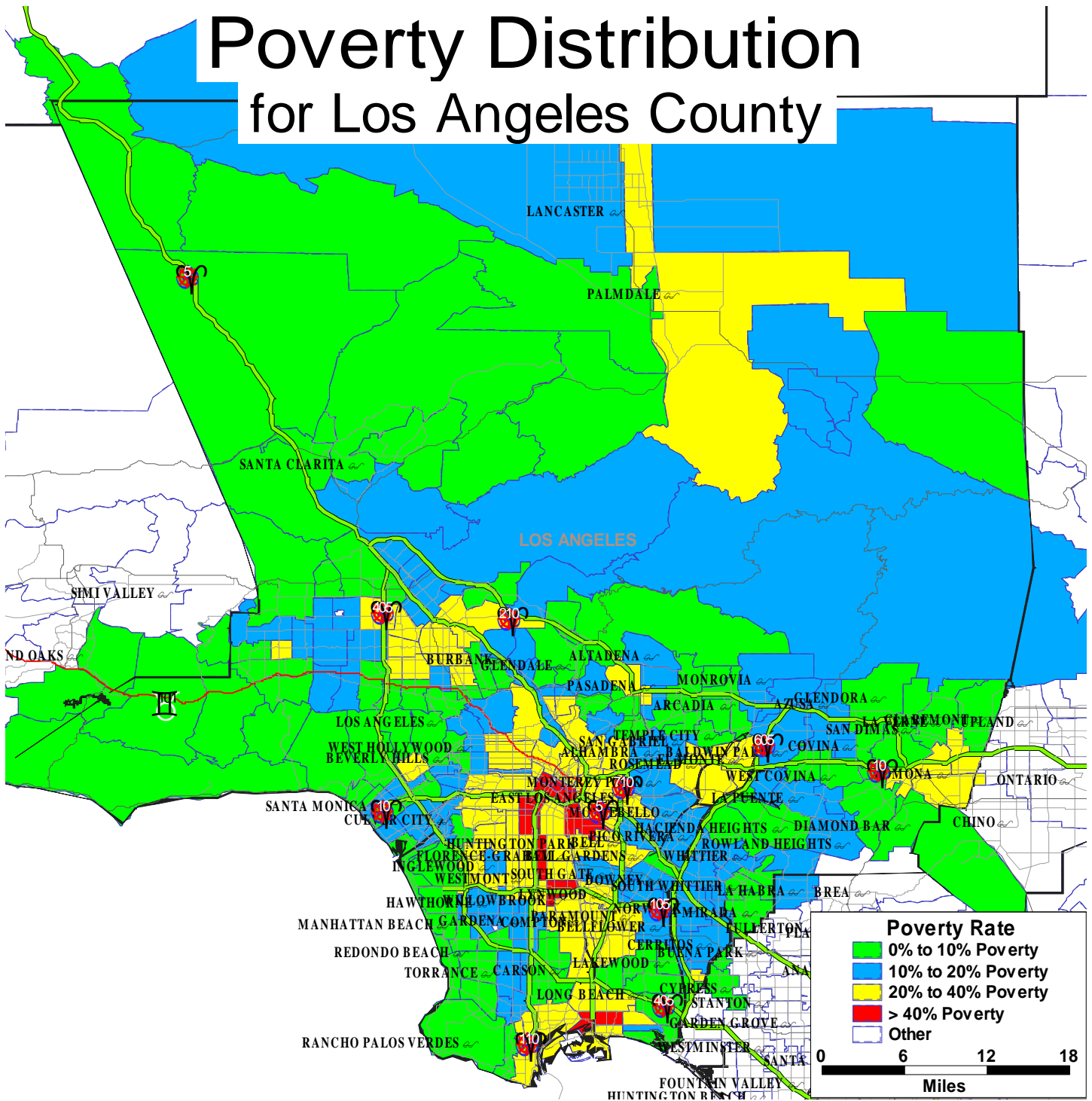
COUNTY	Type of Care	Average Change in Rate Ceilings	# of Increased Rate Ceilings	# of Decreased Rate Ceilings
SAN MATEO	CENTER	38.9%	17	1
SAN MATEO	HOME	19.9%	18	0
SAN MATEO	EXEMPT	34.3%	12	0
SANTA BARBARA	CENTER	49.3%	17	1
SANTA BARBARA	HOME	27.6%	18	0
SANTA BARBARA	EXEMPT	53.2%	12	0
SANTA CLARA	CENTER	29.9%	17	1
SANTA CLARA	HOME	20.7%	18	0
SANTA CLARA	EXEMPT	51.1%	12	0
SANTA CRUZ	CENTER	22.8%	15	3
SANTA CRUZ	HOME	21.9%	17	1
SANTA CRUZ	EXEMPT	42.5%	11	1
SHASTA	CENTER	60.7%	16	0
SHASTA	HOME	27.0%	17	1
SHASTA	EXEMPT	33.7%	11	1
SIERRA	CENTER	27.3%	13	4
SIERRA	HOME	-2.2%	7	11
SIERRA	EXEMPT	18.0%	6	6
SISKIYOU	CENTER	64.8%	16	0
SISKIYOU	HOME	26.4%	17	1
SISKIYOU	EXEMPT	37.2%	11	1
SOLANO	CENTER	5.1%	9	9
SOLANO	HOME	15.7%	17	1
SOLANO	EXEMPT	39.7%	12	0
SONOMA	CENTER	23.9%	15	3
SONOMA	HOME	27.0%	17	1
SONOMA	EXEMPT	39.1%	11	1
STANISLAUS	CENTER	58.9%	16	1
STANISLAUS	HOME	33.2%	17	1
STANISLAUS	EXEMPT	60.7%	12	0
SUTTER	CENTER	63.2%	16	0
SUTTER	HOME	30.2%	18	0
SUTTER	EXEMPT	57.4%	12	0
TEHAMA	CENTER	60.6%	16	0
TEHAMA	HOME	31.0%	18	0
TEHAMA	EXEMPT	41.3%	12	0
TRINITY	CENTER	60.6%	16	0
TRINITY	HOME	22.6%	17	1
TRINITY	EXEMPT	33.5%	11	1
TULARE	CENTER	50.1%	17	1
TULARE	HOME	17.5%	13	5
TULARE	EXEMPT	54.9%	12	0
TUOLUMNE	CENTER	54.9%	16	1
TUOLUMNE	HOME	23.6%	16	2
TUOLUMNE	EXEMPT	52.4%	12	0
YUBA	CENTER	65.9%	16	0
YUBA	HOME	25.7%	17	1
YUBA	EXEMPT	39.0%	11	1

Appendix B: Countywide Maps

Average Rate Ceilings for All Provider Types Los Angeles County



Poverty Distribution for Los Angeles County



Appendix C: Regression Analyses

Los Angeles County Regression Analyses of the Combined Rate Index for Licensed Centers and Licensed Homes

Independent Variable	Percent Change in rates with a 1% increase in the independent variable	R-Squared	Significance
White: % of zip code population that is white	0.33%	.415	p < 0.001
African American or Latino: % of zip code population that is African American or Latino	-0.33%	.419	p < 0.001
Poverty Rate: % of zip code population with incomes below the poverty level	-0.84%	.218	p < 0.001
200% Poverty Level: % of zip code population with income below twice the poverty level	-0.49%	.343	p < 0.001
Median Income: Median family income by zip code	0.20%	.550	p < 0.001

Note: Each row of the table represents a separate linear regression. For ease of interpretation, the coefficient was converted to the “percent change in rates with a 1% increase in the independent variable.”

Los Angeles County
 Regression Analyses of the Rate Index for
 Licensed Homes

Independent Variable	Percent Change in rates with a 1% increase in the independent variable	R-Squared	Significance
White: % of zip code population that is white	0.32%	.344	p < 0.001
African American or Latino: % of zip code population that is African American or Latino	-0.33%	.370	p < 0.001
Poverty Rate: % of zip code population with incomes below the poverty level	-0.77%	.167	p < 0.001
200% Poverty Level: % of zip code population with income below twice the poverty level	-0.46%	.272	p < 0.001
Median Income: Median family income by zip code	0.20%	.438	p < 0.001

Note: Each row of the table represents a separate linear regression. For ease of interpretation, the coefficient was converted to the “percent change in rates with a 1% increase in the independent variable.”

Los Angeles County
 Regression Analyses of the Rate Index for
 Licensed Centers

Independent Variable	Percent Change in rates with a 1% increase in the independent variable	R-Squared	Significance
White: % of zip code population that is white	0.34%	.409	p < 0.001
African American or Latino: % of zip code population that is African American or Latino	-0.33%	.385	p < 0.001
Poverty Rate: % of zip code population with incomes below the poverty level	-0.93%	.234	p < 0.001
200% Poverty Level: % of zip code population with income below twice the poverty level	-0.52%	.354	p < 0.001
Median Income: Median family income by zip code	0.21%	.564	p < 0.001

Note: Each row of the table represents a separate linear regression. For ease of interpretation, the coefficient was converted to the “percent change in rates with a 1% increase in the independent variable.”

Statewide
 Regression Analyses of the Combined Rate Index for
 Licensed Centers and Licensed Homes

Independent Variable	Percent Change in rates with a 1% increase in the independent variable	R-Squared	Significance
White: % of zip code population that is white	0.07%	.011	p < 0.001
African American or Latino: % of zip code population that is African American or Latino	-0.17%	.056	p < 0.001
Poverty Rate: % of zip code population with incomes below the poverty level	-0.89%	.169	p < 0.001
200% Poverty Level: % of zip code population with income below twice the poverty level	-0.57%	.313	p < 0.001
Median Income: Median family income by zip code	0.28%	.579	p < 0.001

Note: Each row of the table represents a separate linear regression. For ease of interpretation, the coefficient was converted to the “percent change in rates with a 1% increase in the independent variable.”

Statewide
Regression Analyses of the Rate Index for
Licensed Homes

Independent Variable	Percent Change in rates with a 1% increase in the independent variable	R-Squared	Significance
White: % of zip code population that is white	0.04%	.003	p < 0.05
African American or Latino: % of zip code population that is African American or Latino	-0.16%	.034	p < 0.001
Poverty Rate: % of zip code population with incomes below the poverty level	-1.03%	.148	p < 0.001
200% Poverty Level: % of zip code population with income below twice the poverty level	-0.65%	.277	p < 0.001
Median Income: Median family income by zip code	0.24%	.497	p < 0.001

Note: Each row of the table represents a separate linear regression. For ease of interpretation, the coefficient was converted to the “percent change in rates with a 1% increase in the independent variable.”

Statewide
Regression Analyses of the Rate Index for
Licensed Centers

Independent Variable	Percent Change in rates with a 1% increase in the independent variable	R-Squared	Significance
White: % of zip code population that is white	0.09%	.026	p < 0.001
African American or Latino: % of zip code population that is African American or Latino	-0.18%	.080	p < 0.001
Poverty Rate: % of zip code population with incomes below the poverty level	-0.76%	.165	p < 0.001
200% Poverty Level: % of zip code population with income below twice the poverty level	-0.49%	.298	p < 0.001
Median Income: Median family income by zip code	0.25%	.576	p < 0.001

Note: Each row of the table represents a separate linear regression. For ease of interpretation, the coefficient was converted to the “percent change in rates with a 1% increase in the independent variable.”