Center for the Study of Child Care Employment
Institute for Research on Labor and Employment
University of California, Berkeley

Berkeley

CSCCE
Center for the Study of Child Care Employment

May 20, 2022

Bold on Early Educator Compensation Learning Community
Session # 7: Financing Mechanisms

Overview:
Caitlin McLean (CSCCE) and Theresa Hawley (IL) shared framing on cost modeling and contracts with some key resources:

- Prenatal to Five Fiscal Strategies cost modeling materials
- Financing Early Educator Teacher Quality (CSCCE)
- Using Contracts to Support the Child Care Workforce (Urban Institute)

Theresa shared an example from Illinois in which a cost model allowed them to target the "delta"- in this case the impact on reimbursement and market rates in three geographic regions of a phase-in statewide minimum wage raise. Seeing how large the gap would be, the model prompted an immediate 20% increase in reimbursement rates in rural counties. She also reminded us that vouchers won't suffice for attacking the "delta" which is why IL is increasingly using contracts as a strategy to fill the "delta" in cost of care, especially targeting compensation

Hooray moments: We celebrated Corrine Hendrickson (WI) who participated in Day Without Child Care Actions and went to DC last week with the Main Street Alliance. Ariel Ford (NC) celebrated that over $500 million in ARPA stabilization grants have gone out to NC providers who have been using them for hiring and retention bonuses to provide some relief to the workforce (link to NC dashboard data) Relatedly, Marsha Basloe (NC) wrote an article on how stabilization grants are working but we need a long-term fix. Matthew Henderson (NM) shared that the governor continued the decision to ban copays in New Mexico through next summer and expand prohibition on copays to all eligible parents up to 400% FPL

Take-Aways:

- ➢ Use a dynamic cost model to "identify the delta" in funding (i.e. what's missing in program funding to achieve compensation goals?)
- ➢ Use stable funding mechanisms to "target the delta", like grants or contracts that include compensation requirements

Some concerns & questions raised in the group discussion:

- ➢ Concern about balancing expansion and covering true cost - there is always tension between increasing slots and putting more funds into existing programs
- ➢ Concern about impact of raising compensation for programs on subsidy on private pay programs
- ➢ What is the role of profit in calculating cost of care? (e.g. IL arbitrarily built in 7% profit margin)
- ➢ How can advocates get the message across about how significant the "delta" is between what programs are making and the true cost of running an adequately funded program?
- ➢ How can we use an equity approach for which providers/educators are prioritized for equity adjustments in formulas? And embed equity in messaging about the true cost of care?