



STATE OF EARLY CHILDHOOD

A RESPONSE TO THE GOVERNOR'S BLUE RIBBON PANEL ON CHILD CARE AND
A CONTINUATION OF SPOTLIGHTING DISENFRANCHISED POPULATIONS

EXECUTIVE SUMMARY

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Connecticut Voices for Children (CT Voices) envisions a Connecticut where all our children thrive. As such, families need to thrive (since children are part of families) and ensuring a strong and equitable workforce is critical to this. One of the ways to support parents in the workforce as well as give children the foundational learning they need to succeed as future workers is having an early care and education (ECE) system that is high-quality, affordable, and accessible to all families. (We define high-quality child care as places where trained early care educators offer care that prioritizes facilitating open and healthy interpersonal interactions, providing child-friendly and safe physical environments, and having stable program structural support and professional development opportunities.¹) However, many parents across both Connecticut and the United States as a whole do not have access to stable, affordable, high-quality child care.

The average cost of child care in the state of Connecticut, according to Annie E. Casey Kids Count data, is \$18,156 per year for center-based care and \$11,955 per year for care in a family child care home (FCC).² Comparing these data to other states, Connecticut had the nation's third most expensive child care for infants and toddlers, just behind Washington D.C. and Massachusetts.³ While the financial burden on parents is too heavy for many families to manage, ECE providers in Connecticut struggle to operate businesses that often must survive on less than one percent profit margins.⁴ State-funded grants and subsidies help, but they do not cover the true cost of care. Thus, the ECE industry is characterized by high costs paid by parents, low wages for staff, business insecurity for providers, and a significant shortage of available slots for children—particularly slots for infants and toddlers and for families who need specialized care. Amidst these conditions, parents struggle to work productively, children are missing out on high-quality early education, and the child care industry is depressed.

Though the impact of the 17,000 shortage of infant/toddler slots⁵ impacts all families with children between the ages of birth to three, the children who are the least likely to receive high-quality child care are children of color, immigrant children, homeless children, and those with special needs. (We define children with special needs as all children with behavioral, emotional, developmental, physical, and/or cognitive needs that demand training and support beyond what is typical of most child care providers.) We advocate that by examining the needs of families who have the least access to care and who need the most support from the ECE system, and by investing in creating a system where these high needs are centered as targets to meet, Connecticut can make an ECE system that is flexible and responsive to Connecticut's shifting family demographics. By prioritizing provider compensation within policies to develop this more responsive system, the State can ensure an engaged, well-prepared, and robust workforce serving Connecticut's youngest children and their families.

In our report, we discuss the benefits of ECE to children, parents, providers, and the economy. We then review annual data on Connecticut's ECE availability, children served, and the systems and dollars that support State-funded care. To add context to these data and help to guide fiscal recommendations, we update our economic analyses from our 2020 and 2021 State of Early Childhood care reports regarding the cost of providing care in a Family Child Care (FCC) setting and a Child Care Center (CCC) setting.⁶ Finally, we build upon our 2022 State of Early Childhood research, which examined barriers to accessing ECE for immigrant and



refugee families, by exploring another group of families who struggle to access equitable early care and education: families of children with special needs. We close the report by offering policy recommendations to create an ECE system that provides high-quality care that is universally affordable and accessible to all families, especially those with the least access to care under today's system.

Unlike prior reports, this year's report places our recommendations within the context of those issued on December 8, 2023, by the Governor's Blue Ribbon Panel on Child Care (BRP). In light of expiring American Rescue Plan Act dollars, Governor Ned Lamont and Connecticut Office of Early Childhood Commissioner Beth Bye convened this panel of stakeholders to propose sweeping changes and significant investments to stabilize and strengthen Connecticut's ECE sector. We applaud the work of the BRP and also seek to extend that work within this report.

SUMMARY OF FINDINGS

The COVID-19 pandemic placed additional pressures on Connecticut's already struggling child care industry. As the pandemic spread, large child care providers were forced to shut their doors to respect physical distancing guidelines, small providers who were allowed to stay open experienced unpredictable revenue fluctuations as families faced job losses and virus exposure, and all providers experienced additional cost burdens due to PPE and supply chain issues. Connecticut policymakers did their best to stabilize the ECE industry by raising Care 4 Kids rates and distributing wage supplements and stabilization grants.⁷ Despite these laudable efforts, the analyses we present below show that rising inflation and Connecticut's rising minimum wage largely offset how far these increases in ECE funding stretch for providers.

We utilized the U.S. Department of Health & Human Services Administration for Children & Families Office of Child Care Provider Cost of Quality Calculator (PCQC) to update our 2020 model of Family Child Care (FCC) provider earnings. Mirroring our original findings, this updated analysis of net revenue for a prototypical FCC that cares for six infants/toddlers and three part-time school-aged children and operates in Northwest Connecticut demonstrates that if a provider accepts only Care 4 Kids and Child and Adult Care Food Program (CACFP) subsidies without charging families a co-pay, the provider will earn a net revenue of \$27,700. Given that FCC providers work an average of 68 hours per week for 50 weeks a year, this equates to an hourly wage of \$8.14. Already, an FCC provider's net revenue in this model is less than minimum wage and less than what providers must compensate their assistants, and once the provider has paid taxes, this figure will be even lower.

Like FCCs, child care centers (CCCs) also struggle to make ends meet without charging families over and above what they receive through State and federal funding streams. To demonstrate, we updated our 2021 economic model of a small CCC that provides care for 16 infants/toddlers and 10 preschoolers in Northwest Connecticut. We find that if the provider accepts only Care 4 Kids and CACFP subsidies without charging families a co-pay, the provider will be \$109,888 in the red after a year.



Our review of statewide data shows the declining availability of child care slots and programs. Between 2022 and 2023, the number of State-funded infant/toddler slots in the state dropped by 3,490 (a 17 percent reduction). Between 2022 and 2023, the number of State-funded preschool slots in the state dropped by 2,085 (a four percent reduction). Connecticut's 49,898 available preschool slots in 2023 is the lowest they have been since we began tracking these data in 2005.

Part of the decline in available child care slots is due to a steady reduction in places that offer child care. Connecticut reported 1,817 FCCs in 2023, which is a reduction of 916 FCCs since 2010 (a 34 percent reduction). The number of CCCs is also contracting; in 2023, Connecticut reported 1,374 CCCs, which is 205 fewer than in 2010 (a 13 percent reduction). Closure surveys indicate that the most common reason FCCs close down over time is for personal reasons, which include retirement, medical reasons, maternity, death in the family, job-related stress, and lack of benefits. However, many FCCs report closing each year due to reasons that reflect the sustainability of the child care industry. Unprofitability and problems navigating licensure and regulations are the most cited reasons why CCCs have closed over time.

Public policies to increase support to families amidst the pandemic appear to have helped. Although more needs to be done, the data we reviewed showed increased infant/toddler enrollment in Care 4 Kids and CCCs, and increased preschooler enrollment in Care 4 Kids, CCCs, School Readiness programs, and Head Start programs. This increase in enrollment, particularly infant and toddler enrollment, is good news considering that businesses lose operational revenues for every parent without good infant and toddler care. Businesses thrive when parents can access stable ECE, and when businesses and parents thrive, the state thrives. Connecticut's ECE industry brought in \$718 million in total industry revenue in 2016, which, if adjust to 2023 dollars, would be equivalent to Connecticut's ECE industry generating an estimated \$921 million in total industry revenue over the course of a year.

Our report additionally deep-dives into data about young children with special needs in Connecticut. The number and percent of children in Connecticut with special needs is steadily increasing. Birth to Three data show increases in both evaluation and eligibility data between SFY 2012 and SFY 2022. In Connecticut schools, the number of PreK3, PreK4, and Kindergarten children who qualify for an Individualized Education Plan (IEP) has steadily increased nearly ten-fold the past decade.

Connecticut struggles to provide specialized services for all families who need them. CT Voices interviewed parents, service providers, and ECE providers about the challenges these families face. Overwhelmingly we heard that providers of specialized services struggle with low reimbursement rates and staff shortages and are seeing an increase in children with complex needs. Families report struggling to find appropriate services in the area where they live. Specialized service shortages combined with already existing child care shortages impacts the ability of parents whose children have special needs to participate in Connecticut's workforce.



RECOMMENDATIONS

Addressing the continued struggle seen in multiple aspects of Connecticut's ECE industry on behalf of families and providers alike is no easy task. The Governor's Blue Ribbon Panel on Child Care seeks to reform Connecticut's ECE system to increase sustainability, equity, and access, with a focus specifically on prioritizing under-resourced child populations including children from families that speak a primary language other than English, children whose parents work non-traditional hours, children experiencing homelessness, and children with special needs. We utilize the same four-goal framework as the BRP to make our recommendations, and we elevate where the recommendations of the BRP align with those CT Voices has proposed within our past research reports. For the sake of brevity, we highlight a few recommendations rather than including an exhaustive list in this Executive Summary. In most cases, we view the BRP recommendations as welcomed and necessary action steps, and we advocate moving a few steps further to make Connecticut's ECE system truly affordable, accessible, and high-quality for all families.

GOAL 1: WORKFORCE AND QUALITY. Invest in and support the retention and recruitment of a professional, high-quality ECE workforce and program supports and standards that increase the number of high-quality settings.

- **Weight reimbursement rates to encourage equity in access.** Utilize weighted reimbursement rates for programs that offer nontraditional hours, provide transportation, employ culturally reflective staff, and offer staff higher compensation and benefits.
- **Raise reimbursement rates to 90 percent of the market rate and create parity in provider reimbursement rates.** We recommended raising reimbursement rates for State-funded programs to at least 75 percent of the market rates and aim to reach 90 percent over time. Additionally, equalizing Care 4 Kids reimbursement rates for FCCs to those of CCCs is critical. The existing disparity in reimbursement perpetuates racial and socioeconomic inequities within the ECE field.
- **Provide comprehensive benefits that create a low-cost burden for providers and staff.** Include predictive scheduling and paid sick days in benefit packages. Due to steep increases in health insurance rates, the State may need to compensate ECE programs and staff for insurance costs.
- **To stop ECE staff attrition, ensure ECE staff earn a dignified wage.** Early childhood educators should earn pay and benefits comparable to what they would in the K-12 education system for similar credentials. However, we recognize that pay in both the ECE and K-12 systems is not adequate.
- **Create financial incentives and educational mechanisms to diversify the ECE workforce.** We recommend numerous policies and programs to




help meet this goal. Extend scholarships to major in ECE-related fields to people of color graduating from priority school districts. Offer nontraditional pathways to certification of training. Create startup grants that include money for supplies and licensure incentives. Offer financial support over and above school-related expenses, as many educators must scale back their work schedules to complete advanced education and training. Finally, create a child care “service corps” with scholarships, a defined career ladder, and mentoring, which blend academic and practical training.

- **Create mechanisms for shared services and information to increase economies of scale and efficiencies.** CT Voices advocates that ECE is an essential infrastructure that benefits the entire state and should be treated as such. Treating ECE as an infrastructure system also opens possibilities for achieving efficiencies through shared services and administrative paperwork. This includes streamlining data collection and reporting regarding ECE needs and availability, student and family demographics and needs, and provider demographics and needs. We recommend building off current systems such as those provided by 2-1-1 Child Care and the Sparkler app.
- **Support provider fiscal stability through predictable funding for complete enrollment.** We further advocate including FCCs in addition to CCCs in the BRP planning for fiscal stability.


GOAL 2: EQUITABLE AND AFFORDABLE ACCESS. Increase equitable and affordable access to high-quality programs that meet the range of family needs.

- **Expand Care 4 Kids eligibility to the fully allowable extent under federal regulations and create a sister program to extend vouchers to families not eligible under federal rules.** We support expanding Care 4 Kids eligibility to 100 percent of SMI as quickly as is systemically feasible and advocate to continue to raise the benchmark beyond that marker similar to Vermont’s Child Care Financial Assistance Program. Creating a Care 4 Kids sister program would allow the State to provide vouchers to families whom the federal government deems ineligible for support through Child Care and Dependent Block Grant (CCDBG) funds that support families in Care 4 Kids. Connecticut’s Early Childhood Education Fund could be a useful vessel to house funding for families who are ineligible for Care 4 Kids due to federal regulations.
- **Create a CT Child Tax Credit to help families afford to raise children.** This recommendation would both offset families’ high costs while raising children and make Connecticut’s regressive tax system fairer.
- **Pair innovations to reduce State and family costs for care with innovations to attract and retain a larger ECE workforce.** Businesses in Connecticut could do more to support the ECE system that supports Connecticut’s workforce. Public-private model pilots, such as the Tri-Share model recommended for Eastern Connecticut by the BRP, can help make child care costs lower for working families earning incomes above the Care



4 Kids eligibility threshold. Local businesses could also help incentivize the creation of more ECE slots by partnering with child care providers to extend benefits in exchange for secured ECE slots and through creating child care job sharing programs.

- **Create a plan to address the immediate and long-term special needs of very young children amidst Connecticut’s changing demographics.** In addition to expanding inclusive classrooms, we recommend creating a legislatively mandated workgroup to study the support necessary for young children with special needs in terms of their changing demographics; developmental, cognitive, behavioral, social, and emotional needs; the full estimated costs of meeting current needs by expanding existing programs; projecting out possible future fiscal impact for Connecticut; and making a plan to continuously increase services to children to ensure young children enter kindergarten as on-target as developmentally possible.
- **Expand home visiting programs as a mechanism to support children with special needs in their schools and communities.** In addition to working with school districts to expand special education services, the legislatively mandated workgroup proposed above should evaluate increasing the support needed for home visiting programs, such as the Early Childhood Home Visitation Services Program, Child First, Nurse-Family Partnership, and others, to support young children and their families.
- **In addition to creating a Birth to Five system, expand eligibility for Birth to Three services and create local Birth to Five councils.** Connecticut utilizes narrower Birth to Three eligibility guidelines than many other states. We reiterate a proposal within the 2007 Connecticut Ready by 5 & Fine by 9 Investment plan to include young children whose overall developmental trajectory is one and a half standard deviations below the mean or who are delayed by one standard deviation in two or more areas, children with mild language delays, and children growing up with environmental risks that increase their chances of developing delays. We also reiterate the Ready by 5 & Fine by Nine proposals to create local Birth to Five councils (building off School Readiness councils) to better identify and serve the needs of infants, toddlers, and preschoolers at the municipal level.
- **Ensure accessibility of ECE services and information to families with the highest need and lowest access to care.** This includes expanding access to ECE for families who are undocumented, and those who do not speak English as a primary language, ensuring accessibility of services and information in multiple languages. Information and communication about and from programs or providers must be made available in multiple languages, not just Spanish. We also recommend more translators serving FCCs and centers through provider networks to help facilitate dialogue between parents and providers or increasing the number of State-funded parent-provider events in a year that provide translation. We support leveraging pre-existing programs so that programs currently unable to serve these families effectively have some resources at their disposal, and we advocate for expanding Head Start, Early Head Start, and Even Start, all serving populations with specific needs and vulnerabilities.




GOAL 3: SYSTEMS. Develop an agile, flexible, responsive, high-quality ECE system that maximizes current resources and supports economically viable programs.

- **Streamline and standardize Connecticut’s funding sources.** We recommend standardizing funding allocations for licensed programs and formalizing these payments via predictable agreements with program operators. These grant and contract amounts can be defined by the cost of quality, enrollment capacity, and the program’s track record of service to underserved communities.
- **Ensure meaningful parent representation at policymaking tables and in creating ECE systems.** When defining high-quality child care, families prioritize holistic aspects of quality, such as whether their children were happy to go to school and talked about what they learned after school. Additionally, historically underserved families including but not limited to immigrant families often needed to prioritize aspects of care such as walkability, after-hours care, and whether anyone in the program spoke their language. For these reasons, our reports advocate for ensuring robust and meaningful parent representation at all ECE decision-making tables, such as School Readiness Councils and the OEC Parent Cabinet.
- **Create affordable housing that prioritizes renting to the ECE workforce.** Implementing plans for developing affordable housing units to prioritize applications from early childhood educators may help communities embrace the expansion of affordable housing, as communities will know that their new neighbors are performing a valuable service for the community.

GOAL 4: FUNDING. Build a well-funded, sustainable ECE funding system poised to leverage future investment efficiently.

- **Assess the actual cost of high-quality ECE and reimburse all providers for their actual costs.** We agree with the BRP regarding the importance of funding the actual cost of care, and we commend the panel’s work to move Connecticut toward realizing this vision. We recognize the strategic need to begin with areas where care is most desperately needed. Still, we advocate that policymakers not stop at funding more infant and toddler care and care for high-need communities (including children with special needs, children from immigrant families and families that don’t speak English as a first language, families who work outside of a typical nine-to-five workday, and families experiencing homelessness.) While some communities have higher levels of need than others, most communities across the state report having some level of need for expanded care.
- **Direct dedicated progressive revenue streams to resource the Early Childhood Education Fund and use this to build a high-quality, universally accessible and affordable Connecticut ECE system.** Funding the true cost of high-quality, universally accessible, and affordable early is an investment that requires considerable resources. As such, no one revenue source could fully fund this type of system currently. However,



the tax gap analysis findings slated for 2024-2025 may prove different. In the meantime, we suggest creating revenue measures to run parallel to the BRP's five-year timeline. Specific mechanisms may include:

- increasing Connecticut's estate and gift tax by reducing the exemption to \$2 million and eliminating the maximum lifetime tax per estate, which would fund an additional \$150 million annually;
- increasing the top income tax rate on investment income from 6.99 to 8.99 percent for single and married tax filers making more than \$500,000 and \$1 million, respectively, which would fund between \$305 and \$375 million annually;
- increasing the top income tax rate on CT Adjusted Gross Income from 6.99 percent to 7.99 percent for single and married tax filers making more than \$500,000 and \$1 million, respectively, and by establishing a top tax rate of 8.29 percent for single and married tax filers making more than \$1 million and \$2 million, respectively, which would fund an additional \$500 million annually; and
- eliminating or reducing Connecticut's tax gap, a portion of which could cover the difference;
- other revenue options include adjusting the fiscal controls, increasing corporate taxes in a way that does not pass down the tax to the worker or consumer, and utilizing available bonding capacity to increase classrooms in public school districts and run by nonprofits as well as support innovations intending to attract and retain ECE workers in underserved parts of the state.

Lastly, we want to note that maximizing investments would include the creation of a trust (held by the Connecticut State Treasurer) seeded with philanthropic dollars and the above revenue options (and/or others) to accumulate interest. Dollars would then move to the already established Early Childhood Education Fund (held by the Connecticut State Comptroller) as needed for appropriations purposes.

ENDNOTES

- 1 Simon Workman and Rebecca Ulrich, "Quality 101: Identifying the Core Components of a High-Quality Early Childhood Program," *Center for American Progress*, Feb. 17, 2017, <https://www.americanprogress.org/article/quality-101-identifying-the-core-components-of-a-high-quality-early-childhood-program/>; Sarah Miller, "The State of Early Childhood During the COVID-19 Pandemic," *Connecticut Voices for Children*, May 16, 2021, <https://ctvoices.org/publication/the-state-of-early-childhood-during-the-covid-19-pandemic-2/>
- 2 The Annie E. Casey Foundation, "2023 Kids Count Data Profile: Connecticut," 2023, <https://assets.aecf.org/m/databook/2023-KCDB-profile-CT.pdf>
- 3 The Annie E. Casey Foundation, "2023 Kids Count Data Profile: Connecticut," 2023, <https://assets.aecf.org/m/databook/2023-KCDB-profile-CT.pdf>
- 4 Blue Ribbon Panel on Child Care, "2023: Blue Ribbon Panel on Child Care Report," 2023, <https://www.ctoec.org/wp-content/uploads/2023/12/oec-blue-ribbon-panel-report-2023-12.08.pdf>
- 5 Blue Ribbon Panel on Child Care, "2023: Blue Ribbon Panel on Child Care Report," 2023, <https://www.ctoec.org/wp-content/uploads/2023/12/oec-blue-ribbon-panel-report-2023-12.08.pdf>
- 6 Sarah Miller, "The State of Early Childhood During the COVID-19 Pandemic," *Connecticut Voices for Children*, May 16, 2021, <https://ctvoices.org/publication/the-state-of-early-childhood-during-the-covid-19-pandemic-2/>; Jane Lee, "The State of Early Childhood: Can Connecticut's Struggling Family Child Care Providers Fill a 50,000 Child Care Gap Amidst the Coronavirus Recession?," *Connecticut Voices for Children*, April 2020, https://ctvoices.org/wp-content/uploads/2020/04/CRR-SOEC_FCCs_Just-Research.pdf
- 7 Blue Ribbon Panel on Child Care, "2023: Blue Ribbon Panel on Child Care Report," 2023, <https://www.ctoec.org/wp-content/uploads/2023/12/oec-blue-ribbon-panel-report-2023-12.08.pdf>