State of Connecticut

Blue Ribbon Public Sharing
Funding and Costs Workgroup

Blue Ribbon Panel
on Child Care

July 31, 2023

Note that this session will be recorded and posted publicly on the OEC Website
1. Welcome and Initial Remarks
2. Workgroup Context
3. Current State Analysis and Future Investment Estimates
   • Questions and Answers
4. Preliminary Draft Funding and Costs Recommendations
   • Breakout Rooms Discussion Facilitated by OEC Leadership
5. Wrap-up
Funding and Costs is the fourth of the four interdependent workgroups presenting to the Blue Ribbon Panel.
The Blue Ribbon Panel Meeting Timeline

- **17 Mar. 2023**: Executive Order Signing and Press Event
- **19 Apr. 2023**: Project Orientation
- **24 May 2023**: Workforce & Quality Panel Discussion
- **11 May**: Workforce & Quality Deep Dive Draft Recommendations
- **12 July 2023**: Equity & Access Deep Dive Draft Recommendations
- **14 June 2023**: Systems Deep Dive Draft Recommendations
- **3 August 2023**: Funding & Costs Estimates Deep Dive Draft Recommendations
- **20 Sep. 2023**: Recommendations Outline Review
- **6 Dec. 2023**: Final Plan Approval and Submission

The recommendations presented today are considered *preliminary*; they will be discussed and updated by the Blue Ribbon Panel and then *further socialized with the field* before they are considered "final".

*Indicates Public Sharing Sessions For Collecting Feedback from the Field*
Funding and Costs Workgroup Goal

**Funding and Costs 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.
Funding and Costs Problems and Opportunities (cont’d)

- **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
System Supply By Type of Provider

Number of Providers by Provider Type

<table>
<thead>
<tr>
<th>Provider Type</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small CCC</td>
<td>432</td>
</tr>
<tr>
<td>Medium CCC</td>
<td>598</td>
</tr>
<tr>
<td>Large CCC</td>
<td>278</td>
</tr>
<tr>
<td>FCC</td>
<td>1,785</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>3,093</strong></td>
</tr>
<tr>
<td>Public School</td>
<td>470</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,563</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Provider Type</th>
<th>Total Infant/Toddler Licensed Seats</th>
<th>Total Pre-K Licensed Seats</th>
<th>Total Licensed Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small CCC</td>
<td>2,523</td>
<td>7,979</td>
<td>10,502</td>
</tr>
<tr>
<td>Medium CCC</td>
<td>11,141</td>
<td>23,096</td>
<td>34,237</td>
</tr>
<tr>
<td>Large CCC</td>
<td>13,390</td>
<td>23,908</td>
<td>37,298</td>
</tr>
<tr>
<td>FCC</td>
<td>3,568</td>
<td>7,136</td>
<td>10,704</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>30,622</strong></td>
<td><strong>62,119</strong></td>
<td><strong>92,741</strong></td>
</tr>
<tr>
<td>Public School*</td>
<td>-</td>
<td>20,823</td>
<td>20,823</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30,622</strong></td>
<td><strong>82,942</strong></td>
<td><strong>113,564</strong></td>
</tr>
</tbody>
</table>

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 2-1-1 report from 2020 based on survey information. The data in this reports suggests that 54% of these seats are preschool and 46% are school aged seats.**
Predicted System Demand versus Supply

Estimated Supply vs. Demand By Age Served

- 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

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
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 from stakeholders and panel members, estimates will be refined and new options may be considered
# Estimates Related to Potential Incremental Investments

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

<table>
<thead>
<tr>
<th>System</th>
<th>Parameter</th>
<th>System Cost ($ in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current cost of FCCs &amp; Centers</strong></td>
<td>Workforce Registry</td>
<td>$1,299</td>
</tr>
<tr>
<td>Systemwide Salary Changes According to Proposed Salary Schedules</td>
<td>Salary Enhancement-Mid Level</td>
<td>$443</td>
</tr>
<tr>
<td>Change in Non-Discretionary Benefits</td>
<td>Salary Enhancement-Mid Level</td>
<td>$59</td>
</tr>
<tr>
<td>Systemwide Changes in Proportional per FTE Benefits Only</td>
<td>Salary Enhancement-Mid Level (12%)</td>
<td>$76</td>
</tr>
<tr>
<td>System-wide Changes in per FTE Discretionary Benefits</td>
<td>Fixed $ Amount per FTE ($9,085)</td>
<td>$175</td>
</tr>
<tr>
<td><strong>Total Changes to All CCC and FCC Compensation</strong></td>
<td>Salary Enhancement-Mid Level</td>
<td><strong>$753</strong></td>
</tr>
</tbody>
</table>

*Excluding public schools

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**Salary Enhancement-Mid Level**

57.9% increase from baseline system cost for FCC and Centers

- 38.6% increase in salaries and mandatory benefits
- 19.4% increase in salaries are discretionary benefits

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**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.
Estimates Related to Potential Incremental Investments

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

<table>
<thead>
<tr>
<th>System</th>
<th>Parameter</th>
<th>System Cost ($ in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current cost of FCCs &amp; Centers</strong></td>
<td>Workforce Registry</td>
<td>$157</td>
</tr>
<tr>
<td>State-Funded Salary Changes According to Proposed Salary Schedules</td>
<td>Salary Enhancement-Mid Level</td>
<td>$57</td>
</tr>
<tr>
<td>Change in Non-Discretionary Benefits</td>
<td>Salary Enhancement-Mid Level</td>
<td>$7</td>
</tr>
<tr>
<td>State-Funded Only Changes in Proportional per FTE Benefits Only</td>
<td>Salary Enhancement-Mid Level (12%)</td>
<td>$8</td>
</tr>
<tr>
<td>State-Funded Only Changes in per FTE Discretionary Benefits</td>
<td>Fixed $ Amount per FTE ($9,085)</td>
<td>$26</td>
</tr>
<tr>
<td><strong>Total Changes to State Funded Program Compensation</strong></td>
<td>Salary Enhancement-Mid Level</td>
<td><strong>$97</strong></td>
</tr>
</tbody>
</table>

**Salary Enhancement-Mid Level**
- 61.8% increase from baseline system cost for Centers
  - 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.
## Estimates Related to Affordability

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

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 slot 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 $6.7M and would increase access by nearly 1,900 students and expand access for approximately 530 children with special needs as well.

Source: OEC analysis
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

Draft Recommendations For Consideration

- 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)
Subgoal Recommendations to the Blue Ribbon Panel

Maximizing Current State, Local and Federal Resources

Draft Recommendations For Consideration

- **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 I services for young children.

- **Support Systems recommendation for community needs assessment and governance system** to systematically identify local assets that can leveraged for early care and education.
**Funding Strategies**

*Draft Recommendations For Consideration*

- 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.
Breakout Groups: 
Discuss Draft Recommendations

Note that these sessions will be recorded
Questions For Discussion

• What are your general reactions to the recommendations? What do you need more clarity on?
• What would you prioritize or de-prioritize within these, and why?
• What is missing from these recommendations?
• What questions do you have about the recommended strategies? Where should the workgroup dig in further as we continue to build out the recommendations?
Next Steps and Further Feedback

- **Executive Order Signing and Press Event**: 17 Mar. 2023
- **Workforce & Quality Panel Discussion**: 19 Apr. 2023
- **Workforce and Quality Deep Dive – Draft Recommendations**: 11 May 2023
- **Funding and Costs Estimates Deep Dive – Draft Recommendation**: 24 May 2023
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- **Recommendations Outline Review**: 14 June 2023
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- **Final Plan Approval and Submission**: 1 Nov. 2023

- We are here!

- Please visit the Blue Ribbon Panel on Child Care website and/or reach out to us directly with additional questions or comments:
  - There will be a form added to the website to submit any feedback and questions
- We will incorporate your feedback and continue to keep you updated as these recommendations are prioritized and defined - Let us know other ways you would like to be able to provide input!

Indicates Public Listening Session For Collecting Feedback from the Field
Thank you for your participation today!