



Child Care Contracts

Ad Hoc Advisory Group Meeting #1

November 2nd, 2022

INTRODUCTIONS

- Name
- Organization represented
- Location



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TODAY'S GOALS & AGENDA

GOALS

- Have a shared understanding of the initial direction under consideration
- Identify initial questions or concerns that should be further explored
- Understand the anticipated path forward

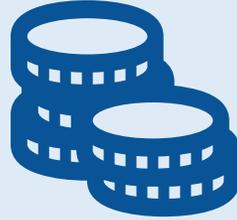
AGENDA

- Ad hoc advisory group roles
- Timeline of proposal & future meetings
- Base-operating contracts overview—our initial plan
- Feedback & questions

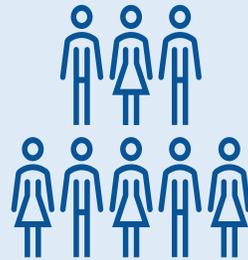
REMINDER: PROPOSAL OVERVIEW

The Division of Early Childhood is working to develop a recommendation for the Governor's Office on a **sustainable contract-based child care funding mechanism.**

This would stabilize and improve the supply and quality of child care in the state by:



Increasing compensation to staff across the industry



Supporting more robust staffing patterns

The goal is to submit a proposal to the Governor's Office and prepare for implementation **beginning in July 2023.**

The Role of the Ad hoc Advisory Group & Timeline



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ROLE OF THE AD HOC ADVISORY GROUP



Build **understanding and alignment** on strategic intent and goals



Provide **input and feedback** throughout the design process



Review and pressure-test relevant cost analyses, potential policy options, and administrative options



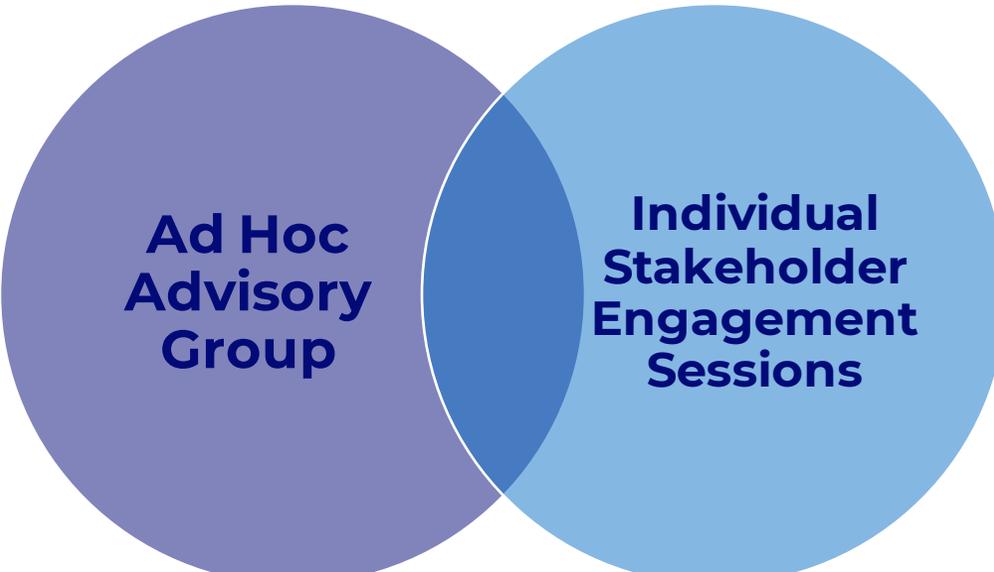
Surface any **potential risks and opportunities**



Support overall plan development and **champion it among stakeholder groups**

THE ROLE OF EVERY STAKEHOLDER

ENGAGEMENT GROUPS REINFORCE EACH OTHER



Ad Hoc
Advisory
Group

Individual
Stakeholder
Engagement
Sessions

AD HOC ADVISORY – Comprehensive, “Bird’s Eye” view on the plan

Endorses strategic intent and goals, guides overall planning process, surfaces risks and opportunities to the plan

Identifies specific concerns or considerations that should be discussed further (i.e., in individual stakeholder engagement sessions)

INDIVIDUAL SESSIONS – Detailed, “On the ground” input

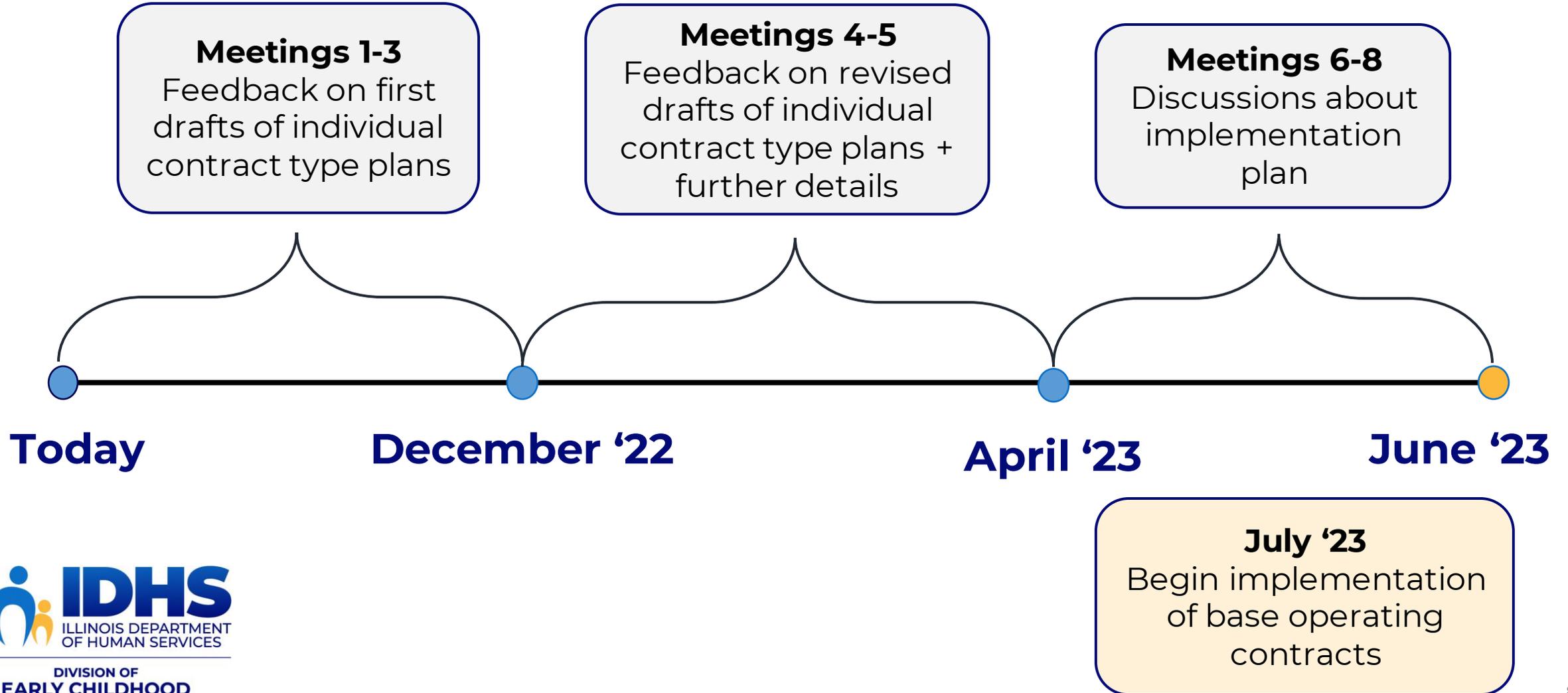
Assist the planning team in deeply understanding areas of focus:

- On a specific topic or focus area (ex: administration) *and/or*
- Through a specific stakeholder lens (ex: Type 1 providers, legislative advocates)

Output from these discussions inform the overall plan and process to ensure it is well thought out and actionable

Both aspects of engagement matter. Perspectives sought are different (general and overarching vs. specific and nuanced) and both are necessary to create a thoughtful, thorough plan.

TIMELINE



Questions to Keep in Mind

- Do the **goals** of this contract-based funding mechanism resonate with you and the organization you're representing?
- Do the **variations** of the contract-based funding mechanism make sense to you? If you are a provider, do you understand what type of contract would apply to your organization?
- In this plan, what might promote **greater equity**? Where are there risks to increasing inequities?
- What **concerns or questions** come to mind?

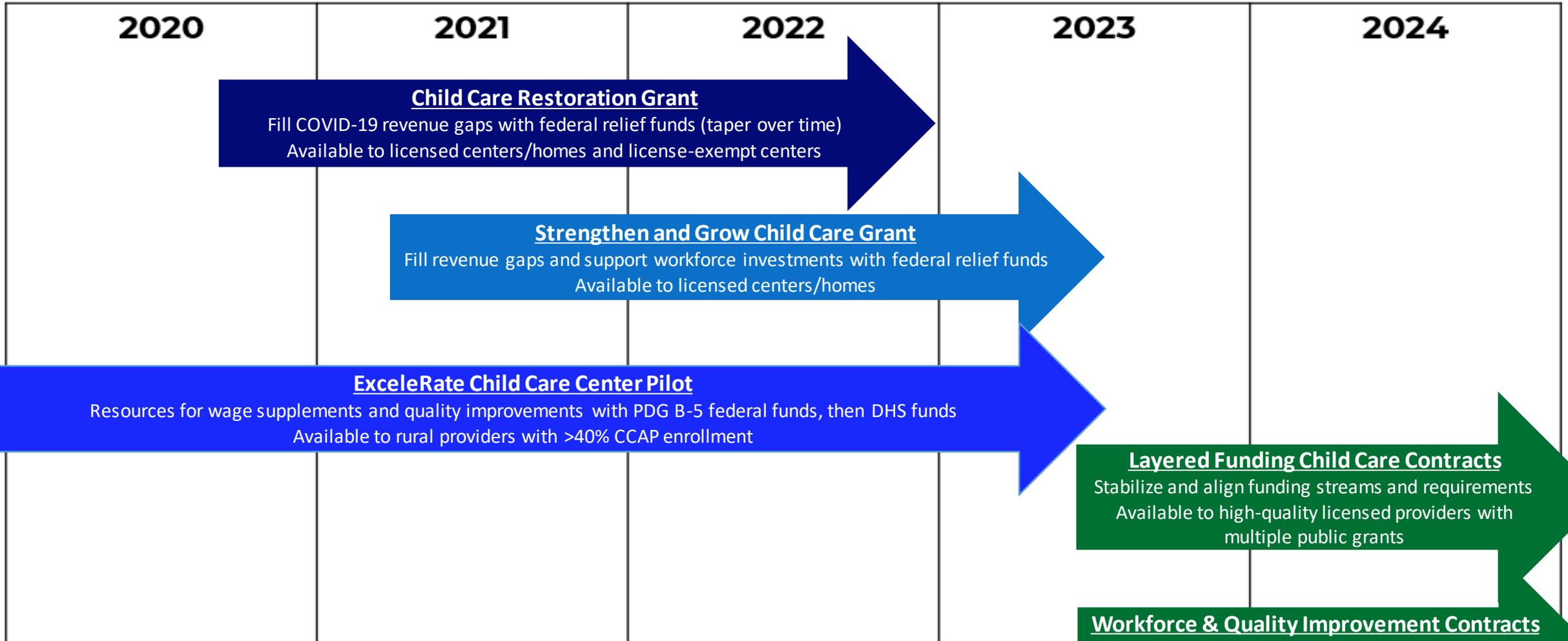
A New Approach

Base Operating Contracts
Overview



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CONTRACTS BUILD ON A HISTORY OF INNOVATIVE FUNDING



STRENGTHEN AND GROW CHILD CARE GRANT



Background

- Began in 2022 with \$300 million ARPA COVID-19 relief funding
- Provides significant up-front funding for licensed child care centers and homes
- Requires at least 50% of the funding on increased staff wages, bonuses, benefits, or other new staffing costs.
- Focused on providers participating in CCAP; limited participation by providers primarily funded by Head Start and/or the Early Childhood Block Grant.

Lessons

- The SGCC model has **significant potential with sufficient funding** to meaningfully address the early childhood compensation challenge.
- The program has proven **very popular** with providers, with 72% of eligible centers and over 90% of eligible homes participating in the first grant round
- INCCRRA has demonstrated how to **effectively implement** the program at scale with minimal administrative overhead.
- The **temporary nature of the program limits its effectiveness**. Providers are cautious about using time-limited funds to raise wages and benefits, which are difficult to pull back when funding goes away. Instead, many programs are providing bonuses, which are unlikely to be as effective in attracting and retaining qualified child care staff, and in signaling to future workers that early childhood is a viable career pathway.
- **Restrictive eligibility limits the program's ability to stabilize the full field**. A strategy to improve wage levels for all providers will be more effective in truly addressing the workforce crisis.

EXCELERATE CHILD CARE CENTER PILOT

Background

- “Funding-first” contracts piloted with 35 child care centers (funded through PDG B-5)
- All located in “Group 2” counties (rural communities in Illinois) with > 40% CCAP
- Two purposes for funding:
 - Raise staff wages tied to attainment of specific credentials
 - Add staff beyond licensing standards to provide adequate planning, collaboration and PD time
- Participating programs agree to pay staff at or above State-developed wage scale levels and implement key continuous quality improvement practices

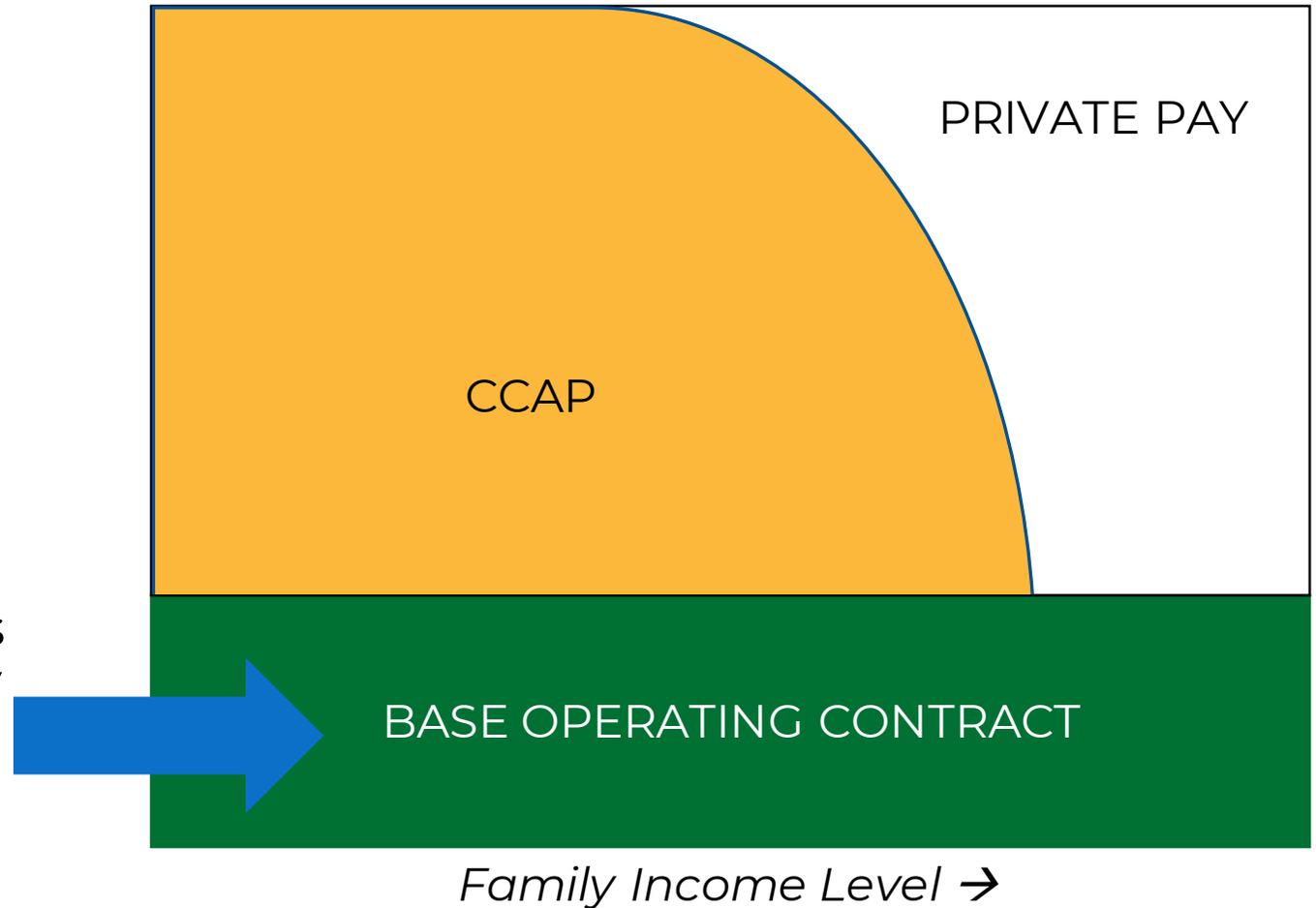
Lessons

- Funding allows participating providers to **pay higher wages and implement a staffing pattern** that allows for reflective practice and continuous quality improvement.
- Piloted **wage increases were insufficient** to optimally recruit and retain staff; IDHS raised the grant amounts beginning July 2022 to support a significantly higher wage scale.
- **Administration and reporting was complex**; In partnership with INCCRRA, an efficient administrative structure for the contracts was developed to minimize reporting burden while still supporting clear accountability for contract requirements.

Base Operating Contracts Shift Our Framing

From Field *Stabilization*
To Field **Building**

- Reduces family burden of rising costs
- Provides financial stability for providers
- Directed to priority investments including workforce and quality



WHY BASE OPERATING CONTRACTS RATHER THAN SUBSIDY INCREASES?



Based on lessons learned, we're exploring tailored approaches to contract expansion

Workforce & Quality Improvement Contracts

Current State

Providers rely on CCAP and parent payments

New Approach

Contracts to support **workforce compensation**, with quality improvement and equity supplements based on criteria

Outcome

More providers have access to stable, upfront funding to meaningfully address compensation and to make incremental quality improvements

Layered Funding Contracts

Current State

Providers receive multiple funding streams to implement higher quality standards

New Approach

Stable, layered funding contract that considers all funding streams

Outcome

Stable funding that will cover the comprehensive cost of care, more unified standards that will **simplify administrative processes**, and greater accountability and transparency.

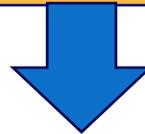
WORKFORCE & QUALITY IMPROVEMENT CONTRACTS

Current Provider Challenges

The child care workforce crisis is harming the industry and getting worse

Strengthen and Grow Child Care grants are temporary, using federal relief funds

Quality improvement is needed, but not all providers are ready to jump to rigorous, high quality PFA/HS standards



Proposed New Approach

Building from SGCC and ExceleRate Pilot, up-front contracts provide enough funding to:

- Increase compensation to a wage scale
- Implement richer staffing patterns, higher staff requirements, smaller group sizes

Proposed Context

Eligibility

- All licensed providers without additional public funding streams, whether they accept CCAP-funded children or not

Funding Vehicle

- Base operating grant to fund increases in compensation
- Supplements to fund targeted increases in staffing and other quality investments, prioritizing providers serving high needs communities
- Coupled with other payment enhancements (i.e., CCAP payments based on child enrollment vs. attendance)

Requirements

- Minimum salary schedule and/or required percentage of funding allocated to wage increases

LAYERED FUNDING CONTRACTS

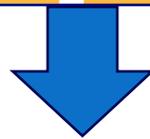
Current Provider Challenges

“Blending & Braiding” ECBG and/or Head Start funding with CCAP to support comprehensive programs

Misaligned eligibility requirements

Unstable CCAP revenue

Administrative burden tracking eligibility



Proposed New Approach

Stable funding contract in place of per child CCAP funding, with amounts determined cognizant of current funding and quality standards

Proposed Context

Eligibility

- Providers serving children full-workday, year-round
- Already meeting high standards

Funding Vehicle

- Base operating grant with sufficient funds to fully operate the program
- Annual formula funding (no longer per-child, per-day reimbursement)
- Formula considers population being served

Requirements

- Meeting PFA/PI and/or E/HS standards
- Meeting minimum compensation standards

SUPPLEMENTAL CONTRACTS

For providers receiving Workforce & Quality Improvement Contracts, supplemental contracts “add-ons” could be available in the future to address specific community-identified needs, such as:

- **Intensive supports for dual/multi language learners.** Components may include but are not necessarily limited to staff with specialized qualifications, additional training for all staff, and additional materials.
- **Specific resources to support inclusion of children with special needs.** Components may include but are not necessarily limited to staff with specialized qualifications, additional training for all staff, and additional materials.
- **Intensive Family Support services** for families with substantial challenges and/or involvement with other systems – mental health, substance abuse, underemployment, unhoused, etc. Components may include but are not necessarily limited to dedicated family support staff with appropriate qualifications, additional training for all staff, and staff that can support collaboration with other service sectors.
- Programs that offer services targeting families in need of child care during **nontraditional hours.**

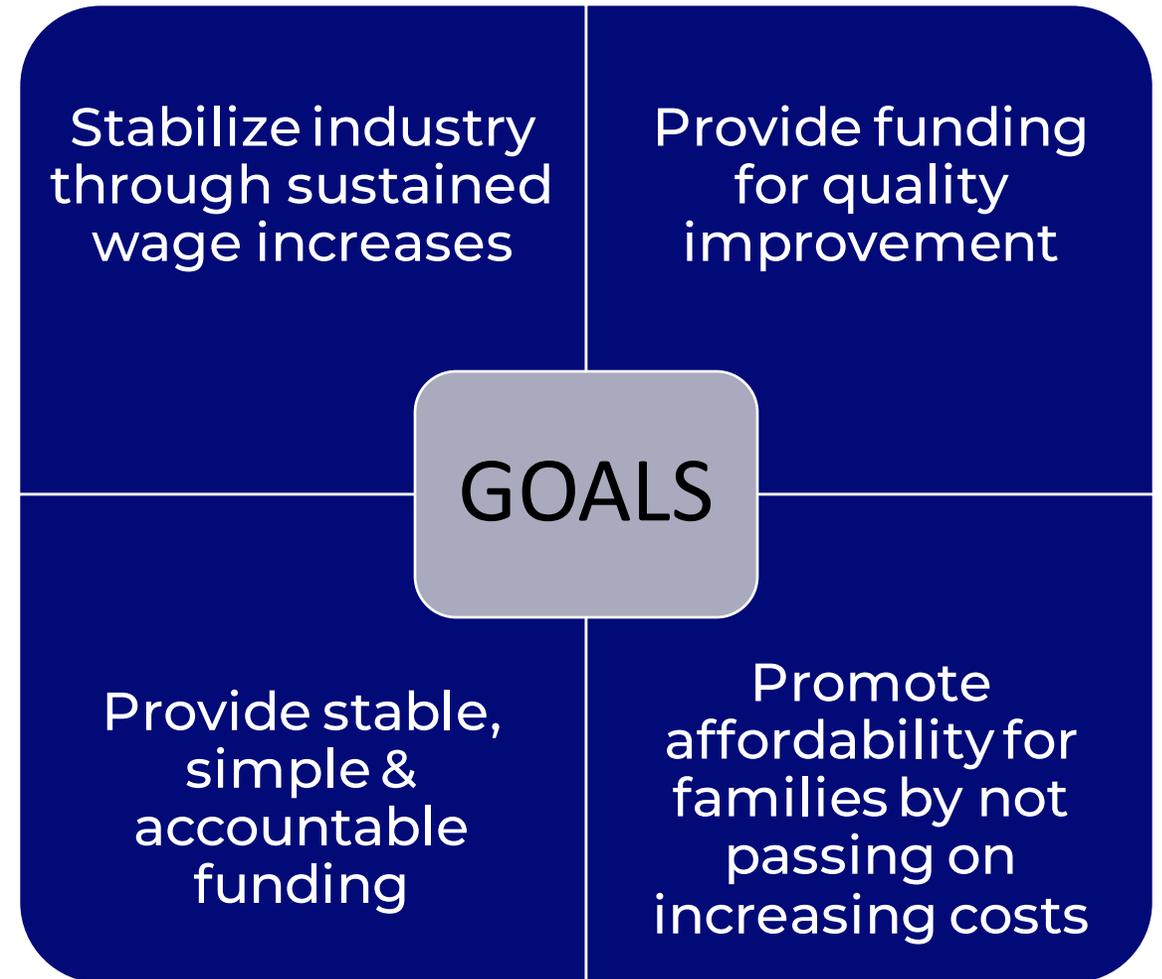
Feedback & Questions



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REFLECTION

- Do the **goals** of this contract-based funding mechanism resonate with you and the organization you're representing?
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IMPLEMENTATION SUPPORTS

- Implementation would require **well-coordinated supports and messaging** from the state that includes coordination across IDHS, other state agencies, contracted administrators, and other contractors supporting early childhood education and care programs.
- **Lessons learned** from Strengthen and Grow Child Care grants and the ExceleRate pilot site grants must be embedded into implementation planning
- A key lesson is ensuring that programs have the **right supports at the right time** to be able to meet the additional requirements and accountability that inevitably come with a contractual approach.
- Implementation may begin with a **pilot year** to understand challenges and identify needed supports to ensure readiness for full scale implementation in future years

What implementation supports would be needed for these efforts to be successful?

Next Meeting Date: **December 7, 2022, 12-2pm**

- **Tentative plan: first Wednesday of each month from 12-2pm through June 2023**

Topics of Discussion:

- **Workforce & Quality Improvement Contracts**
- **Administration and Implementation Approach**

Open Survey for Feedback:

<https://forms.gle/3DPPyPUcPQiTgbwX9>



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SUPPLEMENTAL SLIDES

PERVASIVE CHALLENGES IN TODAY'S CHILD CARE SYSTEM



Affordability of Child Care



Child Care workforce crisis



Scarcity of high-quality care



Looming federal relief funding cliff

PRIORITY INVESTMENTS ARE NEEDED TO ADDRESS SYSTEM-WIDE CHALLENGES AND ACHIEVE GOALS

Affordability of Child Care



Ensure affordability for families by not passing on increasing costs



Child Care workforce crisis



Stabilize industry through sustained wage increases



Scarcity of high-quality care



Provide funding for quality improvement



Looming federal relief funding cliff



Provide stable, simple & accountable funding



Learning from Contract and Grant Approaches

Child Care Restoration Grant	Strengthen and Grow Child Care Grant	ExceleRate Pilot Site Contract
<i>Purpose</i>		
<ul style="list-style-type: none"> Financial support to fill revenue gaps caused by COVID-19 Predictable funding and workforce support as pandemic continues 	<ul style="list-style-type: none"> Stable funding to recruit and retain a strong workforce and improve quality Focused on providers who rely on CCAP funding to promote quality and distribute funds equitably 	<ul style="list-style-type: none"> Test a model to support a stable, adequate, and well-qualified staff that “owns” Continuous Quality Improvement.
<i>Eligibility</i>		
<ul style="list-style-type: none"> Licensed centers, licensed homes, license-exempt centers 	<ul style="list-style-type: none"> Licensed centers and licensed homes serving 10% + CCAP children Receive <50% of EC revenue from other public sources (PFA/PI and E/HS) 	<ul style="list-style-type: none"> Licensed centers in CCAP cost area 2 Must serve at least 40% CCAP children
<i>Awards and Requirements</i>		
<ul style="list-style-type: none"> Based on license type and estimated revenue losses; smaller awards Programs apply for and receive funds in arrears Anything within federal regulations (~70% spent on salaries to date) 	<ul style="list-style-type: none"> Based on license type and number of classrooms, with add-on for Social Vulnerability Index; larger awards Programs receive funds in advance of grant period At least 50% must be put toward <u>new</u> workforce investments 	<ul style="list-style-type: none"> Contracts based on number of classrooms by age, number of staff, staff credentials Raise wages to Pilot scale adjusted each year Improve staffing patterns Implement Continuous Quality Improvement practices