

# CHILDCARE CRISIS 2023

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# OBSTACLE

140 fewer childcare centers since 2019 (averaging 76 children per center) for a total of 10,640 less enrollment opportunities for children each year



## Immediate Needs

- Keep Existing Centers Open
- Financial Relief to new centers that were excluded from Sustainability Grants
- Increase Enrollment in existing centers

# \$470 MILLION IN RELIEF

## What's Next?

- American Rescue Plan Act (ARPA) sustainability payments end September 2023
- Deadline for all other extra federal funding is September 2024

- ARPA Grants put in place for Child Care Centers. Centers opened after 3/11/2021 EXCLUDED from relief efforts.
- \$470 million designated for sustainability payments
- 10 payments beginning in November 2021, with last payment being made December 2023.

# FIRST ROUND OF GRANTS

## • Sustainability Payments

	Per Child Award
Tier 1	\$445.63
Tier 2	\$490.20
Tier 3	\$534.76

Example:

Tier 3

$76 \times \$490.20 = \$37,255.20 \times 9 \text{ payments} =$   
 $\$335,296.80$

A total of \$470,000,000 given to ~2000 centers for an average of \$235,000 per center.

# Hardships For New Centers

- Raise starting wages to compete with surrounding centers
- No financial assistance from sustainability grant
- Start Up expenses
- Many budgets were exhausted on payroll leaving no funds for things like playgrounds, kitchens, classroom resources etc.

# SECOND ROUND OF GRANTS

## One-Time CCDBG Fund Usage

- Increased provider reimbursement rate from the 40<sup>th</sup> percentile of the Market Rate Survey (MRS) to the 80<sup>th</sup> percentile
- Increased the CCAP eligibility threshold for families
  - January 2022 – 160% Federal Poverty Guidelines (FPG) to 200% FPG
  - July 2022 – 200% FPG to 85% State Median Income (SMI)
- Transitional exit from the Child Care Assistance Program (CCAP)
- Paying providers based on enrollment versus attendance
- Infant and Toddler Contracted Slots Project
- Trainer's Academies focused on working with children with special needs and director skills
- Preschool Partnership grants
- Billing and enrollment system development

# Hardships For New Centers

- In order to qualify for Second Round Grants it was required that a Center participate in the Ky All Stars Program and have at least a 3 star rating.
- The process to prepare for a Stars evaluation takes ~ 6 months, posing a challenge for new centers who are still organizing staff placement, licensing requirements and more
- Resources needed to gain a 3 star rating were depleted on unexpected payroll expenses

# SECOND ROUND OF GRANTS

## One-time CCDBG Fund Usage (continued)

- Start-up grants
  - Business partnership 5
  - Child care desert 25
  - Community partnership 5
  - Family child care homes 62
  - Intergenerational care 5
- Facility repair grants
- Technology grants



# Hardships For New Centers

- Centers licensed after 3/11/2021 weren't eligible for these Start Up Grants as they were already licensed but weren't open in time to qualify for the sustainability grants, falling in the "Gaps" between the two sets of grants.

# THIRD ROUND OF GRANTS

- Community Partnership Early Education Services in Kentucky
- Non-profit organizations only
- Awarded to 5 Centers

# REALIZATIONS

Sustainability Grants provided immediate financial relief for existing Childcare Centers but...



Caused a greater threat of business failure to New Centers.

# CONCERNS FROM CURRENT CENTERS

- Meeting/maintaining salary requirements
- Lowering enrollment to maintain payroll expense
- Passes the burden of childcare needs on to new centers, which have received no funding assistance

# A VOICE FOR NEW CENTERS

Natasha

Opened 8/21 did not qualify-got the \$2500 for opening a new in home center then they increased that to \$5000 and you could get the difference but I fell in the same category as the sustainability payments

Natasha

I am an in home center and didn't qualify and I'm opening a larger center now and of course there are zero grants!  
Like someone mentioned let parents pay the co-pays and use that money to give to centers!

Raina

Opened December 2021, did not qualify!

Jennifer, I'm so sorry that happened to you guys. I'm definitely going to relay yo...

I don't think I mention that I was the lead infant room teacher. There was never a new person brought in and we struggle on a daily trying to keep our employees due to the fact that we can't pay them what other daycares are paying because they received those grants.

Maria

Biggest problem I had

Maria

I open 4/5/21 due to the state inspectors fighting over who's job it was to come out to my building. This extra to other centers made it impossible to keep employees when other center are paying so much more

Jennifer

The center I own opened in 2016 with a different owner/director. She retired in July/August 2021 given the entire center to me therefore, I had to get a new license number and I changed the name. All the employees and children stayed. We just simply switched owners and got a new license number. We haven't been able to receive any help other than the repair grant. Any help would be greatly appreciated.

# SOLUTION #1 TO INCREASE ENROLLMENT LONGTERM


Line item in the 2024 Budget, 5 Million dollars to be dispersed to NEW CENTERS ONLY that were EXCLUDED from sustainability payments (Centers that opened after 3/11/2021) and were already licensed which EXCLUDED them from start-up Grants. One-time payment of \$1336.89 per child

Resolution: Help new businesses stay competitive with centers that received Financial Assistance. Reduce the risk of statistical "New Business Failure"


# SOLUTION #2

## TO INCREASE ENROLLMENT LONGTERM

2a. Line item in the 2024 Budget, 5 Million dollars to create an Incentive Program to be distributed to Child Care Centers that increase their enrollment by 30% in the 2024-2025 fiscal year. One-time payment of \$5,000 per child increase.



2b. Line item in the 2025 Budget, 5 Million dollars to continue Incentive Program to centers that increased their enrollment by 15% in the 2025-2026 fiscal year. One-time payment of \$5,000 per child increase.



Resolution: Elevates some of the financial burden of payroll demands with increased enrollment, while maintaining affordable child care rates

# SOLUTION #3

## TO INCREASE ENROLLMENT LONGTERM

Create a Position within Division of Child Care



Track Enrollment trends



Oversee Allocation of Incentive Plan Funds



Form a Regional Collaborative Effort to give a voice to all Childcare Centers throughout the state to work together to potentially prevent these issues before they occur



# HOW MANY NEW CENTERS WILL BE FORCED TO CLOSE?



- What we know about the failure rate of small businesses
  - According to data from the Bureau of Labor Statistics, as reported by Fundera, approximately 20 percent of small businesses fail within the first year. By the end of the second year, 30 percent of businesses will have failed. By the end of the fifth year, about half will have failed. And by the end of the decade, only 30 percent of businesses will remain — a 70 percent failure rate.
- ~50 new childcare centers opened since 2020. At an average enrollment of 76 children/center that's an increase in 3800 kids a day enrolled in daycare throughout the state. However if the statistic above holds true, 35 of those centers will fail by the end of the 5th year leaving 2660 children every day without childcare.

# GROWING NEED FOR CHILD CARE CENTERS

## Child Care Landscape

Year	Licensed and Certified Providers	Year	Licensed and Certified Capacity
2019	2,151	2018	165,353
2020	1,962	2019	163,978
2021	1,979	2020	152,370
2022	1,984	2021	158,895
July 14, 2023	2,011	2022	160,639
		July 14, 2023	162,615

- What is being done to help OPEN Licensed Child Care Centers and Certified Providers?
- What is being done to help "post" 3/11/2021 Centers stay Open?

- Based off the data provided there are 140 fewer Child Care Centers in Kentucky since 2019.

QUESTIONS?

Thank you for your time!

# SOURCES

1. Enrollment Statistics, ARPA Fund distribution information <https://apps.legislature.ky.gov/CommitteeDocuments/369/26566/DCBS%20IJC%20Families%20and%20Children%20Child%20Care%20Presentation%2007.25.2023.pdf>
2. Failure rate of new business data, Bureau of Labor Statistics as reported by Fundera <https://www.fundera.com/blog/what-percentage-of-small-businesses-fail>