

EARLY CHILDHOOD EDUCATION TASK FORCE

Minutes of the 2nd Meeting of the 2022 Interim

July 26, 2022

Call to Order and Roll Call

The 2nd meeting of the Early Childhood Education Task Force was held on Tuesday, July 26, 2022, at 1:04 p.m., in Room 149 of the Capitol Annex. Representative Samara Heavrin, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Samara Heavrin, Co-Chair; Senators Wil Schroder, Reginald Thomas, and Mike Wilson; Representative Josie Raymond.

Guests: Charles Aull, Senior Policy Analyst, Kentucky Chamber of Commerce; Sandy Nott, Vice President of Administration, Toyota Motor Manufacturing Kentucky, Inc.; Twila Burdette, Director, Rockcastle Hospital Child Development Center; Kuna Tavalin, Senior Advisor, U.S. Chamber of Commerce Foundation; Lesa Dennis, Deputy Commissioner, Cabinet for Health and Family Services; Laura Begin, Staff Assistant, Cabinet for Health and Family Services; and Katie Smith, Deputy Secretary and Commissioner, Cabinet for Economic Development.

LRC Staff: Ben Payne, Eric Rodenberg, and Maurya Allen.

Kentucky and National Business Led Solutions to the Childcare Crisis

Charles Aull, Senior Policy Analyst, Kentucky Chamber of Commerce; Sandy Nott, Vice President of Administration, Toyota Motor Manufacturing Kentucky, Inc.; Twila Burdette, Director, Rockcastle Hospital Child Development Center; and Kuna Tavalin, Senior Advisor, U.S. Chamber of Commerce Foundation were present to give input regarding the business community's need for and support of quality childcare and early childhood education.

Mr. Aull gave a brief overview of the workforce crisis by illustrating the number of job vacancies versus unemployment in the state. There are roughly two open jobs for every individual seeking a job, this puts a strain on employers trying to fill open positions. Prior to the pandemic, the ratio was more 1:1. The number of individuals participating in the workforce has declined steadily over the last twenty years. The Chamber identified several reasons for this decline including poor health outcomes, demographic change, attrition, benefits cliffs, transportation, and lack of quality childcare. As many as 68 percent of

individuals polled by a bipartisan policy center said that availability of child care affected their ability to stay in the workforce, and 20 percent of respondents said they had quit a job to stay home with a child. This lack of involvement results in roughly \$573 million lost in productivity, revenues, and earnings in Kentucky.

Ms. Nott spoke about how Toyota Motor Manufacturing Kentucky (TMMK) is addressing childcare for their employees in Georgetown. She said it is a valuable benefit for employees and provides peace of mind. The center was established in January 1993, is a partnership with Bright Horizons, and is located in close proximity to the manufacturing facility. Currently 179 children are enrolled at the center, with a wait list of 88 children. They struggle to get enough staff to keep the low student to teacher ratio necessary for quality childcare. Highlights of the center include its 5-star rating and a sleep room available for overnight and weekend care. It was the first childcare center to reopen during the pandemic and became a benchmark for COVID safety protocols.

Toyota Family Support Services provides not only the on-site childcare center, but also access to background checks for in-home daycare and sitters. They also provide college coaching and access to supports for parents with special needs children. Ms. Nott said that while TMMK is a large, successful corporation that can offer these resources to their employees, she acknowledged that not every company has these resources. But if the whole economy of the state is to be successful, it will be necessary to support childcare for all ranges of employers.

In response to questions from Senator Carroll, Ms. Nott said they do not get many direct questions regarding their childcare center from other employers. She added that not every Toyota manufacturing center has an on-site childcare center or program. In some regions, such as Texas, where there is a different demographic, employees do not need or use on-site childcare centers as much, relying more heavily on in-home care provided by extended family. Bright Horizons is the employer for the on-site childcare staff, although TMMK contracts with Bright Horizons and does some oversight of the center. Ms. Nott said she was not sure if the on-site center was part of the original design for the manufacturing campus, but it was developed in response to the need from employees. The overnight sleep room was also developed in response to the needs of employees working second shift and weekend production. It provides incredible peace of mind, especially for single parents.

In response to a question from Representative Raymond, Ms. Nott said there is an emergency childcare service provided to parents, but it is constrained by staffing. Ms. Nott acknowledged that the long wait list is problematic. She also said it is important for TMMK to keep the current weekly rates where they are at the center, approximately \$160-\$180 per week, as this is comparable to fair markets rate in the area. However, that does inhibit their ability to raise the salary for staff and hire the necessary staff to reduce the wait list. TMMK invests between \$1 million and \$2 million annually into all the family support services in

order to maintain market rate and keep them accessible to employees. Having the childcare center provides an advantage to TMMK in terms of hiring and maintaining full time employment.

In response to a question from Representative Heavrin, Ms. Nott said any members of the task force were welcome to tour the facility at any time.

Ms. Burdette said Rockcastle Hospital currently has 814 employees and 16 are staff of the childcare center, however, like many other sectors, there are a significant number of vacancies in the hospital. The center has 120 children enrolled, cost for childcare is based on employee salary, and childcare at the center is only available to staff. The center is open from 6:30 am to 7:30 pm to cover the 12-hour work schedules of hospital staff including nurses, doctors, clinicians, and custodial. While they have more children enrolled than they are licensed for, the capacity can fluctuate based on schedules of the employees, so some children are not present at the center at all times. They also face problems getting adequate staff to stay within the state regulated student-teacher ratios.

Ms. Burdette shared several parent testimonials on how valuable the childcare center is to them and the return on investment is seen in employee retention rather than profit, because the center frequently runs at a loss. She added that children needing therapy services can receive them on-site, which is a real benefit for staff with special needs children. And staff with nursing newborns have the ability to breastfeed their children in the on-site nursing room. The cost is minimal to the employer compared to how valuable the service is to the parents and the children who attend.

Senator Carroll said it needs to be more mainstream for employers to provide on-site childcare for their employees rather than simply financial assistance for childcare. There needs to be more facilities open which cover all delivery models to address the needs of all individuals. In response to his questions, Ms. Burdette said they have looked into providing childcare for medically fragile children, but there is a significant challenge to getting trained staff who can address high needs. Additionally, their facility does not provide overnight childcare.

Ms. Tavalin provided some context from the U.S. Chamber of Commerce Foundation, saying there are 14 million families participating in the workforce and reliant upon childcare in the nation. About 50 percent of families surveyed said that childcare was the number one factor impacting their participation in the workforce with as many as 75 percent of women surveyed saying it affected their return to work after having children. Families speak to their peace of mind as invaluable, as do employers, because when there are breakdowns in childcare or childcare related stress it reduces productivity. Setting children up for success in school also lays the foundation for success in the workforce later in life.

The Foundation has identified several ‘quick wins’ that employers can implement to provide essential care for their essential workers, one of which is flexible scheduling. Other investments that employers can make is providing backup childcare, childcare vouchers, subsidies, or onsite care as has been illustrated by TMMK and Rockcastle Hospital. Finally, she said there are community investments identified by the Foundation, such as public advocacy and expansion of community childcare capacity, which would benefit smaller employers.

Ms. Burdette also briefly addressed the Child Care Development Block Grant (CCDBG), stating there does not appear to be any immediate desire at the federal level to increase funding for the grant. Democrats have proposed the Build Back Better Act which would provide birth to age five childcare and early learning entitlement programs, as well as ensuring that childcare wages align with elementary school teacher salaries. It would also provide for universal preschool for three- and four-year-olds. The CCDBG Reauthorization Act of 2022 is a Republican proposal with no additional funding, which places an emphasis on mixed delivery systems. While both parties acknowledge a need for childcare and investment in early childhood education, there will not be a federal solution in the near future, which is what has prompted the Chamber to get involved and provide solution proposals to the states.

Ms. Tavalin briefly discussed state-led solutions being implemented or investigated in other states. Missouri has also created a Child Care Task Force and dedicated \$20 million to child care funding to promote innovative solutions. In Michigan, there is a pilot of a public/private partnership called Tri-Share to share the cost of childcare between the state, employers, and families. And in Colorado, a ballot initiative was passed to fund universal preschool through a tobacco tax and Colorado has established a Department of Early Childhood to administer the program. She also spoke to the efforts here in Kentucky to address childcare with the passage of House Bill 499 of the 2022 Regular Session.

Mr. Aull said the Kentucky General Assembly needs to follow through on House Bill 499 and ensure its success. He also emphasized how strong the CCAP program is and how it needs to be stabilized by state investment when the federal funding sunsets. The General Assembly also needs to ensure the success of the Business Partnerships Grants Program and the Employer-Provided Child Care Tax Credit (a federal facilities tax credit), which is money readily available to incentivize on-site childcare as was discussed today. Kentucky communities are also urged to look at local zoning ordinances. In closing, he asked the General Assembly to continue to fund the Early Childhood Development Scholarship which is instrumental in getting more quality childcare staff.

In response to questions from Co-Chair Heavrin, Ms. Burdette said the staff at their childcare center are employees of Rockcastle Hospital and the hospital subsidizes the childcare center’s financial losses. Mr. Aull and Ms. Tavalin both said that the Missouri

legislature is currently investigating the childcare landscape in their state and discussing what the innovative solutions are that will be funded by the \$20 million appropriation.

Responding to questions from Representative Raymond, Ms. Burdette said there is a 6-week grace period for employees who leave the hospital to allow them to find alternative childcare before their children are dismissed from care. Ms. Nott said there is no grace period for TMMK employees, their last day of employment is also the last day of childcare. Mr. Aull agreed that giving free or reduced price childcare to employees is a great incentive for increasing women's involvement in the workforce, but it would increase the losses for the employer.

Senator Carroll said there are no models for providing childcare, especially for medically fragile children, which do not run on razor thin margins or result in a loss. Additionally, without the ability to raise wages for staff, it will be impossible to reach full staffing and provide the number of slots necessary to meet the needs of all families. In response to a question, Ms. Nott said she believes the decision to partner with Bright Horizons was based on TMMK acknowledging they did not have the expertise in establishing a childcare center and they therefore chose to partner with someone with national recognition. Mr. Aull commented that it is also an issue of liability, because an employer who opens an on-site childcare facility opens themselves up to significant liability issues and may be able to resolve some of those issues by contracting with an agency.

Responding to a question from Senator Carroll, Dr. Sarah Vanover, Policy and Research Director, Kentucky Youth Advocates, said in order to have after-hour care there is an additional permit as part of licensure. Additionally, there is a regulation stating a child cannot be in care for more than 16 consecutive hours. Families at TMMK have sometimes come very close to that limit due to mandatory overtime, but the facility staff works hard to stay within regulation and provide options for families. Dr. Vanover also said, that even though the overnight care is available, many families prefer for their children to sleep in their own bed. So while the sleep room is available, it may not be taken advantage of enough to make it viable. It is also difficult to get staff for overnight childcare, resulting in the largest percentage of the losses felt at the TMMK childcare facility stemming from overnight care. There is also a lot more risk and liability for overnight care because of the need for adult supervision of children showering or sleeping to ensure nothing inappropriate occurs.

Responding to a question from Senator Thomas, Mr. Aull said that gig workers are counted in total workforce involvement data, and the rise in gig workers cannot be factored into the overall decline in workforce involvement that we have seen over the last 20 years. Ms. Nott said the salary range for childcare staff at the TMMK facility is between \$14 and \$16 per hour and Ms. Burdette said the range for her childcare staff is between \$12 and \$14.50 an hour.

Approval of Minutes – June 28, 2022

Senator Schroder made a motion to approve the minutes of the June 28, 2022, meeting. The motion was seconded by Senator Wilson and passed by voice vote.

2022 HB 499 – Implementation Update

Lesa Dennis, Deputy Commissioner, Cabinet for Health and Family Services; Laura Begin, Staff Assistant, Cabinet for Health and Family Services; and Katie Smith, Deputy Secretary and Commissioner, Cabinet for Economic Development were present to give the task force an update on the implementation of the Employee Child-Care Assistance Partnership Program.

Ms. Dennis briefly covered recent changes to the Child Care Assistance Program (CCAP) and the various childcare grants and loans being distributed by the Cabinet. There have been several increases in funding for CCAP from both state and federal sources and initial eligibility has been increased to 200 percent of federal poverty level. Additionally, recertification eligibility has been increased from 200 percent of the national poverty level to 85 percent of state median income. The Cabinet also expanded the transitional period for households exiting the program due to exceeding income limits from three months to six months.

The agency will be submitting a report on the data regarding the recent changes to the legislature and the LRC Benefits Cliff Task Force in September 2022. Changes have had a positive impact on families and providers. As a result, a single parent family can now make upwards of \$10,000 more annually and still qualify for assistance. Ms. Dennis also gave examples of how these changes impact the cost of care for children on average in the state. Childcare is a major part of a working families finances and poses an enormous benefits cliff when families begin making more money and lose the CCAP benefit suddenly, therefore needing to pay \$1,000 to \$2,000 more than before.

Ms. Begin gave an overview of House Bill 499, stating that it created a pilot program for an employee childcare assistance partnership to incentivize employers to contribute to the childcare costs of employees. Partnerships such as this one are vital to address barriers to quality childcare and are necessary to support Kentucky's economy. Employer contributions to this program are matched by state general funds established in a trust specifically for this program, dependent on employee's household income. The implementation timeline for this program begins with promulgation of new regulations outlining application, verification, and payment processes over the next year. The Cabinet will begin accepting applications in April of 2023 with a goal of the first payments to be issued in July of 2023. They are also in the process of creating a new section within the Division of Childcare to administer the program, similar to the administration process for CCAP.

Ms. Dennis said they had reached out to other states with similar programs to get advice on establishing a program of this kind. In Florida, the Child Care Executive Partnership started in 2014 using federal funds and sunset in July of 2019 when funds were appropriated to the School Readiness Program. The partnership there was administered by more than 30 local partnership boards who leveraged federal funds and local contributions, with dollar for dollar state matching funds. Cabinet staff also spoke with peers in Wisconsin regarding their Partner Up! program. Again, this was a pilot initially supported by a combination of federal funds. There were contracted slots between businesses and providers specifically for their employees, a model which allowed for a consortia application for a “pool” of small businesses to participate. Businesses are required to contribute 25 percent of costs, but can contribute more. Wisconsin launched a huge marketing campaign to inform businesses and families about the program and they processed over 600 applications throughout the state. Their program prioritized small businesses, infant and toddler care, childcare deserts, and businesses who contributed larger percentages.

The last peer-to-peer conversation was held with Michigan staff of the Tri-Share pilot program. They launched their program in March of 2021, and again each entity (families, state, and employer) pays a portion of childcare costs. It targets employees whose income exceeds 200 percent federal poverty level but below 325 percent of federal poverty level. It was administered by the Michigan Women’s Commission and had 77 employers participating. The pilot concluded this year and the Michigan General Assembly appropriated state funds to expand the program statewide in their most recent legislative session. They are undergoing external evaluation of the program and making recommendations for administrative expansion beyond local hubs. Kentucky Cabinet members look forward to continued conversations with peers regarding programs like this and implementing the advice they get on lessons learned. Next steps in Kentucky include drafting administrative regulations, beginning marketing drives to employers, and making changes in the Cabinet to support regulation and administration.

Ms. Smith, Deputy Secretary and Commissioner, Cabinet for Economic Development, said they are looking forward to collaborating with CHFS to implement this program that will be very valuable as a recruitment tool for new businesses looking to locate in Kentucky. Additionally, she said they will be collaborating with CHFS on marketing the program to existing employers and families.

In response to a question from Co-Chair Heavrin, Ms. Begin said the new section would be within the Division of Childcare and be similar to the section administering the CCAP. Creating this new section would allow them to tap into other administrative supports already existing in-house and allow for the quickest development. Additionally, in speaking with other states, Ms. Dennis said the administrative costs may be higher than were set forth in the bill and will need to be addressed in the future.

Responding to a question from Senator Carroll, Ms. Begin said the outreach will need to be in combination with the Cabinet for Economic Development and the KY Chamber of Commerce. Ms. Smith said that webinars and having information posted online will be useful to spread the word throughout communities. Ms. Dennis said other states did develop their programs differently, but all states continue to support either through state or federal funds. Because of how well the programs have been received, and the continued expansion of business partners, more families are taking advantage of the program which provides substantial benefits. Ms. Dennis said the greatest difficulty for Michigan was the fact that 44 percent of their state was a childcare desert. In Kentucky, approximately 50 percent of the state is a childcare desert and there is a lack of quality childcare available even if parents and employers want to participate in the new program. Senator Carroll cautioned that it will be a delicate balance to create enough supply to meet the increased demand that will result from this implementation.

In response to a question from Representative Raymond, Ms. Smith said she did not know anything about a childcare center being developed to support the Ford Blue Oval facility, but she would look into it and report back to the membership.

Responding to additional questions from Senator Carroll, Ms. Smith said the discussion regarding childcare does come up in conversations with new employers looking to locate in Kentucky, but it varies based on the corporation. While some will not consider childcare or school systems, expanded access to childcare will be a tool in the toolbox to attract employers, especially as there are very few states creating a model like that in House Bill 499.

With no further business to come before the committee, the meeting adjourned at 3:04 p.m. The next meeting of the task force will be Wednesday, August 24, 2022, at 1 p.m. in Annex Room 149.