

Blue Ribbon Panel on Child Care
August 3, 2023 Panel Meeting Minutes

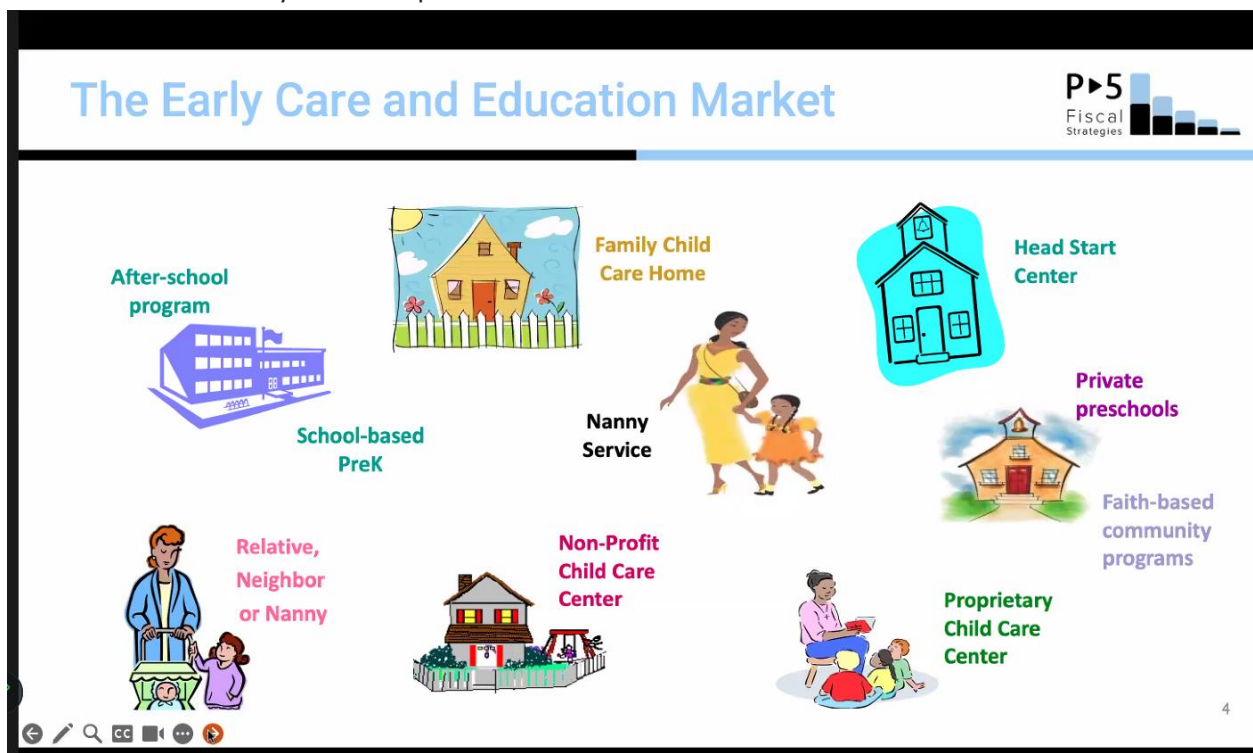
Welcome/Agenda:

Commissioner Bye called the meeting to order and shared the objective of the session: ~~F~~The OEC Funding and Costs Workgroup to share initial recommendations, and elicit feedback and solutions from the Blue Ribbon Panel.

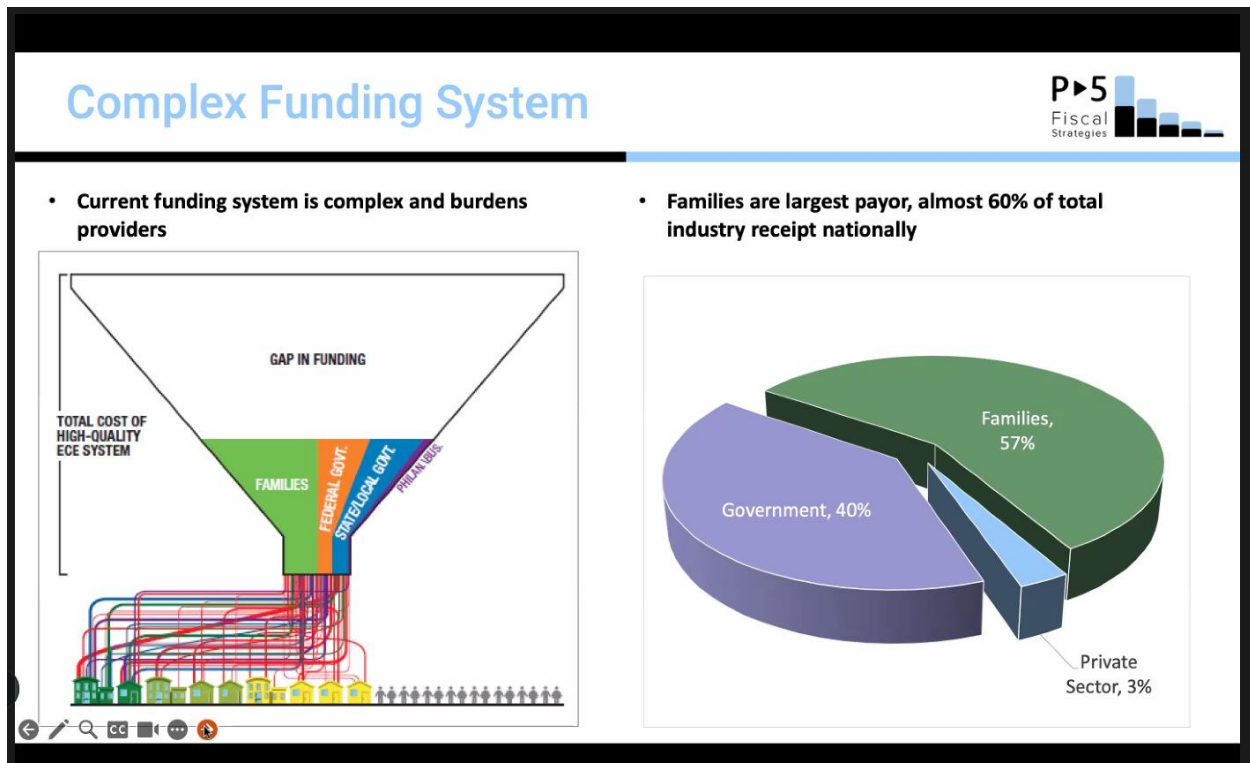
Commissioner Bye introduced Simon Workman, Prenatal to Five Fiscal Strategies, to present National Perspective on Child Care Finance.

National Perspective on Child Care Finance: *Presented by Simon Workman, Prenatal to Five Fiscal Strategies*

- Prenatal to Five Fiscal Strategies:
 - Initiative focused on addressing the broken fiscal and governance structures that exist within the P5 system
 - Founded in a set of shared principles that center the needs of children, families, providers and the workforce and fundamentally re-thinks the current system in order to better tackle issues of equity of funding and access
 - Provides national leadership and direct support to states and communities
 - Lead by Jeanne Capito and Simon Workman



- Problem: The Broken Child Care Market
 - As a family looking for care before or after kindergarten, the thought is, “this is great, there are so many choices,” but reality is, families are limited by availability of time, what they want for their child in terms of culture, can you find an opening, can they afford it, etc.
 - From the provider perspective, the revenue sources tied to standards/reporting are really complex

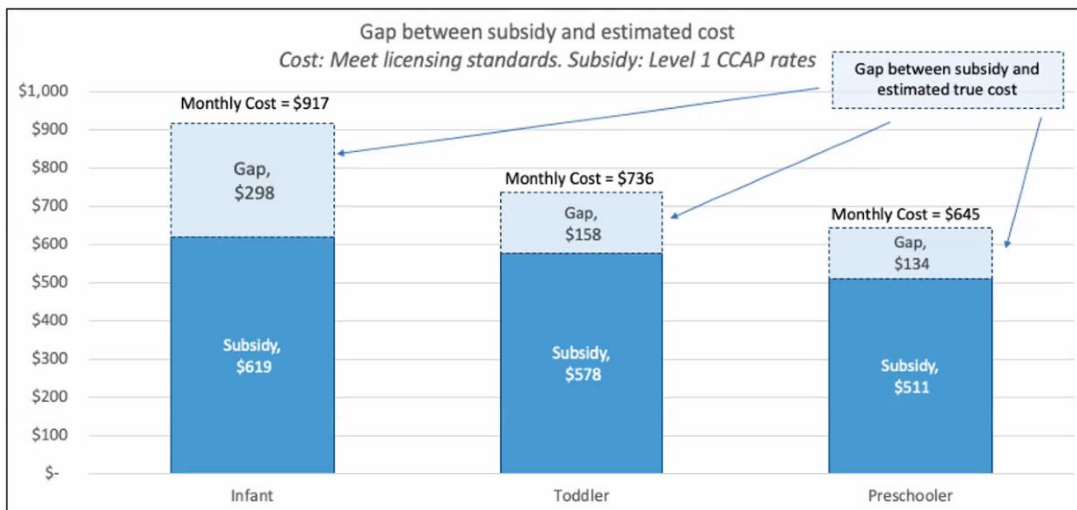


- Complex Funding System:
 - The burden is on providers, adding extra stress on providers to manage it
 - The large gap at the top shows the funding doesn't cover the full cost of care
 - Child care is arguably a public good, and there is a lot of public money going into it, but families are primary payer
 - Neither amount of revenue from either sides of the house are sufficient to cover cost of care
- Neither private nor public funding covers the cost of care:
 - Private pay:
 - Families are price-sensitive consumers
 - Higher quality ECE costs more than most families can afford, which lowers demand for quality
 - ECE market encourages price competition - low tuition fees - which discourages supplier investment in quality

- Subsidy:
 - Setting subsidy rates via market rate survey embeds the market failures in the system
 - Providers in low-income areas must set rates low, but then receive low subsidy rates
 - Very few states set rates at the recommended percentile of the current market rate, decreasing the value of the voucher even further
- Child care is a broken market that disincentivizes quality

Subsidy rates do not cover the true cost

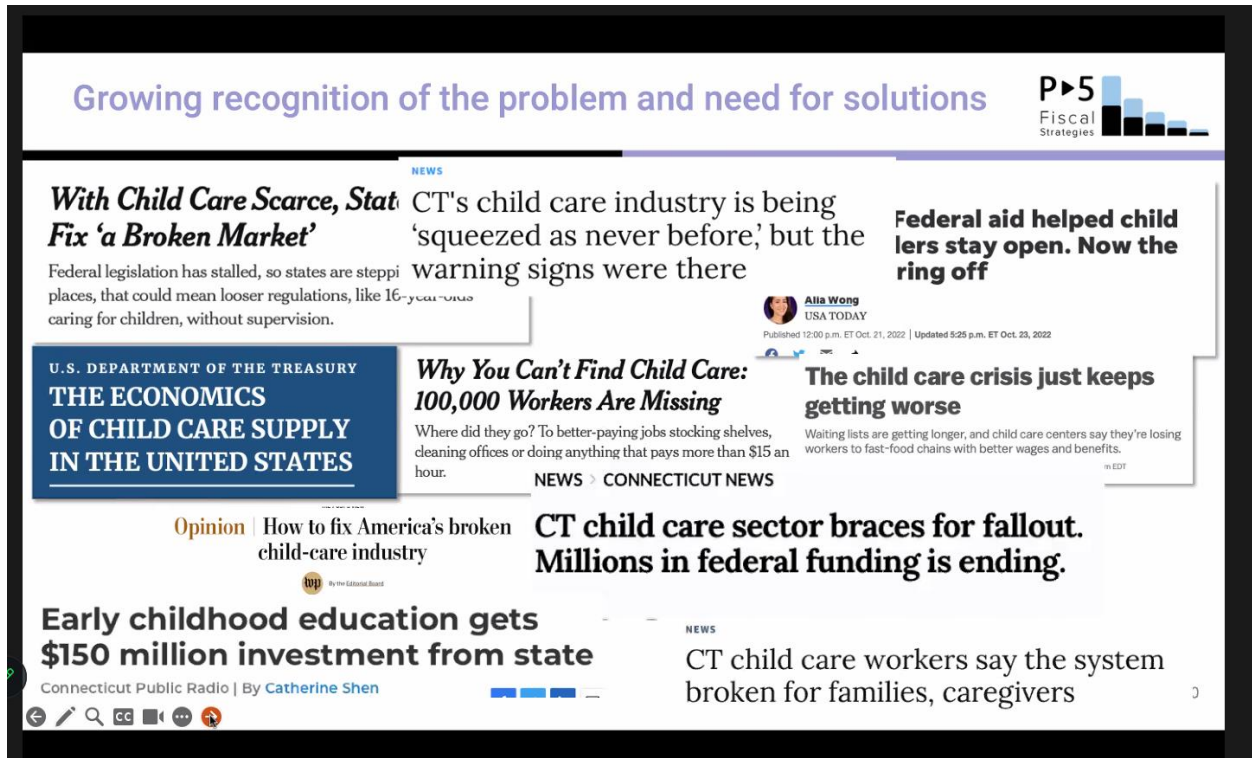
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Fiscal
Strategies



Source: www.costofchildcare.org

- What drives the cost of child care:
 - Personnel
 - Salaries
 - Benefits
 - Ratio/Group size
 - Additional staff
 - 60-80% of expenses are personnel
 - Non-personnel
 - Rent/lease/mortgage
 - Utilities
 - Supplies and equipment
 - Transportation
 - Food

- Administrative
- The difference between price and cost
 - Price reflects what the market can bear, what families actually pay
 - Cost reflects the actual expenses a program incurs in order to operate
 - True cost reflects what it should cost when not constrained by available revenue



Growing recognition of the problem and need for solutions

With Child Care Scarce, States Fix 'a Broken Market'
Federal legislation has stalled, so states are stepping in to fill the gaps, but that could mean looser regulations, like 16-year-olds caring for children, without supervision.

Why You Can't Find Child Care: 100,000 Workers Are Missing
Where did they go? To better-paying jobs stocking shelves, cleaning offices or doing anything that pays more than \$15 an hour.

The child care crisis just keeps getting worse
Waiting lists are getting longer, and child care centers say they're losing workers to fast-food chains with better wages and benefits.

CT child care sector braces for fallout. Millions in federal funding is ending.

Early childhood education gets \$150 million investment from state
Connecticut Public Radio | By Catherine Shen

**U.S. DEPARTMENT OF THE TREASURY
THE ECONOMICS
OF CHILD CARE SUPPLY
IN THE UNITED STATES**

Opinion | How to fix America's broken child-care industry

CT's child care industry is being 'squeezed as never before,' but the warning signs were there

Federal aid helped child care centers stay open. Now the ring off

CT child care workers say the system broken for families, caregivers

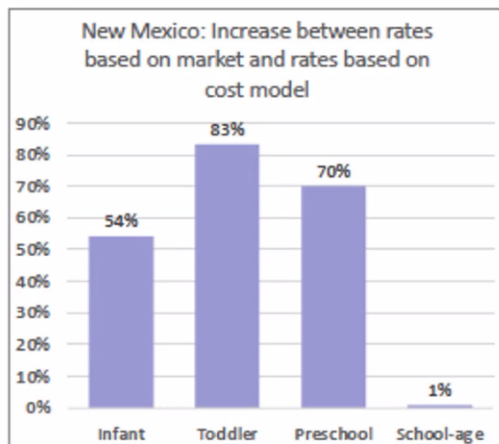
- Increasing Focus on State Governments
 - Connecticut Blue Ribbon Panel on Child Care
 - California Rate and Quality Advisory Panel
 - New York State Child Care Availability Task Force
 - Kansas Early Childhood Transition Task Force
 - Virginia Commission on Early Childhood and Care
 - Washington State Child Care Collaborative Task Force
 - National Academies study, Transforming the Financing of Early Care and Education
- Fiscal Modeling for Decision Making
 - Policy Development
 - Highlight gap between current revenue and true cost
 - Set subsidy rates that align with true cost
 - Align tiered reimbursement and quality incentives with true cost of higher quality

- ECE business support
- Long-term fiscal planning
- Advocacy
 - Educate policymakers, parents, and general public on finances of ECE business
 - Price vs. cost
 - Personnel as primary cost driver
 - Build support for increased public investment
 - Highlight inadequacies of current funding streams
 - Demonstrate support needed for low and middle income families
- Good data in = good data out

Example: Impact on rates in New Mexico



Centers



Program Type	Average Underfunding Percent	
	2020 Rates	2021 Rates
Center	21%	6%
Family Child Care	38%	0%
Group Home	27%	0%

Example: Long-term finance planning



- NM developed a multi-year finance plan with launch of new department
- Covers Child Care, PreK, Home Visiting, FIT, and infrastructure/quality supports
- Cost projections include iterative steps to meet long-term goals
- Revenue projections include new funding sources
- Helps identify gaps, make case for continued long term investment

Table 36: Summary of Expense Projections by fiscal year

	FY23	FY24	FY25	FY26
Child Care	\$213,092,489	\$373,951,403	\$416,304,137	\$533,509,927
PreK	\$107,500,540	\$112,419	\$120,667,566	\$125,622,136
Home Visiting	\$49,526,657	\$92,585,705	\$100,276,042	\$108,713,168
FIT	\$63,049,652	\$73,338,093	\$77,844,070	\$85,463,022
Quality Supports and Infrastructure	\$72,714,582	\$74,261,341	\$82,713,432	\$89,981,220
TOTAL	\$505,883,920	\$726,555,912	\$797,805,247	\$943,289,473

Table 37: Summary Revenue Projections by fiscal year

	FY23	FY24	FY25	FY26
Child Care	\$221,785,298	\$156,110,300	\$156,110,300	\$156,110,300
PreK	\$109,161,500	\$104,057,400	\$104,057,400	\$104,057,400
Home Visiting	\$50,422,394	\$45,116,900	\$45,116,900	\$45,116,900
FIT	\$60,814,584	\$67,888,649	\$70,592,235	\$75,163,606
Quality Supports and Infrastructure	\$78,460,113	\$56,430,398	\$57,141,831	\$57,857,493
TOTAL	\$520,643,889	\$429,603,647	\$433,018,666	\$438,305,699

Table 38: Gap between expenses and revenues, all programs by fiscal year

	FY23	FY24	FY25	FY26
Revenue Needed	-\$14,759,969	\$296,952,265	\$364,786,581	\$504,983,775

- Simon lead a brief question and answer session covering the following topics:
 - The impact of neighboring states taking notice of the system and the benefits it could bring to the state
 - Changing the mindset of child care to a public good
 - What we can learn from states who have made progress from building data systems

Discussion of Preliminary Draft Funding and Costs Recommendations: Presented by Commissioner Beth Bye, Office of Early Childhood

- Funding and Costs Workgroup Goal
 - Redesign the ECE funding system to maximize resources, address future child development and educational needs, and ensure equity and sustainability
- The workgroup has drafted recommended strategies to the Blue Ribbon Panel related to three areas:
 - Funding uses
 - Maximizing current resources
 - Funding strategies
- Important note: the recommendations on the subsequent slides are preliminary based on current work and promising practices here and across the country. They will be prioritized and refined based on feedback from the public, guidance from the panel, and key stakeholders. They will then be tested for feasibility and impact.
- Funding and Costs Problems and Opportunities

- The current level of local, state, federal, and family funding for early care and education (ECE) in Connecticut poses significant challenges. With the exception of public school ECE which is fully funded, funding levels are too low.
- Affordable, high-quality child care is out of reach for many families and system funding fails to take into account the cost of providing care, thus impacting access and quality.
- This funding challenge suppresses demand for child care, resulting in lower levels of workforce participation by working parents, especially women, thereby hurting the Connecticut economy, and leaving children underprepared for kindergarten and their future.
- The current funding model results in programs paying teachers at levels significantly below the K-12 system, leading to high turnover and an inability to attract new educators to the field.
- Geographies like Canada, Washington DC, New York City, Massachusetts, Vermont, Colorado, and New Mexico have addressed similar challenges by committing to substantial funding system changes.
- These investments have resulted in higher levels of workforce participation by families, especially women, and significantly improved educational results for children.
- In Connecticut, the Connecticut Business Industry Association (CBIA) estimates that if women were to reach the same workforce participation rates as men, the roughly 100,000 job openings in the state would be more than filled.
- Connecticut has a foundation on which to make a similar commitment.
 - State-funded programs and subsidies provide early care and education for more than 37,000 infants, toddlers, and preschoolers.
 - Federal Head Start and Local Schools provide ECE for an additional 20,300

Commissioner Bye introduced Mark Argosh, Executive Director, SVP, -to continue presenting the Preliminary Draft:

System Supply By Type of Provider

Number of Providers by Provider Type

Provider Type	Count
Small CCC	432
Medium CCC	598
Large CCC	278
FCC	1,785
Sub-Total	3,093
Public School	470
Total	3,563

Source: UCONN Omnibus Data (dated 4-23-2023); Public School Data is based on Omnibus report and Edsight Data.
Note: This data excludes all closed, summer programs, and school-age-only-providers.

System Supply by Seats by Age Served

Estimated System Licensed Capacity
By Provider Type By Age Served

Provider Type	Total Infant/Toddler Licensed Seats	Total Pre-K Licensed Seats	Total Licensed Capacity
Small CCC	2,523	7,979	10,502
Medium CCC	11,141	23,096	34,237
Large CCC	13,390	23,908	37,298
FCC	3,568	7,136	10,704
Sub-Total	30,622	62,119	92,741
Public School	20,823	20,823	41,646
Total	51,445	82,942	134,387

Source: Omnibus Data (dated 4-23-2023); Public School Data is based on Omnibus report and Edsight data.
Note: Public school capacity refers to all slots in schools, including state-funded slots. Excludes all closed, summer programs, and school-age-only-providers.

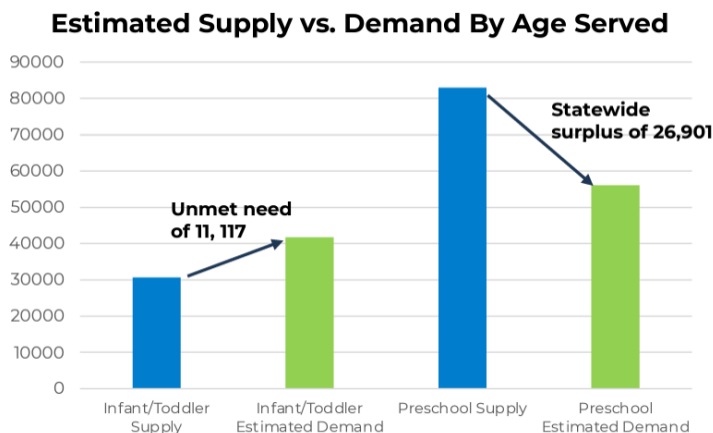
Key Assumptions:

- System supply is based on licensed capacity for state licensed FCCs and Child Care Centers.
- The OEC licensed capacity numbers break out infant and toddler seats as a separate category, but they combine school aged and preschool seats.
- This analysis divides the seats for programs that offer both, based on a 2019 report from 2020 based on survey information. The data reports suggests that 54% of seats are preschool and 46% are school aged seats.

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Predicted System Demand versus Supply



Source: Omnibus Data (dated 4-23-2023). Public School data is based on Omnibus data and Edsight Data.

Note: Excludes all closed, summer programs, and school-age-only providers. For licensed capacity three and over, assumes 54% is Pre-K student and 46% school aged for center-based providers based on 2020 2-1-1 report

- Demand for **infants and toddlers** is **44.2%**, starting with an assumption that 50% of families would prefer formal care, adjusted downwards for 12 week of paid leave to 44.2%
- Demand for **preschool** is estimated at **66%** based on geographies with affordable, accessible systems
- **25% of towns** (42 out of 169) in Connecticut **have unmet Pre-K needs**; whereas **72% of towns** (122 out of 169) in Connecticut **have unmet Infant and Toddler needs**; whereas
- The top 10 towns with unmet Infant and Toddler need account for 6,366 slots

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Mark Argosh directed the presentation back to Commissioner Bye:

- Considerations Related to Potential Incremental Investments
 - The Funding and Costs Workgroup estimated incremental investments related to increased workforce compensation, access and affordability based on recommendations from other workgroups:
 - Equity and Access: related to increasing access and affordability

- Workforce and Quality: related to the providing professional wages and benefits, above all other workforce-related recommendations
- Systems: related to a host of recommended systems investments. These will be estimated in the coming weeks
- There are a variety of potential funding sources for any incremental investment- federal, state, local, families, philanthropy, and employers
- The state only has direct funding mechanisms for a portion of providers in the system; much of the system is private
- The following estimates are some critical initial investment ideas. Based on feedback for stakeholders and panel members, estimates will be refined and new options may be considered

Commissioner Bye directed the presentation back to Mark Argosh:

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Estimates Related to Potential Incremental Investments

Estimates of Increased Workforce Salaries and Benefits Investments for Centers and Family Child Care Providers*

**Excluding public schools*

System	Parameter	System Cost (\$ in Millions)
Current cost of FCCs & CCs	Workforce Registry	\$1,299
Systemwide Salary Changes According to Proposed Salary Schedules	Salary Enhancement-Mid Level	\$443
Change in Non-Discretionary Benefits	Salary Enhancement-Mid Level	\$59
Systemwide Changes in Proportional per FTE Benefits Only	Salary Enhancement-Mid Level (12%)	\$76
System-wide Changes in per FTE Discretionary Benefits	Fixed \$ Amount per FTE (\$9,085)	\$175
Total Changes to All CCC and FCC Compensation	Salary Enhancement-Mid Level	\$753

Salary Enhancement-Mid Level

- 57.9%** increase from baseline system cost for FCC and CCCs
- 38.6% increase in salaries and mandatory benefits
 - 19.4% increase in salaries are discretionary benefits

Source: UCONN Omnibus Data (dated 4-23-2023). *Public School Data is based on Omnibus report and Edsight data.

Note: Excludes all closed, summer programs, and school-age-only providers. For licensed capacity three and over, assumes 54% is Pre-K student and 46% school aged for center-based providers based on 2020 2-1-1 report. Expense assumptions are derived from Narrow Cost Analysis/PCQC.

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Estimates Related to Potential Incremental Investments

Estimates of Increased Workforce Salaries and Benefits Investments for OEC State-Funded Programs

System	Parameter	System Cost (\$ in Millions)
Current cost of FCCs & CCCs	Workforce Registry	\$157
State-Funded Salary Changes According to Proposed Salary Schedules	Salary Enhancement-Mid Level	\$57
Change in Non-Discretionary Benefits	Salary Enhancement-Mid Level	\$7
State-Funded Only Changes in Proportional per FTE Benefits Only	Salary Enhancement-Mid Level (12%)	\$8
State-Funded Only Changes in per FTE Discretionary Benefits	Fixed \$ Amount per FTE (\$9,085)	\$26
Total Changes to State Funded Program Compensation	Salary Enhancement-Mid Level	\$97

Salary Enhancement-Mid Level

61.8% increase from baseline system cost for CCCs

- 40.4% increase in salary and mandatory benefits
- 21.4% increase in salaries are discretionary benefits

Net investment may be offset by Care 4 Kids Funding

Source: UCONN Omnibus Data (dated 4-23-2023). *Public School Data is based on Omnibus report and Edsight data.
Note: Excludes all closed, summer programs, and school-age-only providers. For licensed capacity three and over, assumes 54% is Pre-K student and 46% school aged for center-based providers based on 2020 2-1-1 report. Expense assumptions are derived from Narrow Cost Analysis/PCQC.

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Estimates Related to Potential Incremental Investments

Estimates Related to Affordability

Scenario	Incremental Year One Costs in Millions
Increasing eligibility to 70% of SMI	\$6.9
Capping parent co-pay at 7%	\$3.4
Presumptive Eligibility (allow families applying for Care 4 Kids to receive temporary approval while their application is being processed)	\$11.1
Removing barriers to applications/improved navigation yielding an estimated 10% increase in successful applications	\$18.9
Cost-sharing, Tri-Share Model	\$0.5

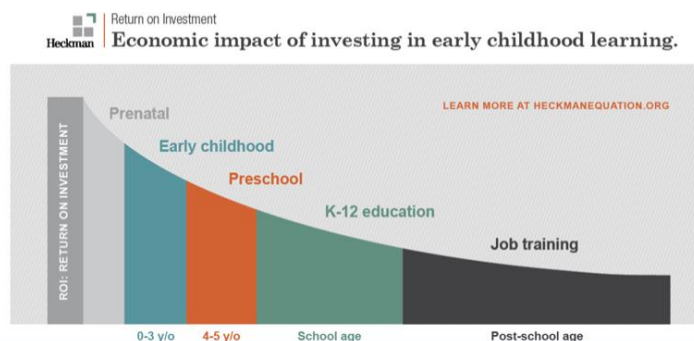
Source: OEC analysis

- Estimates Related to Potential Incremental Investments
 - Estimates Related to Increasing Access
 - Expanding contracted infant and toddler slots:
 - Increasing the state-funded contracted infant/toddler program would represent an incremental cost of \$50 million and add an additional 2,600 slots. Increasing access to start-up funds for family child care homes and facility classroom conversion costs for centers could also support increased infant and toddler care.
 - Expanding Smart Start:
 - The Smart Start program is relatively low-cost for the state at only \$5,000 per child, supplemented with local school funds. Smart Start classrooms also serve a disproportionate number of children with special needs, serving an average of 28% versus the state average 16.3%. Tripling this program would only cost \$6.7 million and would increase access by nearly 1,900 students and expand access for approximately 530 children with special needs as well.

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Overarching recommendation

There is no greater social return on investment than early childhood



Therefore, it is the overarching recommendation of the Funding and Costs workgroup that the Blue Ribbon Panel proposes a commitment to adequately and equitably fund an accessible, affordable, high-quality early childhood system for Connecticut families

- Subgoal Recommendations to the Blue Ribbon Panel
 - Funding Uses for Financial Modeling and Planning

- Commit to adequately and equitably fund an accessible, affordable, high-quality early childhood system for Connecticut families
 - Invest to support professional compensation and benefits for state-funded programs
 - Invest to increase affordability for low- to middle-income families
 - Invest to support increased access, especially for infant and toddler care and children with special needs
 - Invest in new and improved systems (estimates of one time and ongoing expenses to come)
- Maximizing Current State, Local, and Federal Resources
 - Support Systems recommendations to develop a more flexible and responsive system matching supply and demand, and increase utilization of the current system through incentives and enrollment management systems
 - Leverage the Early Childhood Cabinet to focus on children to systematically identify potential cross-agency opportunities for alignment and collaboration, similar to the newly formed Workforce Cabinet
 - Leveraging Head Start partnership braiding, blending and layering funding e.g., to expand Early Head Start Child Care Partnership
 - Grow partnership with SDE, e.g. evaluate public school facility footprint to identify potential for donated or subsidized space, consider options to expand IDEA Part B, Title 1 services for young children
 - Support Systems recommendation for community needs assessment and governance system to systematically identify local assets that can leverage for early care and education
- Funding Strategies
 - Convene senior state leaders and stakeholders to advise on identifying promising incremental ECE funding sources and mechanisms, building on examples from other geographies and assessing them for match with Connecticut
 - In partnership with CBIA, continue to convene businesses to identify their preferred method(s) of engagement in support of ECE. In particular, assess interest in and ideas for the potential structure of cost-sharing public-private models, similar to Tri-Share, particularly for larger employers, to serve employee population just out of reach of subsidies
 - Develop recommendations for utilizing the Early Childhood Education Fund including potential funding strategy, purpose structure, resourcing and governance, leveraging the examples of other public fund models

- Cultivate relationship with key potential funders to expand philanthropic funding for select ECE investments, especially for one-time catalytic systems and facilities investments

- Commissioner Bye lead a brief question and answer session covering the following topics:
 - Equitable opportunities in communities of colors, rural, and urban areas
 - Leaning into DCF for support
 - Utilizing existing data but also going out into the community for information
 - Consider the cost of not providing the cost of care, invisible costs, or more costs later on

Commissioner Bye and Deputy Commissioner Elena Trueworthy facilitated the dissemination of two breakout sessions where the following questions were discussed:

- General reactions
- What do you need more clarity on?
- What would you prioritize or deprioritize?
- What's missing?
- What questions on recommended strategies?
- Where should the workgroup dig in further?

Room 1:

- The percentage (56%) of families who choose to use relatives or keep child home for child care
 - Affordability concern
 - The impact of a communal setting on a child
- Comparison to a state elder care program, where the state pays for care for an elderly person on Medicaid and at home
 - This has proven to be more beneficial to the patient than a nursing home
 - Can this same method work for child care?
- More information on engaging businesses
- Keeping in touch with various agencies is a crucial step
- Look at what can be done rather quickly and feasibly, and what would resonate well with the legislature
- Massive disparity in access in infant/toddler care, which is a result of equity issues
 - Difficult to find care
 - Compensation for educators resulting in need for support
 - Presumptive eligibility puts the burden on the state to make the decision quickly, ultimately making the government more efficient, helping families go to work fast, and making sure educators get paid

- Supply/demand issues across state and the challenge to build those places up

Room 2:

- Looking at different areas of data: school lunch, lack of housing, Medicare and Husky
- Pinpointing where areas of rejection are coming from
- Providing care outside the traditional hours of 8AM to 5PM
- Kicking off studies that compare the outcomes of compensation and quality of staff within the state
- Funding within the state of Connecticut to make these plans happen - emphasizing we need a plan in order to get things started

Wrap-up: *Commissioner Beth Bye, Office of Early Childhood*

- Commissioner Bye encouraged people to provide feedback and review the published Sharing Session notes
- Emphasized that this is an open, collaborative process and the plan has been changing before our very eyes
- Getting a lot of thoughts and ideas from people who aren't providers, and having these multiple perspectives helps people to think