



# Child Care Contracts

Ad Hoc Advisory Group Meeting #1

November 2<sup>nd</sup>, 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

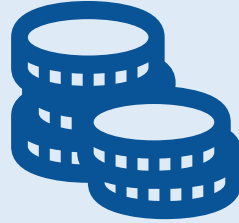
## AGENDA

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

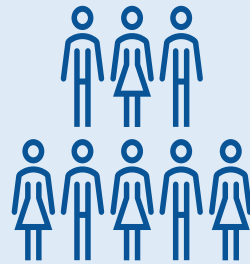
# REMINDER: PROPOSAL OVERVIEW

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**

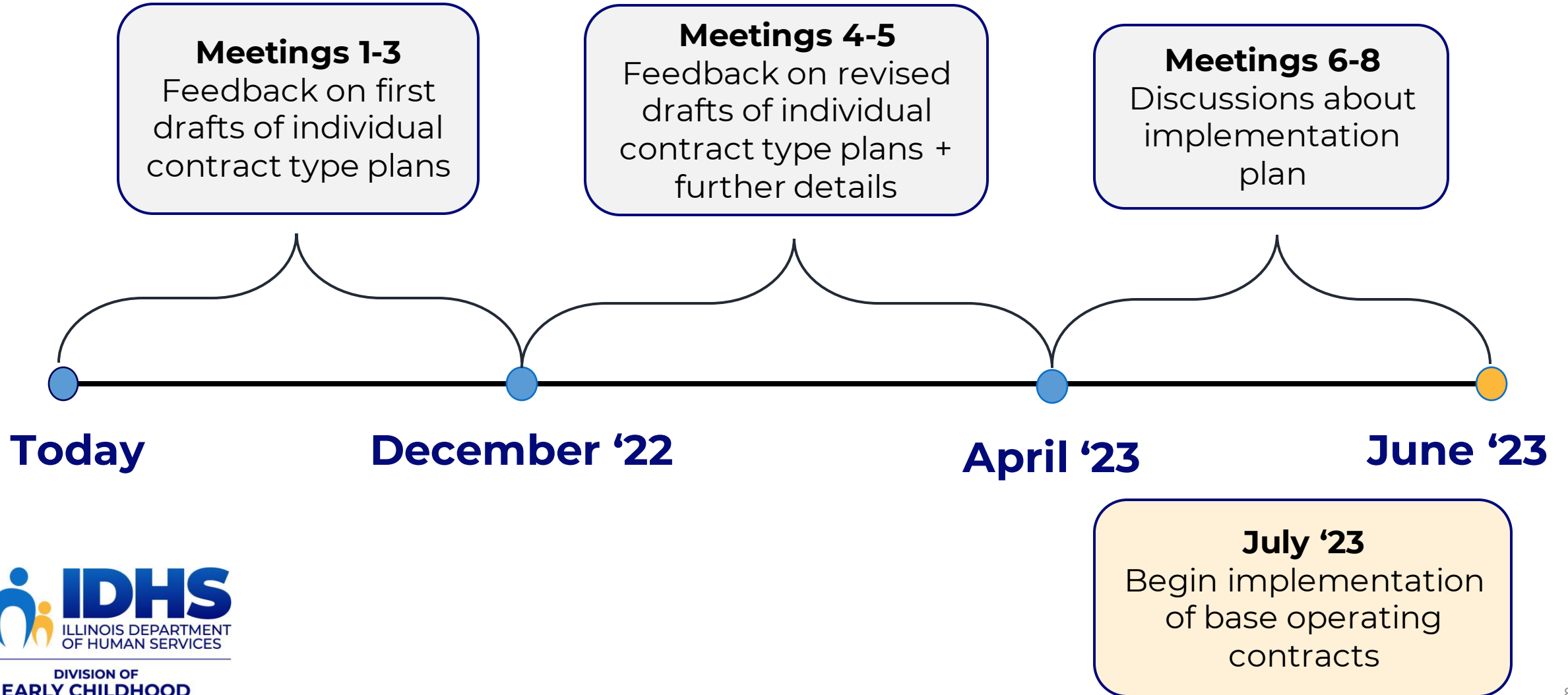
Assist the planning team in deeply understanding areas of focus:

- 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?

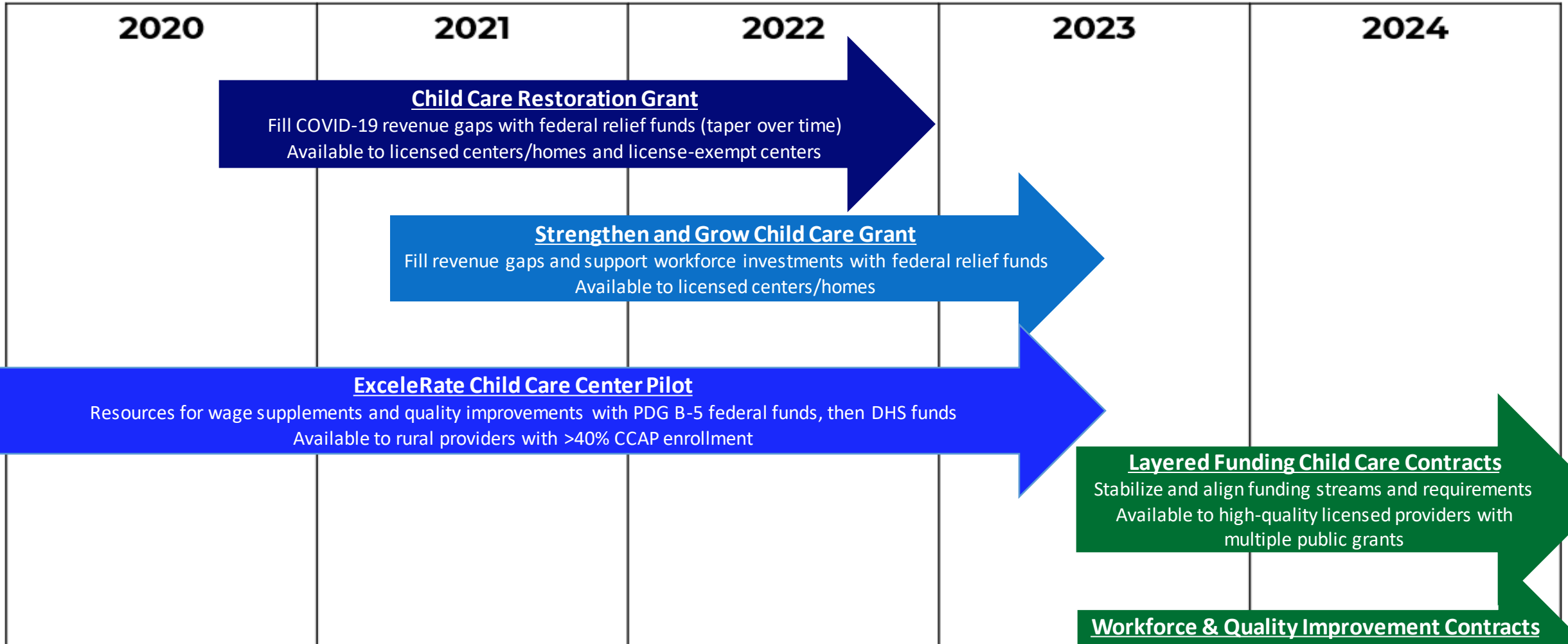
# A New Approach

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

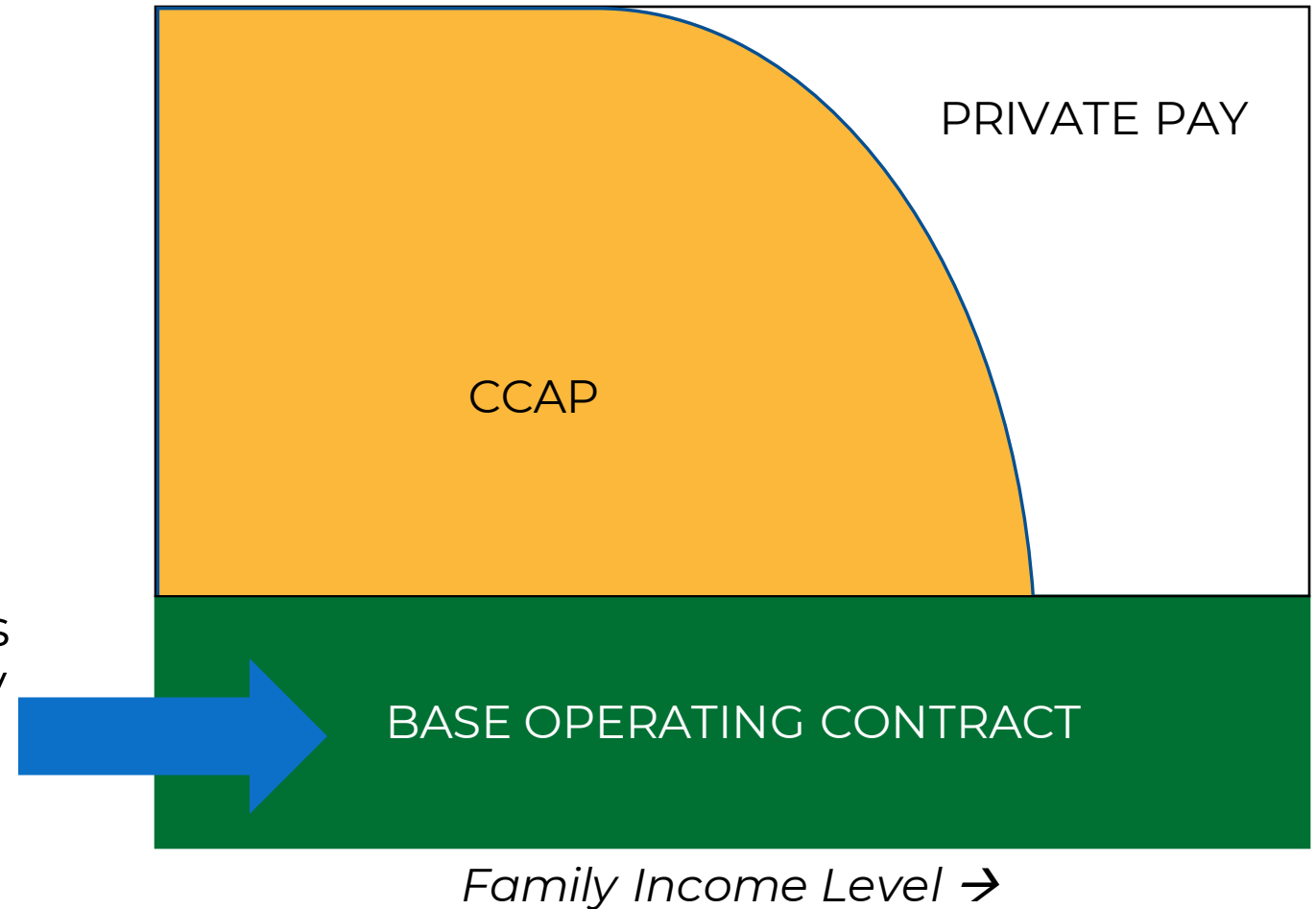
## Lessons

- 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.



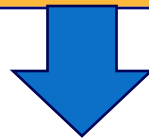
# WORKFORCE & QUALITY IMPROVEMENT CONTRACTS

## 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?
- Do the **variations** of the contract-based funding mechanism make sense to you? If you are a provider, do you understand how your organization would be funded?
- In this plan, what might promote greater equity? What might promote greater inequity?
- What **concerns or questions** come to mind?



# 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



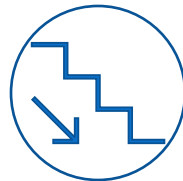
Affordability of Child Care



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