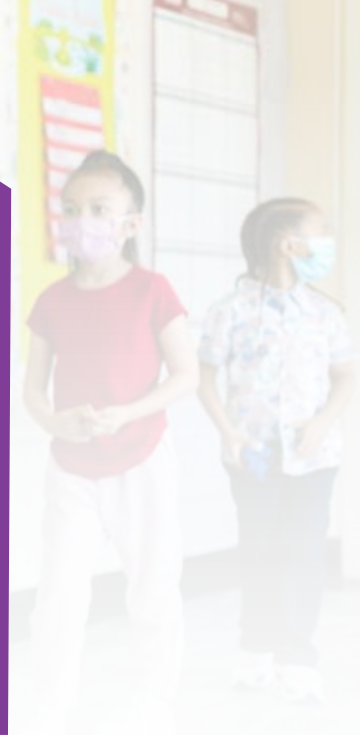




Addressing the Early Childhood Workforce Crisis through Stabilization Grants

April 2022



INTRODUCTION

For two long years, the COVID-19 pandemic has wreaked havoc on the child care system across the country and pointed out the existing weaknesses of a broken child care market. Even before the pandemic, child care was expensive and hard to find for parents, offered insufficient and unstable funding for providers and relied on an underpaid workforce, impacting the health and well-being of early educators. While most child care programs in North Carolina stayed open or reopened quickly to serve essential workers, no program escaped the enormous and expensive challenges of revamping their health and safety protocols, declining child enrollments and finding and retaining a qualified workforce.

Recognizing that child care is essential for working families and the nation's economic recovery, the U.S. Congress passed the American Rescue Plan Act (ARPA) in March 2021, which provided all states funding to stabilize the child care industry, among other priorities. North Carolina received \$1.3 billion in ARPA child care funding: \$805 million for Stabilization Grants and \$503 million dedicated to child care subsidy funding for low-income working families and additional quality measures.

The NC Early Childhood Stabilization Grants¹ were intended to keep programs from collapsing and to stabilize the child care industry until the pandemic ends and the economy recovers. Following federal guidance, the NC Division of Child Development and Early Education (DCDEE) determined that the Stabilization Grants could be used to address ongoing fixed costs (i.e., rent, mortgage, utilities, facility maintenance or improvements, cleaning supplies, etc.) mental health support for children, families and staff and payroll compensation, bonuses and benefits for the early childhood workforce.

This issue brief focuses primarily on the child care workforce crisis in North Carolina and how the federal Stabilization Grants have supported child care programs in addressing workforce challenges. The report includes an overview of the grant process and highlights how five different child care programs, including centers and family child care homes, in Wake, Durham and Orange counties used the grants to improve the pay and benefits of their own workforce and also support families and improve their facilities. These case studies were developed through interviews with child care program directors and provide a snapshot of the progress made in the first few months of the grants.



THE CHILD CARE WORKFORCE CRISIS

The COVID-19 crisis has made it clear to everyone that child care is essential – for young children, working families, and our state’s economy. Early educators are the workforce behind the workforce, and they have been on the frontlines of this crisis from day one.

“The low compensation, lack of health care and other benefits, and stressful work environments facing early educators is a well-documented problem that is national in scope.”

Despite their essential role, child care teachers remain woefully underpaid and undervalued for the critically important work they do. These teachers, overwhelmingly women and primarily women of color, have remained in the classroom throughout the pandemic earning low wages and risking their own health to care for the children of working families.

The low compensation, lack of health care and other benefits, and stressful work environments facing early educators is a well-documented problem that is national in scope. Even before the COVID-19 pandemic struck, the historical and pervasive undervaluing of the early childhood workforce created one of the most underpaid workforces in the United States.ⁱⁱ According to the Center for the Study of Child Care Employment, early childhood teachers, even those with degrees, are seven times more likely to live in poverty than K-8 teachers. Early childhood education has the dubious distinction of being the second-lowest paid profession for those with a bachelor’s degree. When all occupations are ranked by annual pay, child care workers remain nearly at the bottom.ⁱⁱⁱ

North Carolina’s early childhood workforce situation mirrors the national landscape. No state pays early educators a living wage, and North Carolina is no exception. In North Carolina, the living wage is estimated to be \$30.00 per hour for one adult with one child.^{iv} Despite the fact that 62% of all teachers have at least an associate degree, child care teachers make \$12 per hour on average, which

is an annual salary of less than \$25,000 per year. One in five teachers has no health insurance. Family child care home providers earn just \$9 per hour. Consequently, nearly one-third of all teachers live in poverty and have relied on some form of public assistance.^v

A closer look at county-level early childhood workforce compensation shows that compensation ranges vary across the state, and the majority of counties pay less than the statewide average: overall, 71 counties pay at or below the statewide average of \$12.00 per hour.^{vi}

North Carolina is facing an unprecedented workforce crisis, with fewer people entering the early childhood field and qualified teachers leaving the field at high rates. The pandemic has made this situation worse. Total staff in early care and learning programs fell approximately 10%, from 41,003 staff members in March 2020 to 36,954 in November 2021.^{vii} Many child care teachers have left the field for jobs that pay better in public education, retail



or restaurants, which often offer starting pay of \$15 per hour or more, plus incentives and other benefits which the child care sector simply cannot match.

Staff shortages affect how many child care spots are available for working parents. One-third of child care providers responding to a September 2021 survey by the NC Child Care Resource and Referral Council said they have had to close classrooms with little notice to parents because of staffing shortages.^{viii}

AMERICAN RESCUE PLAN ACT STABILIZATION GRANTS

Across the country, states are disseminating Stabilization Grants to child care programs funded through the American Rescue Plan Act (ARPA), passed by Congress in March 2021.

As of January 2022, 23 states included a specific requirement for Stabilization Grants to be used to support the early childhood workforce. States are using a variety of strategies such as incentives, bonuses, stipends, retention grants and/or wage supplements. Some state plans are still being developed, and all states have until September 30, 2022, to obligate ARPA funding and until September 30, 2023, to spend it.^{ix}

In North Carolina, DCDEE recognized the early childhood workforce crisis in its Stabilization Grant plans and included additional incentives for child care programs that chose to focus on workforce compensation. All child care programs must apply to receive a Stabilization Grant and are eligible for a base grant amount. Each approved program receives a “Fixed Costs and Families Grant” based on capacity, subsidized child care enrollment, program quality (star rating), infant/toddler enrollment and community context (using the Social Vulnerability Index).

Approved programs may also elect to receive additional supplemental payments if they commit to increasing the early childhood workforce compensation, and may choose from one of two

options. Programs selecting Option 1 agree to use the additional funding to provide bonuses to all staff. Those programs selecting Option 2 agree to increase the base pay and/or benefits of their staff, implementing a compensation scale that ideally factors in education, length of services and job responsibilities.

DCDEE shared a voluntary model salary scale developed by the NC Early Childhood Compensation Collaborative, although programs may choose to use their own salary scale as long as it includes scaling for education and longevity. A benefits plan must also be submitted should a child care program elect to improve benefits for its staff.

As of December 1, 2021, DCDEE had approved 3,861 applications: 2,781 (72%) of the applications were from child care centers and 1,080 (28%) were from family child care homes.^x

The table below shows that the vast majority – 92% of the 3,861 applicants – elected to address workforce compensation, with the majority of these (79%) increasing base pay and/or benefits compared to 13% using bonuses. This indicates that child care programs understand that they must fundamentally change the pay and benefits structure to recruit and retain qualified staff in order to stabilize and expand their services.

	Center	FCCH	Totals/%
Option 1 – Bonuses	463	58	521 (13%)
Option 2 – Increase base pay and/or benefits	2,156	892	3,048 (79%)
Opted Out	162	130	292 (8%)
Total	2,781	1,080	3,861



FINDINGS FROM THE CASE STUDIES

These case studies illustrate how the Stabilization Grants have been a lifeline for North Carolina child care programs, helping them to keep their doors open, address the workforce crisis, support families who are also struggling and rejuvenate their facilities.

Still, these child care programs continue to face financial challenges, with low enrollment and a worsening early childhood workforce crisis that has made finding qualified staff almost impossible, according to one of the child care program directors.

Here are the major findings from the case studies.

Stabilization Grants have tremendously benefitted the early childhood workforce, providing teachers with increased pay and benefits.

Child care programs have used the grants to recognize and reward their staff for the important work they do and for staying with the programs throughout the pandemic. As one director said, “The Stabilization Grants have afforded us the opportunity to give teachers the salary they deserve, which we have wanted to do for a very long time.”

All of the programs paid staff bonuses, and some also increased hourly teacher wages and provided annual raises. In some cases, basic benefits including health, dental and vision insurance and retirement benefits were offered or increased for the first time. As a result, teacher and staff morale has increased.

“Staff are healthier and happier,” said one director. “We’ve worked really hard to create a friendly, happy work environment, and it’s happening. The staff are now transforming their classrooms and teaching practices.”

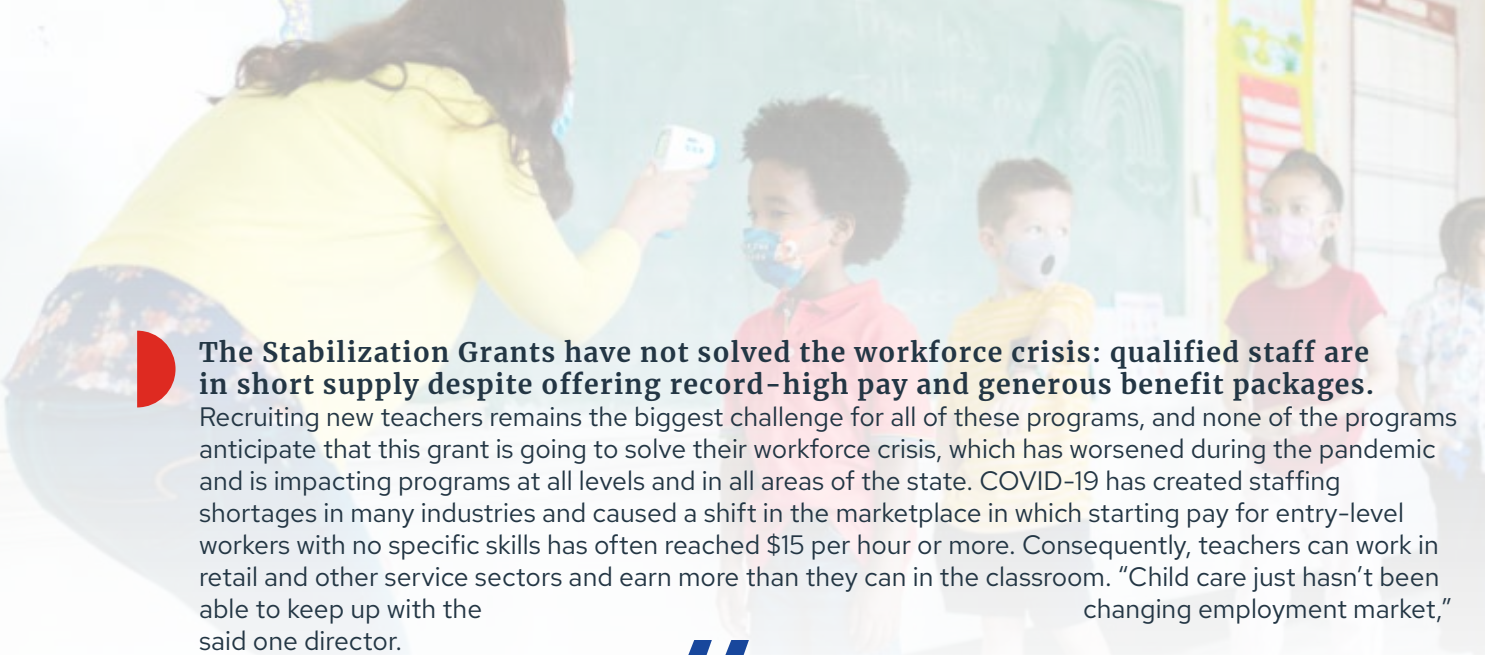
Most programs now use a salary scale that includes steps for education and longevity, which was one of the grant requirements. These new

scales mark a major step forward in offering professional wages and work environments in which employees know what compensation is possible and how to move up the scale.

But the grants have not fully funded all of the changes that programs want to make and they are not enough to ensure continued higher pay and a comprehensive benefits package. This is particularly true for family child care home providers who received smaller grants; funding was based in part on capacity, so centers who serve more children typically received more funding. The two home providers in this study focused on providing bonuses, rather

than salary increases, and funding portions of their benefits package. One home provider chose to focus on retirement benefits, recognizing that retirement was in the near future, while another home provider chose to boost her salary through bonuses and finish her education, foregoing any hopes of retirement benefits.

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The Stabilization Grants have not solved the workforce crisis: qualified staff are in short supply despite offering record-high pay and generous benefit packages.

Recruiting new teachers remains the biggest challenge for all of these programs, and none of the programs anticipate that this grant is going to solve their workforce crisis, which has worsened during the pandemic and is impacting programs at all levels and in all areas of the state. COVID-19 has created staffing shortages in many industries and caused a shift in the marketplace in which starting pay for entry-level workers with no specific skills has often reached \$15 per hour or more. Consequently, teachers can work in retail and other service sectors and earn more than they can in the classroom. “Child care just hasn’t been able to keep up with the changing employment market,” said one director.

Some programs are experimenting with offering flexible schedules and part-time schedules to recruit more teachers. One program is looking to other fields such as the home health industry to recruit staff who have excellent people skills and are willing to be trained to become early childhood educators. Some are adding additional bonuses or stipends to cover the rising cost of gas and inflation. “I don’t want to lose good teachers because they can’t afford the price of gas and find a closer place to work,” said one director.

Despite months of recruitment for new staff including marketing bonuses, increased pay and better benefits, programs are still struggling to

“*After all of this, child care is still going to need help. If we return back to the way it was, you are going to have a mass exodus of teachers. They are not going to come back for \$10 an hour,*” said one center director.

hire new staff and are turning away families because they cannot expand classrooms. It is a Catch-22 situation in which programs want to return to full enrollment but cannot find qualified staff to expand services. “We would like to expand our infant-toddler classroom, but we just can’t unless we find good, qualified teachers,” said one director.

Programs believe there must be long-term funding support for the workforce crisis and recognize that child care will not succeed if there is a return to the pre-pandemic status quo. “After all of this, child care is still going to need help. If we return back to the way it was, you are going to have a mass exodus of teachers. They are not going to come back for \$10 an hour,” said one center director.





Stabilization Grants have helped programs upgrade and renovate their program facilities and environments.

Child care programs used the grants to improve their program environments and facilities. “I’m investing in building a program of excellence, improving the quality for my parents and the children,” said one provider.

One program engaged teachers in redesigning their own classrooms, adding new play equipment and supplies to improve the quality of the program environments in time for the star-rating

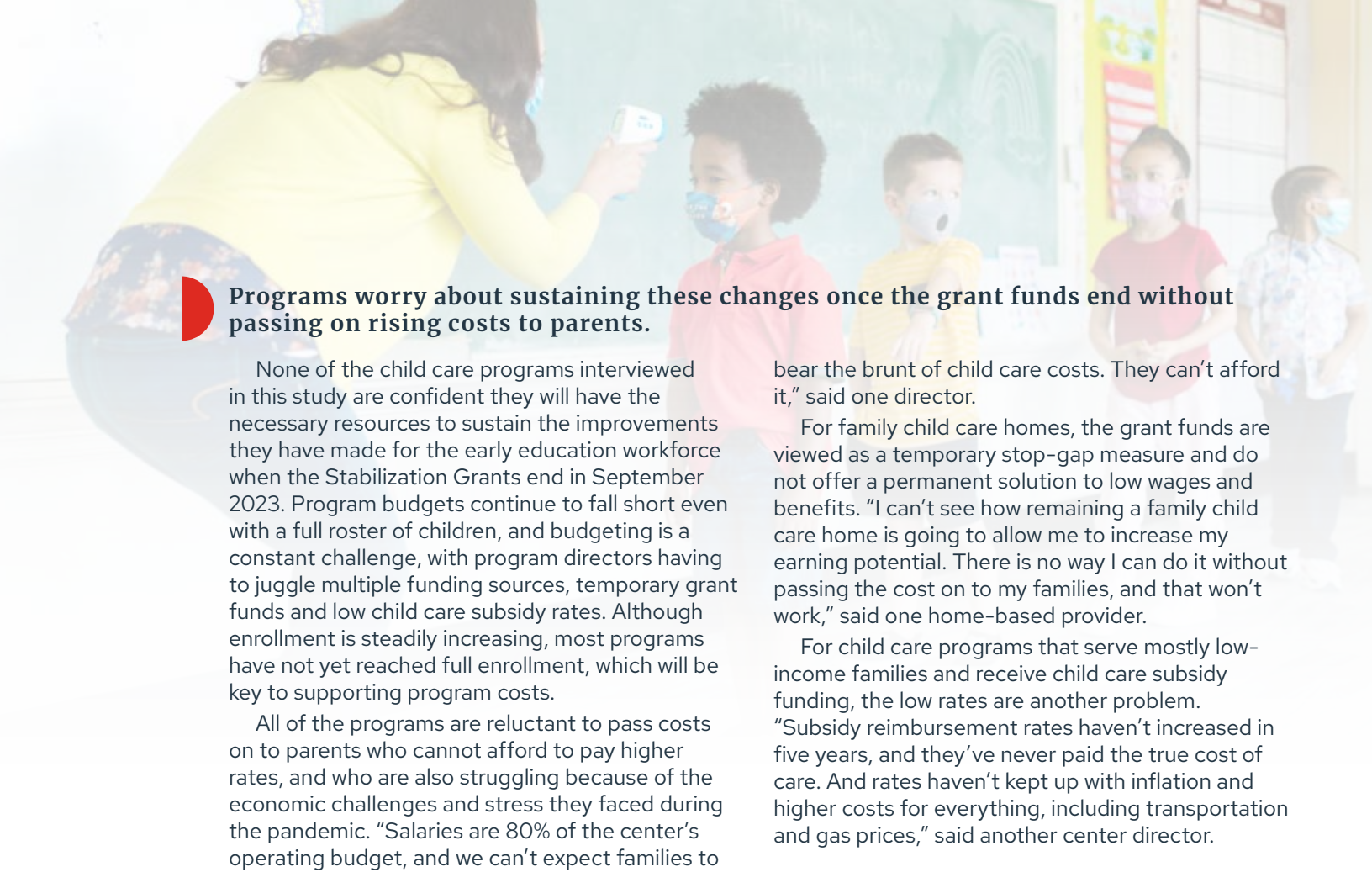
assessment, and also added a lactation room for nursing parents. Another expanded parking spaces for parents dropping off their children during rush hour, installed new windows and replaced an aging heating and cooling system. Several programs mentioned upgrading their outdoor play environments and adding gardens so that children can play and learn outdoors all year round.

Programs have also used the grant funds to support parents and families facing financial hardships by reducing fees and offering special family events.

With the Stabilization Grants, all of the programs offered parents some financial relief as well, often discounting or waiving tuition fees when parents were facing hardships or financial distress. Some programs waived the parent fees when they were forced to close because of COVID-19 outbreaks. As one provider said, “I know what it’s like to be a working mom and struggle to afford child care. It can be really hard out there.” With the grants, the programs are able to recoup the fees they would have previously lost when a parent could not afford

to pay their child care bill. Others are offering special one-time family events such as a special meal prepared by the center’s chef, or providing free child care one evening a month for a parent’s night out.

Programs would like to be able to continue offering parents help in the future but do not see how that will be possible without additional funding. “I don’t know how I will be able to continue to assist parents when they have hardships when the grant funds end,” said one provider.



Programs worry about sustaining these changes once the grant funds end without passing on rising costs to parents.

None of the child care programs interviewed in this study are confident they will have the necessary resources to sustain the improvements they have made for the early education workforce when the Stabilization Grants end in September 2023. Program budgets continue to fall short even with a full roster of children, and budgeting is a constant challenge, with program directors having to juggle multiple funding sources, temporary grant funds and low child care subsidy rates. Although enrollment is steadily increasing, most programs have not yet reached full enrollment, which will be key to supporting program costs.

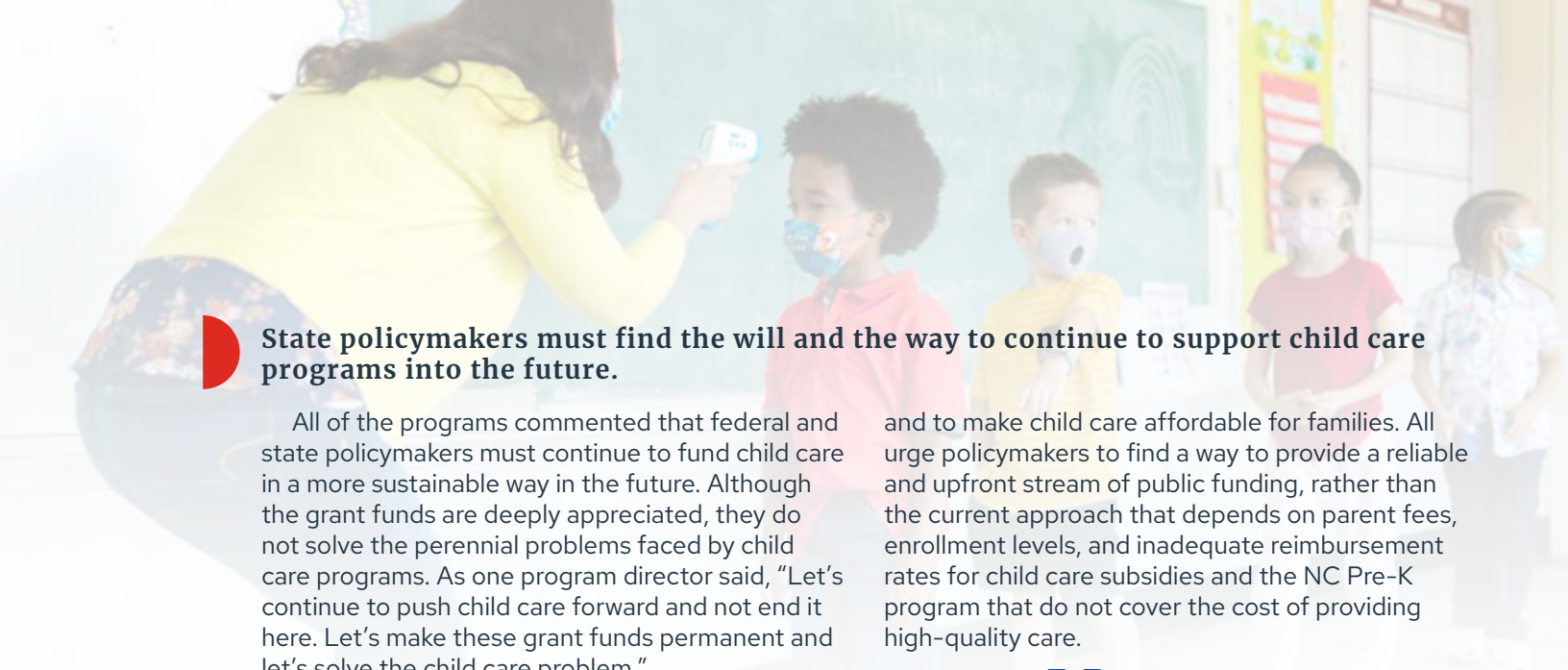
All of the programs are reluctant to pass costs on to parents who cannot afford to pay higher rates, and who are also struggling because of the economic challenges and stress they faced during the pandemic. “Salaries are 80% of the center’s operating budget, and we can’t expect families to

bear the brunt of child care costs. They can’t afford it,” said one director.

For family child care homes, the grant funds are viewed as a temporary stop-gap measure and do not offer a permanent solution to low wages and benefits. “I can’t see how remaining a family child care home is going to allow me to increase my earning potential. There is no way I can do it without passing the cost on to my families, and that won’t work,” said one home-based provider.

For child care programs that serve mostly low-income families and receive child care subsidy funding, the low rates are another problem. “Subsidy reimbursement rates haven’t increased in five years, and they’ve never paid the true cost of care. And rates haven’t kept up with inflation and higher costs for everything, including transportation and gas prices,” said another center director.





State policymakers must find the will and the way to continue to support child care programs into the future.

All of the programs commented that federal and state policymakers must continue to fund child care in a more sustainable way in the future. Although the grant funds are deeply appreciated, they do not solve the perennial problems faced by child care programs. As one program director said, “Let’s continue to push child care forward and not end it here. Let’s make these grant funds permanent and let’s solve the child care problem.”

Programs want to see early educators and child care programs treated as professionals, with compensation and benefits that are commensurate with the work they do and the care and education they provide young children. “We’re still viewed as babysitters,” said one provider. “If you are working in a child care center that is licensed by the state, couldn’t the state view us as state employees and offer us state benefits?” she asked.

Family child care homes need special consideration and suggest that home providers should be treated and funded in the same way as child care centers. “They want us to have the same qualifications as a child care program and provide the same level of quality services, but they don’t fund us at the same level,” said one home provider, citing the difference in subsidy rates and the minimal hourly increase for achieving another level of quality in the star-rated license system.

Programs are recommending greater investments along with more strategic planning and business supports, all of which are needed to help programs become sustainable and profitable

and to make child care affordable for families. All urge policymakers to find a way to provide a reliable and upfront stream of public funding, rather than the current approach that depends on parent fees, enrollment levels, and inadequate reimbursement rates for child care subsidies and the NC Pre-K program that do not cover the cost of providing high-quality care.

“I love this work and what I do, but I wonder if I’ll ever see a return on the investment I’ve made in the child care field serving young children,”

They all agree that solving the workforce crisis will require significant increases in public investments. Not making this investment leaves early educators wondering about their own future and staying in the field. “I love this work and what I do, but I wonder if I’ll ever see a return on the investment I’ve made in the child care field serving young children,” worried one provider. “I hate it that the only option for me may be to leave this field.”



CONCLUSION

Each program interviewed in this study has demonstrated how they were able to address workforce challenges and improve compensation for their early education teachers and staff because of the Stabilization Grant funding. However, without additional resources, none of the programs feel confident that they will be able to sustain these improvements when the Stabilization Grants end in September 2023.

These case studies show that low compensation and benefits and the inadequate working conditions facing the early education workforce are not inevitable; rather, it is a product of the chronic under-funding and devaluing of the early childhood workforce and the child care system. Despite the clear understanding gained from the pandemic to show that child care is essential for young children's healthy development, the employment of their families and the state's economic recovery, child care is still not funded as an essential part of the national and state infrastructure.


As this issue brief has illustrated, funding and policy choices can change the status of the early childhood workforce. In North Carolina, 92% of the child care programs receiving the Stabilization Grants elected to increase the pay and benefits of early educators and staff. Each of the child care programs included in this report invested in their workforce, recognizing the toll that chronic low pay, minimum benefits and poor environments have had on their staff's mental health and economic well-being. During the pandemic, each of these programs has experienced financial strain and both personal and programmatic debt and has made huge sacrifices to stay open for working families. The Stabilization Grants are helping relieve some of that burden. However, sustaining these changes and building a child care system that provides early educators with the professional status and compensation they have long deserved is beyond the reach of most child care programs without continued public investment.

Across the country, national and state early childhood organizations have called for dramatic policy changes to elevate the professional status and compensation of the early childhood workforce.

Here are just a few examples.

- ▶ The National Academies of Sciences in its 2015 groundbreaking study, "Transforming the Workforce for Children Birth Through Age 8," explored the science of child development and looked at the implications for early educators who work with young children, calling for new policies and infrastructure that supports the professionalization of the workforce with professional level of compensation.^{xi}
- ▶ The National Association for the Education of Young Children, through a major national collaboration called "Power to the Profession," defined the early childhood education profession through a unifying framework and recommendations on early educator roles, preparation, education and compensation.^{xii}
- ▶ In setting a national agenda for the equitable education of black children, the Equity Research Action Council at the UNC Frank Porter Graham Child Development Institute and the National Black Child Development Institute called on policymakers to address racial disparities in wages and career advancements for early educators, particularly women of color who are paid less than their white counterparts^{xiii}



A teacher in a yellow shirt is using a hand sanitizer dispenser on a young child in a classroom. Other children wearing masks are visible in the background.

It is widely understood that the child care market and financing approach is broken. Most child care programs operate on shoestring budgets that fail to pay early childhood teachers what they are worth, forcing them to live in poverty even though they are professionally educated and trained. Parents should not be expected to shoulder the high costs of child care, and teachers should not be expected to subsidize the system through poverty-level wages. Nor should child care programs be expected to cover the shortcomings of insufficient child care subsidy rates and go into debt to provide services to working families.

The early childhood system is past due for a major restructuring and a new financing approach that puts the emphasis on public funding and makes quality child care affordable and available for all families. The optimum long-term solution requires a substantially increased and ongoing public investment in order to fund child care as a public good and part of the state's infrastructure, like public schools, roads, libraries and food industries, which are supported and subsidized by the general public. Until that day, North Carolina lawmakers and program administrators must continue to make improvements on how child care is organized, implemented, and funded—for the sake of the early education workforce, our youngest children and their families, and North Carolina's long-term economic prosperity. □





North Carolina Stabilization Grants CASE STUDIES





CASE STUDY

Community School for People Under Six

Carrboro, North Carolina

The Community School for People under Six (CSPU6), is a five-star licensed child care program offering multicultural, community based services for children and families in the Chapel Hill-Carrboro area. The program serves children who are two months through school age, accepts families receiving subsidized child care and offers the NC Pre-Kindergarten Program.

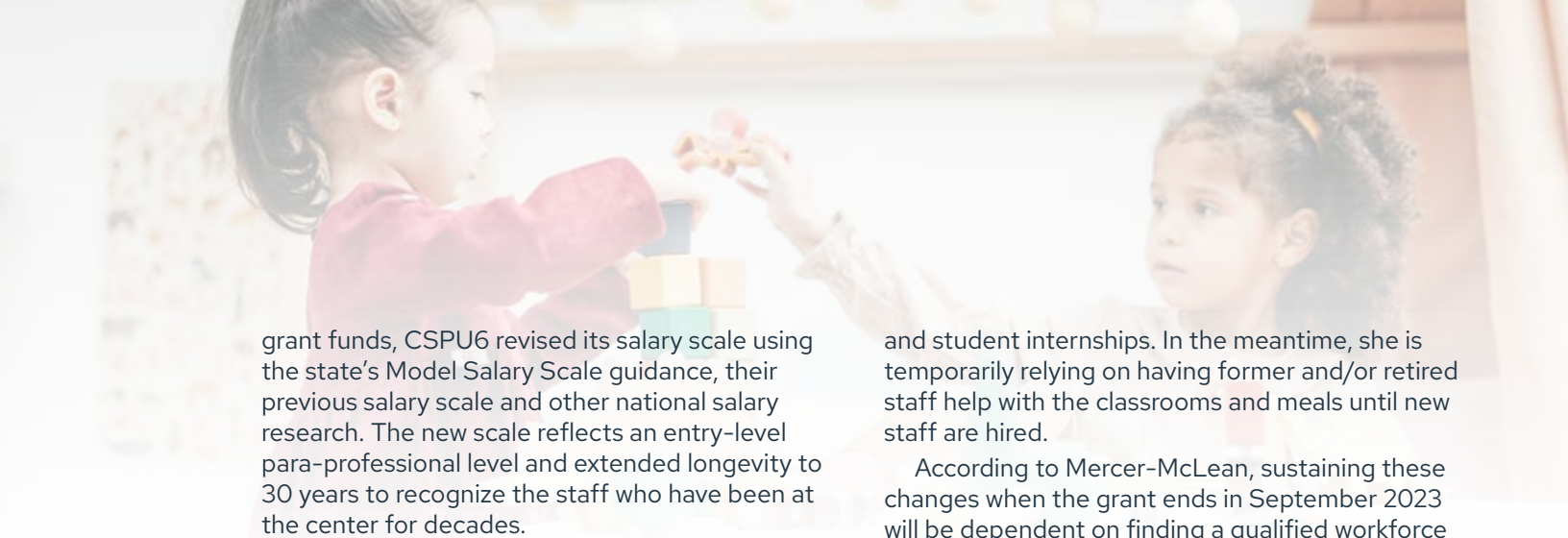
In 1970, CSPU6 started as a parent/staff cooperative program to meet the needs of affordable, high-quality child care for low- and middle-income families. The tradition of strong parent and community involvement continues today. When COVID-19 hit, the staff decided not to close, even though they could be at risk. With a maximum enrollment of 52 children, the center dropped down from 35 to just 13 children for emergency services for essential workers. The center established a strategic plan in March 2019 to help the center survive. Parents valued the center and their children's teachers and opted to pay full tuition for several months to help sustain the center. Their initial support, along with the subsequent operating grant funds received, kept the program afloat during the pandemic.

Even with this support, the center has experienced challenges with recruiting and retaining qualified early education teachers with a dedication and commitment to the work. "CSPU6 has always been looking for good teachers with educational backgrounds and experience in this field and has always offered competitive wages and benefits," said Anna Mercer-McLean, the executive director. As a result, 75% of their teaching staff have an associate degree or bachelor's degree, and most teaching staff have years of experience.

With the advent of the Stabilization Grants, Mercer-McLean said their top priority was to retain the qualified staff they had by increasing salary and benefits. "We have an older workforce and several want to retire. We do not want to lose them, and we want to attract the next generation of early childhood teachers."

“The Stabilization Grants have afforded CSPU6 the opportunity to give teachers the salary they deserve, which we have wanted to do for a very long time,”

With the grant funds, CSPU6 first offered staff \$600 bonuses and established a new salary scale that allowed teachers to be paid according to their education and experience. Staff who reached their level on the scale received a 5% salary increase. A staff salary increase of 3-4% was given prior to the Stabilization Grant based on their performance evaluations. The center has long used a salary scale that includes steps for education and longevity, which was modeled on the Child Care WAGE\$ program and the Early Educator Certification Scale developed by the NC Institute for Child Development Professionals. With the help of the



grant funds, CSPU6 revised its salary scale using the state's Model Salary Scale guidance, their previous salary scale and other national salary research. The new scale reflects an entry-level para-professional level and extended longevity to 30 years to recognize the staff who have been at the center for decades.

"The Stabilization Grants have afforded CSPU6 the opportunity to give teachers the salary they deserve, which we have wanted to do for a very long time," said Mercer-McLean. The center has now fully implemented the scale improving the wages of all teachers, and plans on sustaining the new scale and benefits into the future if at all possible.

In addition, CSPU6 surveyed staff on what benefits they wanted and increased staff benefits by raising the monthly benefits allowance from \$150 per month to \$500 per month for all staff. CSPU6 offers a cafeteria-style plan that allows staff to choose among health, dental, vision, life insurance, child care and retirement, and also pays child care benefits separately for parents and teachers.

Mercer-McLean had hoped that this generous salary and benefits package would help them recruit new teachers and address the workforce shortage. But despite these efforts, no new staff have been hired since June 2021. "We have not had any luck since then, and still cannot find staff. It remains our biggest challenge," she said.

For the first time, the center does offer new staff a \$500 hiring bonus after three months of employment. But other child care programs in the area are paying \$1,500 to \$2,500 for hiring bonuses, even if their salaries and benefits might be lower than what CSPU6 provides. Mercer-McLean does not plan to increase the bonus amount and believes permanent salary and benefit changes are a better approach than bonuses to attract and retain qualified staff.

To try to retain their current teaching staff, CSPU6 is considering other options like gas stipends for staff who are getting up at 4:00 a.m. and traveling up to two hours per day to work, and a medical emergency fund for staff who have high medical bills that health insurance does not cover. Mercer-McLean also plans to try new hiring strategies such as flexible scheduling, hiring part-time staff for morning and afternoon classroom shifts or to cover meal preparation

and student internships. In the meantime, she is temporarily relying on having former and/or retired staff help with the classrooms and meals until new staff are hired.

According to Mercer-McLean, sustaining these changes when the grant ends in September 2023 will be dependent on finding a qualified workforce and reaching and maintaining full enrollment, which is currently at 39 children or just 75% of full enrollment. "For example, we would like to expand our infant-toddler classroom, but we can't unless we find good, qualified teachers."

Budgeting is a constant challenge, juggling private pay tuition payments with child care subsidy funding and NC PreK funding, which are paid on a reimbursement basis with low rates and occasionally late payments. She has created a sustainability and savings fund, hoping to save a little bit for the future health of the program and replenish the center's \$50,000 emergency fund, which it exhausted when it moved locations and had to renovate its current building and playground.

She said they are constantly balancing different funding sources to cover payroll. "Salaries are 80% of the center's operating budget, and we cannot expect families to bear the brunt of child care costs. They cannot afford it," she said, citing the high rates of child poverty and homelessness, even in Orange County which is better off economically than most other counties.

Mercer-McLean said "it takes more money, and we need a strategic plan to sustain the workforce and determine what we fully need. The operational grants helped centers survive to cover payroll and operational cost; and made the biggest difference, prior to the Stabilization Grants." Centers need a stable, upfront monthly allocation to support programs and to make a difference. She also recommends a fund for teachers to cover salary and benefits, and she believes that increasing the reimbursement rates for child care subsidies is another important strategy to sustain programs.

Mercer-McLean adds that child care centers are going to need help thinking about strategies to make these changes permanent. After more than 30 years in this field, she said, "You never know what's going to happen in child care. Child care is the backbone that supports families."



CASE STUDY

Little Believer's Academy

Garner, North Carolina

Little Believer's Academy (LBA) is a five-star Christian-based child care program serving children from 6 months through school-age with two locations in Wake and Johnston Counties. LBA serves primarily low-income families receiving child care subsidies and also offers the NC Pre-K Program.

Recruiting a qualified workforce is a never-ending challenge that preceded the COVID-19 pandemic and is now harder than ever, according to Cassandra Brooks, LBA's executive director. "Child care just hasn't been able to keep up with the changing employment market," said Brooks, citing Target's recent announcement that it will raise its minimum wage to \$24 per hour in some markets. "Hiring is almost unmanageable, and we just can't compete," she said, noting one teacher who was receiving \$17 per hour, even without a degree, who still left to work in another field for higher wages. "In today's market, people have so many job options that pay more and offer more flexible schedules in positions that don't require specialized educations and skills."

LBA offers hourly starting wages between \$14-\$16 per hour for teachers with degrees, as well as a fairly comprehensive benefits package including dental, vision and health care, paid time off, vacation and 401(K) retirement match up to 3% after one year. Still, most of her staff cannot afford the monthly \$200 co-pay for health insurance and few can take advantage of the center's retirement plans because the pay is too low.

Brooks "had big hopes and dreams" for improving teacher salary and benefits with the advent of the Stabilization Grant. She wanted to support the loyal, committed teachers who have stayed through the duration of the pandemic with additional

mental health or personal days and gift cards. She also planned to pay the full cost of dental and vision insurance, increase vacation days, and give everyone salary raises using a salary scale similar to the Model Salary Scale offered by the state.

The Stabilization Grant funds have helped get her part of the way toward these dreams. With the grant funding, she has raised salaries and now provides two additional paid mental health days, as well as training support from a professional counselor to talk to the staff about different ways to relax, manage stress and care for themselves. But even with the grant funds, there is not enough to increase vacation or pay the full costs of dental and vision insurance for all of her staff. Brooks will soon offer gift cards for perfect attendance, which staff can use for increased gas costs or other personal expenses. "I don't want to lose staff who can't afford the gas to get to work," she said. "Keeping all staff working every day is key to our success."

In addition to supporting and retaining current staff, recruiting new teachers remains the biggest challenge for LBA. As a business woman, Brooks is looking at different models and ways to improve marketing and staff recruitment and recently hired a coach. "We market our services for parents, and now we have to market to teachers," she said. With the workforce shortage, she is now looking to other fields to recruit people who may have the necessary soft skills and know how to build relationships, nurture, and care for people. She recently hired two new staff from the nursing home field and is hopeful it will be a good fit for the center. "We can train them and support them in going to school with the T.E.A.C.H. Early Childhood® Program to get their credentials."



A large portion of their Stabilization Grant funds are being used to support the workforce, but LBA is also using the funds to support parents. Brooks has covered families' tuition costs when the center was forced to close for COVID-19 quarantines, and she also provides Instacart grocery packages for families who might be facing special hardships like losing employment. These efforts have helped many families, especially single-parent families, during hard times.

She is also using the grant funds to make improvements in play equipment, cleaning technology and building enhancements like new windows with screens and an updated outdoor learning environment. "My goal is to have a true outdoor classroom, and we're starting by increasing the outdoor space with new fencing. If you have a great outdoor environment the children can be outdoors nearly year-round."

Looking to the future, Brooks cannot yet envision a way to sustain the workforce improvement when the Stabilization Grant ends. Since LBA primarily serves families receiving child care subsidies, she just has not been able to build a budget that is sufficient to cover all of the operating costs. "Subsidy reimbursement rates haven't increased in five years, and they've never paid the true cost of care. And rates haven't kept up with inflation and higher costs for everything, including transportation and gas prices," said Brooks. She adds that increasing tuition is not an option for her parents, the majority of whom cannot pay more than they do now. And she will not charge parents more than the market rate, adding that it is not the right time to put that burden on families, given the stress of COVID-19 and the increased cost of living.

Brooks believes it is time to solve the child care crisis. "I'm very thankful to the federal and state policymakers who believe in the value of child care, and I'm grateful for these grants. But it's like putting band-aids on the problem to stop the bleeding. We're not applying the right treatment," she added. "After all of this, child care is still going

to need help. If we return back to the way it was, you are going to have a mass exodus of teachers. They are not going to come back for \$10 an hour. The marketplace has changed. If you don't have teachers, then you can't care for children - it's just that simple. There will be a mass closing of centers."

Always an advocate, Brooks believes it is going to take all of us working together to solve the child care crisis, with enough funding to improve teacher compensation without adding to the cost for parents. For her, the collective "all of us" includes

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local businesses who need employees investing in child care in their own communities, more federal and state funding, universal pre-school and taxpayers funding child care as a priority for a strong economy.

"Let's continue to push child care forward and not end it here. Let's make these grant funds permanent and let's solve the child care problem. We all need these children to take care of us and run this world, and they need to be smart and have a solid foundation before they get to school," she concluded.



CASE STUDY

The Children's Room

Durham, North Carolina

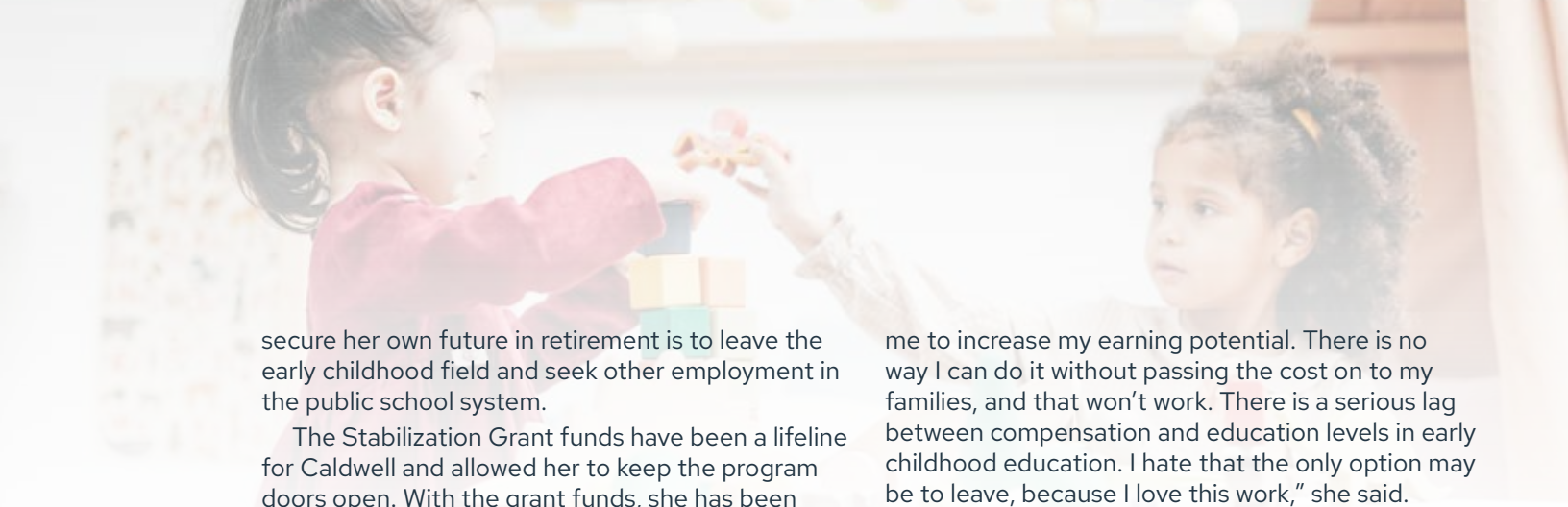
Danielle Caldwell has been the owner and operator of The Children's Room, a five-star family child care home in Durham, since 1995. The Children's Room is licensed for 24-hour shift care and can serve up to 24 children, enrolling eight children per shift, including five preschool-age children under age 5 and three school-age children.

When COVID-19 hit, the majority of families pulled their children out of the program and enrollment dropped to just three children. The one staff assistant facing her own child care challenges also stopped working, leaving only Caldwell, who already managed all of the responsibilities of running the program. Throughout the pandemic, she wanted to remain open for essential workers, including the postal service worker and hospital staff she was serving. To support families, she explored other options such as offering virtual learning and discounting family tuition by 50% to keep their slots in the program.

She has always budgeted for staff wages and offered incentives when she could not increase salaries, such as paid time off, a consistent schedule, and other incentives which were working before the pandemic. During COVID-19, she has tried to be creative in finding new staff, even considering sharing staff with another program so that together they could offer a full-time commitment, even though she only needed a part-time assistant.

Unfortunately, none of these strategies are working. Caldwell currently has no assistant and serves four children –one baby and three school-age children. Consequently, her budget falls short in meeting her ongoing monthly operating expenses. "I love this work and what I do, but I wonder if I'll ever see a return on the investment I've made in the childcare field serving young children," she worried. Now struggling to rebuild her program after COVID-19, she ponders whether her only option to





secure her own future in retirement is to leave the early childhood field and seek other employment in the public school system.

The Stabilization Grant funds have been a lifeline for Caldwell and allowed her to keep the program doors open. With the grant funds, she has been able to boost her own salary through monthly bonuses and pay off some of the debt she had been accumulating by using her own credit card to pay the bills during the last few years. But even with the grant funds, she cannot afford to pay herself or her staff any benefits, and her budget still falls short without a full roster of children.

Caldwell decided to take advantage of the grant funds and low enrollment to finish her master's degree in early education and complete her practicum course to get a B-K license. In the past, she put her education on hold multiple times because it was just too challenging to offer 24-hour care and find a substitute teacher, so she was forced to drop out and start again, costing her both time and money.

Caldwell optimistically looks to the future for her program. "Before the pandemic, I was full and had a waitlist, and I'm hopeful this will happen again." When the grant funds end, she does not anticipate being able to sustain the program unless she reaches full enrollment and finds another staff assistant. "Where are the families and when will they return? There really haven't been a lot of calls for child care yet," she added. She is contemplating rebranding her program to offer families part-time care and more flexibility, but she worries parents will not be able to afford the fees with rising inflation and gas prices. And she still faces the challenges of finding staff, which seems to be harder than ever before.

Caldwell recognizes that the challenges of low wages and a workforce shortage are not particular to her child care business, but rather are part of the larger systemic issues facing the entire early childhood field, especially family child care homes, which were not stable from an economic perspective even before the grant. "I can't see how remaining a family child care home is going to allow

me to increase my earning potential. There is no way I can do it without passing the cost on to my families, and that won't work. There is a serious lag between compensation and education levels in early childhood education. I hate that the only option may be to leave, because I love this work," she said.

To become more sustainable, Caldwell would like to offer the NC Pre-K program and serve more 3- to 5-year-old children. This is an age group she likes to work with, but family child care home providers are not allowed to operate the NC Pre-K program. She wonders about expanding to become a licensed child care center, or how to offer three

shifts of child care by setting up her business in a different way. She also suggests that the state could offer some type of retirement program for early childhood teachers, including family child care home providers, who have been underpaid for decades to compensate for the poverty level wages created by current state and federal policies. This could be considered as an

incentive to retain the early childhood workforce the same as public school educators.

Caldwell is also part of a state-level task force looking at policies and strategies to make family child care homes more sustainable. She would like to see North Carolina adopt some of the policies used in other states. For example, she recommends that the licensed enrollment size for family child care homes could be increased when home providers have the qualifications and dedicated space to serve more children. She also thinks five-star family child care homes should receive greater per child subsidy reimbursement rates. In general, she feels that family child care homes need more support to learn how to operate a profitable child care business, which will require changing current family child care policies and practices.

Caldwell believes that ongoing grants, subsidies and a larger overall public investment will be needed to make her home-based program sustainable and keep her working in the child care field she loves. "I have spent more than 25 years trying to validate the work of early childhood professionals. If not now, when?"

“I have spent more than 25 years trying to validate the work of early childhood professionals. If not now, when?”



CASE STUDY

Kyra's Place

Durham, North Carolina

Karen Washington has operated Kyra's Place, her four-star family child care home in Durham for 22 years, and has always offered 1st, 2nd and 3rd shift care around the clock for babies six weeks of age through school-age children. She has a separate room for babies and another for school-age children and is currently serving five children on the 1st shift plus school-agers and three younger children on the second shift. Her typical day is from 7:00 a.m. to 11:00 p.m. When the children go to bed Washington turns her attention to paperwork and getting ready for the next day. She has never had a regular assistant and cannot afford to pay one who meets the qualifications. Instead, she relies on her large family, including her sister, daughter and niece, who have always stepped in to help when needed.

When COVID-19 hit, Washington closed for only a few weeks in the beginning to reset her facility as a safe environment for the children, families, and herself and her own family. She put new practices in place, like having the children wear masks, additional cleaning and only greeting parents at the door when the children arrive. She continues to maintain these practices, and as COVID-19 continues, "it's still up in the air, so I am walking slow," she said. She was eager to remain open for her families, all of whom were working as essential workers in grocery stores, hospitals and other services. Although some could work remotely, they

could not do their jobs with the children at home, so Washington continued providing services. "We did it for the parents who needed us. It was hard, but that kept us going," she said.

The most challenging time during the pandemic was serving the school-age children who were suddenly with her all day doing their school work when schools were operating remotely. She literally could not be in two rooms at once, and she received no additional funding for the school-age children. Instead, she paid for extra help for the school-agers out of her own pocket, which further increased her expenses and cut into her income.

“It took COVID to realize that all providers really needed help, especially family child care homes who were in a lot of trouble.”

In all of her years in business, although she is the sole qualified employee, Washington has never paid herself a salary. "If I could, I would," she said, "but the business expenses don't leave anything for salary." Washington uses the income to pay her bills first and then takes care of herself with whatever amount is left. However, she does cover some benefits for

herself as a business expense - "all the insurances" - including health, dental, accident, life and car insurance.

When the first round of the Stabilization Grant arrived, Washington used the allotted bonuses to compensate herself for the first time. With the second round of grant funds, she plans to add to her retirement fund. "I realized it's really important being self-employed to have some retirement. I'm getting older and my retirement will happen in the

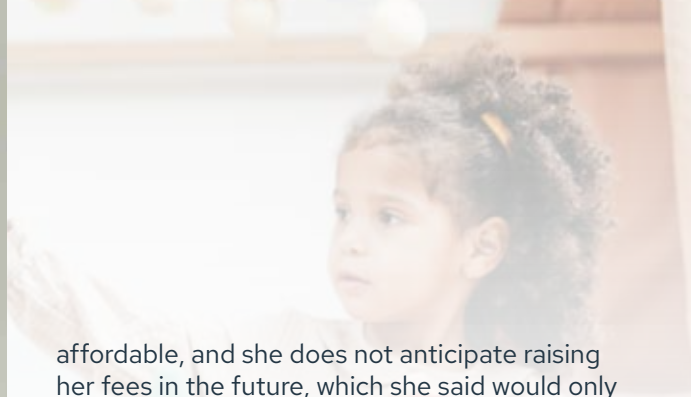


next six or seven years. I need to make sure I'm more ready for it, as I've been doing this my whole life," she added.

With the grant funds, Washington can now pay her daughter, who is certified to work with children in the afternoon and provide some assistance. She is also looking forward to attending a week-long training later in the year. "I love training and workshops, because there's always more to learn," she said.

After that, Washington plans to invest all of the Stabilization Grant funds into several facility upgrades such as an enlarged driveway to provide closer parking for parents, replacing a heating and cooling system that died during COVID-19, refreshing the children's playroom with fresh paint, toys, and equipment and better windows that can be opened to let in the fresh air. "This will improve the children's education, we can sit by the open windows and talk about what's going on outside, with the cars and trucks going by, and listen to the birds singing in the morning," said Washington. Next up is the playground area, where she wants to add a garden, a new border and mulch, and upgrade the riding toys and playhouse, which the children love. She also wants to purchase car seats for the children so that they can go on field trips.

Washington is also focused on helping the parents she serves. "It's my soft spot," she said. "I know what it's like to be a working mom and struggle to afford child care. I started this business as a single parent with three children. It can be really hard out there." She has always kept her fees



affordable, and she does not anticipate raising her fees in the future, which she said would only hurt parents and grandparents, some of whom are working at low-wage jobs themselves. Thanks to the grant funds, she has been able to cover tuition fees when parents were facing hard times and could not afford to pay, using the grant funds to recoup those costs.

When asked how she plans to continue these changes when the grant funds end, Washington said she is not thinking about what will happen when the grant funds end. "These grant funds are truly benefitting me and my program so much right now. If I knew there would be more money coming in, I could afford to take care of myself financially and pay myself. But for now, I'm focused on doing what I need to do to get my building to excellence and reach another level of quality in my business," she said. Her biggest worry is for her families. "I don't know how I will be able to continue to assist parents when they have hardships after the grant funds end," she added.

Washington believes that providing high-quality is critically important, and she believes that state policymakers should invest in it instead of asking providers to sacrifice to make it happen. "They want us (family child care homes) to have the same qualifications as a child care center and provide the same level of quality services. We are doing the same things as a center, if not more, because we have just one person doing it all—the teaching, the cooking, the cleaning, and the accounting. It's like having three or four jobs," she said, sounding frustrated. She believes the state should continue providing stabilization funds, which would result in more quality child care programs and happier and healthier providers.

Looking back on the past two years, Washington exclaimed, "It took COVID to realize that all providers really needed help, especially family child care homes who were in a lot of trouble." She hopes the funding will continue, and she believes the funds are most needed in family child care homes. "Now, the funds we get have to take care of the basics because we are in a home – like our mortgage, lights, water, cleaning supplies, and the food the kids eat, along with other things. More funding in the future will give us the opportunity to assist us like we assist others," she concluded.



CASE STUDY

First Presbyterian Day School

Durham, North Carolina

First Presbyterian Day School is a five-star child care center that has been in the heart of downtown Durham since 1970. Although it receives some financial support from the church for which it is named, the center is a nonprofit, non-religious program and relies primarily on full enrollment from private tuition parents, although it does serve some children receiving child care subsidies.

The COVID-19 pandemic severely impacted the center, which closed its door for three months in the face of so much uncertainty. It then reopened in June 2020 with just 16 children, although it had previously served 56 children. The center now has 37 children enrolled, slightly more than half of full enrollment. "We've been slowly rebuilding over the past two years," said Michele Miller Cox, the center's executive director. "It seems like now people are less afraid and slowly returning to child care, although some people may still be working remotely or not returning to work yet."


Finding qualified staff will be the key to the center's effort to rebuild its program, along with recruiting new families. Before COVID-19, the center's teaching staff were solid, with very low turnover and an average teacher tenure of 10 years, with some teachers there for more than 20 years. But the pandemic changed that staffing picture. To cope with the low enrollment without having to lay off staff, the center decided to reduce full-time staff hours from 40 hours to 30 hours. Consequently, they lost two teachers who left for full-time employment elsewhere. The center has since been able to return full-time staff back to a 40-hour workweek, because of the increase in enrollment.

Miller-Cox attributes the center's pre-pandemic workforce success to its "awesome" wages and

benefits package. The center is certified by the Durham Living Wage Project, offering staff at least \$13.50 per hour, which is above the state average of \$12.00 per hour. They also provide full-time employees with a comprehensive benefits package, including employer-paid health and dental care, a vision/eye care plan which employees can opt into, a 3% IRA retirement match, monthly paid time off, all of the traditional holidays plus a birthday holiday and an extended holiday break between Christmas and New Year's Day.

With the Stabilization Grant, the center decided its top priority was to "let the staff know that they are important in this world, and that in this pandemic, they are valuable, they are essential, and to recognize that they stuck it out and stayed with us despite all the risks and uncertainty," said Miller-Cox. The center adopted a salary scale that was based on the Model Salary Scale recommended by the state and added different steps for education and longevity. Every staff member received a \$4.00 per hour pay raise, which is more than the annual 3% raise. In addition, the center increased their retirement contribution from 3% to 4%, picked up the cost for vision insurance and allowed part-time staff to choose either health and dental insurance or the paid time off plan.

In addition, Miller-Cox is committed to improving staff morale, or "healing the staff," as one of the center's board members described the workforce situation. With grant funding, the staff have been engaged in redesigning and upgrading their classrooms and the outdoor playground with guidance from the Natural Outdoor Learning Initiative at NC State. All staff have received advanced training in the ITERS and ECERS programs and will receive training on the Creative



Curriculum, which the center is adopting. “We’ve worked really hard to create a friendly, happy work environment, and it’s happening,” said Miller-Cox. “The staff are ‘happy campers’ now and are transforming their classrooms and teaching practices. I can see the progress and growth in the teachers.” She added that it is obvious even to the rating assessors, who shared that they felt welcomed and could notice the positive changes in the staff.

Parents are also very excited about the changes and have received notices about the grant and program improvements in their monthly newsletter. With the grant funds, the center also established a lactation room near the entrance of the program and are offering special family programs each quarter this year. In the first quarter, the center’s chef-prepared dinner for all the families, and in the second quarter, the center will prorate the costs for days the program was closed, or parents missed time because of COVID-19 quarantines.

Whether the center can sustain these positive changes is something that concerns Miller-Cox. She imagines that they may be able to do so when the center reaches full enrollment again and restarts the NC Pre-K/Durham PreK program in fall 2023. But there’s a Catch-22 that may not be easy to solve: in order to expand enrollment and serve more children, the center needs to hire two teachers for the 2- and 3-year-old classrooms. “With full enrollment, we can handle a percentage of the pay increase. But right now, we can’t find the people to do the work. That’s the biggest challenge,” she exclaimed.

Running a five-star program and the NC Pre-K/Durham PreK program requires staff who have early education degrees, and qualified teachers are in short supply. Despite widespread advertising and sharing the new pay and benefits package

offered by the center, she received not one qualified applicant for her recent full-time job opening. “It’s really, really scary,” said Miller-Cox, who also teaches in the Early Education Program at Durham Technical Community College. She said they typically see new young people coming into the field, and noted that last semester, the introductory required credential course EDU-119 was canceled

because of lack of student interest. Miller-Cox speculates that perhaps students are just tired and exhausted and can see that child care pay is not that great compared to other fields.

To that end, she believes it is time to make child care a real profession and base ongoing pay and benefits similar to state employees. “If you are working in a child care center that is licensed by the state, couldn’t the state view us as state employees, and offer us state benefits?” she asked. “We’re still viewed as babysitters. Early care and education workers are not seen as real professionals.” Until that happen, she suggests one option

would be for the state to require a model salary scale and support programs that are using this model with ongoing grants and stipends.

For now, Miller-Cox is focused on new hiring strategies, including recruiting part-time staff instead of full-time staff for morning and afternoon shifts, which seems to be working. And she is looking at creative ways to reach the goal of full enrollment of 64 children by the time the Stabilization Grant ends in September 2023. She hopes that adding the NC Pre-K/Durham PreK program and potentially including a transportation option to pick children up who live outside the immediate downtown bus service may help to increase enrollment sooner.

But Miller-Cox concluded that she is worried that even if childcare programs make all of these improvements now with the Stabilization Grants, they still won’t be able to solve the workforce crisis. “It’s a problem for the entire field.”

“We’ve worked really hard to create a friendly, happy work environment, and it’s happening....The staff are ‘happy campers’ now and are transforming their classrooms and teaching practices. I can see the progress and growth in the teachers.”



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