THE STATE OF EARLY CHILDHOOD:
CAN CONNECTICUT’S STRUGGLING FAMILY CHILD CARE PROVIDERS FILL A 50,000 CHILD CARE GAP AMIDST THE CORONAVIRUS RECESSION?

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Introduction

Connecticut’s child care sector is a critical part of the state’s broader early childhood system. It is composed of thousands of small businesses, and the services provided by these businesses enable families to work. Connecticut Voices for Children has tracked multiple indicators for over a decade to assess the State's progress toward a quality early care and education system and universal school readiness. Due to the dire situation the child care industry finds itself, this year’s report is being published earlier than our originally scheduled date in the hope that action will be taken now to prevent a complete collapse of the industry.

Child care and the economy are integral. However, it’s an industry that is often overlooked within the family of small business. As the coronavirus pandemic spread across the state and executive orders ensued, the child care industry felt the fiscal pain of physical distancing almost immediately. While child care in Connecticut has been declared an essential service offering financial incentives to child care businesses that remain open to support health workers and first responders, the State has not mandated that child care businesses stay open, exasperating an already fragile industry as well as working parents’ inability to juggle multiple jobs.

This year, our report examines the status of Connecticut’s child care industry before the coronavirus pandemic, and explores recommendations that can help state policymakers create a stronger early childhood environment that is necessary for rebuilding Connecticut’s economy. We find that while Connecticut has made some progress, many indicators point to the same conclusions that we have drawn in our previous years’ reports on the state of early childhood. This year’s report concludes that the state continues to see the following:

- a shortage of child care slots,
- high child care costs that are not affordable to most families, and
- a continuing divide in preschool experience between higher- and lower-income towns.

Our report also examines the family child care provider (FCC) economic model specifically and shows that many FCCs are making far below minimum wage, just $6.10 per hour. We find that certain aspects of the industry, such as the market rate survey, don’t work for FCCs. Moreover, necessary funding for preschool programs has benefitted some child care providers but has diverted families with preschool-aged children away from FCCs.

The coronavirus pandemic brings into heightened focus the critical importance of child care to the operations and the economy of our country and state. Connecticut announced a 50,000 infant and toddler child care shortage in early February of this year, and the pandemic has only worsened the situation. With these rooted conditions and in light of the resulting conditions from the crisis, our report offers both short- and long-term policy recommendations.
**Early Care and Education**

Every child should enter kindergarten ready to learn. Being ready to learn includes not only acquiring early counting and letter recognition skills but also good physical and mental health, emotional well-being, and social abilities to relate to others.\(^4\) Quality early care and education (ECE) can make a significant difference in boosting a child’s readiness to learn as they enter kindergarten.

*Quality child care helps parents work and children thrive*

Although all children can benefit from high-quality ECE services, some families have a particularly urgent need for child care. Stable child care can benefit families facing homelessness or other resource instability by providing a continuous and secure supportive learning environment for children. Families whose children face moderate- to high-risk for developmental, behavioral, or social delays can benefit from regular and routine monitoring to help to ensure early prevention and safety. Families with other unmet needs, such as those learning English or struggling with parenting skills, can tap into a reliable relationship to create connections to needed resources.

Other benefits of ECE for families and parents include enabling parents to participate in the workforce and to go to work knowing that their children are well cared for and learning in loving environments. Research indicates that children in quality ECE programs can experience a host of benefits, including higher high school graduation rates, increased employment and earnings as adults,\(^5\) and a reduction in the risk of negative experiences such as drug use, high blood pressure, and arrests.\(^6\) Nobel Laureate James Heckman has estimated that spending $1 on high-quality ECE can yield between $7 and $12 in economic returns through increased earnings and decreased need for social services. A 2019 study that examined 133 social policy changes over fifty years found that investments in the health and education of low-income children had the highest return to society in terms of dollars spent and recouped later.\(^7\) In other words, as Professor of Economics at Harvard University, Nathaniel Hendren, notes, “[t]he policies that have historically invested in kids tend to be the ones that have the biggest bang for the buck.”\(^8\)

**Connecticut’s Early Care and Education Funding**

Connecticut funds many child care programs through both federal and state dollars. For example, funding for Connecticut’s subsidy for child care for low-income families, Care 4 Kids, comes from a federal government block grant and matched funding from Connecticut’s General Fund. Together, these funds carry out Connecticut’s “mixed delivery model” for ECE, which includes both public school and community-based ECE options, with a wide variety of teacher backgrounds, languages spoken, program hours, and curricula.\(^9\) In addition to federal and state funding, other sources of investments may come from local municipalities or school districts, parent fees, or some other combination of funding streams. There are numerous programs with different eligibility criteria, but most state-funded programs serve children and families with socioeconomic and/or developmental needs. **Table 1** shows all state-funded ECE programs and their eligibility criteria.
Table 1. State-Funded Early Care and Education Programs and their Eligibility Criteria

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>PROGRAM TYPE</th>
<th>ELIGIBILITY CRITERIA BASED ON INCOME AND OTHER FACTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CARE 4 KIDS</td>
<td>Child care subsidy for infant and toddler care, pre-school, and school-age</td>
<td>Children with family income &lt;50% state median income (SMI); Connecticut resident; work or attend a temporary family cash assistance (Jobs First) approved education or training activity</td>
</tr>
<tr>
<td></td>
<td>after-school care</td>
<td></td>
</tr>
<tr>
<td>CHILD DAY CARE CENTERS</td>
<td>Preschool and infant/toddler spaces</td>
<td>Children with family income &lt;75% SMI</td>
</tr>
<tr>
<td>SCHOOL READINESS-</td>
<td>Preschool spaces</td>
<td>Priority School Districts: includes eight towns with the largest population, top 11 towns with the highest number of children under the Temporary Assistance for Needy Families program (TANF), the top 11 towns with the highest percentage of children under TANF, and towns that were priority school districts in the past. At least 60% of children enrolled must come from families with income &lt;75% SMI.</td>
</tr>
<tr>
<td>PRIORITY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SCHOOL READINESS-</td>
<td>Preschool spaces</td>
<td>Competitive School Districts: school districts containing a ‘priority school’ or in the 50 least wealthy towns. At least 60% of children enrolled must come from families with income &lt;75% SMI.</td>
</tr>
<tr>
<td>COMPETITIVE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HEAD START</td>
<td>Preschool spaces</td>
<td>Families with income below the Federal Poverty Level (FPL) and other criteria.</td>
</tr>
<tr>
<td>EARLY HEAD START</td>
<td>Infant/toddler spaces</td>
<td>Families with income below the FPL and other criteria.</td>
</tr>
<tr>
<td>EVEN START</td>
<td>Early childhood education, adult education (e.g., GED), parent education and</td>
<td>Eligible families have a child under age eight and have a parent lacking a high school diploma and/or basic reading skills or have a parent who needs English as a Second Language classes.</td>
</tr>
<tr>
<td></td>
<td>home visits</td>
<td></td>
</tr>
<tr>
<td>SMART START</td>
<td>Preschool spaces</td>
<td>Preference for programs with 75% of spaces for children with family income &lt;75% SMI or 50% of spaces allocated to children who are eligible for Free and Reduced Price Meals.</td>
</tr>
<tr>
<td>PUBLIC SCHOOLS</td>
<td>Preschool classrooms within charter and magnet schools; programs for children</td>
<td>Varied criteria for eligibility. Some programs have no income requirements. Other programs are specifically for children with special education needs.</td>
</tr>
<tr>
<td></td>
<td>receiving special education through the Individuals with Disabilities Education Act (IDEA), and other programs</td>
<td></td>
</tr>
</tbody>
</table>
**Care 4 Kids is Connecticut’s largest child care investment**

Care 4 Kids is Connecticut’s largest investment, and it affects the greatest number of children. A family needing child care services in Connecticut can rely on three different types of subsidized care: licensed child care centers, licensed family child care providers (FCCs), and unlicensed care by kin and kith. Care 4 Kids subsidies support all three types of care. In 2016, Connecticut closed the Care 4 Kids program to new families due to costs attributed to new, unfunded federal guidelines. Although the program re-opened in late 2017, the rate of spending and the number of children served has yet to return to pre-closure rates. **Figure 1** shows Care 4 Kids number of children served from 2002 to 2019.

![Figure 1. Care 4 Kids: Trends in Enrollment](image)

To exacerbate matters, this past year, child care providers and families saw Care 4 Kids document-processing times take as long as four months or more due to growing pains while implementing a new technology system early in 2019. This delay meant that providers cared for children for four months or more while families and providers waited to see if the family would receive child care support. While some providers asked families to pay the full price before the State released Care 4 Kids funding, not all families who depend on Care 4 Kids could pay for full-priced child care for several months. Often providers ended up either splitting the difference or waiting to be paid later.
Promising funding and movement in early care and education technology

Late in 2019, the federal government awarded Connecticut almost $27 million in Preschool Development Grant funds. The intended use of these funds is to help Connecticut in strengthening and furthering the Birth to Five system. More specifically, the funds are to support a collaboration between state agencies to create efficiencies by eliminating siloed services and streamlining customer service. Also, the funds would support the Connecticut Early Childhood Information System (ECIS) redesign. Improvements to this system are centered around improved user experience. The pilot program has built in feedback on usability from child care providers and is striving to ensure that the information system makes sense for providers’ work and systems.

Under this new system, monthly status reports are submitted only once, electronically; previously, providers had to enter this data into a portal as well as fill out the same information on paper—the new system removes this redundancy in reporting. Additionally, the system should allow for an accurate, unduplicated count of children. Once the system is rolled out completely, Connecticut’s Office of Early Childhood (OEC) hopes that it can be open, transparent, and accessible regarding the data they collect and have. As this pilot unfolds, OEC is developing a Quality Improvement ethos across the agency and its processes for continuous program and system evaluations. Additionally, the OEC is partnering with the Connecticut State Department of Education (CSDE) to look at long-term outcomes from involvement with various early childhood programs and is also partnering with the Connecticut Department of Social Services (DSS) to link early childhood and Supplemental Nutrition Assistance Program (SNAP) / Employment & Training (E&T) data.
Children Served by Early Care and Education Programs and Educational Impact in the Later Years

There are a variety of early care and education (ECE) programs designed to serve different age groups.

**Connecticut faces a critical shortage in infant and toddler care**

The infant and toddler group (ages 0 to 3 years) is served mostly by Care 4 Kids. [Figure 2](#) compares the number of infants and toddlers each program has served in Connecticut since 2002 and shows that Care 4 Kids has consistently served thousands more infants and toddlers than other programs. However, consistent with the overall trend in Care 4 Kids funding and enrollment, the total number of infants and toddlers served has not returned to the 2016 program pre-closure rates.

*Figure 2. Number of Infants and Toddlers Served in State-Funded ECE Programs*
**Preschoolers are served primarily within School Readiness programs**

Preschoolers (ages three and four) are served mostly by the School Readiness program for both priority and non-priority school districts. (The number of school children served with child daycare slots remains low: in 2019, it was 233.) Smart Start, the program funding preschool slots in public schools, represents a small portion of the overall slots supported by the State. **Figure 3** illustrates the number of preschoolers served by various state programs.

*Figure 3. Preschoolers Served by Type of Early Care Program*
Children who enter kindergarten without preschool experience remain concentrated in the lower-income school districts

Families may deliberately choose not to utilize preschool because of homeschooling, cultural preferences, or other factors. However, our analysis of preschool experience data shows that children who enter kindergarten without having ever attended preschool remain concentrated in lower-income school districts. In 2006, the CSDE created designations called “District Reference Groups” (DRGs) to compare similar schools and districts, based upon factors including district enrollment, family education, median income, family occupations, and approximated community need. These DRGs are labeled from A to I, with median family income declining progressively with each successive DRG. DRG A covers highly affluent suburban districts in Fairfield County, while DRG I covers seven large urban districts with large populations of low-income students and students of color. Figure 4 shows that in 2019, the wealthiest districts saw a 97 percent preschool participation rate, while the lowest districts saw only 69 percent preschool participation.

Figure 4. 2018-2019 Preschool Experience Rates by DRG
Despite increasing investments and targeted spending, this relationship in the preschool experience rate and DRG has held steady for the last 16 years. Figure 5 shows the relationship of the wealthier districts against the state average (in bold black line) toward the left of the graph, and the relationship of the poorer districts against the same state average (in bold black line) on the right. The wealthiest five districts consistently had preschool experience higher than the state average, while the poorest districts were consistently below the state average. In comparing any variables to an average, by definition, some variables must measure below, and some must measure above the average. However, what is stunning is the consistency with which the wealthiest districts are above and the lower-income districts are below the state average. More research will be needed to understand whether the amount of investment or the choices of investment that Connecticut is making could change these relationships. The first step in this research is to collect and report on data by child race, preschool attendance, preschool type, and teacher race. This data would lend perspective on whether this discrepancy is driven by inequitable funding, programmatic differences, parent preferences, or something else.

Figure 5. Comparison of Top and Lowest DRGs to Statewide Average
**Educational impact of preschool in the later educational years**

CT Voices has tracked the performance of fourth-graders in Smarter Balanced Assessment Consortium (SBAC) tests. These are the standardized tests used to measure competencies of Connecticut Core Standards in English language arts/literacy and mathematics. Lacking other assessment tools, we have tracked these scores to look for correlations to preschool attendance. Ideally, assessments of the success of early care initiatives would examine children’s early childhood education experiences linked with later academic, behavioral, and health outcomes.

In 2019, fourth-graders from the lowest income areas fell below the goal level results. **Figure 6** shows the relationship between SBAC scores and DRG for English/language arts and math. In the large, urban districts (DRG I), the number of students who met or exceeded goal levels on each portion of the exam was about half of the statewide average. These data indicate that much more work needs to be done to support the kindergarten readiness of young children in low-income areas. Some of the technology investments being made with the recently received Preschool Development Block grant will enable the OEC and CSDE to work together to establish longitudinal outcomes per student studies. In the future, it is hoped that we can move away from using SBAC test scores to assess preschool impact, to using longitudinal per student data to track performance. [NOTE: A SBAC score of 3 indicates that students’ skills meet grade-level expectations, and a score of 4 indicates that a students’ skills exceed grade-level expectations.]

![Figure 6. Fourth Graders Meeting or Exceeding Goal Levels on SBAC Test (Score = 3 or 4)](image-url)
Disparities in Child Care Supply and Demand

Child care has become unaffordable to most families in Connecticut

Early care and education (ECE) contributes to a strong start in life for children and also enables parents to contribute to the workforce. Yet, due to its high cost, child care is affordable only to a small portion of families living in Connecticut. In 2016, the federal Department of Health and Human Services defined “affordability” as 10 percent of a family’s income, yet the Connecticut Office of Early Childhood (OEC) reported in 2018 that 80 percent of Connecticut families could not afford to pay for child care at the 10 percent benchmark. For Black families and Hispanic families in Connecticut, a state documented to have some of the highest racial income inequities in the country, the “affordability” benchmark is even more challenging: only six percent of Black and Hispanic families can afford to spend 10 percent of family income on infant/toddler care.

Coupled with the high cost of care, Connecticut is experiencing a shortage of child care slots, especially infant/toddler slots. Governor Ned Lamont and OEC Commissioner Beth Bye held a press conference in early February of this year, before the height of the coronavirus pandemic, announcing that Connecticut had a deficit of almost 50,000 infant/toddler child care slots. Governor Lamont said he would propose legislation in 2020 to increase child care slots, with an emphasis on increasing slots within family child care providers (FCCs). There is, however, a limiting factor to the ability of FCCs to provide this care. One factor is that of licensing; Regulations dictate that an FCC can only have two children under two years of age unless there is another staff member.

Demand for child care slots is rising

Figure 7 shows that the number of child care slots has risen slightly over the past few years as more existing capacity is utilized. In these data, slots are defined as those identified by the provider as being either filled or vacant. The capacity of each child care provider represents the number of children that a provider is licensed to care for and can be different from the number of slots. For example, an FCC may be licensed to have six children, but the FCC may decide to only provide for four children because they have two children of their own; even though the capacity is six and four slots are filled, there are no vacancies in this scenario.
Figure 7. All Early Care and Education Slots (Statewide)

The total number of licensed providers has dropped, but the slots available at each child care provider has risen. In 2017, there was a 25,732 capacity for infant/toddler care. Of the total capacity, the providers had defined only 16,710 slots, or 65 percent, as filled or vacant. In 2019, there was a 27,524 licensed capacity, and 83 percent of slots were either filled or open to be filled, thereby slightly raising the total number of slots. More research is needed to understand the change in capacity. Although the above analysis is of pre-pandemic data, it is nevertheless useful to create a baseline of information.

Family child care providers in Connecticut are closing while demand for slots is high and child care costs rise

Among licensed settings, FCCs offer more economical options. Nationwide, the average cost of center-based care was $11,959 for a child in the infant/toddler age group, while the same care costs just $9,321 in an FCC.\textsuperscript{18} In Connecticut, the average weekly fees are $309 for center-based providers and $220 for FCCs,\textsuperscript{19} equating to $16,068 and $11,440 per year, respectively.

Connecticut has the fifth-most expensive child care in the nation.\textsuperscript{20} The lower cost, flexible and non-traditional program hours, and cultural alignment between providers and families are some of the reasons that families choose to use an FCC rather than a center.\textsuperscript{21} Governor Lamont and other policymakers look to FCCs as part of the solution to fill the 50,000 child care gap,\textsuperscript{22} but the FCC market is an embattled and declining market.
Over the last 15 years, the nation has seen a 30 percent decline of licensed child care providers; the majority of that drop is attributable to the loss of FCCs. This loss equate to nearly half a million slots nationally. Connecticut, too, has seen a drastic loss of FCCs. In just one year from July 2017 to June 2018, there were 390 FCC closures.

Figure 8 shows the number of licensed programs in Connecticut from 2002 to 2019. In the last decade, the decline has been from 2,733 (in 2010) to 1,890 (in 2019), representing a loss of 31 percent. One possible cause of the decline in Connecticut may that the School Readiness program established subsidies only for center-based preschool slots. This has driven families with preschoolers to centers and away from FCCs.

The National Center on Child Quality Assurance cites compensation as a major factor influencing FCC decisions to leave the field. The White House’s statement on child care noted in December 2019, “[I]n 30 states and the District of Columbia, the average cost of center-based child care for an infant is more than in-state college tuition and fees at a public university.” In Connecticut, too, the high cost of infant care is outstripping the cost of college, and child care workers’ families are more than twice as likely to live in poverty than other workers’ families (11.8 percent are in poverty, compared with 5.8 percent).
Family Child Care Providers

Given the high costs of care, state subsidy for child care is a critical component in the examination of the child care market. For many families, paying for child care cannot be a reality without support from the State. For many child care providers, the state subsidy is the largest single source of income. Care 4 Kids is Connecticut’s main child care subsidy for low-income families.

**Family Child Care Providers face numerous barriers to earning a living wage**

In Connecticut, the reimbursement rates from the child care subsidy system, Care 4 Kids, is untenably low for licensed family child care providers (FCCs) and can only support a poverty level subsistence. While FCCs can charge a price that is higher than Care 4 Kids rates, many do not. Most FCCs, especially in lower-income neighborhoods, match their prices to the Care 4 Kids rates.

Pricing strategies are generally different in centers, and more centers are likely to charge prices that are not aligned and much higher than the Care 4 Kids rate. When a child care center or provider charges a price that is higher than the Care 4 Kids rates, the parents must pay the difference.

There are many reasons why the FCC prices align so closely with Care 4 Kids rates, but the following reasons are the most prevalent:

- FCCs feel that high prices that call for parent contributions might drive business away because many serve the lowest income families.  
- It is difficult for FCCs to collect additional fees from parents; FCCs serve the lowest-income families who don’t have additional income to put toward child care.  
- The format of the *Care 4 Kids Child Care Certificates* is easy to misunderstand: it can cause readers to assume wrongly that Care 4 Kids rates are the same as provider rates. The *Care 4 Kids Child Care Certificates* are issued by the Care 4 Kids office upon determining that subsidy is available for the family. Both the provider and the family receive the *Care 4 Kids Child Care Certificate*, which outlines the amount that Care 4 Kids will contribute. Among the information that the certificate includes is a section called the “Parent Fee.” Many erroneously assume that this amount is what the family should pay. In fact, the “Parent Fee” is the difference between the Care 4 Kids contribution and the maximum Care 4 Kids contribution.

The prevalence of funded preschool slots further degrades FCC income. Because FCCs are not eligible to receive School Readiness funding, families are likely to transfer preschool children out of FCCs to either a public school or an early care center with School Readiness slots. Before the funding changed, some parents chose to enroll their preschoolers in larger environments, but now the funding drives enrollment decisions more than family choice. Many FCCs are left to fill their programs with just infants and toddlers. While this may seem like exactly the result we should hope for, we must take into account the Connecticut licensing regulation, which states that an FCC may have only two children under two years old unless they have another licensed staff member on-site. To stay in business, then, FCCs may need to hire an employee.
A Family Child Care Provider Economic Model

In Connecticut, if FCCs price their services to match the Care 4 Kids rates, their net income will leave them under the federal poverty level. Using the Care 4 Kids rates, minimum wage, and other costs and assumptions from the Provider Cost Quality Calculator (PCQC), a tool provided by the federal Office of Child Care, which is an office of the Administration for Children and Families at the U.S. Department of Health & Human Services, it is possible to calculate the income of an average provider in the North Central region of Connecticut. Working full-time, being an employer, and running a business for an entire year will earn the average provider only about $6 per hour. A conservative estimate of pretax net income for an FCC, as shown on Table 3, is slightly under $22,000 per year, which is below the poverty level for a family of three. (The pretax income for a business owner is comparable to the pretax salary of someone who is employed and receiving a paycheck.)

The details behind the calculation of the wage of the FCC are as follows:

- Calculations are based on 2020 rates and costs.
- The Care 4 Kids rates are divided into five state regions, child’s age, and amount of care. The rates (from July 1, 2019, to June 30, 2020) are as follows in North Central Connecticut as shown in Table 2. This area represents the most densely populated area of the state; for simplicity’s sake, our analysis will focus on only this region. The rates for full-time care between 35 to 50 hours per week are as follows:

**Table 2. Care 4 Kids Licensed FCC Rates.**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>North Central CT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infant/Toddler</td>
<td>$221</td>
</tr>
<tr>
<td>Pre-School</td>
<td>$171</td>
</tr>
<tr>
<td>School Age</td>
<td>$159</td>
</tr>
</tbody>
</table>

- FCC regulations allow six full-time children, of whom only two can be under two years old. Each FCC may also have three school-aged children attend before and after school.
- We modeled this sample FCC to have the following enrollment, which would maximize revenues: six full-time infant/toddlers plus three before/after school children. (Note that the provider does not have their own children in our model.) Within our model, the changes in the preschool system drive the FCC to enroll more than the normal two children under two.
- We have used the Office of Child Care’s PCQC tool to estimate our provider’s income and expenses. The national Office of Child Care is part of the U.S. Department of Health & Human Services and oversees the administration of the Child Care and Development Fund (CCDF), which partially funds the Care 4 Kids budget.
- This sample FCC serves the lowest-income families, so they are not likely to collect private tuition. The only revenue is from Care 4 Kids, and the private tuition revenue is zero.
The Enrollment Efficiency rate reflects how full a program is for the year. The PCQC believes that an enrollment efficiency of one (every slot full for every day for an entire year) is unattainable. Enrollment efficiency of one would represent a business that had all of its slots full all the time for the entire year. While the federal Office of Child Care suggests that the industry standard to strive for is 85 percent, they believe that for FCCs, 75 percent is more likely.39

Bad debt is calculated at three percent to present a conservative estimate. Bad debt represents the amount of revenue that cannot be collected. The industry standard is to limit this to three percent. Many FCC could have uncollectable bad debt that is much higher than three percent.

At the direction of the PCQC model, the salary cost is adjusted to reflect Connecticut’s current minimum wage of $11 per hour.40 Because we assume there are more than two children under two, there will be one full-time staff member plus the owner-operator to meet regulation ratios.

Only the minimum mandatory benefits of Social Security, Medicare, and Worker’s Compensation benefits are included in this analysis. Most employers, it is hoped, would grant more benefits, such as vacation days, professional development budget, and other perks, but our estimate aims to be as conservative as possible.

We used PCQC’s recommended costs for non-salary, non-personnel costs, and for home costs. The PCQC modeled these costs based on extensive work with numerous states.

We adjusted food costs and food cost reimbursement rates to match the Child and Adult Care Food Program’s (CACFP) Tier 1 2020 rates.41 CACFP allows providers to claim up to three meals per day for nutritious food that is served. Our model assumes that each child is claimed for three meals per day but that each child might be absent from child care 15 percent of the time. These absences would account for the child’s vacation and sick days. CACFP only reimburses for meals that are served, so if a child is sick and does not attend the daycare, the FCC will not be reimbursed for that day.

The cost of food is calculated using the same rates as the CACFP income. However, the frequency of the expenditure will likely be higher than food reimbursement. Most FCC providers serve food more than just three times per day.

Finally, it should be noted that the PCQC does not include provider costs for benefits, such as health and retirement, which would reduce the calculated Net Income.
Table 3. Annual Net Revenue for Northwest Central Connecticut FCC Provider

<table>
<thead>
<tr>
<th>REVENUE</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government subsidy</td>
<td>$76,908</td>
</tr>
<tr>
<td>Private tuition</td>
<td>$0</td>
</tr>
<tr>
<td>Care 4 Kids and private tuition total</td>
<td>$76,908</td>
</tr>
<tr>
<td>CACFP</td>
<td>$5,539</td>
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<tr>
<td><strong>Tuition Total and CACFP</strong></td>
<td><strong>$82,447</strong></td>
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<td>Enrollment Efficiency</td>
<td>$19,227</td>
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<td>Bad Debt</td>
<td>$2,307</td>
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<td><strong>TOTAL REVENUE</strong></td>
<td><strong>$60,913</strong></td>
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</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>Notes</th>
</tr>
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<tbody>
<tr>
<td>Salary Costs</td>
<td>$22,880</td>
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<tr>
<td>Mandatory Benefits</td>
<td>$2,032</td>
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<tr>
<td><strong>Total Personnel Expenses</strong></td>
<td><strong>$24,912</strong></td>
</tr>
<tr>
<td>Non-personnel, non-food costs</td>
<td>$ 4,090</td>
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<tr>
<td>Shared home and utility costs</td>
<td>$ 3,079</td>
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<tr>
<td>Food costs</td>
<td>$ 7,271</td>
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<tr>
<td><strong>Total Non-Personnel Costs</strong></td>
<td><strong>$14,440</strong></td>
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<td><strong>TOTAL EXPENSES</strong></td>
<td><strong>$39,352</strong></td>
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<tr>
<td><strong>NET INCOME</strong></td>
<td><strong>$21,561</strong></td>
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</tbody>
</table>

Does not account for health and other benefits
Low family child care provider income qualifies providers for numerous safety net services

Table 4 shows that our model FCC provider is subsisting at or below the poverty level and would be eligible for Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP). If this provider were working for someone else, they would be eligible for Care 4 Kids, but as a self-employed business owner, this provider would not meet the eligibility threshold.

Table 4. Social Safety Net Services

<table>
<thead>
<tr>
<th>Safety Net Indicators</th>
<th>To Qualify</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>√ Federal Poverty Guidelines (2020)(^{43})</td>
<td>$21,720</td>
<td>For a family of 3</td>
</tr>
<tr>
<td>√ Care 4 Kids, eligible 50% State Median Income(^{44})</td>
<td>$48,691</td>
<td>If employed and making Net Income</td>
</tr>
<tr>
<td>√ TANF, eligible at below FPL(^{45})</td>
<td>$21,720</td>
<td>For a family of 3</td>
</tr>
<tr>
<td>√ SNAP, eligible 185% of FPL(^{46})</td>
<td>$40,182</td>
<td></td>
</tr>
</tbody>
</table>

FCC workers earn less than other child care workers

The federal Office of Child Care publishes each state’s child care salaries for comparison. Table 5 shows the data for Connecticut.\(^{47}\) We cross-reference these PCQC categories with job categories from the Bureau of Labor Statistics (BLS).\(^{48}\) The average FCC does the work both of a director (performing all leadership and administrative duties) and classroom teacher (educating and caring for children). Still, they earn far below what other child care workers in the state earn.

Table 5. Child care Staff Salary by PCQC Staff Type and BLS Job Category

<table>
<thead>
<tr>
<th>PCQC Staff Type:</th>
<th>BLS Category:</th>
<th>Connecticut Salary:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teacher Assistants</td>
<td>Child Care Workers</td>
<td>$26,800</td>
</tr>
<tr>
<td>Classroom Teacher</td>
<td>Preschool Teachers, Except Special Education</td>
<td>$40,150</td>
</tr>
<tr>
<td>Director, Education Coordinator</td>
<td>Education Administrators, Preschool and Child Care Center/Program</td>
<td>$61,870</td>
</tr>
<tr>
<td>Administrative Assistant</td>
<td>Office Clerks, General</td>
<td>$38,200</td>
</tr>
<tr>
<td>Health Consultant</td>
<td>Licensed Practical and Vocational Nurses</td>
<td>$57,210</td>
</tr>
</tbody>
</table>
The hourly rate for family child care providers is below Connecticut’s minimum wage

Finally, comparing our model Net Income of $21,674 as an hourly wage against Connecticut’s minimum wage shows that the FCC earnings are woefully below the state minimum wage. To calculate the hourly wage, we assume that the FCC provider is open and caring for children for about 55 hours per week (because we assume in turn that the FCC is open from 7:00 AM to 6:00 PM daily). Even though full-time children attending may only be present for 50 hours, a provider must be open for longer hours to accommodate children who may need to come early or leave late. Providers must also work additional hours to maintain their business—hours spent cleaning, cooking meals, planning curriculum, bookkeeping, and so on—which add up to an additional 13 hours. This assumed average number of hours for a full-time FCC is the same assumption used by the PCQC\(^4\) and is a recognized average.\(^5\) At 68 hours per week, this provider would be making the equivalent of $6.10 per hour.

For modeling purposes, we also calculated the hourly wage rate if our sample FCC worked only 35 hours with children each week. The range of hours for a child to be considered full-time for Care 4 Kids purposes is between 35 and 50 hours per week. For an FCC to be with children only 35 hours per week would mean that every child arrived and left at the same time and that no parent kept their child at the daycare for more than 35 hours each week. This provides a conservative upper boundary for our model. If a provider is open for 35 hours a week, our sample FCC provider would make $8.64 per hour, which still falls far below Connecticut’s minimum wage.

FCCs can expect their Net Income to degrade over the next couple of years as costs rise\(^5\) faster than Care 4 Kids reimbursement rates increase.\(^5\) The Care 4 Kids rates for licensed FCCs have been published until 2022,\(^5\) and they show only a slight increase each year. Although we do not know what will happen to other costs amidst the coronavirus-caused recession, we do know that Connecticut’s minimum wage will be increasing.\(^5\) If we recalculate our model provider using updated minimum wage and updated Care 4 Kids rates, we see that our sample FCC’s hourly wage (when providing 50 hours of care a week) will decrease from $6.10 in 2020 to $5.23 in 2022. Table 6 shows the detail behind these results. We did not calculate for cost inflation in the out years so that we could isolate the difference in hourly wage as a result of minimum wage increase and the Care 4 Kids rates changes. In reality, inflation will cause expenses to rise each year.
## Table 6. Effect of Care 4 Kids Rate and Minimum Wage Increases

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government subsidy</td>
<td>$76,908</td>
<td>$78,936</td>
<td>$78,936</td>
</tr>
<tr>
<td>Private tuition</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Care 4 Kids and private tuition total</td>
<td>$76,908</td>
<td>$78,936</td>
<td>$78,936</td>
</tr>
<tr>
<td>CACFP</td>
<td>$5,539</td>
<td>$5,539</td>
<td>$5,539</td>
</tr>
<tr>
<td>Tuition Total and CACFP</td>
<td>$82,447</td>
<td>$84,475</td>
<td>$84,475</td>
</tr>
<tr>
<td>Enrollment Efficiency</td>
<td>$19,227</td>
<td>$19,734</td>
<td>$19,734</td>
</tr>
<tr>
<td>Bad Debt</td>
<td>$2,307</td>
<td>$2,368</td>
<td>$2,368</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td>$60,913</td>
<td>$62,373</td>
<td>$62,373</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary Costs</td>
<td>$22,880</td>
<td>$24,960</td>
<td>$27,040</td>
</tr>
<tr>
<td>Mandatory Benefits</td>
<td>$2,032</td>
<td>$2,216</td>
<td>$2,401</td>
</tr>
<tr>
<td>Total Personnel Expenses</td>
<td>$24,912</td>
<td>$27,176</td>
<td>$29,441</td>
</tr>
<tr>
<td>Non-personnel, non-food costs</td>
<td>$ 4,090 $ 4,090 $ 4,090</td>
<td>Same each year</td>
<td></td>
</tr>
<tr>
<td>Shared home and utilities costs</td>
<td>$ 3,079 $ 3,079 $ 3,079</td>
<td>Same each year</td>
<td></td>
</tr>
<tr>
<td>Food costs</td>
<td>$ 7,271</td>
<td>$ 7,271</td>
<td>$ 7,271</td>
</tr>
<tr>
<td><strong>Total Non-Personnel Costs</strong></td>
<td>$14,440</td>
<td>$14,440</td>
<td>$14,440</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$39,352</td>
<td>$41,616</td>
<td>$43,881</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>$21,561</td>
<td>$20,757</td>
<td>$18,492</td>
</tr>
</tbody>
</table>

Hourly wage $ 6.10 $ 5.87 $ 5.23

Increasing at published Care 4 Kids rates
Since we don't know food costs in the future, use same number each year.
25% of subsidy revenue
3% of subsidy revenue
Costs increase as minimum wage increases.
Costs based on salary
Same each year
Using a market rate survey to set subsidies underestimates the value of family child care

CCDF funding requires that each state conduct a market rate study before setting their subsidy rates to ensure that a majority of the child care would be available to families at the set subsidy rates. A subsidy rate set at the 50th percentile would mean that 50 percent of the market would be available at that price. Connecticut conducted its most recent Care 4 Kids market rate study in 2018; it compared 2017 Care 4 Kids rates against the then 2018 market. The study found that for licensed FCCs in the state, the 2017 Care 4 Kids rates ranged from 44th to 75th percentile for full-time infants and toddlers. In the North Central region of the state, the 2017 Care 4 Kids rate was at the 70th percentile of the market. This means that 70 percent of child care was accessible to families in the North Central region of the state, paying 2017 rates. The national recommendation is that subsidy rates be set so that 75 percent of child care providers are available to families utilizing Care 4 Kids vouchers.

Center-based rates during the same period ranged between zero and the fifth percentile, making it nearly impossible to find care at a center utilizing only subsidy funding. Since the 2018 market rate study, center rates have been increased. For example, the Care 4 Kids center-based care rate for a full-time infant/toddler in the North Central region in 2017 was $201 per week, which represented the second percentile. It is now $305 per week, which brought it almost to the 60th percentile.

The wide disparity between market rates and subsidy rates suggests that the pricing strategies and the clientele of the center and the FCC might be different. If a center could charge a price independent of the subsidy rate and still collect their fees, they would do so. The market rate study showed this by finding that center prices are high regardless of the subsidy rate. In situations such as this, raising the subsidy might end up benefiting the parents more than the centers, because the parents now need to pay less than what they used to unless the center decided to raise their prices by $100 per week for each full-time child. Lowering any child care costs for families in Connecticut is a benefit. However, it would be worthwhile to examine the actual outcome of this action to ensure that the investment achieved what it set out to accomplish.

The financial situation is different for the FCCs who serve the lowest-income families. Most providers set their prices to be the same as the subsidy rate so as not to lose customers. Rather than the market rate survey results informing the subsidy, it is the subsidy rate that drives the market rate. Therefore, it is no wonder that there was a higher correlation between the subsidy rate and the market prices. Connecticut should use a different strategy to set subsidy rates for child care providers that serve the lowest-income families.

FCCs play an invaluable role within Connecticut’s early childhood system, but rising costs coupled with years of stagnant Care 4 Kids reimbursement rates drove 45 percent of FCCs out of the field between 2002 and 2019. Absent significant investment to raise Care 4 Kids rates to an amount that can support FCCs earning a living wage, it is almost impossible to expect that FCCs could fill Connecticut’s 50,000 infant and toddler gap. As we explain in the next section of this report, the state and federal responses to support small businesses during mandated closures may be insufficient to sustain Connecticut’s FCCs during this time. This means that once the economy reopens, many more parents of infants and toddlers will find themselves without the child care they need to return to work.
Coronavirus and Child Care Closures

In a few short weeks, as the coronavirus spread throughout the country, the child care industry has seen a cataclysmic upheaval. As millions file for unemployment insurance (UI) benefits and states are ordered to lockdown, the child care industry is coming to a halt. Many child care centers and family child care providers (FCCs) are being forced to close because of a lack of income or because of health concerns. The National Association for the Education of Young Children (NAEYC) recently reported that almost half of providers nationally would not be able to survive closure for more than two weeks without significant public investment.60

As of this writing, three fiscal policy responses by the federal government have been instituted: on March 6, Congress passed the $8.3 billion Coronavirus Preparedness and Response Supplemental Appropriations Act; on March 18 it passed the $104 billion61 Families First Coronavirus Response Act; and on March 27th, it passed the $2 trillion Coronavirus Aid, Relief, and Security (CARES) Act. Much is still unknown about how each of these programs might eventually roll out, but there are several provisions that a child care business might tap into.

The CARES Act included a $3.5 billion increase in FY 2020 Child Care and Development Block Grant (CCDBG) funding to support child care, of which Connecticut will receive an estimated $22,394,142.62 The expanded CCDBG will help states maintain funding to providers receiving subsidies such as Care 4 Kids but it’s insufficient to revive the industry. In the 2019 budget, a year before the coronavirus outbreak in the United States, national early childhood advocates pushed for a $5 billion increase in annual CCDBG funding to be able to return to an inflation-adjusted level of funding comparable to that pre-Great Recession.63 If we are to ensure that the early child care industry can weather the coronavirus-spurred economic recession that is underway, much more funding must be provided than this one-time CCDBG increase.

Additional CARES Act supports for child care providers across the industry include multiple Small Business Administration (SBA) loans with forgivable portions, new eligibility for UI, and multiple grants to Connecticut that enable the state to provide financial support at the local level. Enrollment opened on April 13 for one of the SBA loans, the Payroll Protection Program, which provides the largest forgivable loan portion to support salary and other overhead costs. Unfortunately, with so little time for planning by banks and others involved in the process, and with some banks imposing rules that prohibits many small businesses from participating, the program is off to a bumpy start.64 For many of Connecticut’s smaller centers and FCCs, the loans are neither readily accessible nor a feasible choice. While new UI opportunities open up eligibility to contractors and others working in the “gig” economy, these resources are reserved for those that are out of work. Irrespective of this fact, this is good news for some and they await word from the CT Department of Labor (DOL) on when these benefits will become available.65

The most significant support Connecticut has announced for providers thus far is to continue Care 4 Kids funding to the child care industry based on March 2020 enrollment. In other words, even if child care providers have lost some or all of the children in their programs, they will still be compensated from April 2020 through June 2020 based on enrollment during March 2020. This action by the Connecticut Office of Early Childhood helps many providers who depend mostly on Care 4 Kids for their income. Providers who have mostly private paying families or families with large parent contributions will need to rely on federal loans and grants.
Policy Recommendations

Both nationally and at the state level, policymakers have stated that they look to family child care providers (FCCs) to help fill the infant/toddler child care gap. Policymakers have proposed changing regulations, providing business training, and establishing new business models to shore up the declining FCC market. However, without addressing the most persistent obstacles identified in the state of early child care before the coronavirus pandemic, we would only recreate the system that we had, and, in a decade from now, CT Voices would be writing the same report.

The three most persistent obstacles to a successful child care system—affordability for families, economic viability for providers, and strong outcomes for children—should be the constant concern for our policymakers. But before we can address the quality of care and educational outcomes, we first need financial viability in the industry. The ability of child care workers to earn a living wage is critical to the survival of the industry—without it, child care workers will be unable to stay in the field no matter how much they love educating and caring for young children.

Child care workers are mostly women and disproportionately women of color. While child care providers are often overlooked within the family of small business, they are a critical industry that is integral to the “restarting” of the economy. As such, our policy recommendations are divided into two sections. First, we recommend actions, during the coronavirus pandemic, to stabilize the industry. Second, we urge the state to seize the opportunity for the child care sector to take root as essential infrastructure in rebuilding the economy.

Short-Term Policy Recommendations

Connecticut announced a continuation of Care 4 Kids funding to the child care industry based on March 2020 enrollment. We applaud this action by the Connecticut Office of Early Childhood as it helps many providers who depend mostly on Care 4 Kids for their income. We also propose the following short-term actions, during the coronavirus pandemic, to stabilize the industry.

- **Replace private paying fees.** The OEC should pay the income from private paying families and the parent contribution portions of subsidy families at March enrollment amounts for the duration of the crisis. This would ensure that child care providers have a full replacement of income without having to apply for myriad grants, loans, and other economic relief measures.

- **Draw down from the Budget Reserve Fund.** To ensure that more child care providers can stay open during the pandemic, Connecticut should draw down from the Budget Reserve Fund to fill in payment gaps for providers while they wait to receive CCDBG grant funding that is being distributed to states as part of the CARES Act.

- **Offer business training specific to child care.** Connecticut should immediately offer guidance and training specific to child care providers to assist them in navigating the current fiscal environment.

- **Move to presumptive eligibility for essential workers.** Connecticut should move to presumptive eligibility for Care 4 Kids for essential workers. Withholding full funding now means that families and providers have to gather and fill out the necessary paperwork, some of which may be much more difficult and time-consuming to gather while the state
is locked down. Also, families and providers will need to wait until Care 4 Kids can make a determination before care can begin. This delays essential workers who are required to respond immediately to the current crisis and who need to know that their children are cared for in a quality child care setting.

- **Offer a more robust bonus and less complicated system of supports.** Connecticut should offer a more substantial bonus and a less complicated system for child care programs staying open to serve essential workers. Indeed, if Connecticut does not, some providers might opt to take the newly available unemployment insurance benefits. The unemployment insurance benefit announced in the federal CARES Act will likely not only replace but enhance many FCC providers’ pay.

- **Provide essential supplies.** Connecticut should give child care workers support in the form of essential supplies. Mandatory guidelines at retail stores limiting items to only one per customer of cleaning supplies and other necessary items and food have driven child care workers to shop more frequently, endangering themselves and others. Retail stores are limiting products such as cleaning supplies, hygiene products, and even milk. Child care businesses should have an exemption from these limits. They should also have priority access from stores to these essential goods.

- **Increase capacity, accountability, and oversight.** Time is of the essence in enacting these policies. The National Association for the Education of Young Children (NAYEC) completed a survey of child care providers in mid-March 2020 and found that 17 percent of providers do not have funds available to re-open after a week of closure, 30 percent would not be able to re-open after two weeks of closure, and an additional 16 percent would not be able to re-open after a month of closure—63 percent in total.\(^6\) State governments are much more nimble than the federal government in their ability to supply businesses with money and other resources needed in-the-moment, but this can only happen when state governments adjust to increased workloads. After years of shrinking the State’s workforce,\(^7\) Connecticut should increase its agency capacity, accountability, and oversight to administer new emergency relief programs in a timely and appropriate manner.\(^7\)

### Long-Term Policy Recommendations

To support the vitality of the sector and the state economy, we also propose the following long-term actions:

- **Equalize subsidy rates for child care providers.** Connecticut should equalize the subsidy rates between centers and family child care providers. Both meet state licensing requirements, both are regularly inspected, both are fully regulated, and both have training and professional development requirements. Moreover, perpetuating a system that pits providers against each other and where some serve the most economically disadvantaged children and families and, yet, are paid less than other licensed counterparts is inequitable and bad for the economy. The lowest-income children need the same—if not better—care as children from high-income families. All licensed and regulated child care workers should be equally valued. This means that the State should replace the flawed market rate survey used to set rates with another system that acknowledges the actual cost of care. Allowing School Readiness slots at FCCs can also help to alleviate the injustice and grow the FCC industry.
• **Limit family pay to no more than 7 percent of income.** Connecticut should set its benchmark for families receiving subsidies to the federal benchmark. The State has made laudatory investments in pre-school slots and the minimum wage for workers. The State needs to make corresponding investments in the child care market to ensure that families have affordable child care available to them. In 2016, the federal Office of Child Care, under the Administration on Children and Families of the U.S. Department of Health and Human Services, set a federal benchmark for families receiving subsidies, stating that affordable co-payments for these families should not exceed seven percent of household income. Connecticut should set this benchmark as a goal for all families.

• **Ensure all child care providers make a living wage.** Connecticut should raise reimbursement rates so that more entrepreneurs open centers after the government lifts physical-distancing guidelines. The child care industry must be economically viable for it to continue to provide this essential service. All workers must make, at the very least, a minimum wage and, preferably, a living wage. Ensuring the economic viability of the industry is the only way that families can have needed choices and access to high-quality child care. There is an immediate need to fill the 50,000 child care gap that Governor Lamont cited in February 2020. It is also a national need. With such low pay and razor-thin margins, there is little incentive for entrepreneurs to open new child care centers. Now is the time to raise reimbursement rates so that more entrepreneurs open centers after the government lifts physical-distancing guidelines. Or, better yet…

• **Redesign child care so that it is an essential infrastructure.** Connecticut should initiate universal child care. Child care is both a $99 billion industry nationally and necessary for the state and country’s overall economy to thrive. This pandemic underscores the importance and the pervasiveness of the need for child care—as well as the disparities that exist within it. Infrastructure consists of systems that undergird the basic economy. As with access to running water, which has been recognized by the United Nations as a human right, many Americans don’t question the existence of infrastructure until a crisis hits, exhibiting debilitating racial and socioeconomic inequities. During and after the coronavirus crisis, Connecticut should make efforts to ensure that access to child care is no more remarkable than access to running water. Many European countries understand that child care is an essential infrastructure and have figured out innovative approaches to make it as accessible and affordable as possible. For example, Germany’s “Kindertagesstätte” system, which has both government-funded and private-funded providers, uses a funding formula based on the scope of care, family income, and the number of siblings in care.
Conclusion

Connecticut Voices for Children has tracked multiple indicators for over a decade to assess the state’s progress toward a quality early care and education system and universal school readiness. This year, our report concluded that the state continues to see the following:

- a shortage of child care slots,
- high child care costs that are not affordable to most families, and
- a continuing divide in preschool experience between higher- and lower-income towns.

We learn from a detailed examination of our family child care provider (FCC) economic model that many of the child care providers in the industry are making far below minimum wage and that certain aspects of the industry, such as the market rate survey, don’t work for FCCs. We also learn that providing funding for preschoolers has exacted a price on the FCC. While this year’s report focuses on the FCC economic model, if we were to examine group homes or centers, we might find similarly inadequate and unsuitable practices in those sectors as well. (Next year’s report will explore other child care provider models.)

The coronavirus pandemic has only worsened the child care situation in Connecticut, and, unfortunately, the child care industry is near collapse. A look at the current state of early childhood informs our thinking in visioning an equitable future. Continuous under-investment and patches of policy changes have led to a system of inequity and to an inconsistent framework that perpetuates social inequities. To change the child care industry, we must begin to acknowledge and act upon the fact that child care is a necessary and essential infrastructure in today’s economy.
Acknowledgements

Connecticut Voices for Children’s early childhood research is funded by the Grossman Family Foundation and the Connecticut Early Childhood Funder Collaborative.

For assistance on this report, Connecticut Voices for Children thanks Christie Balka, Policy Director, All Our Kin; Julie Bisi, Data and Accountability Coordinator, Office of Early Childhood; Christopher Donovan, Faculty, University of Connecticut School of Social Work, Former Speaker of the House, Connecticut General Assembly; Elizabeth Fraser, Policy Director, Connecticut Association for Human Services; Merrill Gay, Executive Director, Early Childhood Alliance; Valerie Grant, 2-1-1 Child Care, Manager Early Care and Quality Improvement Services, United Way of Connecticut; Margaret Gustafson, Office of Early Childhood, Division of Quality Improvement; Rachel Leventhal-Weiner, Chief Research and Planning Officer, Office of Early Childhood; Raymond Martin, Consultant, Connecticut State Department of Education, Performance Office; Carol O’Donnell, Executive Director, Connecticut Early Childhood Funder Collaborative; Jessica Sager, Co-Founder & Chief Executive Officer, All Our Kin; Ariana Shapiro, Business Mentor Coach, All Our Kin; Elena Trueworthy, Director of Head Start State Collaboration Office, Office of Early Childhood, and Janna Wagner, Co-Founder & Chief Learning Officer, All Our Kin.

This report was written under the supervision of Lauren Ruth, Ph.D., Research & Policy Director at Connecticut Voices for Children. If you have questions about this research, contact Dr. Ruth at lruth@ctvoices.org or 203-498-4240 X 112.
References


6. Ibid.


11. Although SDE no longer uses the District Reference Group classification, no better classification system has emerged. To preserve historical continuity and to discuss differences between different types of school districts, we continue to classify districts this way in order to examine similar districts over time.

12. Note that DRG I in 2016-2017 reflects an error in counting as noted by Merrill Gay, Executive Director of Connecticut Early Childhood Alliance. “I am pretty sure that New Britain…changed the Kindergarten registration process streamlining it so that parents who had children in the school district school readiness preK didn’t have to fill out the paper work and were automatically registered. However the count of how many children have a preK experience is derived from a questionnaire in that paperwork. So the net effect was that [New Britain] didn’t count any of the several hundred children in the school district’s preschool as having had a preschool experience.”


As a business coach at All Our Kin in New Haven and Bridgeport, the author has worked with over 40 FCC providers and reviewed their tax returns and created budgets. The author has taught Family Child Care business concepts to over 135 unique providers over the last few years.

For example, if we assume (1) that a FCC provider charges $250 per week for one child and (2) that the family qualifies for $200 per week subsidy from Care 4 Kids, most would wrongly understand the “Parent Fee” to be $50 per week; in reality, the “Parent Fee” is $20 because the maximum that Care 4 Kids would have paid for this slot is $220. This seems like an easy concept to understand, but there are further complications. All the numbers on the certificate are stated in monthly amounts which are calculated as 4.3 multiples of weekly amounts. Most FCCs, working with hourly-wage working families deal with weekly and not monthly amounts. Going back to our example and converting weekly amounts to monthly amounts, the provider charges $1,075 per month. The family qualifies for $200 per week in subsidy from Care 4 Kids, or $860 per month. The erroneously assumed “Parent Fee” would be the difference between the weekly charge of $250 and the weekly subsidy of $200: $50 per week, or $215 per month. But in fact, the certificate lists $86 per month (or $20 per week) as the “Parent Fee.” When parents and providers agree to use the $86 parent fees listed on the official Care 4 Kids certificate (as many families and providers do), the provider is only being paid the Care 4 Kids rate.
42 The costs in this model were cross referenced with costs of FCCs presented in the Early Childhood Research Quarterly, inflated to 2020 costs. The costs for non-personnel, non-food were substantially higher (64 percent) than the PCQC default values. To keep our assumptions as conservative as possible, we base our calculations on the lower costs of the PCQC. It should be noted that the Net Income above shows taxable income. Technically, the FCC provider would have more cash on hand since some of the deductions associated with the home would have to have been paid regardless of whether they were self-employed or employed as an employee. We realize that this model is inexact—it is missing the effect of the self-employment tax, benefits, etc., and further research will be needed to fine tune the assumptions. Some of these will raise the Net Income and some will lower them. However, we feel that this model speaks to the general nature of a typical provider’s fiscal experience.


67 A/Res/64/292