SEPTEMBER 2022

A FRAGILE ECOSYSTEM IV

WILL KENTUCKY CHILD CARE SURVIVE WHEN THE DOLLARS RUN OUT?
Nearly three years into the pandemic, Kentucky’s child care sector remains on shaky ground, and the sector is bracing for more challenging times ahead. Throughout the COVID-19 pandemic, The Prichard Committee and a team of statewide partners released data capturing the pandemic’s impact on Kentucky’s child care sector in the survey series A Fragile Ecosystem: COVID-19’s Impact on Kentucky’s Child Care Sector. The survey series is now releasing its fourth edition with this publication, A Fragile Ecosystem IV: Will Kentucky Child Care Survive When The Dollars Run Out?

Findings from A Fragile Ecosystem I, II, and III illuminated the dire financial circumstances facing private child care providers throughout the pandemic and beyond. Even before COVID-19, half of all Kentuckians lived in a child care desert— a testament to the decades-long struggle of providers to make ends meet. The pandemic made a bad situation critical for the child care sector.

In June 2020, A Fragile Ecosystem I found that:

- During pandemic closures, 66% of providers laid off staff and 67% of child care workers were dependent upon unemployment insurance during lay-offs.
- More than 64% of providers communicated a need for grants for re-opening costs, more than 56% needed grants to pay for fixed costs, and more than 51% said they would require grants to pay for staff to re-open after mandated pandemic closures ended.

In July 2020, A Fragile Ecosystem II found that:

- Almost 30% of Kentucky parents shared that they were struggling to find child care, a barrier that kept many Kentucky parents out of the workforce as pandemic restrictions were lifted.
- More than 91% of Kentucky parents indicated their support for the state and federal government to invest in greater access to child care for working families.

In December 2020, A Fragile Ecosystem III found that:

- 46% of Kentucky parents quit jobs, declined jobs, or greatly changed their jobs due to issues with child care since March 2020.
- Nearly all respondents supported additional public investment at the state and federal levels to support not only child care during the pandemic but to help working families afford access to high-quality care.
From August 15 through August 29, 2022, this survey, *A Fragile Ecosystem IV*, asked Kentucky child care providers to share their current realities and future decisions as the federal American Rescue Plan funds critical to sustaining the sector come to an end.

- More than 500 child care providers from 94 Kentucky counties responded to the survey.
- Their responses will help child care providers, community leaders, and policymakers better understand child care needs and plan for a future that ensures an accessible, high-quality, sustainable child care ecosystem as Kentucky rapidly approaches the end of federal American Rescue Plan funding.

The results of *A Fragile Ecosystem IV* show clearly the need for greater financial support from Frankfort and for continued substantial, engaged planning with child care providers. As Kentucky speeds toward a funding cliff caused by the elapse of federal American Rescue Plan funding, time is of the essence to ensure Kentucky’s child care infrastructure is sustained immediately and in the long term.

A healthy early childhood ecosystem with a strong child care business sector provides a solid foundation of education for our youngest children. Quality child care programs also improve social and emotional growth. These programs are critical to working families across Kentucky dependent on child care to remain in or enter the workforce.

**A CALL TO ACTION**

We are calling for state leaders to avoid the American Rescue Plan funding cliff for child care by stabilizing Kentucky’s early childhood sector prior to the close of the 2024 state budget session.

Critical federal funds administered by Kentucky’s Division of Child Care permitted the sector to survive the worst of the COVID crisis. In March 2020, for example, the National Association for the Education of Young Children (NAEYC) estimated that Kentucky might lose as much as 42% of its child care supply and close to 56,000 of its child care seats. While only 9% of licensed programs have permanently closed, the alarming shortage of childcare teachers, closed classrooms, and reduced hours have resulted in a far more severe loss of capacity.

Without a plan to keep the child care sector from plunging off a post-American Rescue Plan funding cliff, providers again find themselves facing impossible choices. Kentucky must ensure the continuation of strategic improvements and investments made in the child care sector over the last two years.

A strong workforce depends on child care access for working families. In the height of the pandemic, for example, more than 46% of Kentucky parents in *A Fragile Ecosystem III* indicated that someone in the family had quit a job, did not take a job, or changed jobs due to child care issues. Even today over 45,000 Kentuckians continue to struggle due to a lack of child care and early education access and affordability. Kentucky cannot afford to lose more child care for working families.
KEY SURVEY FINDINGS

Over 500 of Kentucky’s 1,698 child care providers from 94 out of 120 Kentucky counties responded to the survey.

What number of children enrolled at your business/program were funded by the Child Care Assistance Program (CCAP) in August 2022?

More than 50% of providers served at least 10 children in the Child Care Assistance Program (CCAP) in August 2022.
How many more staff members are needed?

Nearly 75% of all providers need at least 1-5 more staff persons.

If your program were fully staffed, how many more children could you serve?

With additional staff, 24% of programs could serve an additional 11-20 children of working parents.

Do you consider your program to be fully staffed?

58% of providers are not fully staffed.
More than 80% of providers used stabilization dollars to increase wages for employees. Without continued funding, child care wages will likely drop, further worsening child care worker recruitment and retention.

More than 50% of providers would have permanently closed without the stabilization funding and CCAP improvements provided by American Rescue Plan funds.

Are stabilization payments being used to increase wages for employees?

More than 80% of providers used stabilization dollars to increase wages for employees. Without continued funding, child care wages will likely drop, further worsening child care worker recruitment and retention.

Once stabilization payments run out, which changes are most likely?

Once current American Rescue Plan relief dollars run out, more than 70% of providers said they would be forced to raise tuition for working parents; nearly 40% indicated they would cut staff wages; almost 30% said they would layoff staff; and more than 20% indicated they would permanently close their child care program.
“We could not have survived without the stabilization or CCAP increased payments. If you stop payments abruptly, we will not survive. If there could be a slowdown process that would help us move forward in this direction, it would be better, otherwise we will have to close and inconvenience families.”

“The funding we have received thus far has really helped us avoid having to raise tuition rates by a high percentage. We have been able to use the funding to absorb the higher costs of products and services we use in our business caused by inflation as well as provide higher wages than we would have been able to offer to attempt to attract employees and compete with the larger corporations and factories in the area that start at higher wages. When this money is gone, we will definitely have to increase tuition more than we typically would in a normal year and would likely struggle to attract and retain staff. If payments were to continue after the date they are currently due to stop, we would be able to afford benefits for staff (medical/vision/dental insurance) and would be able to match Roth IRA payments. We would also be able to raise wages while keeping the tuition affordable for our families.”

“It has been difficult to maintain enough staff for us to operate at full capacity. While I have increased wages to try to attract more staff, I have concerns about being able to maintain the higher payroll when the sustainability payments cease. Although I have increased pay for my employees, I have not moved beyond a Tier 1 ranking (paying all employees at least $10 an hour) because the additional 10% to 20% incentive is not enough to balance the total cost increase for me if I were fully staffed. At this point, I do not feel that my center would be forced to close when the payments stop, but I would certainly struggle to be able to maintain payroll and other necessary costs.”

“We are a very rural center. We have been able to survive throughout the pandemic, but we felt that it was imperative to increase salaries to keep the employees that we have had throughout the years. Their experience and love for the children warrants them even more raises that we wish were possible. As child care providers, we want to make sure that children are as safe as possible, and teachers with CDAs, degrees and years of teaching help us attain that goal. It has been great to receive these funds, to help us keep these qualified teachers. We do worry that if the funding subsides that we will have to make changes that will affect teacher pay and we do not want to do that.”