

End of pandemic-era funding could force child care programs to close, affecting 37,000 CT kids



Vincent Gabrielle

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Child-care advocates rally in Danbury in March 2022, calling for more state support for working parents. Gov. Ned Lamont signed multiple bills to address the issue, including a tax credit covering some of the costs of child care, and a bill requiring the state to help women find better paying jobs.

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Billions of federal dollars were poured into the child care industry to keep it afloat during the chaos of the pandemic, but now that the emergency funding has dried up, it's created a "fiscal cliff" for day care, experts and child care professionals warn.

An analysis by the New York-based Century Foundation, an independent think tank, found that across Connecticut 917 child care programs could be expected to close, leaving more than 37,000 kids stranded. Nationwide over 70,000 programs are projected to close with 3.2 million children and their parents losing child care spots.

By Sept. 30, the effects of this fiscal cliff will start to make themselves known as child care centers are forced to close, they say.

“The American Rescue Plan included \$24 billion for child care programs,” said Laura Valle Gutierrez, Century Foundation fellow researcher. “Those funds made a huge difference for child care providers to stay open.”

Beth Bye, commissioner for the Connecticut Office of Early Childhood, told CT Insider that Connecticut should fare better than other states when the fiscal shortfall is realized later this week.

“I want to be clear, I am not telling you that everything is fine in Connecticut with child care. It hasn’t been for decades,” said Bye, a former state senator who noted the inclusion of increased funding for child care in the last biannual budget. “Sept. 30 won’t be as drastic in Connecticut as in other states. That said, the system is still in need of reform.”

Many other industries also received funding from the American Rescue Plan Act, or ARPA, during the pandemic, Valle Gutierrez said, adding that child care centers used the money to buy personal protective equipment for the virus, raise wages, get out of debt, and provide benefits to workers they couldn’t provide before.

But unlike other industries, which mostly have firm and profitable business plans, child care was already unstable before the pandemic.

“It’s a model that just doesn’t work,” said Allyx Schiavone, executive director of Friends Center for Children. “We have this instability, this crisis prior to the pandemic, so when the pandemic hit, it exposed to the rest of the world the vulnerabilities, the dysfunction in our system.”

Experts and advocates told CT Insider that the industry had long suffered from a perverse cycle of bad incentives. Child care jobs are historically underpaid, and primarily filled by women, particularly women of color.

Schiavone said early childhood educators were paid poverty-level wages in Connecticut. Her nonprofit has tried to help by providing free housing to their teachers, but that doesn’t solve the systemic problem. Prior to the pandemic, a study from the University of California at Berkeley found that the median wage for child care workers was almost a dollar less than a living wage in Connecticut.

This low pay makes it hard for child care centers to find staff and meet the needs of parents because they can’t attract or retain more teachers.

“The child care industry has never been where people go to get rich,” said Merrill Gay, executive director of the Early Childhood Alliance. Gay routinely surveys the child care industry as part of his role. The last survey at the beginning of the summer found that “two-thirds of programs were short staffed ... we estimate that the staff shortage is about 3,800 teachers in Connecticut.”

On the other side of the equation, most families can't afford to pay higher tuition to help compensate better salaries and benefits for teachers.

"The ability to raise their prices on families is limited by the fact that families don't have the money," said Gay.

According to the most recent United Way ALICE report on financial hardships in the state, many people who work full time cannot afford basic child care in Connecticut. Child care costs about \$2,200 on average a month. For two adults working full time to meet that cost, in addition to rent, food, and health care, they would need to make on average \$53 an hour. More than half of Black and Hispanic households in the state are below that threshold, the United Way found.

Further complicating matters from a wage standpoint is that if child care centers take subsidies from the government, they can't raise tuition, Gay said. The only exception is the CARE 4 Kids program, which is run by the state Office of Early Childhood and has different eligibility standards for both teachers and families.

Day cares have "been using their pandemic relief money, their stabilization grants to backfill losses," said Gay, adding that about a third of child care centers operate at a loss. "What is going to happen is that a bunch of these programs are going to finish burning through their pandemic relief money, realize they can't make payroll and shut down."

Making matters more complicated is the child care subsidy system, which was set up on a welfare-to-work model, Gay said. Getting subsidized child care is extremely complicated in terms of paperwork and eligibility requirements. Gay said he frequently ran into parents who were caught between having a job and having a certificate for a subsidy for child care.

"It becomes a chicken and egg problem," He said. "You have to have a child care provider willing to take your kid and have an actual job, or offer, to prove you are working, which you can't do unless you have child care."

What's being done?

On the national level, Congress is considering the Child Care Stabilization Act, which would inject \$16 billion dollars into the grant program created by the American Rescue Plan to keep the sector going. The proposed act is co-sponsored in the House and Senate by a coalition that includes Sens. Richard Blumenthal and Chris Murphy, and Rep. Rosa DeLauro, D-New Haven.

"The Child Care Stabilization Act is essential so that parents can go to work, and so that businesses hire workers," Blumenthal said at a press event last week. "It's not just a convenience— it's a necessity for our economy."

At the state level, a number of things are also happening to try to address the problem of child care. Bye said the legislature expanded the Care 4 Kids available child care subsidy slots from 15,000 children to 21,000 children using federal emergency funds before they expire. This will save 4,500 slots from being lost, she said, for a new total of 19,500.

"Other states are faced with tens of thousands of families that may not have help with child care," Bye said. "In Connecticut we are going to be able to maintain most of the increase in enrollment in Care 4 Kids."

Bye said that roughly 70 percent of the state's child care industry was a private market. Both the private and public side received stabilization funding. It remains to be seen how the private market will handle the sudden lack of funds.

"I'm sure that there are some programs in Connecticut that, without stabilization, may have significant fiscal challenges," said Bye. "I just can't tell exactly what's going to happen."

She said the federal stabilization money had been disbursed slowly until the final payments were made last week in order to keep any shock in the market to a minimum. The most recent, and final payments went to programs that are in communities where parents cannot afford the full cost of child care.

Meanwhile, A Blue Ribbon Panel was convened on the executive order of Gov. Ned Lamont to develop a "strategic five-year plan" for the child care sector. The panel is due to finalize their plan by Dec. 6 and submit it to the governor's office. Meeting minutes from recent sessions show that the panel is concerned about generating a stable funding stream that will help provide attractive wages and benefits for child care workers.

"One of our problems is that we put ourselves in a fiscal corner," said Schiavone, pointing to Connecticut's state spending cap. "Right now, the only amount of money that's available to the entire state is \$25 million."

Gay said that the state had created an early childhood trust fund, but it had no dedicated funding stream. This kind of trust fund would be exempt from spending cap rules, so if it had a dedicated stream of funding, it could help child care statewide, he said.

"If some rich person decided to give us millions of dollars, it could go into the trust fund and be used to cover gaps for years," said Gay. "But we could also do what Vermont did and create a revenue stream for early child care and run it through the trust fund."

Schiavone said for now, there's "a bank account with no money" with respect to the trust fund. She said it was critical that Connecticut find a source to cover its child care needs.

"You see other states doing this sweeping, transformational work to bring early child care and education to an affordable place for families where providers can get what they need," said Schiavone. "And our state is not yet there."



Written By [Vincent Gabrielle](#)

Vincent Gabrielle is a reporter with Hearst Connecticut Media Group. He is an award-winning science journalist who has covered COVID-19, Manhattan Project legacy waste disposal, cryptocurrency miners and mountain snorkelers. Raised in western Massachusetts, he's lived all over the country and worn a lot of unusual hats. You can find him on weekends looking for horseshoe crabs near New Haven.