Stabilizing the early childhood workforce through funding design:

Learnings from two states' COVID-19 relief strategies

Early Childhood Workforce Conference

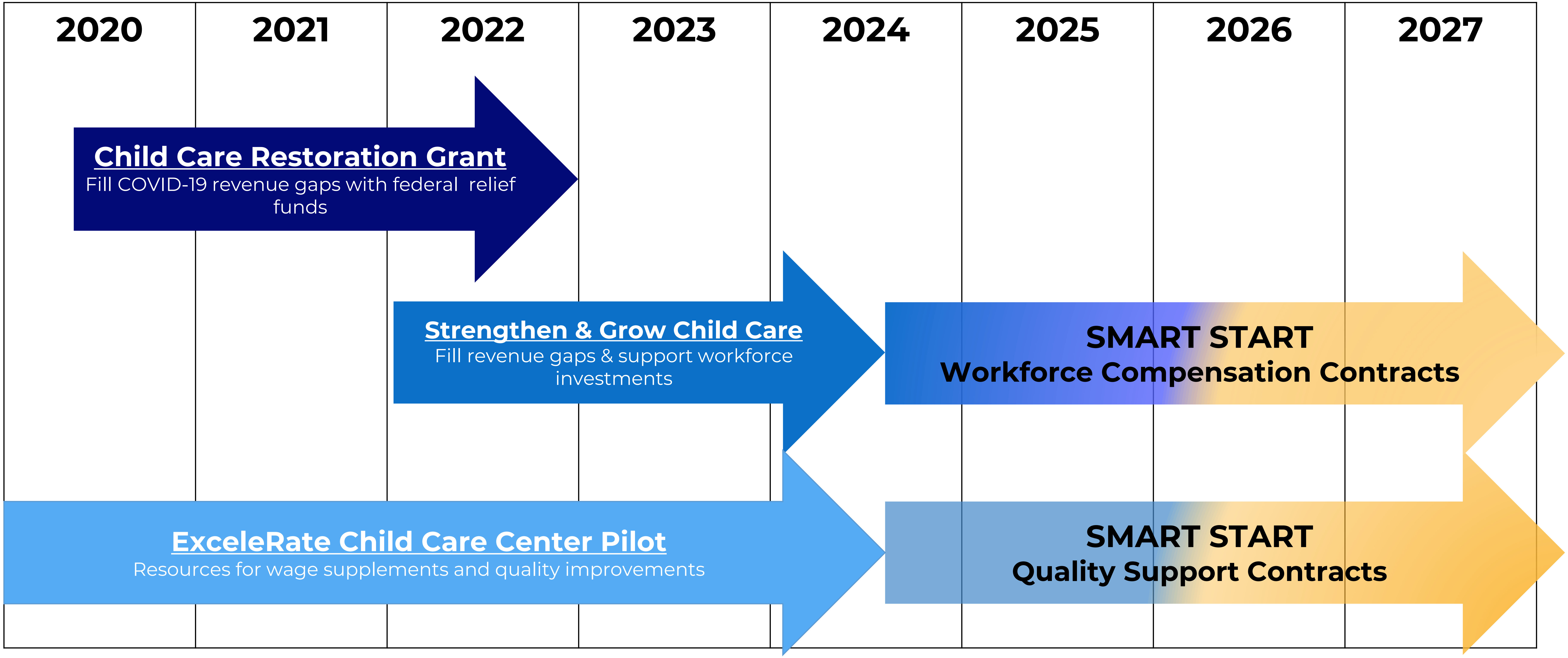
Chapel Hill, NC

April 26, 2023

Illinois' Story

- Early Covid Relief
- Stabilization Supports
- Focus on Workforce Compensation as Quality Driver
- Future Plan for Investing in the Workforce

A History Of Innovative Funding



IDHS
ILLINOIS DEPARTMENT OF HUMAN SERVICES
DIVISION OF EARLY CHILDHOOD

How IL used the CARES Act Child Care Funds

- Continued payments to closed providers
- Reduced parent copayments to $1/month for families on Child Care Assistance
- Increased rates for those providing emergency care
- Made all Priority Essential Workers eligible for Child Care Assistance
- Provided stipends to all emergency centers and homes

As we “re-opened” in June 2020, our attention shifted to supporting all open providers

- Public health was recommending we require providers to operate at about 25-30% reduced capacity
- We quickly completed cost models to demonstrate the financial impact of the reduced capacity—about $30,000/mo for larger center
- Financial impact on child care, and potential impact of child care shortages, was part of every discussion on re-opening the economy

- Illinois dedicated $580 million of its Coronavirus Relief Fund allocation to Business Interruption Grants, and mandated that at least 50% of this funding would be for child care providers

$290 million in <u>business support funding</u> went to child care, above and beyond the supports funded through the CARES Act CCDBG funding!!

We quickly designed our program and had applications available by mid-July 2020

Background research helped us determine structure of awards

- **Cost modeling** of revenue and expenses based on changes in licensing rules
- Modeled both cost vs revenue and straight lost revenue for reduced capacity; also modeled cost of just supporting basic infrastructure costs (non-personnel)—all yielded roughly the same range of support needed per classroom
- Market rate surveys and CCAP rates

Intent to apply survey and interviews

- Gave further insight into scale of revenue reduction programs were facing
- Caused us to raise our proposed grant amount by about 30%, which better met the actual reduced enrollment centers experienced on average

Principles for our design:

- Get funding out quickly enough to make a difference
- Application process easy for providers and simple for state
- Base funding amounts on things that can be verified
- Recognize the additional costs of maintain higher quality, while balancing with the fact that providers using blended funding approaches already have more stable funding

Third party administrator was Illinois Network of Child Care Resource & Referral Agencies (INCCRRA)

- They already had database of all providers and licensed capacity, as well as trusting relationships with providers

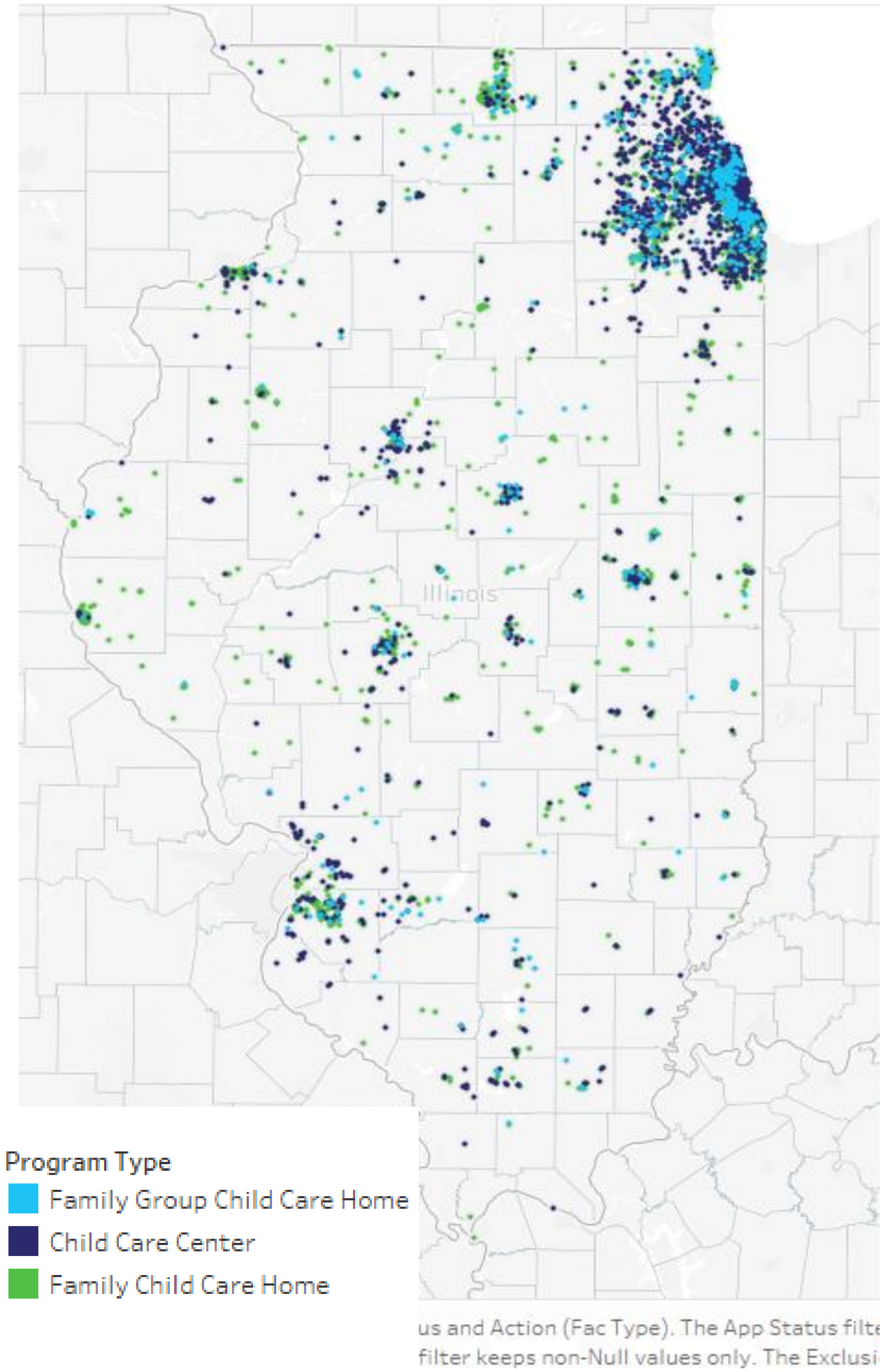
The initial Child Care Restoration Grant funding design focused on simple formula

- Funding was based on:
  - Pre-Covid licensed capacity
  - County Grouping
  - ExcleRate QRIS Rating (except for programs also funded by state PreK and/or HS/EHS)
  - *Disproportionately Impacted Areas zip codes received 10% bonus*
- Monthly amounts per licensed "slot" for centers:

	Licensed	Silver	Gold
Chicago Metro	265	285	300
Counties with other cities	210	235	250
Rural Counties	165	185	200

  - Average monthly grant for centers: $24,806 – about $134,000 for 6 months
  - Designed to replace 30-40% of typical revenue of a center with average fees
- Monthly amount for homes was based on assumption of 2 fewer children (4 for group family child care homes)
  - Average monthly grant for homes: $1,475 ($2,981 for group homes)

The CCRG grants were very well-received!



- Nearly 5,000 grantees across 95 of our 102 counties
  - 2,029 child care centers (out of 2,905 licensed centers, many of which were not eligible as they were part-day/part-year or entirely Head Start)
  - 2,427 licensed homes (out of 6,219)
  - 648 licensed group homes (out of 761)
- Grantees overwhelmingly reported that the grant met their needs

CCRGs provided a lifeline for providers

- Providers reported that CCRG's covered a very significant proportion of their expenses in August. Among centers:
  - 15% had <30% of expenses covered
  - 40% had 30-50% of expenses covered
  - 35% had >50% of expenses covered
- There was no significant difference in the percent of expenses covered by providers':
  - ExceleRate rating
  - For-profit vs nonprofit status
  - Whether center was also funded by EHS/HS and/or state pre-K
- Centers reported on average retaining 82% of their March staff

Key lessons learned from CCRG

Approach of basing grant awards on licensed capacity, county grouping and QRIS rating—with an add-on for Disproportionately Impacted Areas--appears to have been quite successful and was simple to administer

Grantees struggled to complete even very simple expenditure reports, indicating that more complex applications that would require financial data and evidence of losses would be very difficult for many providers to complete (especially homes)

Background

- Began in 2022 with $300 million ARPA funding
- Up-front funding for licensed child care centers and homes
- Providers invest at least 50% of the funding in personnel
- Available to providers participating in child care subsidy with <75% of revenues from other public funding

Lessons

- **Significant potential** (with sufficient funding) to address the early childhood compensation challenge.
- **Very popular with providers**: 72% of eligible centers and over 90% of eligible homes participated in first round.
- Intermediary demonstrated how to **effectively implement** the program at scale with minimal overhead.
- **Temporary nature** of the program limits its effectiveness. Providers are cautious about using time-limited funds to raise wages and benefits. Instead, many programs are providing bonuses, which are unlikely to be as effective in attracting and retaining qualified child care staff.

ExceleRate Child Care Center Pilot Program

Background

- “Funding-first” contracts piloted with 35 child care centers
- All located in rural communities with >40% child care subsidy enrollment
- Funding purposes:
  - Raise staff wages based on credential attainment
  - Add staff beyond licensing standards to provide adequate planning, collaboration and PD time
- Programs pay staff at/above State-developed wage scale and implement continuous quality improvement practices

Lessons

- Funding allows providers to **pay higher wages and implement a staffing pattern** allowing for reflective practice and continuous quality improvement.
- **Wage increases were insufficient** to optimally recruit and retain staff; raised grant amounts in July 2022 to support a significantly higher wage scale.
- **Administration and reporting was complex**; with intermediary, developed an efficient administrative structure to minimize reporting burden and support accountability.

Focusing on Future Early Childhood Workforce Compensation in Illinois

Center for Early Learning Funding Equity
NORTHERN ILLINOIS UNIVERSITY

There is a staffing crisis in early childhood education and care

- 80% of programs report a staffing shortage
- Nearly half of programs report that they are serving fewer children than they would like because they cannot find enough staff
- Efforts to expand state pre-k programs are hampered by a lack of qualified teachers
- While the crisis is decades in the making, the pandemic made it significantly worse
- There nearly 60,000 fewer child care workers nationwide than there were before the pandemic

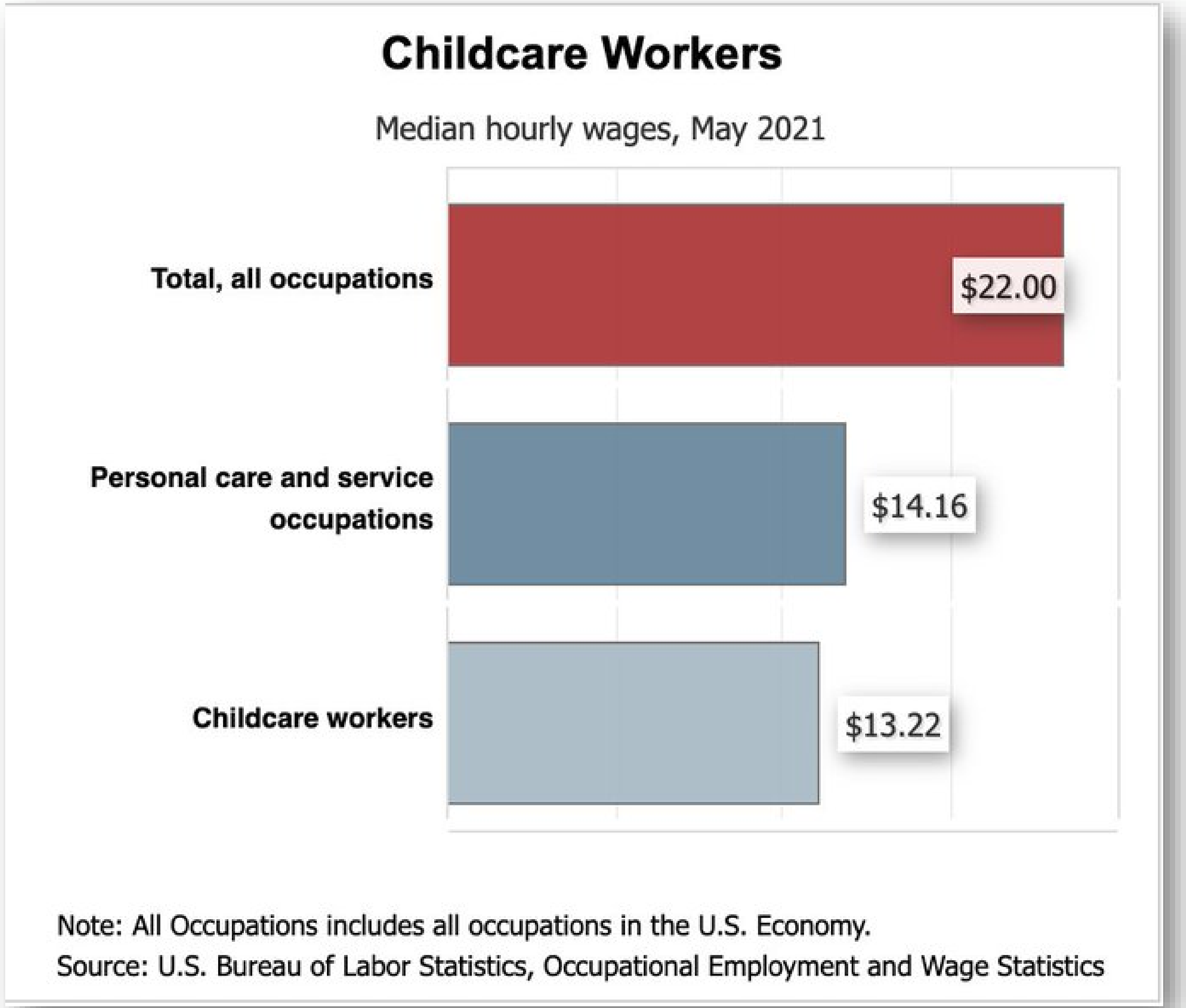
Center for Early Learning Funding Equity
NORTHERN ILLINOIS UNIVERSITY

Low compensation drives the staffing shortage

- Child care is in the bottom 2% of wages across all occupations
  - The median wage for a child care worker in 2021 was $13.22 per hour, similar to cashiers and fast food workers
  - This is despite the significantly higher qualifications that child care jobs may require

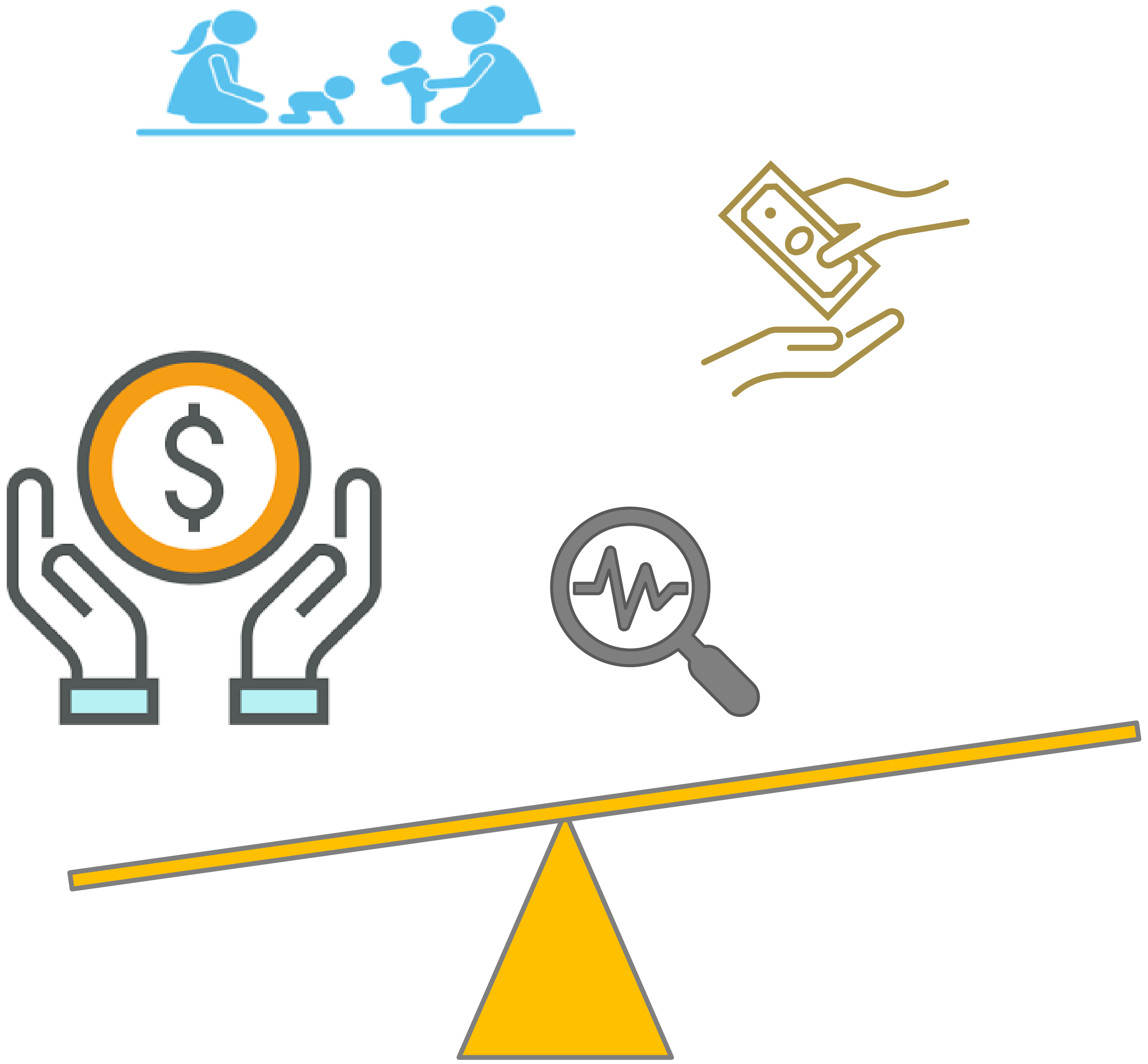
- Poverty rates for early educators range from 11% to 29% (Virginia & Nebraska respectively)

- Only 15% of child care workers receive health insurance from their job, compared with 58% of all workers



Center for Early Learning Funding Equity
NORTHERN ILLINOIS UNIVERSITY

Compensation is constrained by a market failure



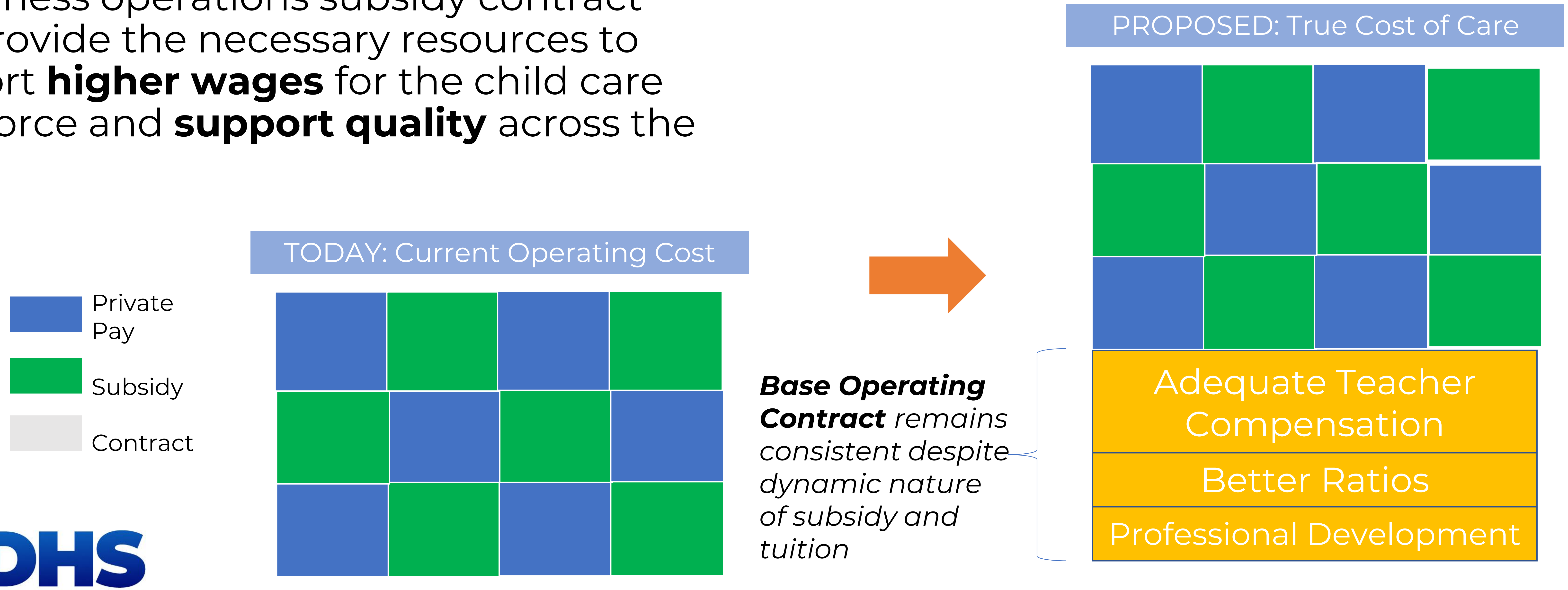
- Child care is provided predominantly through a private marketplace
- Prices in the marketplace are tied to what parents can afford to pay, and these “affordable” prices are often markedly lower than the cost of delivering services with adequate staff compensation
- Subsidies are largely provided on a per-child basis and are tied to market rates, so public funding fails to ameliorate the market failure

Center for Early Learning Funding Equity
NORTHERN ILLINOIS UNIVERSITY

We need a new approach to supporting adequate compensation for the child care workforce

What is a business operations subsidy contract???

A business operations subsidy contract can provide the necessary resources to support **higher wages** for the child care workforce and **support quality** across the field.



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DIVISION OF EARLY CHILDHOOD


Equitable and Stable Ch

SMART START: **Child Care**

Smart Start: Child Care

Workforce Compensation Contracts

In SFY24, SMART START will implement Illinois' evolution from Strengthen & Grow Child Care (SGCC) relief contracts to Workforce Compensation Contracts.

Workforce Compensation Contracts will create financial reliability to increase access to higher wages and quality child care programs by:

- Providing base funding that that remains consistent despite the dynamic nature of subsidy and tuition
- Calculating base funding using a model that assumes wages at $17 - $19/hr. and the true cost of services
- Paying in advance (not in arrears)

Quality Support Contracts

- **Quality Support Add-On:** Additional funding to Workforce Compensation Contract providers to work towards increasing capacity, high quality and readiness to implement pre-school and Head Start. This includes investments in:
  - Credential-based wage scale
  - More robust staffing patterns
- **Layered Funding Contracts:** A path toward consolidated funding for high quality providers with multiple public funding streams.

Illinois is also making key investments in the workforce to support advancement

- **Early Childhood Apprenticeship Program:** Launching a new employer level support to increase wages and provide structured on the job training and mentorship for those staff going back to school

- **Gateways to Opportunity & Early Childhood Access Consortium for Equity (ECACE) Scholarships:** Funding to maintain scholarship support to build workforce capacity by supporting the field to attain degrees and credentials

Funding for Equitable Access to High Quality ECE

1 Funding First

Providers need access to up-front funding to implement quality improvement.

2 Differentiate

Programs may need different levels of funding depending on who they serve and where they are located

3 Compensation!

Any funding design must take into account the need for competitive compensation for the ECEC workforce

Presentation Roadmap

01. Brief Overview of EEC

02. History and overview of Massachusetts Commonwealth Cares for Children (C3) program

03. Select C3 Learnings
    - Overall impact
    - Focus on workforce: Capacity, staffing, and compensation

04. Key takeaways and implications for system financing

Commonwealth of Massachusetts
Department of Early Education and Care

2023 Early Childhood Education Workforce Convening: ***Stabilizing the Early Childhood Workforce Through Funding Design***

April 26, 2023

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EEC Programs and Services Overview

Support Directly to Families

- Tuition subsidies
- Referrals
- Community collaboration and resources

Oversight and Support to Early Education and Care, Out of School Time, and Residential and Placement Programs

- Licensing and monitoring
- Safety and quality standards
- Workforce Background Record Checks
- Operational grants (Commonwealth Cares for Children (C3))
- Early Education and Out of School Time Capital Grant (EEOST)

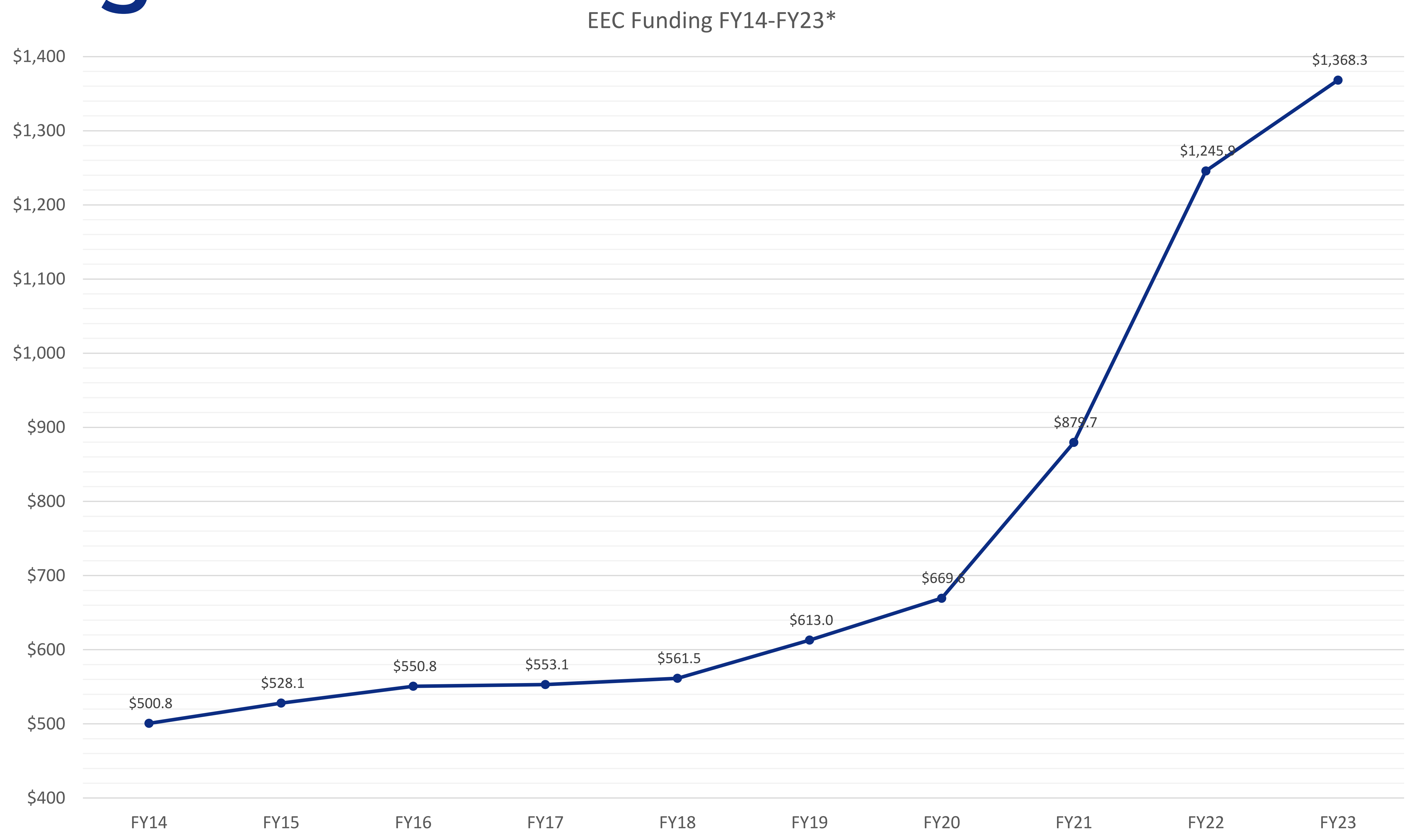
Training and Support for Educators

- Professional development
- Teacher credentialing and certification
- Teacher supports, training, coaching
- Higher Education Scholarships

Cross-Agency Collaboration

- Department of Elementary and Secondary Education
- Department of Children and Families
- Department of Transitional Assistance
- Department of Higher Education
- Department of Public Health
- The Children’s Trust

EEC has continued to receive increased funding



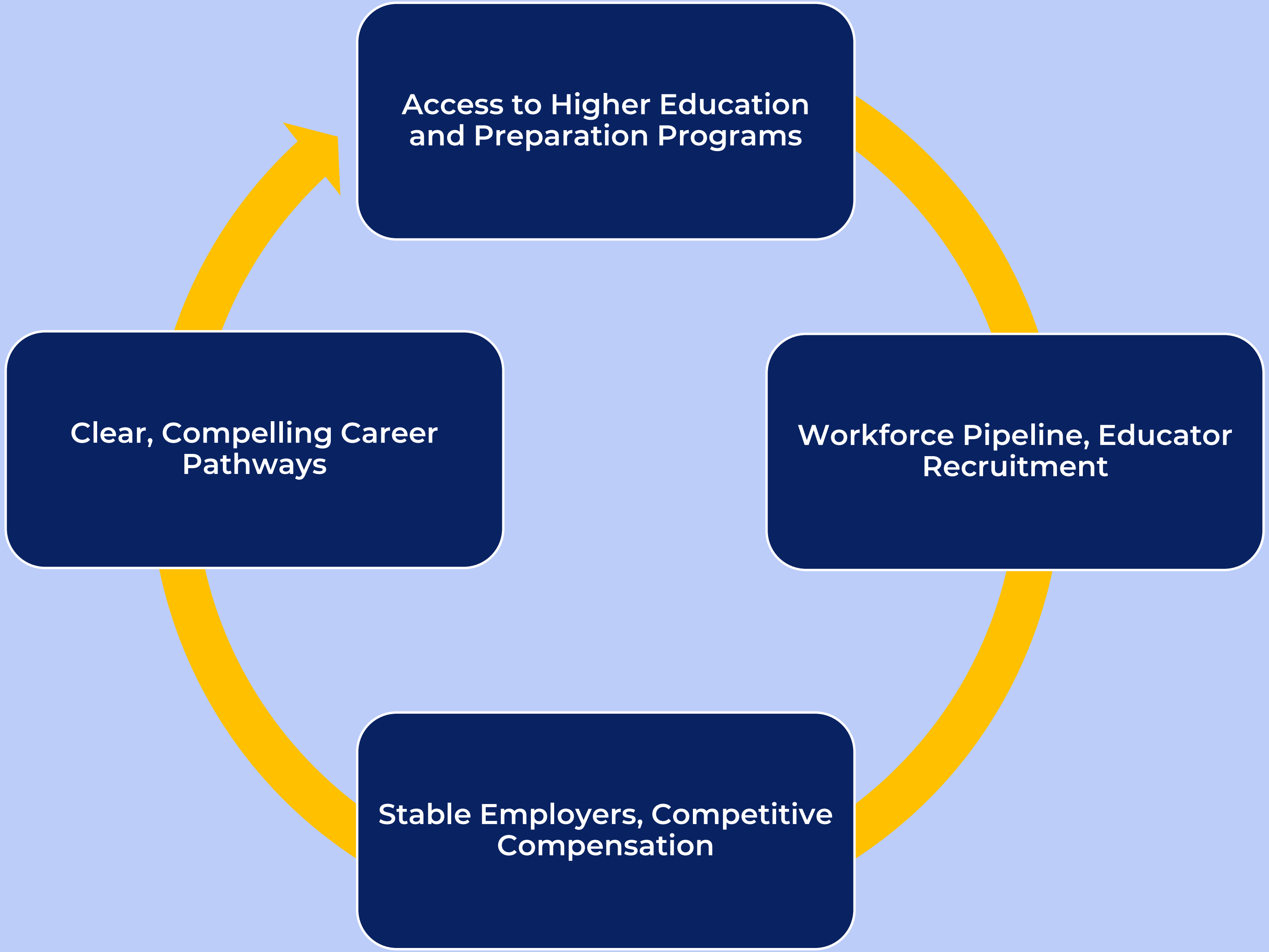
*Does not include High-Quality Early Education & Care Affordability Trust Fund or recent supplemental budget $ in FY23 figure

MASSACHUSETTS
Department of
Early Education and Care

Building the Massachusetts Workforce System: Transitioning from Current to Future State

One-in-three educators have left the early education field in the last year. Finding ways to recruit new educators and keep existing educators in the field is essential.

Objective: Build robust professional opportunities and career pathways



Strategic Initiatives

1. **DHE Scholarship** – Reinvigoration of existing scholarship for early educators.
2. **ECE Career Portal** – Public awareness campaign regarding the opportunity for a career in the field. Connecting potential candidates to openings and professional development opportunities.
3. **Certifications and Credentialing –** Professionalization of the field with state-endorsed qualifications and a clear career ladder for early educators.
4. **Supported Career Pathways** – Initiatives designed to support new educators start careers in the field with guided support through administrative requirements.
5. **ECE Scholarship** - $10M in this year's budget to prioritize access to financial assistance for staff working in early education and care programs.

Commonwealth Cares for Children (C3) History

Federal funds provided an opportunity for immediate intervention to address the child care crisis, and EEC launched the C3 grant program in July 2021

C3 was designed to **stabilize early care and education (ECE) programs** by supporting ECE providers' day-to-day operational and workforce costs. This investment was instrumental in maintaining families' access to child care, particularly at the start of the COVID-19 pandemic, by providing funds that helped keep programs open, and in helping to address some of the challenges child care programs face in recruiting and retaining a qualified workforce.

C3 Design Principles:

Stability: Support early care and education providers' operational and workforce costs to keep programs open and accessible to families, and maintain program quality despite COVID-19 challenges

Equity: Support all early care and education providers, and provide additional support to programs in historically marginalized communities and those serving children from low-income families

Adequacy: Support healthy finances and programs' ability to invest in adequate compensation for early educators

Simplicity: The formula should not create a heavy burden on providers

Developing the C3 Funding Formula

To disburse funds in accordance with C3 principles, EEC developed a funding formula in partnership with Third Sector, a nonprofit technical assistance organization, to ensure providers would receive C3 funds at an appropriate scale relative to the number of children they can serve, and to provide additional support to programs serving higher need populations.*

Below are components of the C3 formula used to disburse funds starting in July 2021, and the principles and rationales behind including these components in the formula:

Formula Component	Principle	Rationale
Base payment	Adequacy	Provide funding that could cover approximately 10% of operational costs
Licensed capacity (not enrollment)	Stability, Simplicity	Enrollment was variable and low during the COVID-19 pandemic. Consistent funding is necessary to stabilize programs
Staffing adjustment	Equity, Simplicity	Provide additional funding to programs with more costly offerings such as infant and toddler care, longer hours, or higher staff-to-child ratios than required for the ages of children they serve
Equity adjustment	Equity	Provide additional support to programs in historically marginalized communities and those serving children from low-income families, as they are typically underfunded

C3 Funding Formula

Base Amount
Base Amount =
$83/month per licensed slot **X**
Licensed Capacity **X**
Staffing Level Adjustment

+

Equity Adjustment
Equity Adjustment
Level 1: (Base Amount **X** *30%*) for programs serving high need communities
Level 2: (Base Amount **X** *40%*) for programs serving highest need communities

=

Monthly payment

Base Amount
Eligible providers receive a base amount of $83.33/ month for each licensed seat in their program (or 10 seats for all FCCs).

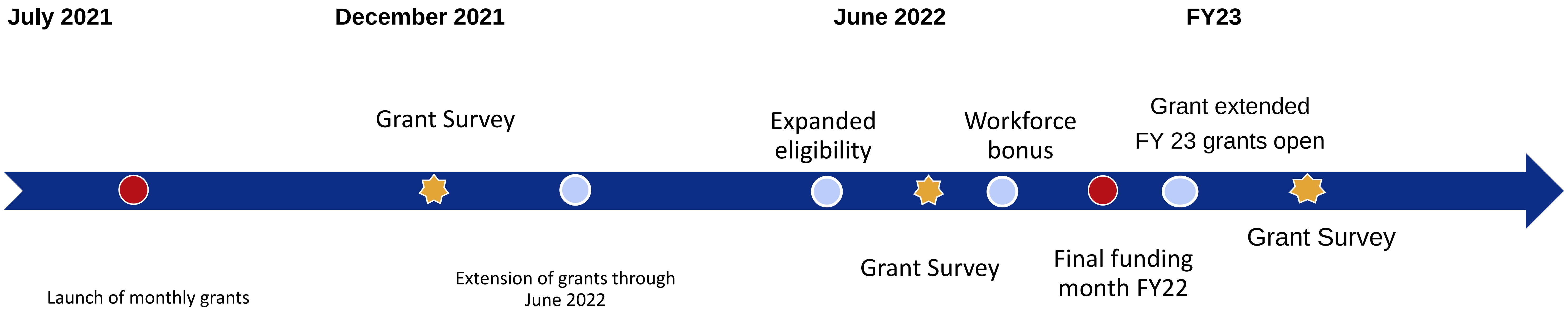
Staffing Level Adjustment
GSA providers receive staffing level adjustment based on the ratio between the number of FTEs employed and minimum required by regulations to serve their license capacity. FCC providers receive an additional 1.5X their base amount for a part-time assistant and additional 2X for a full-time assistant.

Equity Adjustment
If a provider is located in a high SVI census tract or zip code and/or if a provider serves between 1/3 to 2/3 of its license capacity with children receiving subsidies, their base amount per slot and staffing adjustment is multiplied by 1.3. If a provider is in a highest SVI census tract or zip code and/or serves more than 2/3 of its capacity with children receiving subsidies, their base amount per slot and staffing adjustment is multiplied by 1.4.

C3 Timeline & Funding Overview

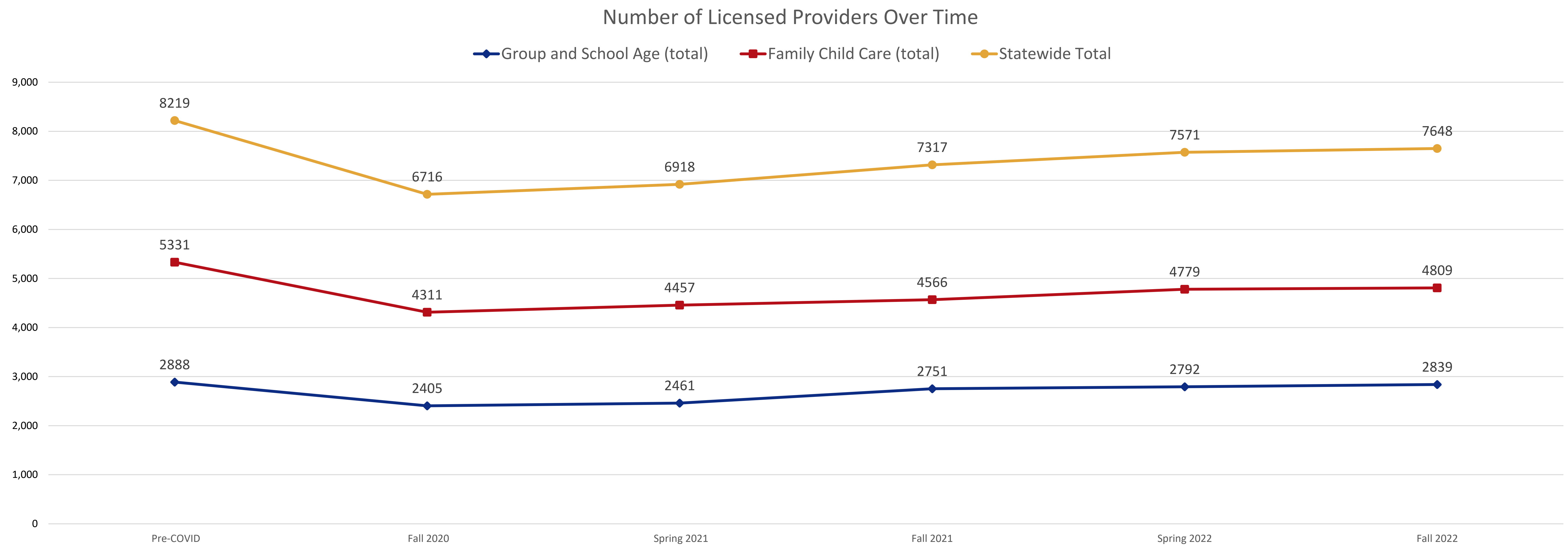
7,465 programs have received C3 funding to date

~$799 million awarded to programs to date



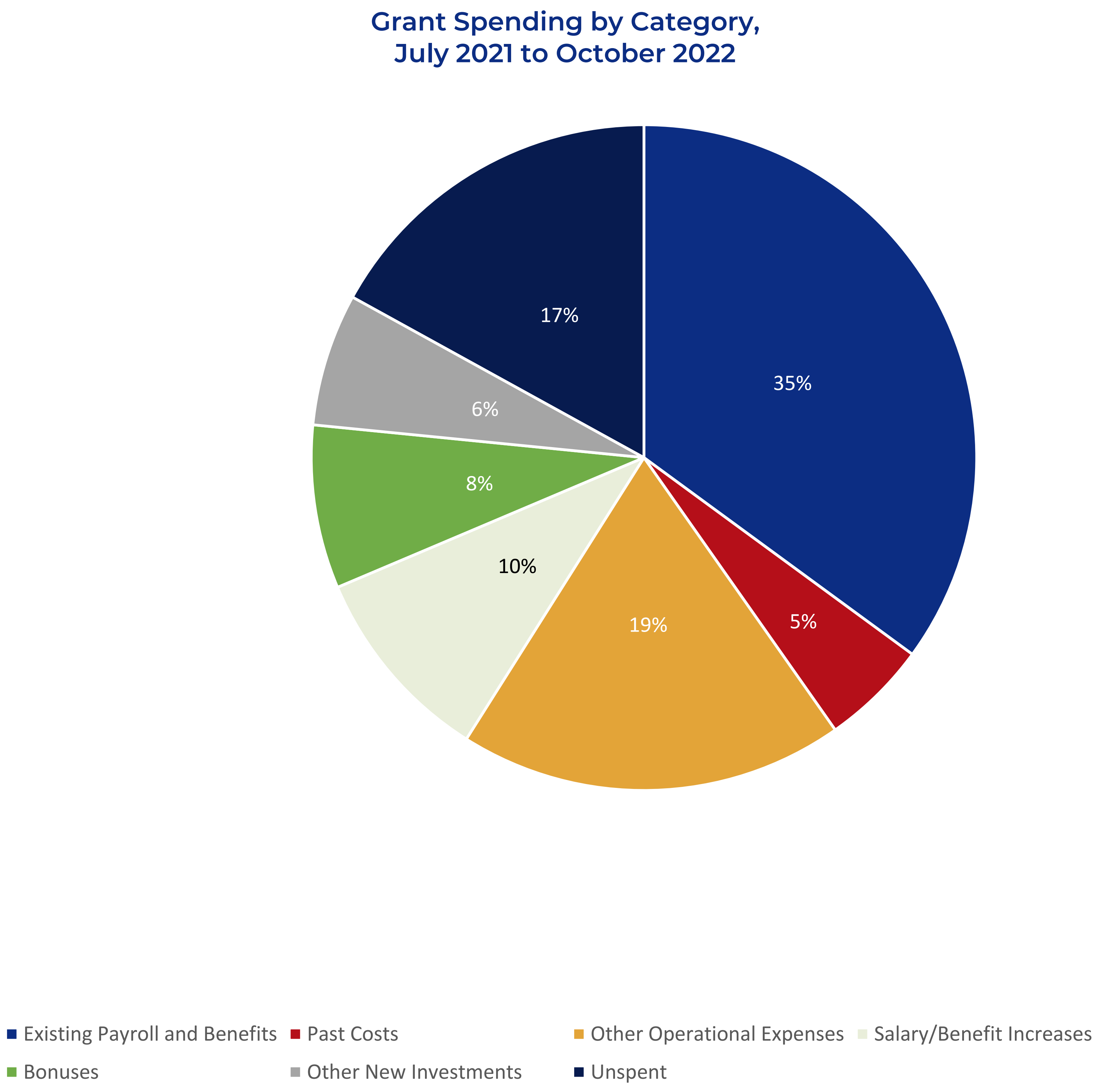
- FY22 grants were funded through a combination of Federal funds from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act (ARPA).
- Through the FY23 budget, C3 grants were extended into FY23 at $250M, with a combination of ARPA Supplemental funds and state dollars. An economic development bill passed this fall included an additional $150M for the C3 program and this spring, Governor Healey signed a supplemental budget that included $68M in additional funding for the C3 program to support grants through the end of the fiscal year.

Systemwide licensed capacity continues to rebound



Overall licensed capacity is 3,441 seats lower (1.5%) compared to the immediate pre-pandemic period. Group and School Age center-based capacity has returned to pre-pandemic levels (+14 seats), while FCC capacity remains below pre-pandemic levels (-3,455 seats).

C3 Expenditures: Providers continue to spend the majority of C3 funding on existing operational expenses



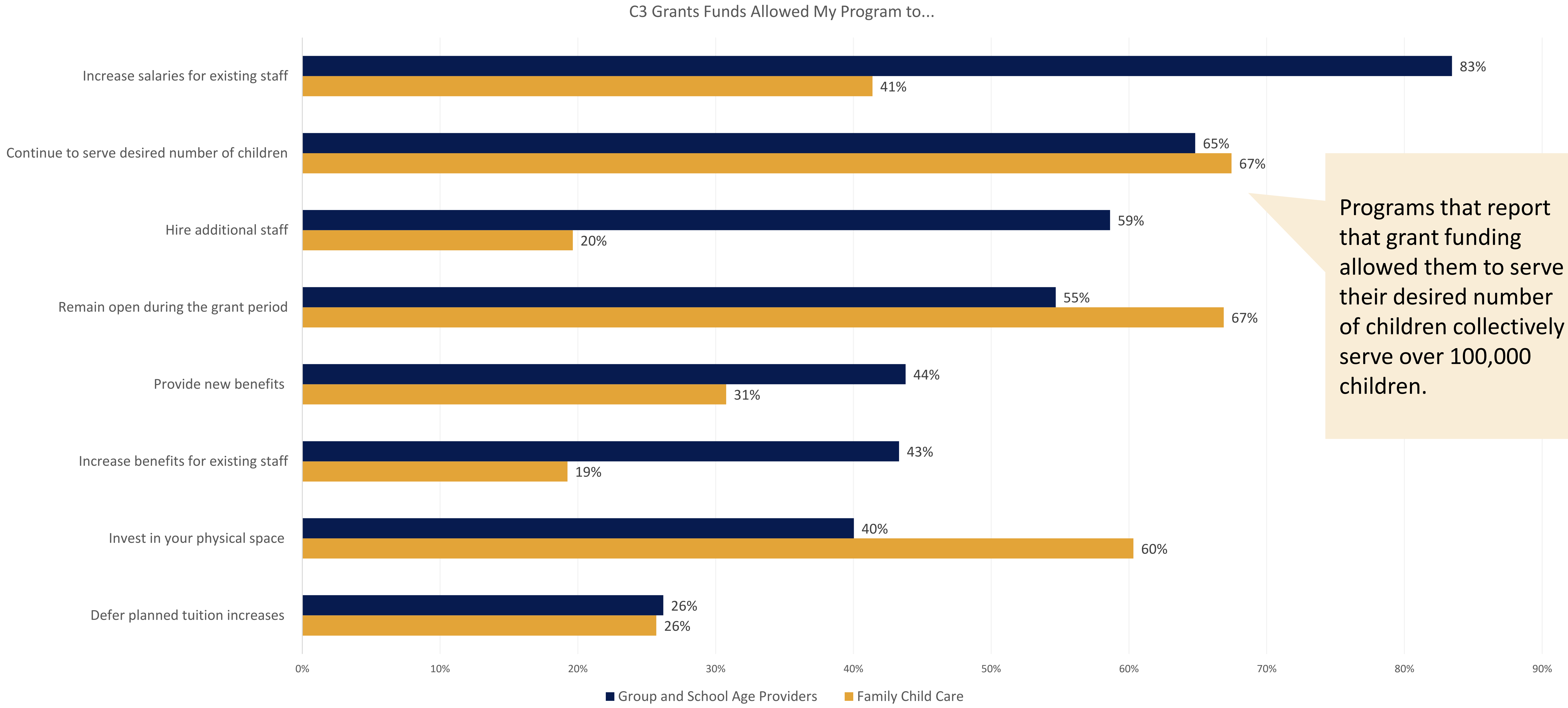
Operational Spending

As of October 2022, providers had spent almost 60% of all grant funds awarded on operational expenses (compared to 66% at the same time a year prior).

New Investments

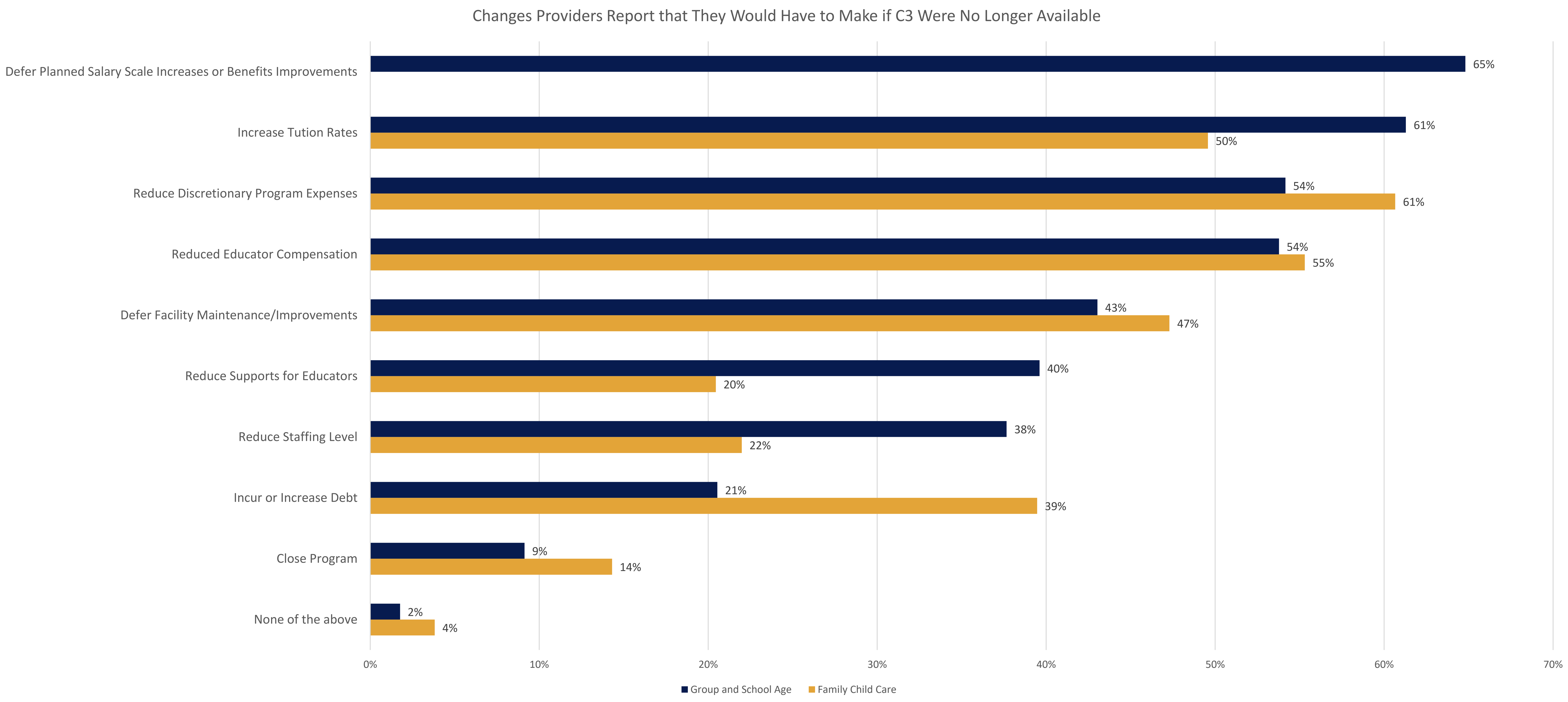
Providers had invested 24% of grant funding in new investments (compared to 20% at the same time a year prior).

C3 funds have helped programs remain open and serving children, hire staff, invest in staff and facilities, and defer family tuition increases



Programs that report that grant funding allowed them to serve their desired number of children collectively serve over 100,000 children.

Families and educators would be significantly impacted if C3 funds were no longer available



Many programs report that they would close if C3 funds were no longer available

Across the **751 providers** that report that they would have to close…

15,078

licensed seats

38%

are in the highest SVI communities (SVI > 0.75)

65%

serve children with subsidies

74%

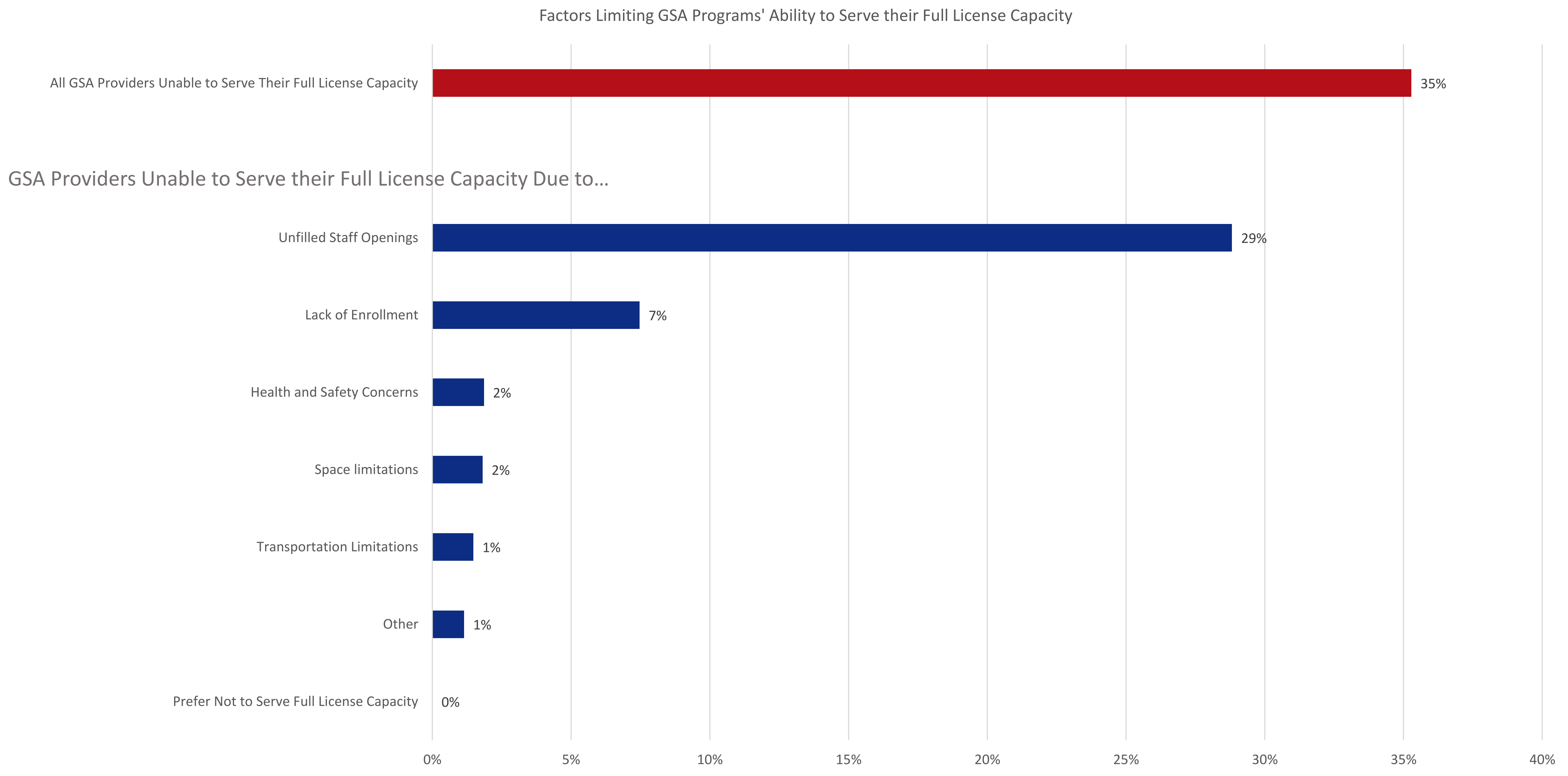
are family child care providers

35%

do not serve children with subsidies

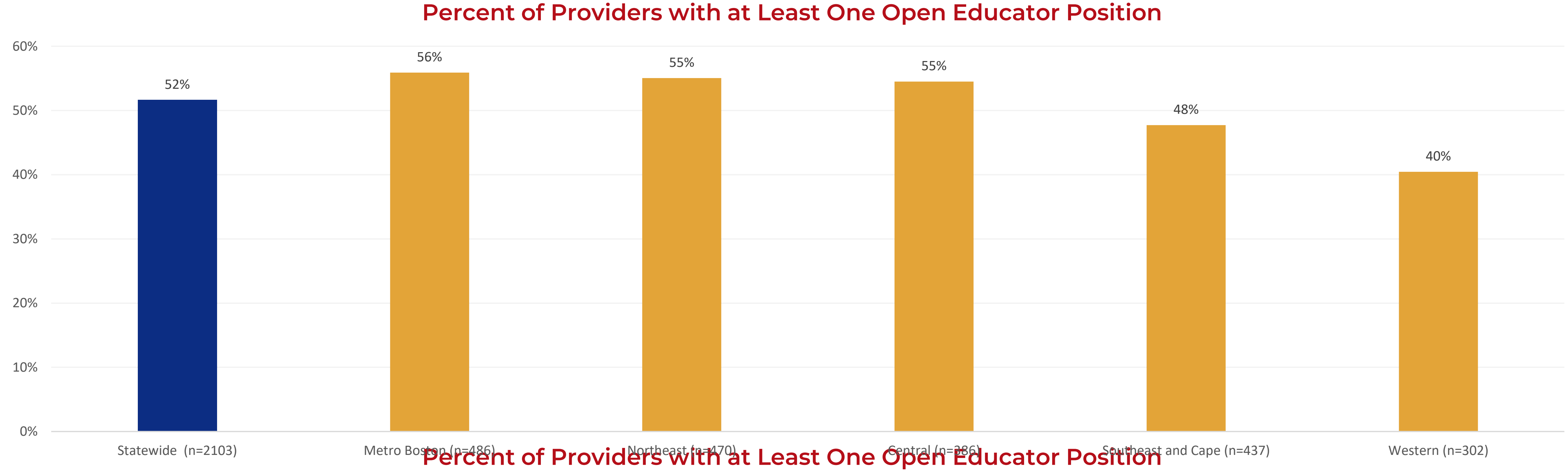
Overall, more than one-third of center-based providers report being unable to serve their full license capacity

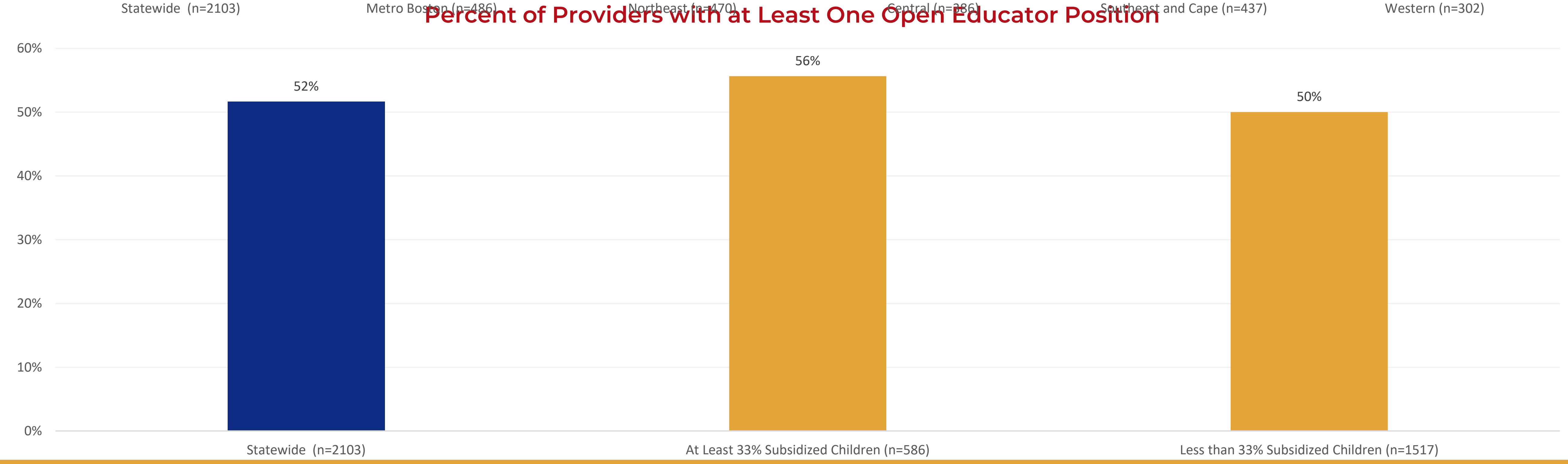
The proportion of GSA providers that **are unable to serve their full capacity has increased** since the spring (from 28% to 35%). If these programs were fully staffed, they **could serve between 10,000 and 15,000 more children**.



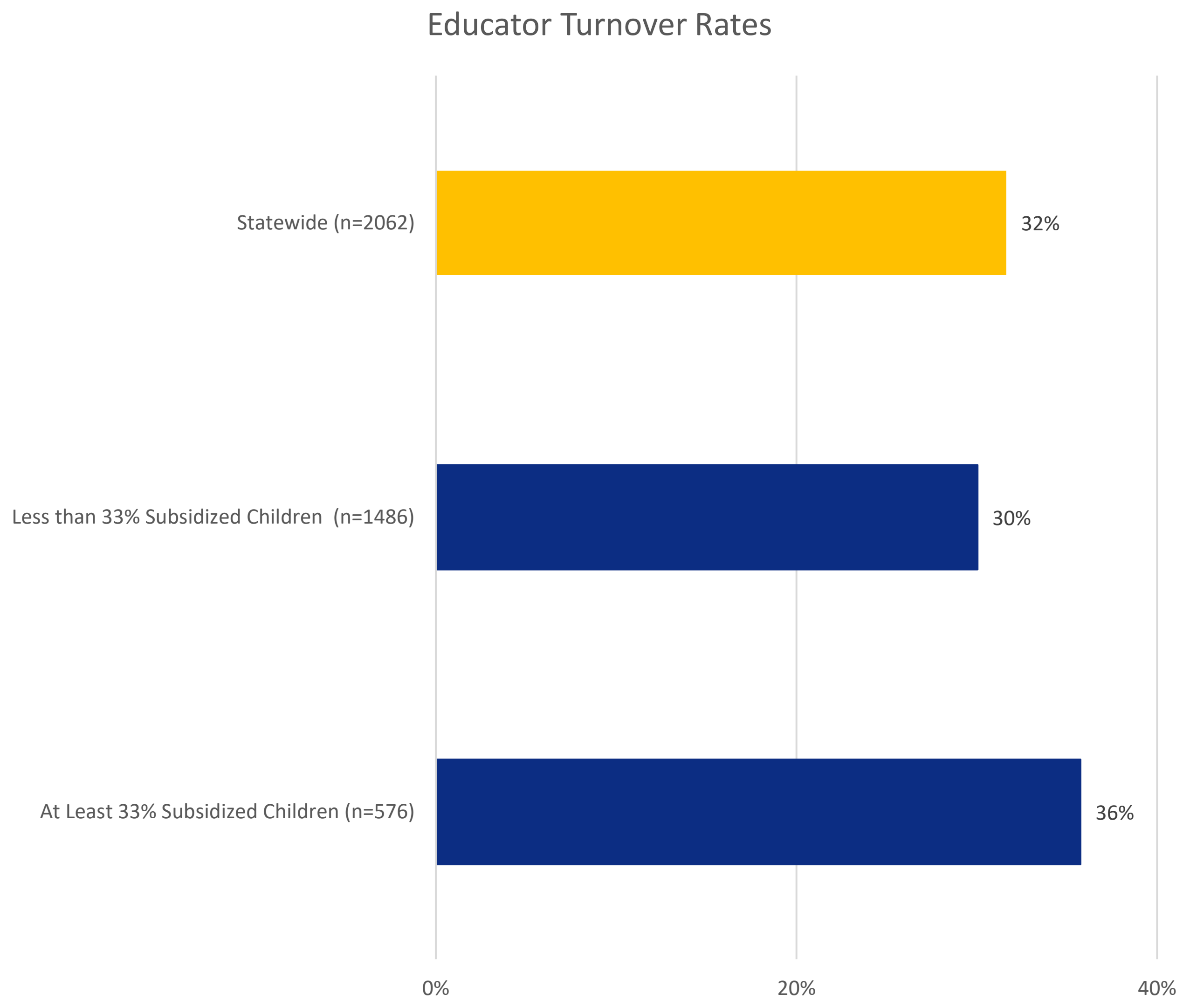
Providers Continue To Report Staffing Shortages

More than half (52%) of center-based programs report that they are currently hiring for at least one open educator position. Among these programs, the average program is hiring for 3.6 positions.

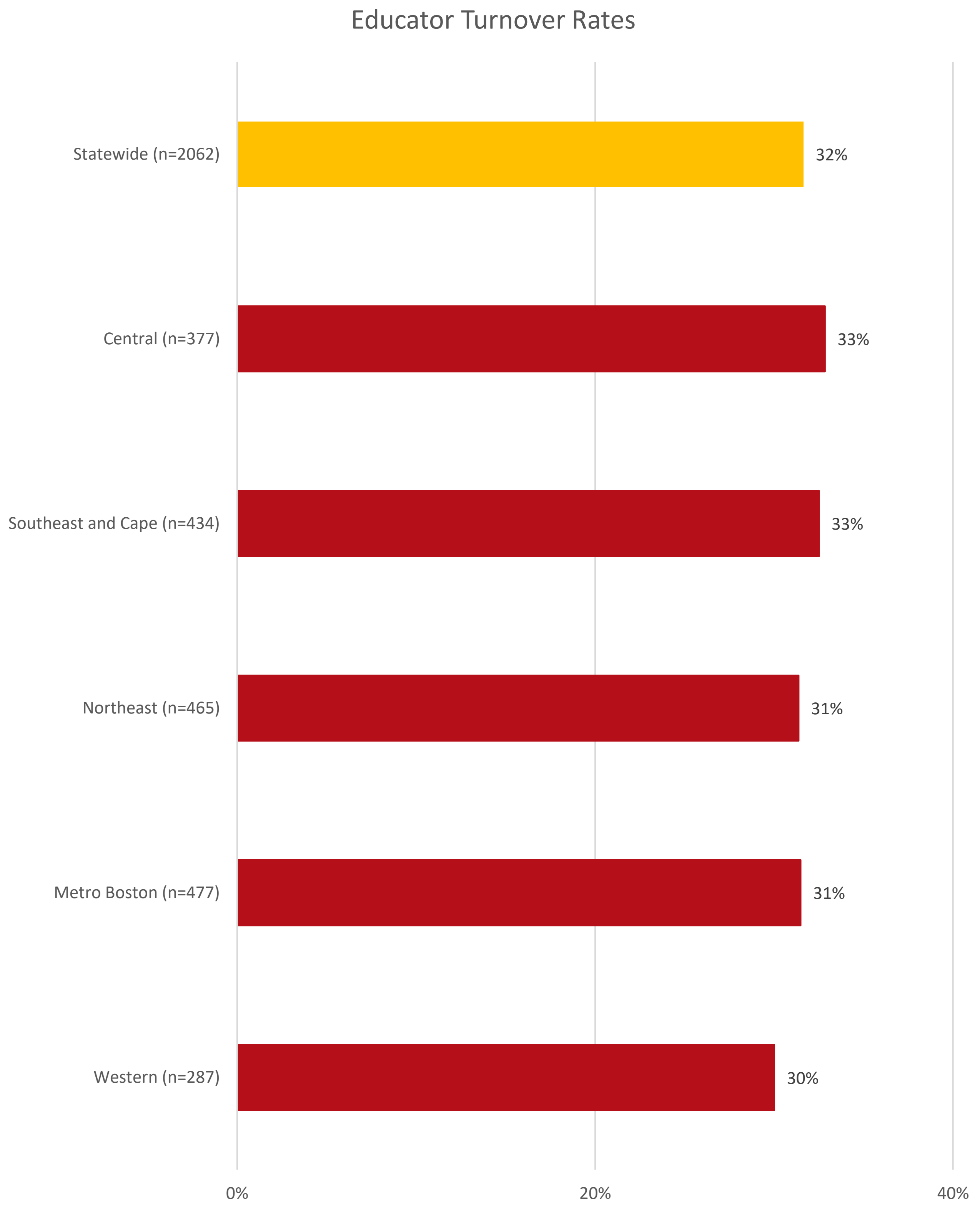




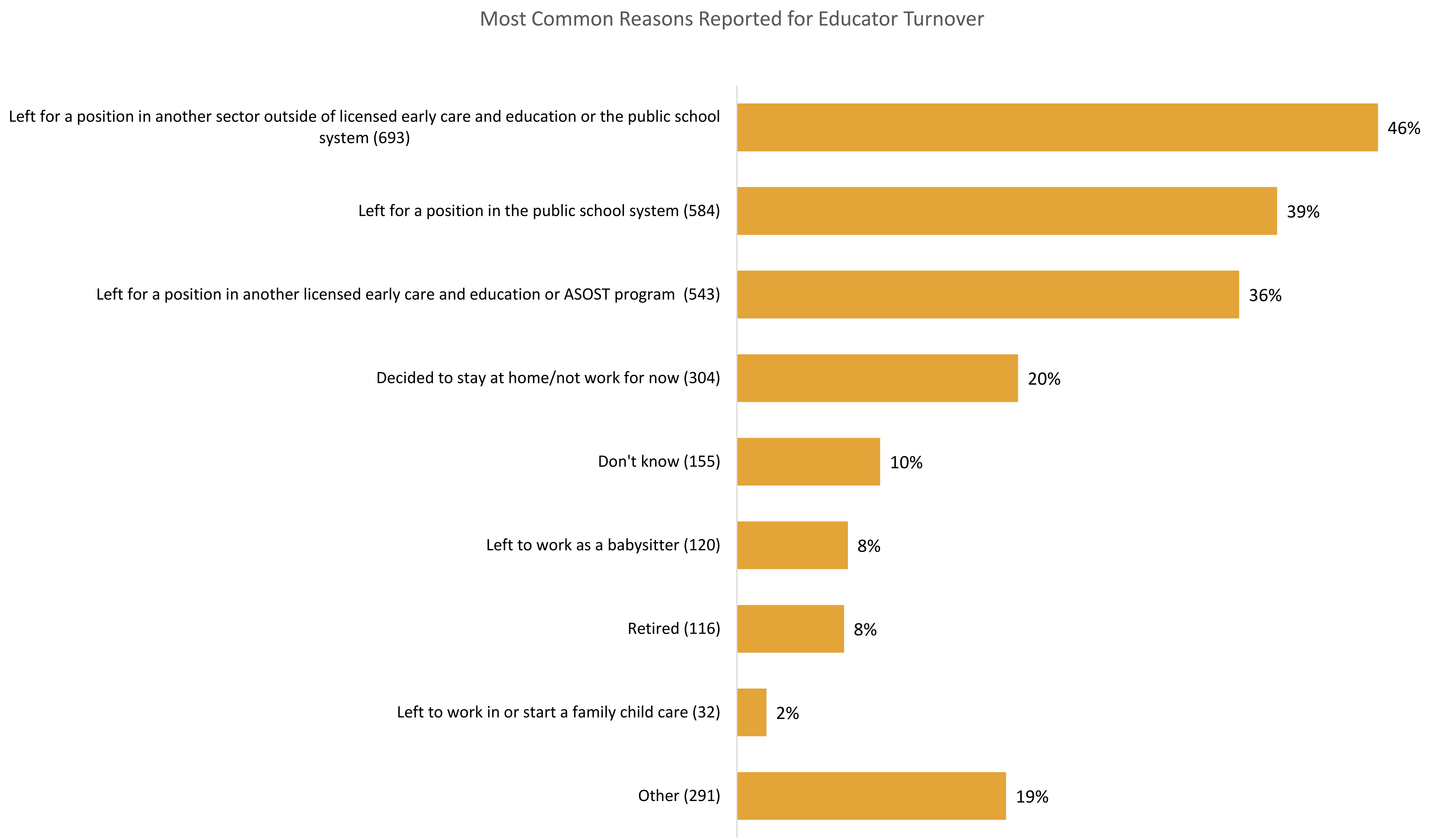
Almost 1/3 of educator positions have turned over in the past year



Educator turnover = % of educators (all educator roles) employed 12 months ago no longer employed by the program

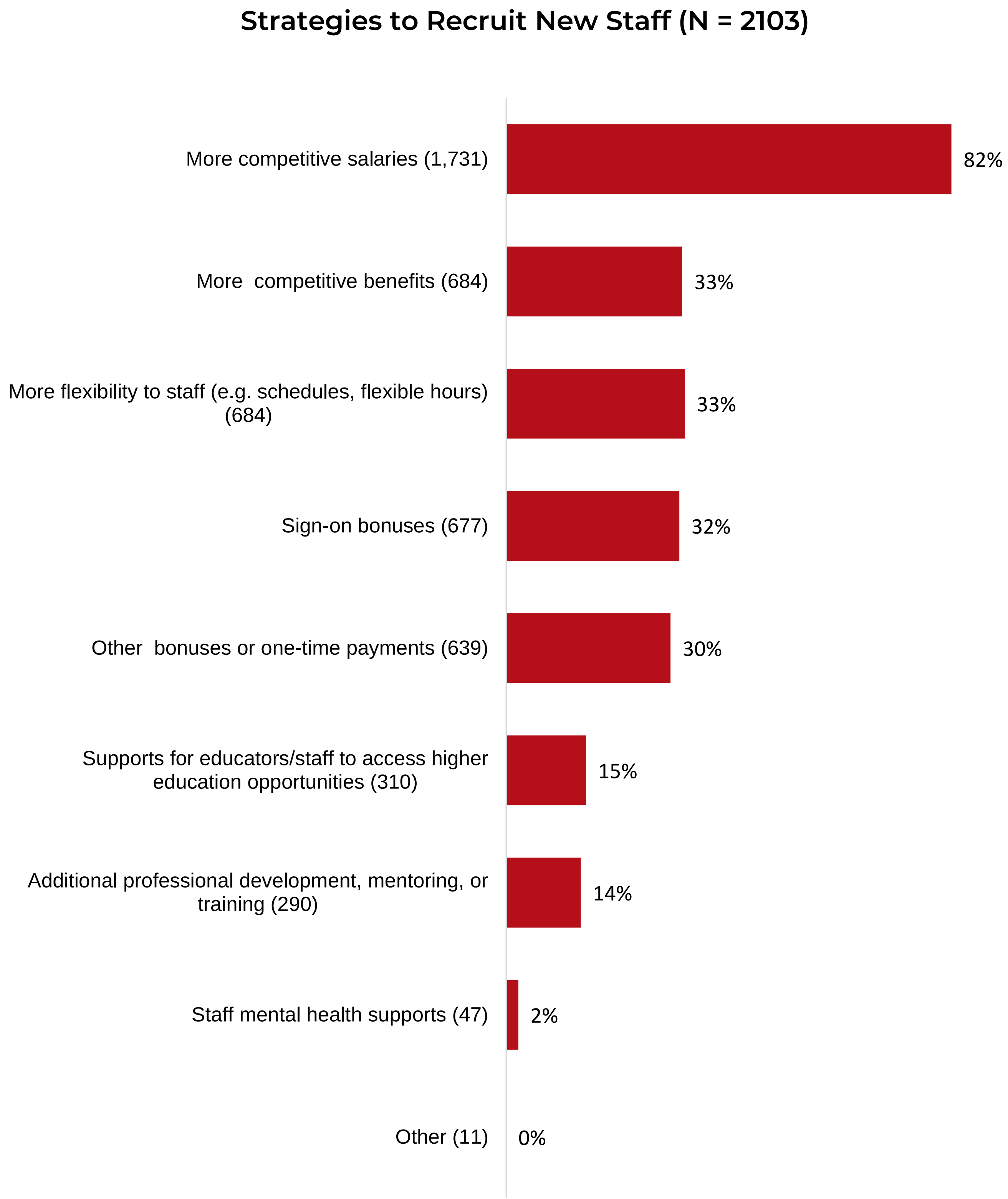


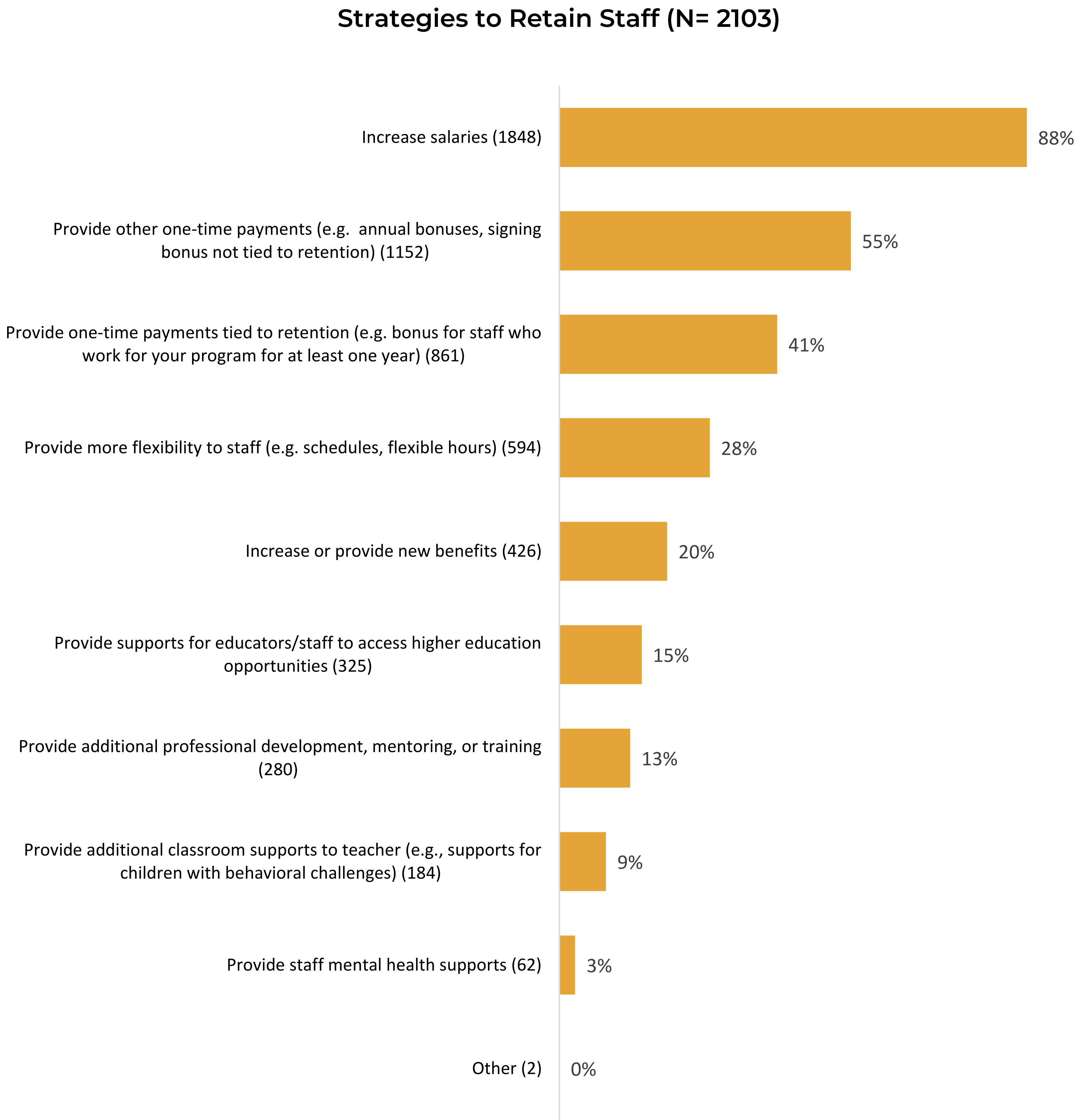
Providers report losing educators to opportunities in other sectors, as well as to public schools and other ECE programs



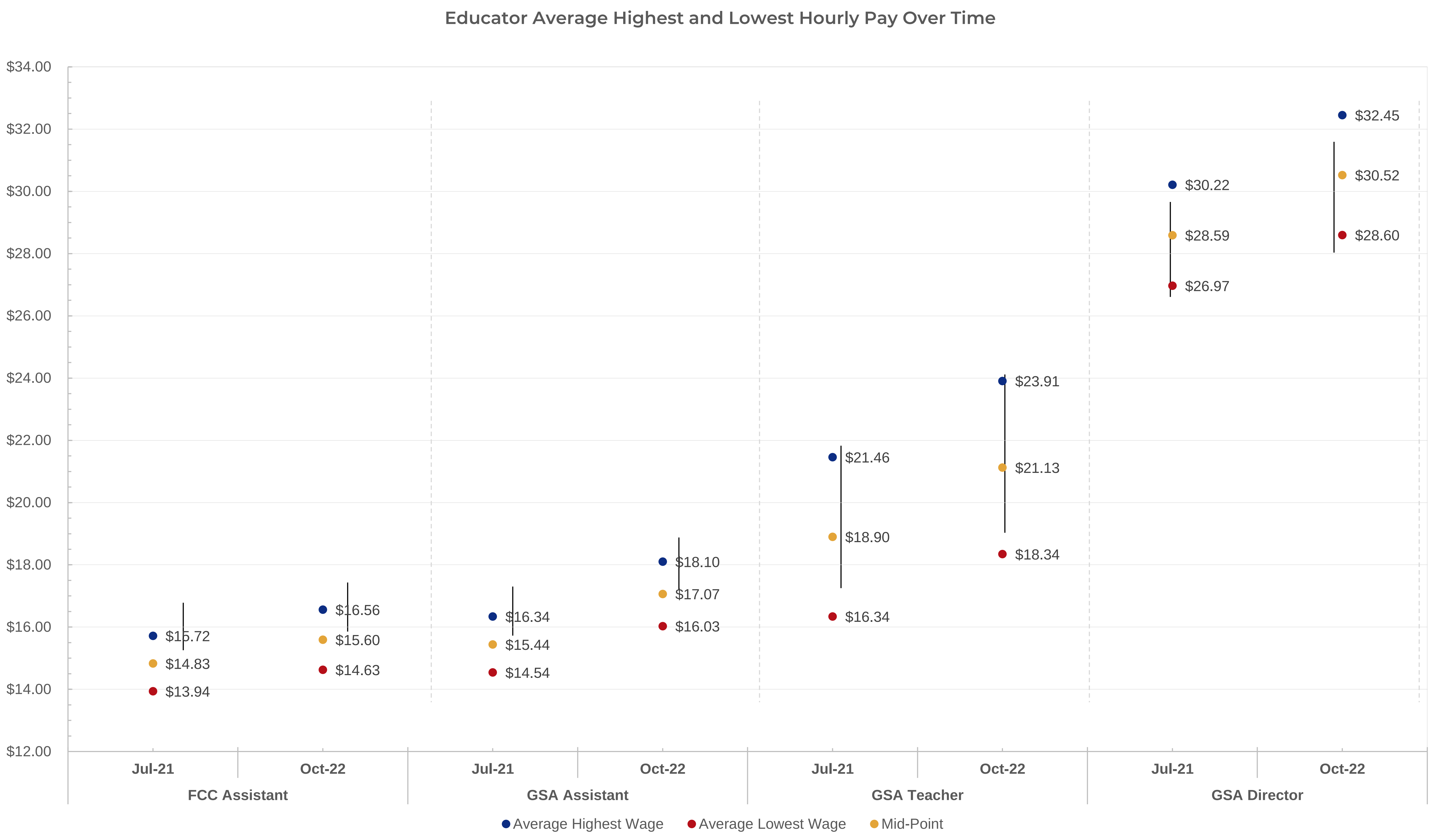
Note: Providers were able to select up to three most common reasons for which educators left their programs.

The most frequent program recruitment and retention strategy is improving staff compensation

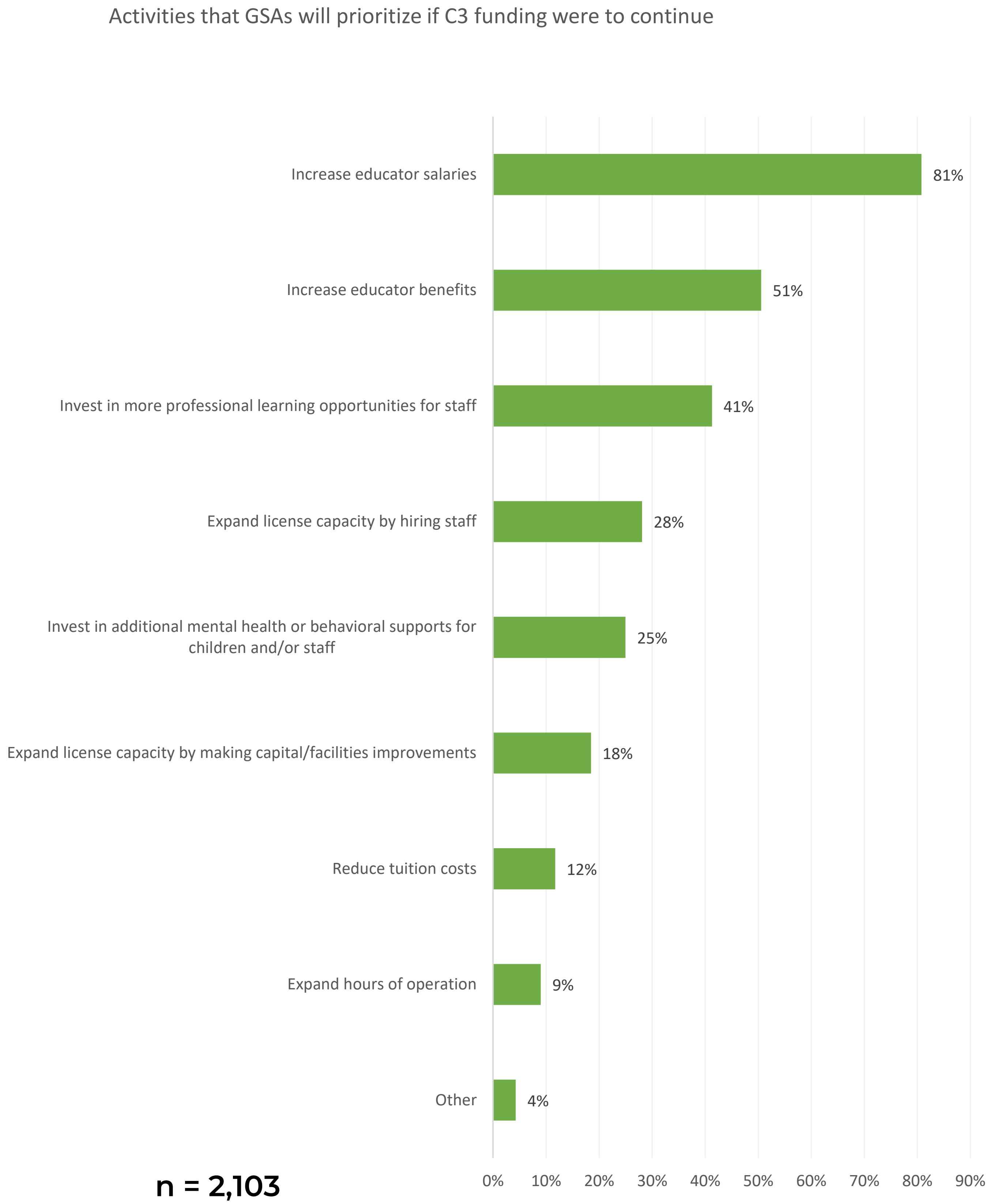




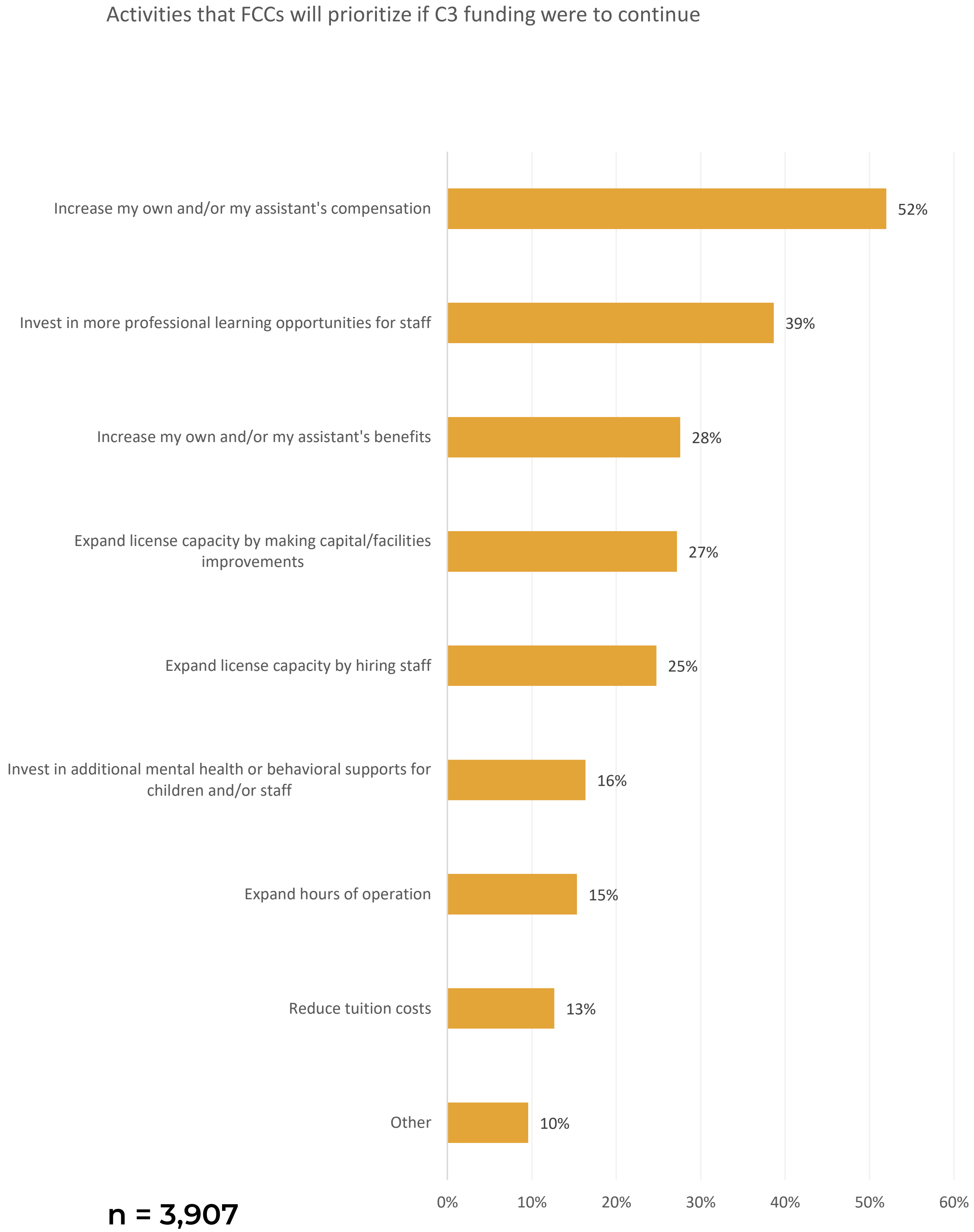
Educator hourly pay is increasing over time yet remains low



Most providers report that they would prioritize educator compensation and professional learning if funding is extended



n = 2,103



n = 3,907

C3 Key Learnings: Summary

- Programs are relying on C3 funds to support core operational expenses and maintain capacity for working families.
  - A significant number of programs report they would close without C3 funds.
- C3 is supporting new investments in the workforce through increased compensation, benefits, and professional development.
- C3 has helped programs mitigate the need for tuition/fee increases in the face of significant rising costs, benefiting a broad range of working families.
- C3 has directed additional investment into programs serving low-income families: both families receiving subsidies and those living and/or working in socially vulnerable communities that are not accessing subsidies.
- Programs have been reluctant to make systemic investments (e.g., increase salary scales) with C3 funds due to uncertain nature of the funding to date.

Implications for System Financing

Programs

Key Takeaways:

- In Massachusetts, market rate data and in-depth cost analysis highlight the persistent gap for most programs between revenue and cost.
- C3 is playing a critical role in addressing this gap by providing operational supports and funds to invest in compensation and benefit increases for educators.
- C3 has helped to stabilize (maintain) capacity and avoid tuition increases, but staffing shortages continue to limit expanded capacity.
- C3 formula has been effective in targeting resources to both staffing and to programs serving EEC subsidized families and operating in vulnerable communities.
- C3 has strengthened the relationship between EEC and participating early education and care programs (90% participation rate), providing new insight and data about the system.
- Data on the system and program efficacy will help inform future development and focus of C3 funding.

Discussion