

Innovations to address the early childhood compensation crisis

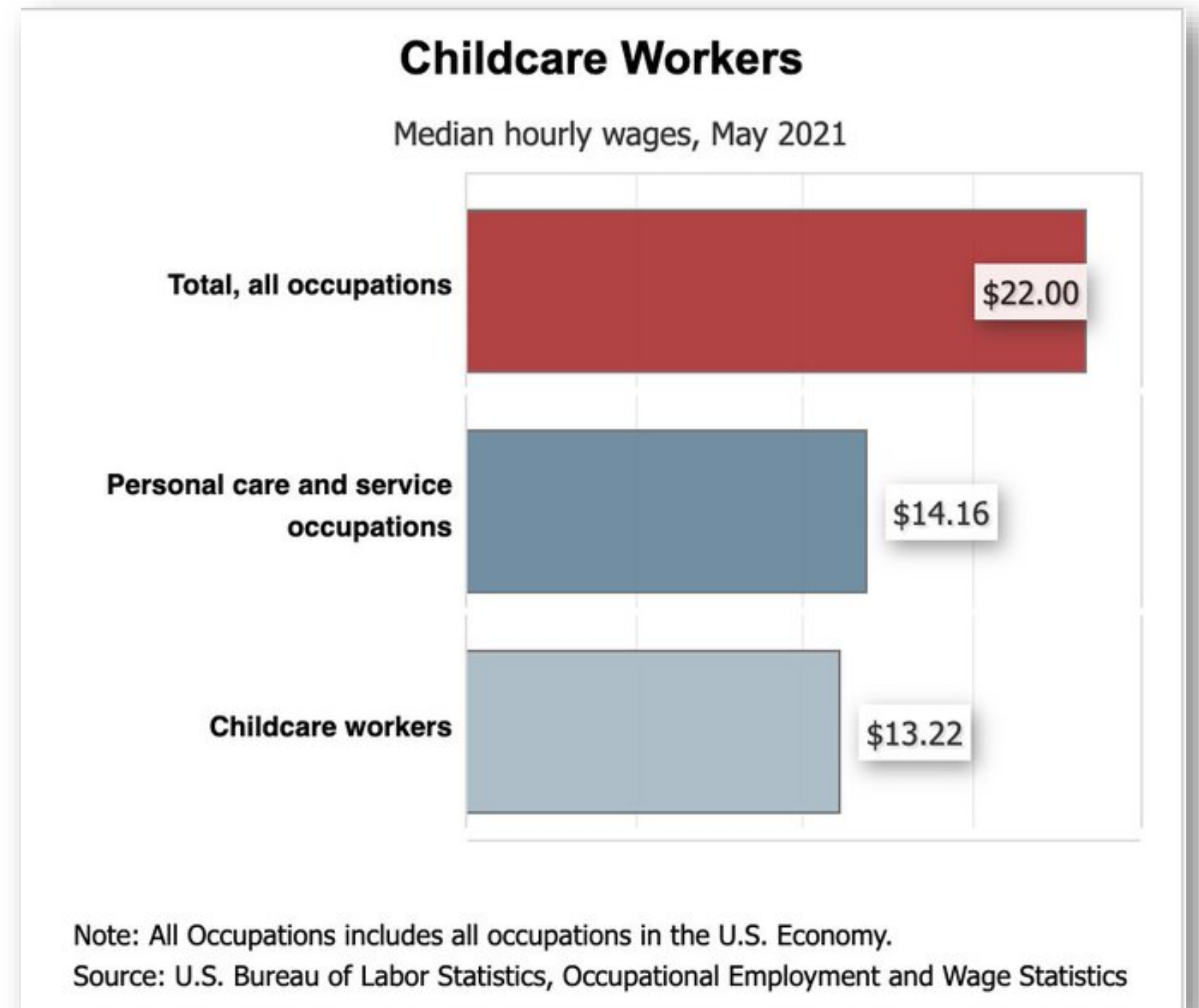


There is a staffing crisis in early childhood education and care

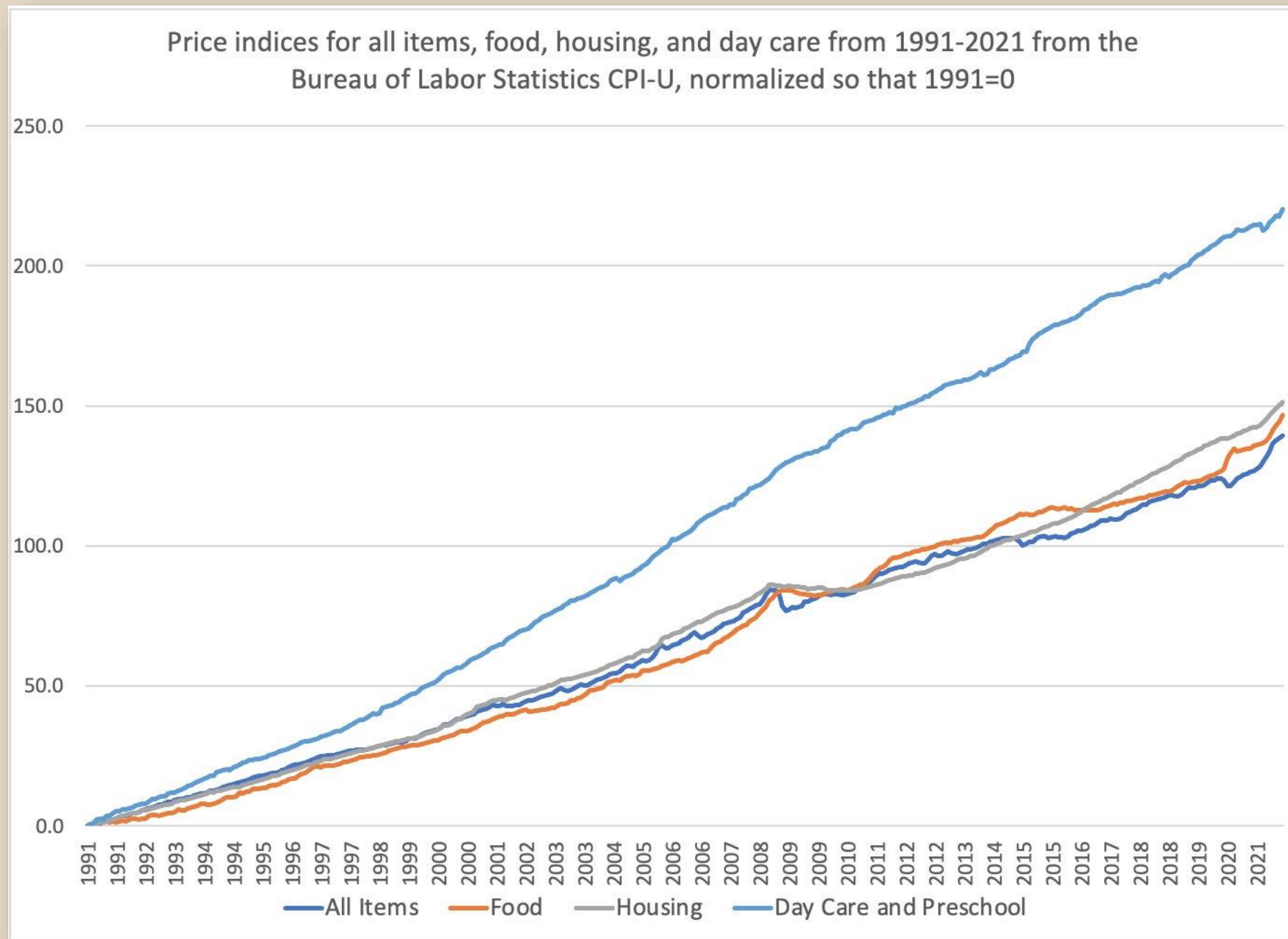
- 80% of programs report a staffing shortage
- Nearly half of programs report that they are serving fewer children than they would like because they cannot find enough staff
- Efforts to expand state pre-k programs are hampered by a lack of qualified teachers
- While the crisis is decades in the making,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

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

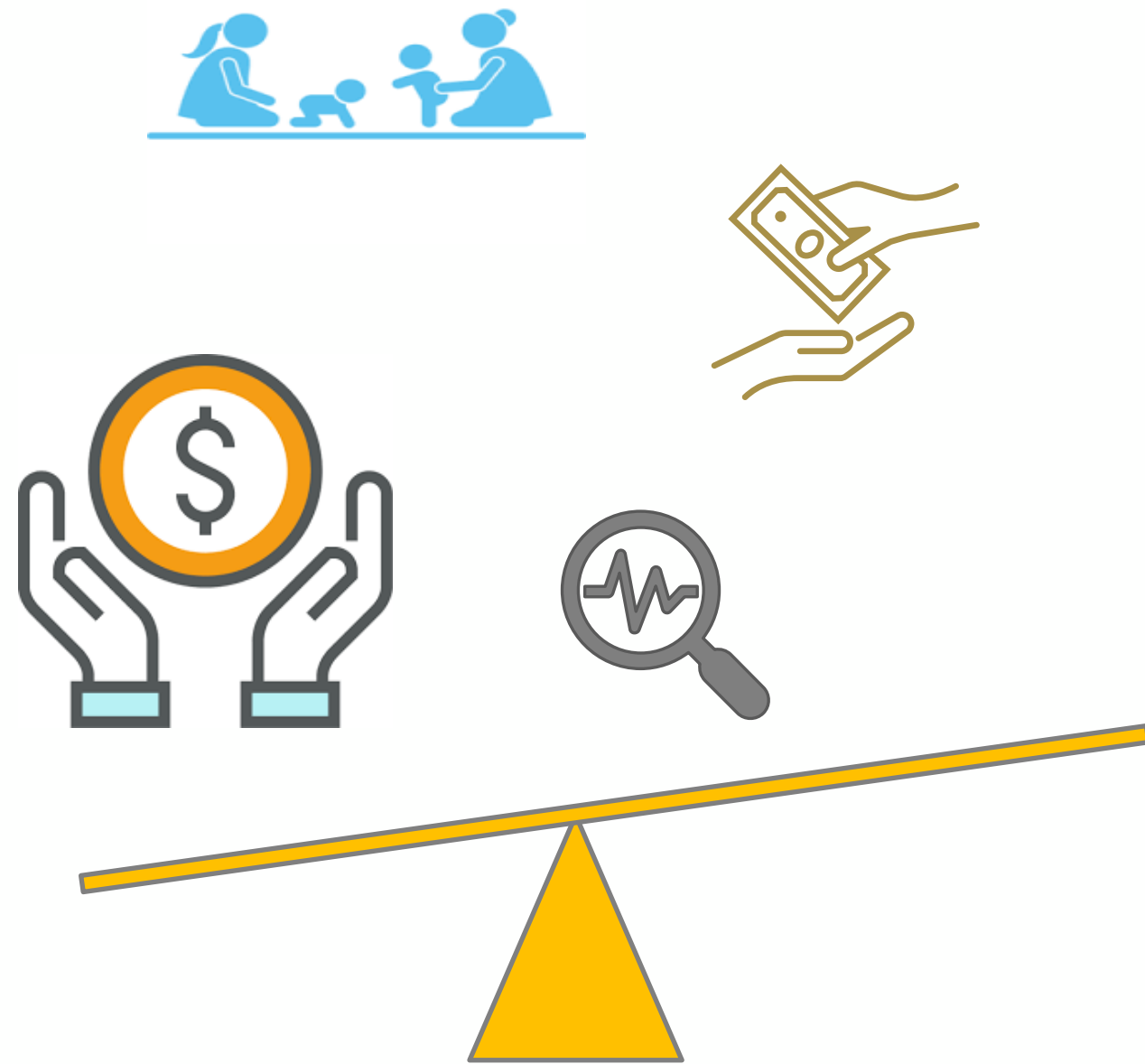


Compensation has not risen with cost of care



- Cost of child care has been **rising faster than inflation** over the past three decades, but wages of workers have seen little real increase
- Increasing payment rates for child care subsidy has not been a reliably effective way of increasing the compensation of the ECEC workforce

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

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



From Vouchers to Viability

Texas Research & Pilot to Address Foundational
Funding that Supports Quality Early Education and
Equitable Wages



Kara Waddell
President & CEO
Child Care Associates





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INSTITUTE
TO ADVANCE CHILD CARE
Powered by Child Care Associates



State of Child Care Today

- Parents cannot afford the cost of care
- Child care deserts
- Low teacher retention
- Increased closures
- Infant & toddler care cost outpacing the market



Funding Reimagined



Revenue Gap

There is a gap between existing revenue sources and the **true cost of high quality care**. CCA is pursuing a method to provide foundational overhead funding to fill that gap..

Existing Revenue Sources

- CCDF per-child subsidy
- Tuition payments
- USDA CACFP
- Prekindergarten state funding
- TRS quality supports
- Head Start / EHS funding
- Other funding sources: philanthropic funding & local dollars

How?



Partners



Pilot Overview



Pre-Launch

IACC worked with local stakeholders convened to ideate opportunities to address child care funding. RFP for selecting child care providers.



Phase 1

In late Fall, we launched our learning lab and study to determine the true cost to provide high quality child care by studying 20 child care providers.



Phase 2

Apply our cost methodology to test out the concept of foundational funding as a means to stabilize child care programs.

\$12/hr

\$18/hr



Key Wins

- Beginning to use contracts
- Partnership with economists at Rice's Texas Policy Lab
- Business advising
- Relationships with child care businesses

Learnings

- Policy makers and agencies learning curve
- Support needed for research participants
- Practicals of how to build a cohesive system of vouchers and contracts

Pilot 2.0



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Texas Research & Pilot to Address Foundational
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Developing Sustainable Operating Funding for Child Care

“The Massachusetts Story”

Samantha Aigner-Treworgy

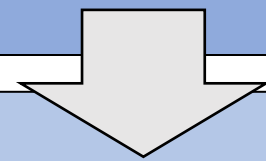
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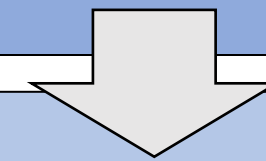
Massachusetts Background (Pre-COVID)

Department of Early Education and Care (EEC)

- Consolidated governance structure, established in 2004; launched in 2006. Responsible for:
 - Regulation and oversight of all child care and early childhood services offered outside of school districts; includes ~5,500 Family Child Care Homes & ~2,500 Child Care Centers
 - Administration of state federal funding for child care and early childhood education
 - Coordination of related early childhood services
 - State investments in mixed-delivery prek pilot
- Housed within in the Executive Office of Education (EOE), which is the Secretariat responsible for three education departments: Department of Elementary and Secondary Education, Department of Higher Education, and Department of Early Education and Care

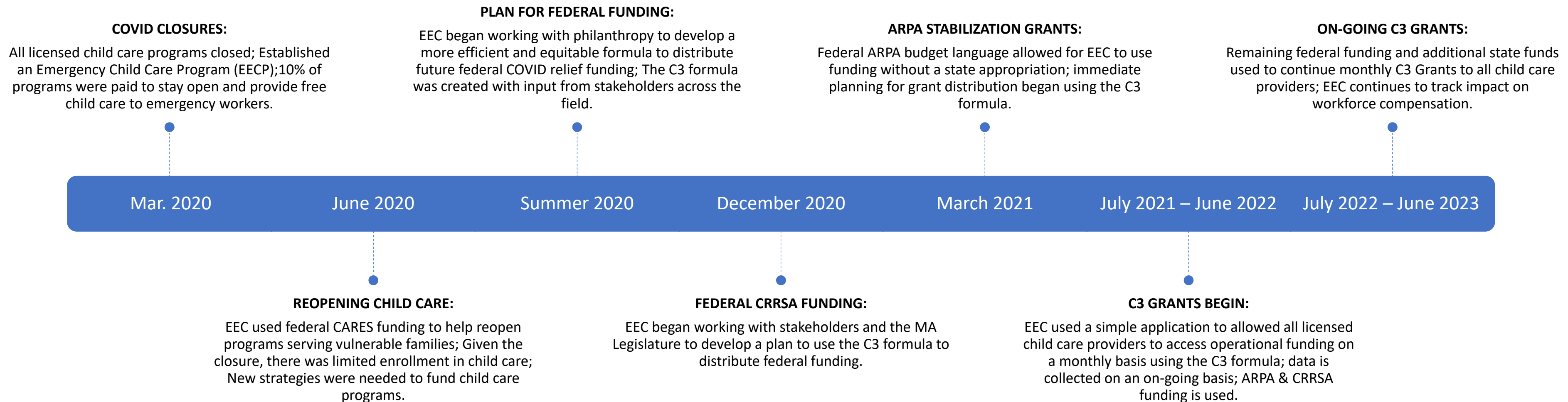


2020 Strategic Action Plan



- New Commissioner started in Summer 2019, was charged with immediately updating EEC strategic plan
- With engagement of over 11,000 people, EEC gathered data to inform a preliminary cost model during the process
- Strategic Action Plan was passed by the EEC Governing Board the same day the Governor called a State of Emergency for COVID-19; Re-released 2021 with COVID updates and implementation road maps
- The plan included developing new financing structures for child care, adequately funding quality aligned to state licensing standards, reconfiguring state child care subsidies for working families, and creating a professional workforce license

COVID Opportunity: Creating the Commonwealth Cares for Children (C3) Grants



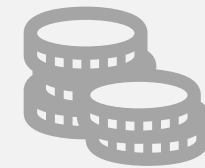
NOW: Funding to continue C3 Grants proposed in the Governor's FY24 Budget under consideration by the Legislature; EEC plans to re-evaluate the C3 formula.

Developing the C3 Formula



Using Cost Modeling Tools:

- Baseline data gathered during strategic planning (pre-COVID)
- Calculated average program costs across program type, region, size, and staffing



Identifying Underlying Cost Structures:

- Built state contracts to eliminate as many additional COVID-related costs as possible (i.e. PPE, COVID tests)
- Identified staffing models that increased operational costs



Setting Child Care Infrastructure Priorities:

- Targeted key areas of need for child care (infant/toddler, extended hours, increasing quality)
- Allowed for bonuses based on compensation incentives



Getting Buy-In:

- Partnered with Third Sector Capital Partners to support on-going stakeholder engagement and feedback
- Developed strong collaboration across New England states

The C3 Grant Formula

(See appendix for additional details)

Base Amount:

- \$83/slot
- Based capacity NOT enrollment
- Includes early childhood and school age programming
- Used standard capacity for all FCCH

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Staffing Adjustment:

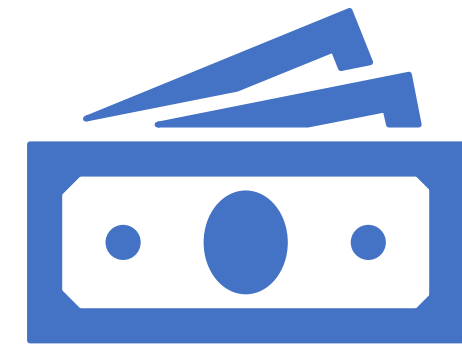
- Multiplier between 1 and 3 based on minimum staffing requirements
- Includes all site-level FTE's (Centers and FCCH)
- Accounts for incentives for infant/toddler services, extended hours, and lower ratios & group size

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Equity Adjustment:

- 30% or 40% increase in funding based on the families served
- Used both community-level SVI and subsidy enrollment
- Allowed for appeal process if program was serving children in need

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Monthly Payment

Programs are also required to:

- Provide monthly hiring updates to track FTE's for the staffing adjustment
- Respond to quarterly data surveys to support ongoing impact analysis

Impact of the C3 Grants (Dec. 2022)

Total Funding Distributed: \$560,681,747

- 88% of all eligible licensed programs are accepting C3 grants
 - Low SVI Communities: 80% of FCC's; 85% of Centers
 - High SVI Communities: 93% of FCC's; 91% of Centers
- 75+% of all funds are going to support operational costs (incl. staffing)
- C3 Formula is effectively targeted funding to key equity and program priorities
 - Avg. \$167/slot Majority White Communities vs. \$194/slot Majority BIPOC Communities
 - Avg. \$139/slot Low SVI Communities vs. \$194/slot High SVI Communities
 - Avg. \$198/slot for programs with infants/toddlers vs. \$117/slot with no infant/toddler

Workforce Compensation Impact:

- 94% of child care centers have reported increasing compensation
 - 73% of all educators have received a salary increase
 - Average hourly wages appear to have risen \$2-3/hour over the grant period for all roles, yet still comparatively low to other industries
- 35% of child care centers are unable to serve their full capacity due to staffing

On-Going Access Challenges for Families:

- 40+% of providers have a waitlist
- 30+% have raised tuition in the last year to support revenue losses
- Less than 50% of providers offer financial assistance to families (subsidies, sliding scales, or scholarships)

Future Considerations for the C3 Grants:

- Evaluate C3 Formula with updated cost modeling post-COVID
- Improved tracking of workforce data and requiring compensation increases
- Linking C3 Grants to family affordability (i.e. subsidy acceptance; tuition increases)

APPENDIX

C3 Grant Formula Overview: EEC Board Meeting (9/13/2022)

The C3 funding formula is designed to respond to primary operational cost drivers and provide additional funding to providers operating in more socially vulnerable communities.

Base Amount

Base Amount = (\$83 starting amount X Licensed Capacity X Staffing Level Adjustment)

Staffing Level Adjustment:

Center Based

- Number of Educator * FTEs ÷ Baseline Educator FTEs
 - Baseline FTEs = (Licensed Capacity ÷ 10)
- Minimum Adjustment = 1
- Maximum Adjustment = 3

FCC

- Minimum Adjustment = 1
- Part-time Assistant = 1.5
- Full time Assistant = 2

(*FTE = Full-Time Equivalent)



Equity Adjustment

Equity Adjustment =

Level 1: (Base Amount * 30%) if...

- SVI \geq .55 and $<$.75 OR
- 33 - 66% of enrolled children receive subsidies

Level 2: (Base Amount * 40%) if...

- SVI \geq .75 OR
- $>$ 66% of enrolled children receive subsidies

For center-based providers, providers with a ratio of total CEO compensation to starting educator pay greater than 40:1 will not be eligible for the staffing or equity adjustments (CEO annual salary of roughly \$1M)

Additional Information on Grant Outcomes

Quarterly Reporting of C3 Grant outcomes is ongoing at EEC monthly Board meetings. Two most recent data analysis can be found at:

- September 2022:
<https://www.mass.gov/event/board-of-early-education-and-care-meeting-tuesday-september-13-2022-2022-09-13t130000-0400-2022-09-13t160000-0400>
- December 2022:
<https://www.mass.gov/event/board-of-early-education-and-care-meeting-tuesday-december-13-2022-2022-12-13t130000-0500-2022-12-13t150000-0500-0>





SMART START:

An Investment in Illinois
Early Childhood Education & Care

1. Where have we been?
**Strengthen and Grow Child Care
ExceleRate Child Care Pilot**
2. What have we learned?
**Business operations subsidies
at market-wide scale**
3. Where are we going?
**Smart Start Child Care:
Workforce Compensation
Contracts**



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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.



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.

Forward-Looking Early Childhood Investments

Strengthening and growing early childhood requires field sustaining funding reform *and* investment in affordability for families.

State investment can build on the federal relief funds that have kickstarted transformational investments and moved the State towards the Early Childhood Funding Commission's recommendations and Governor Pritzker's vision of making Illinois the best state in the country to raise young children.

Minimize child care deserts, raise child care wages, address the teacher shortage, and expand child care quality through investment in **business operations subsidy contracts for child care providers**, and **apprenticeships and scholarships for staff**.



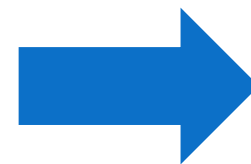
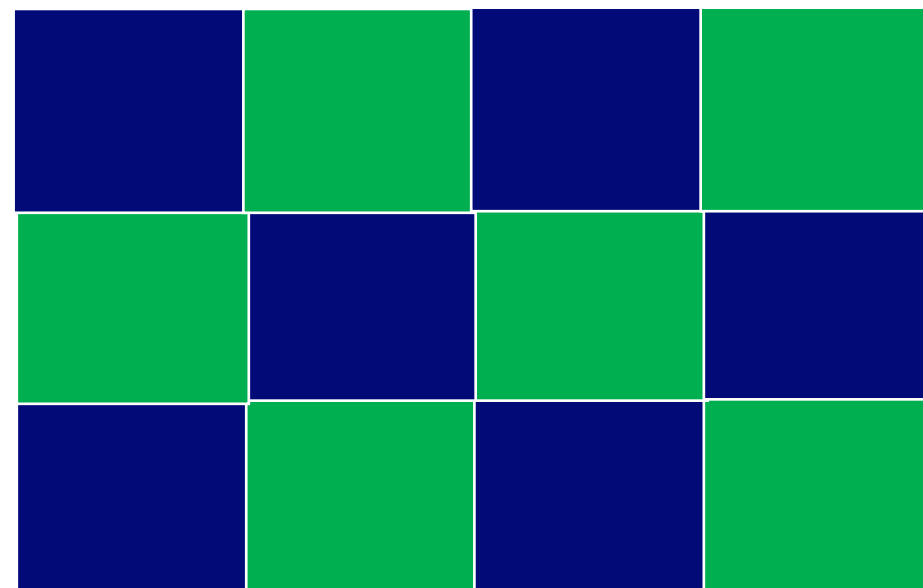
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What is a business operations subsidy contract???

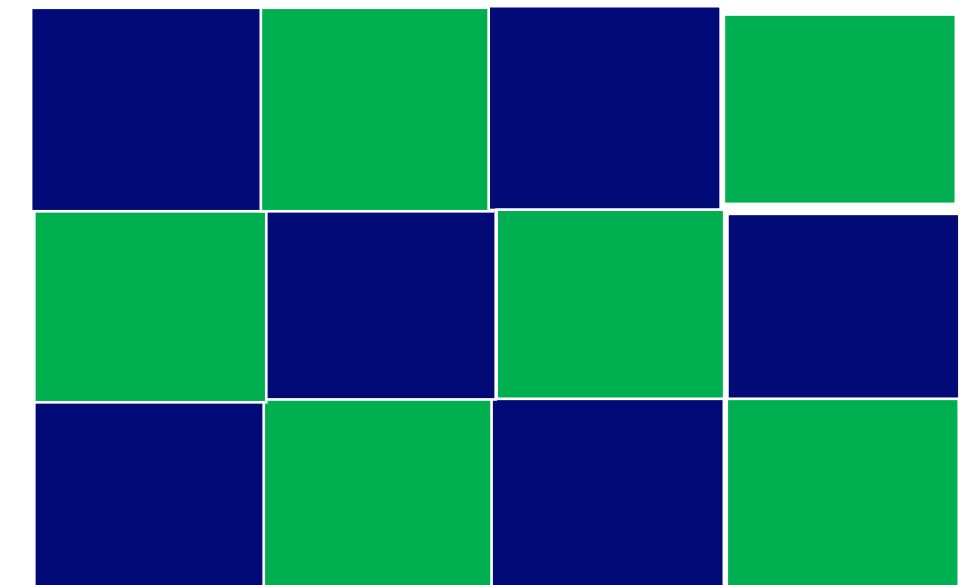
A business operations subsidy contract can provide the necessary resources to support **higher wages** for the child care workforce and **support quality** across the field.

- Private Pay
- Subsidy
- Contract

TODAY: Current Operating Cost



PROPOSED: True Cost of Care



Base Operating Contract remains consistent despite dynamic nature of subsidy and tuition

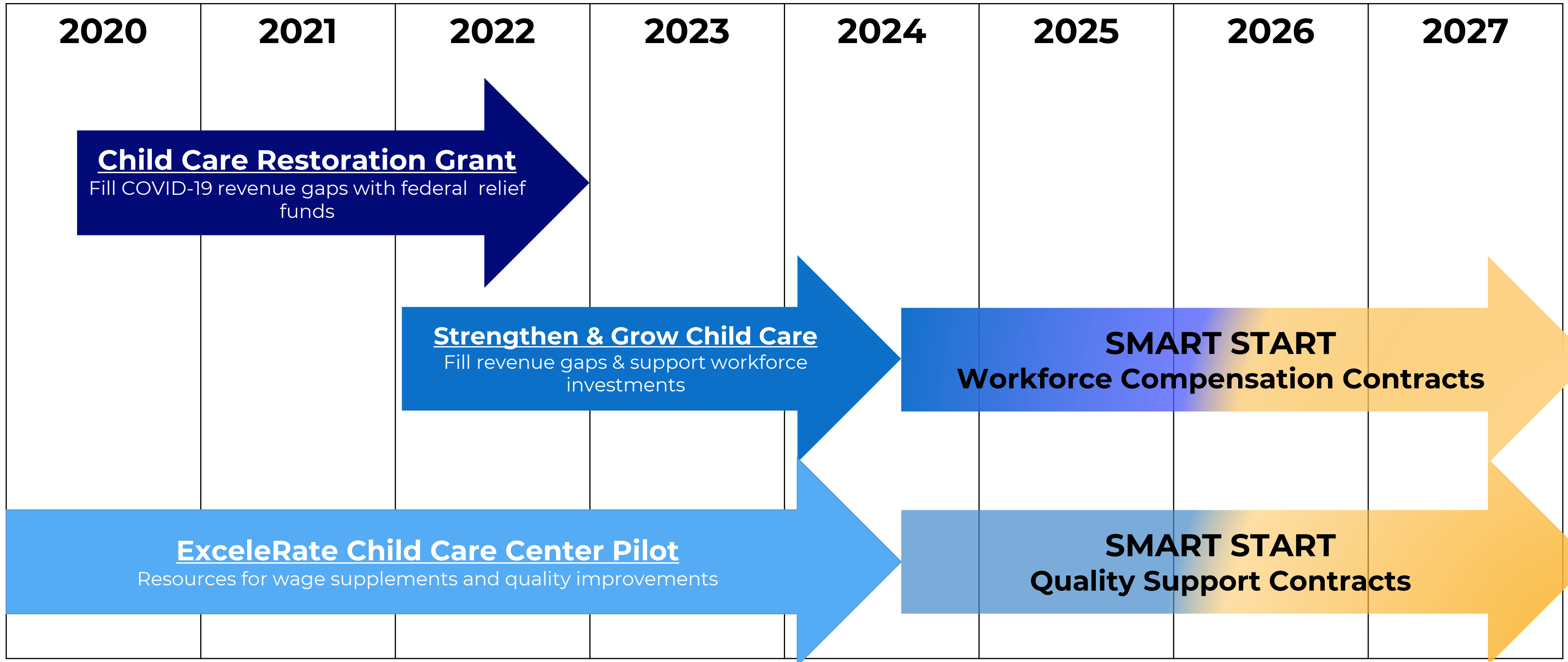
- Adequate Teacher Compensation
- Better Ratios
- Professional Development

SMART START: Child Care



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A History Of Innovative Funding



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.

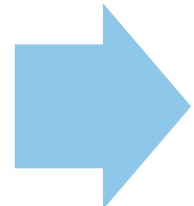
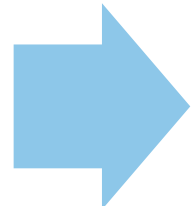
Investments in the workforce to support advancement

- **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



What is DC LEAD?

» DC LEAD



» DC LEAD Incentive Eligibility

To be eligible to receive an incentive of up to \$3,000 based on funding availability through DC LEAD, a child care educator must meet the following requirements:

- Be employed and remain employed in an eligible position in a child development facility licensed by OSSE for one year;
- Be enrolled in an eligible position (center director, teacher, assistant teacher, expanded home caregiver, home caregiver or associate home caregiver);
- Be enrolled in a CDA credential or associate/bachelor's degree program to meet the OSSE minimum education requirements or already meet the OSSE minimum education requirements for their current position based on their staff type; and
- Complete the DC LEAD incentive payment agreement.

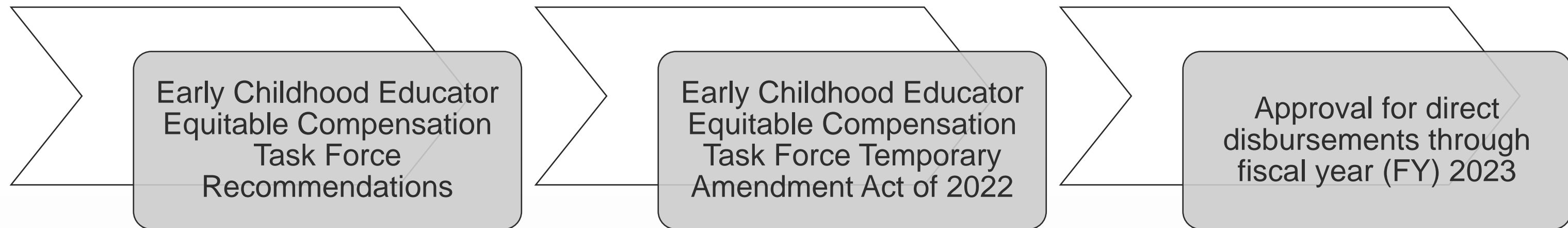
» DC LEAD Incentive Eligibility (continued)

- Once a DC LEAD incentive application is approved, recipients must **sign** an agreement that includes the following:
 - **Agreement to remain employed** in their current child development facility licensed by OSSE for one year; and
 - Incentive payment will only be issued after six months, once all required information is provided and the DC LEAD incentive application is approved.



Early Childhood Educator Pay Equity Fund

Early Childhood Educator Pay Equity Fund



OSSE is working with AidKit to distribute supplemental payments to eligible child care workers in fiscal year 2022 (FY22)

\$45 million payments issued



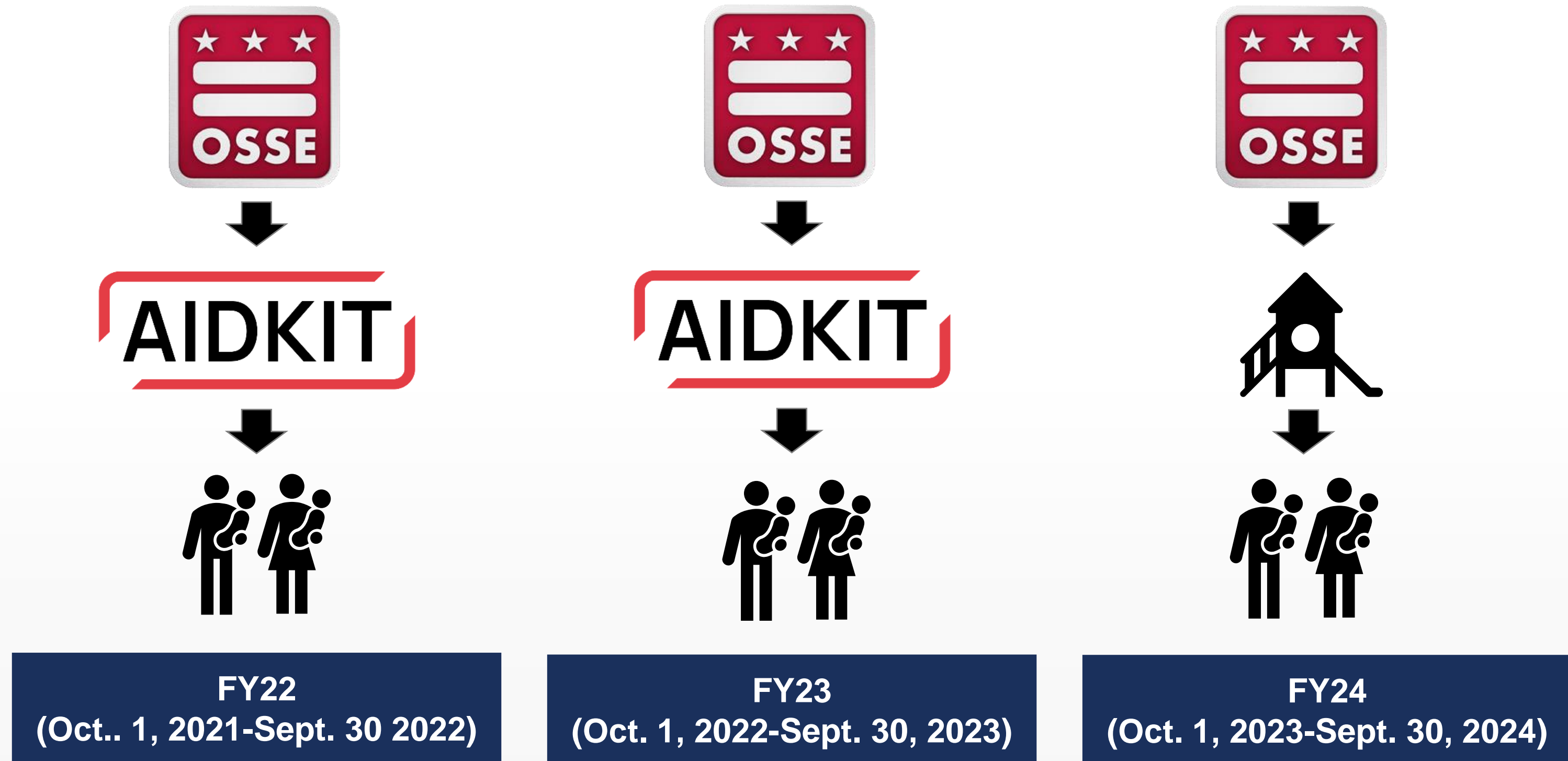
27,000 people helped

77 nonprofit and government partners

AidKit has distributed funds to:

- Child care providers
- Refugees
- Low-income families
- People who do not have bank accounts
- Undocumented workers

Increasing Compensation for District Child Care Educators: 2022-2024



Payment Amount

Staff Type	Time Status	
	Full-Time	Part-Time
ECE I: <ul style="list-style-type: none"> • Assistant Teacher • Associate Caregiver • Montessori Assistant Teacher 	\$10,000	\$5,000
ECE II: <ul style="list-style-type: none"> • Teacher • Expanded Home Provider • Home Provider • Montessori Teacher 	\$14,000	\$7,000

Common Themes

1

Mechanisms Matter

New mechanisms have been created in each state to fund increased compensation—increasing per-child subsidy rates has not been enough

2

Address the Entire Market

States are thinking about how to raise compensation across the entire early childhood market—not just for providers who predominantly serve subsidy-eligible families

3

Cost Modeling is a Key Enabler

Each state built models of the “true cost of quality care” to inform the design of their initiative. The cost models required extensive stakeholder engagement and data gathering.

Discussion

