

Presented by Amber M. Caldwell, MSc January 11, 2021

Meeting Goals and Values

Share the insights gained from the ENHANCE statewide survey - Jun 29 - July 15, 2020

Environment is changing fast and it is important to remain flexible

ENHANCE knows they cannot solve this problem alone and everyone has a role to play in planning how to care for our children while parents are at work

We understand this is a difficult topic and acknowledge the trauma that can be experienced by those participating



















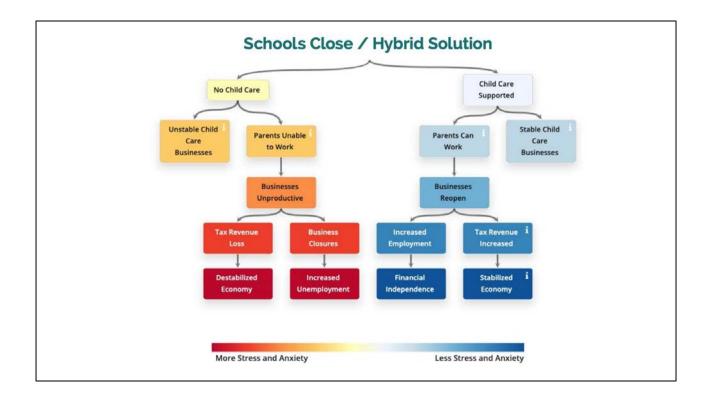






Early on in the pandemic the MT VOAD - Volunteer Organizations Active in Disasters - established a child care sub-committee to address the statewide child care needs and coordinate the response efforts.

The sub-committee includes representatives from these various non-profit, volunteer, community and private sector organizations. A statewide survey was designed by this collective to profile the needs of families, child care providers, businesses and schools in an effort to identify cross sector areas of need and guide the sub-committee efforts.



This survey - known as ENHANCE Essential Child Care Needs COVID and Beyond - highlights the complexity of the cascading effects related to child care as a fundamental factor in our ability to rebuild.

As schools closed due to COVID-19 the resulting ripple effects to families, providers, businesses, and schools, only illuminated the fractured childcare system in Montana that existed before the pandemic.

The sub-committee knew that child care access, affordability and dependability is a central factor in Montana's ability to respond, rebuild and re-open and has sense adopted ENHANCE as its name and mission.

The ENHANCE survey and recently published data sets help illustrate the complexity of these issues and how child care is linked to the states resiliency.

The interactive report highlights what Montana can do to build beyond COVID-19.



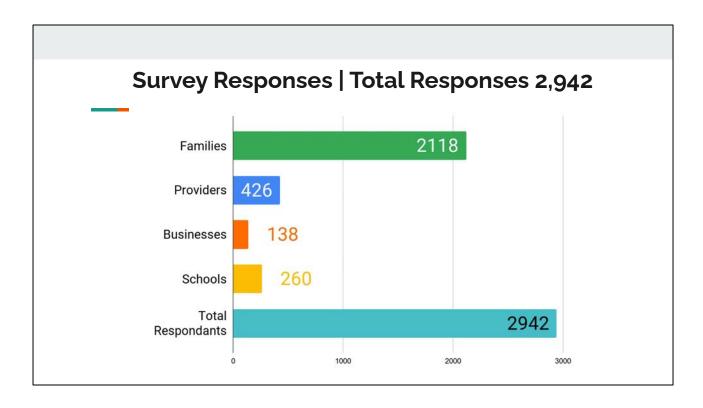
The full results and summary themes from the ENHANCE survey are presented on the ENHANCE website www.enhancemt.org as interactive data to support advocacy efforts across sectors.

The findings from these efforts highlight what you all as care providers already know - how:

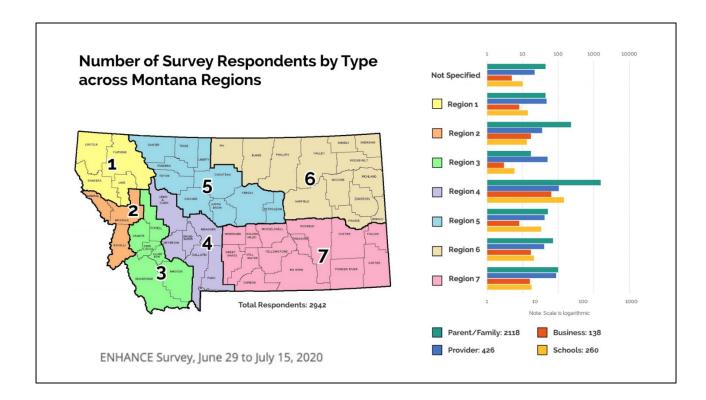
- Child care in Montana is not affordable for most and not accessible to all.
- Child care business owners and providers would benefit from increased support at the local, state, and national levels.
- The child care business model is broken. Quality care is unaffordable for families and the child care workforce wages inadequate.
- The child care system would benefit from increased integration, coordination, and collaboration across sectors.
- The fractured child care system is taking a toll on individuals, families, and communities.

In looking at the impact of COVID-19 through the lens of child care, a road map to respond and rebuild our state and nation is made clear - investing in child care infrastructure is critical.

Let's dive into what we learned from the survey...



The statewide survey resulted in 2,942 respondents representing Families (2,118 / 72%), Child Care Providers (426 / 14%), Businesses (138 / 5%) and Schools (260 / 9%).



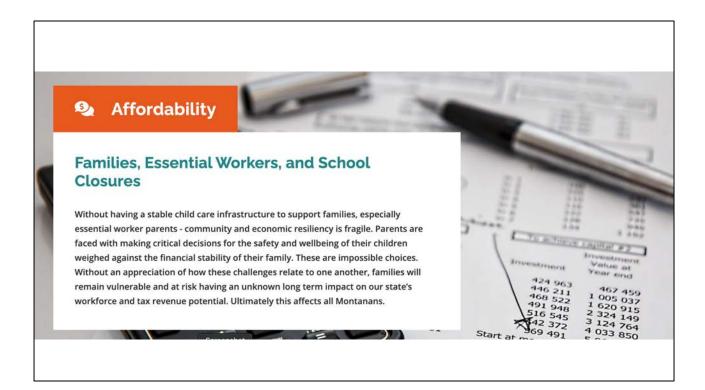
It is important to note that the survey responses were concentrated in more urban, populated regions of Montana and not equally distributed across the cohorts, meaning that there were more respondents representing parents and families than businesses and child care providers.

The survey analysis illustrated the impact of COVID-19 across sectors, illuminated system gaps and sector intersections.

The intent is for the data to help guide policy and infrastructure solutions for child care in Montana and are not universally applicable.

To provide more depth into how child care affects across sectors, we have incorporated the recently published findings from the BBER study titled "Lost Possibilities - The Impacts of Inadequate Child Care on Montana's Families, Employers and Economy" (published in September 2020). This statewide survey was conducted in January - April 2020 to examine the economic impact that inadequate child care has on Montana parents, employers and taxpayers.

Let's look at what we learned...



A lot of what the professional child care community knew was true even prior to the pandemic was reinforced by the survey results but the level of vulnerability and how fragile our infrastructure is to respond to child care needs was highlighted.

The primary challenge is quality care is unaffordable for families and the child care workforce wages inadequate.

- Families, especially essential worker parents were faced with impossible choices - the safety and wellbeing of their children weighed against the financial stability of their family
- If the instability was only projected short term families and communities could accommodate the challenges but the long-term instability amplified the barriers to economic recovery for most families

Family's should pay no more than 7% of their annual income on child care, for it to be affordable.

Yet even with a dual income child care can become the SINGLE LARGEST MONTHLY EXPENSE FOR FAMILIES

According to the Economic Policy Institute 7% of annual income is the threshold of affordability for child care expenses.

Cost of Child Care

Economic

\$ 9,518 Per infant, ages 0-2, anually.

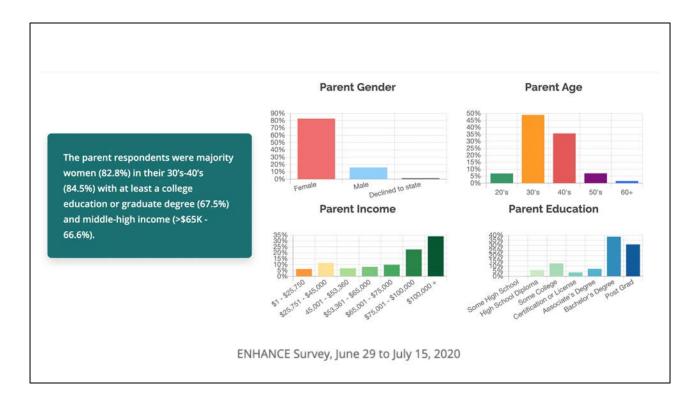
\$8,365 Per per child, ages 3-5, anually.

A family with one infant and one 4-year-old making the Lewis & Clark County median family income of \$60,789 spends 29% of their annual income on child care.

@ Economic Policy Institute, The Cost of Child Care in Montana

Per Senior Economist, Amy Watson, "Child care in Montana is more affordable than in other states but is still too expensive for many families. On average, Montana families pay over \$9,000 per year for infant care, and almost \$8,000 per year for toddler care. For families at the median, child care costs for a single child account for 11% to 13% of their family income. Families with multiple young children face a larger burden. A family with an infant and toddler in child care will pay an average of \$17,000 per year for care, roughly 25% of the state's median family income. Child care can quickly become the largest monthly expense families face."

To put it in perspective - in Lewis & Clark County the median family income is slightly over \$60K and a family with one infant and one toddler will spend 29% of their annual income on child care - over 4x the recommended affordability threshold.



• It's important to note that the majority of parents 66% who responded to the survey were predominantly well educated and middle-high income >\$65K

33.68%

of Parents reported they can no longer afford child care due to employment changes related to COVID-19

That being said 33.68% of Parents reported they can no longer afford child care due to employment changes related to COVID-19 whereas prior to COVID-19, 87% of parents could afford child care.

For families relying on a single parent or are not as well-paid the ability to afford child care even under non-pandemic circumstances is even more of a challenge.

Recent census data shows that there are roughly 20,399 single mother households in Montana of which 21.99% have children under 6 years of age.

The pandemic has disproportionately affected women's' ability to return to the workforce and the generational wealth of families

"At some point one of us will likely have to opt out of the workforce. We cannot effectively homeschool our children while trying to work full time. Neither of us would like ot stop working but may be forced to without enriching and educational activities for our children."

"My daughter will most likely be unattended at times."

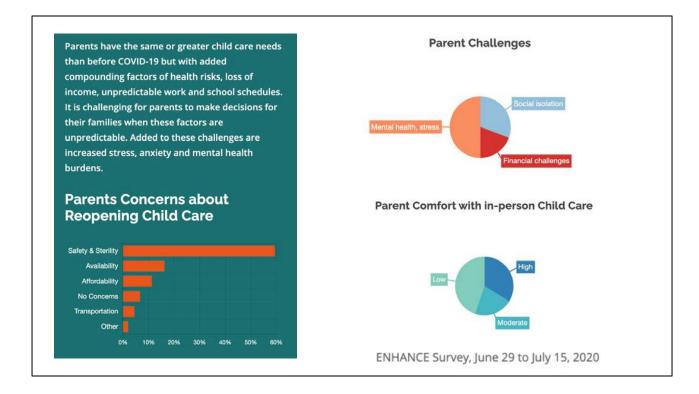
Child care issues pre-COVID-19 affected parents ability to work in a variety of ways, all leading to a loss of productivity and income as the Bureau of Business and Economic Research (BBER) reported - parents in the last month experienced the following child care-related work problems (pre COVID-19):

- 46% left work early
- 44% missed a full day of work
- 41% were distracted or less productive at work
- 37% were late for work
- 36% were absent

Without having a stable child care infrastructure to support families, especially essential worker parents - community and economic resiliency is fragile.

BBER reports that due to inadequate child care individual households have an average financial burden of \$5,700, a statewide total burden of over \$145M (\$145,146,000) to households in 2019.

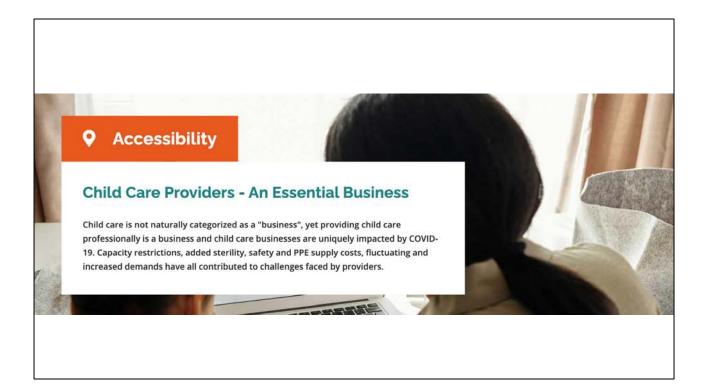
Not only has COVID affected families personal economics but it further affects the state economics if child care is not reinforced.



In addition to financial stress, mental health and social isolation have amplified challenges.

Parents report concerns about their comfort with in-person child care with over half having low to moderate comfort with in-person child care.

Safety and sterility was the primary concern of parents for reopening child care services.



Accessibility of child care in light of COVID was not accessible to all and it was highlighted by two factors:

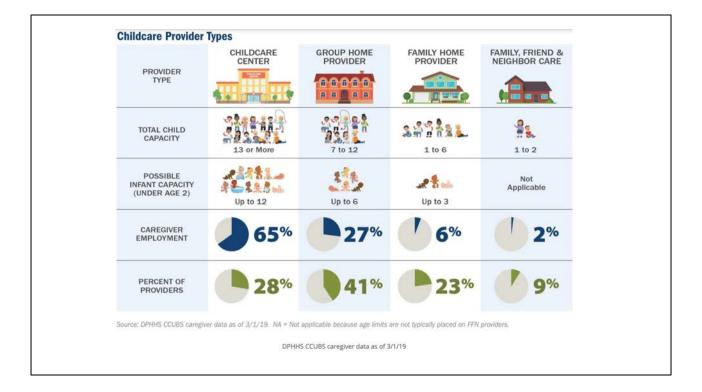
1 - Increased volume of need

- The statewide response to close schools and implement shelter in place orders had an impact on parents with children, particularly those who are essential workers.
- The need for child care extended beyond those with very young children it impacts all families with children, even those with teenagers.
- Not only did these parents have to design solutions to meet the needs of their children, those solutions were needed immediately in order to be able to work and support essential services.

2 - Disproportionate vulnerability of child care businesses in their ability to respond to the need

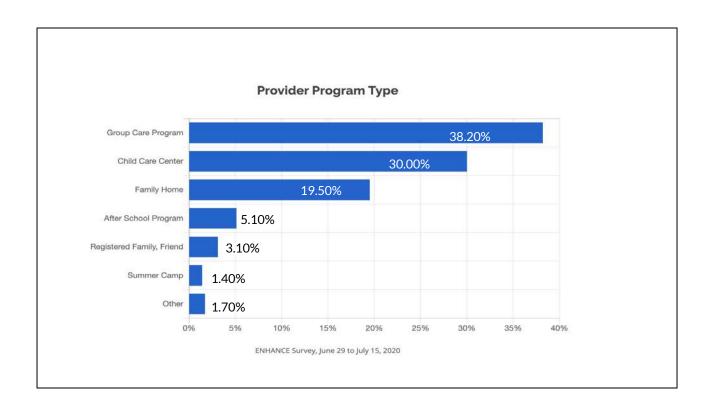
- Under normal circumstances after school programs, summer camps and day-care facilities can surge capacity but in light of the nature of COVID-19 these options were not practical or safe, per national and state guidelines at the onset of the pandemic.
- Parents had to make tough choices about leaving children home either without supervision or relying on family members, friends or paying for child

care.



As you all know licensed child care providers are regulated by the state across provider types and include capacity limitations and various requirements to maintain quality child care.

These providers were even further limited in their capacity due to COVID precautions and staffing limitations.



The majority of providers who responded to the survey reflected these licensed facilities.

A handful of summer camp and afterschool programs were also reflected in the ENHANCE results

Effects of COVID-19 on Provider Businesses

56%	of Child Care providers remained open but with reduced enrollment. Either as a result of a safety precaution or parent choice.
60%	of Providers have had to reduce pay/hours, laid off, fired or furloughed employees even further limiting potential for capacity.
8.62%	of Child Care Providers reported a Moderate to High likelihood of

ENHANCE Survey, June 29 to July 15, 2020

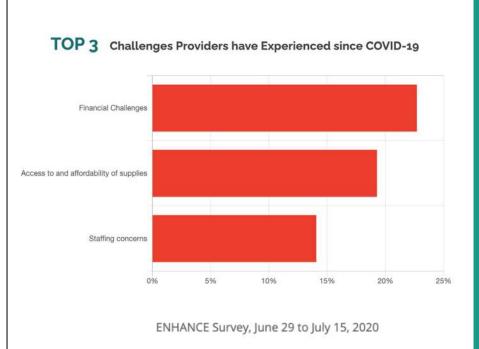
permanent closure within the next 2 months

Parents are understandably cautious of group child care and many, if they are able, are choosing to keep their young children at home.

56% of providers reported reduced enrollment and 60% had to reduce pay, laid off, fired or furloughed employees even further limiting potential for capacity.

Regardless, even with decreased enrollment, there is a concern that child care businesses will not be able to sustain their operations or remain resilient once families are ready to return to their child care providers, or when health officials dictate it is safe to care for larger groups.

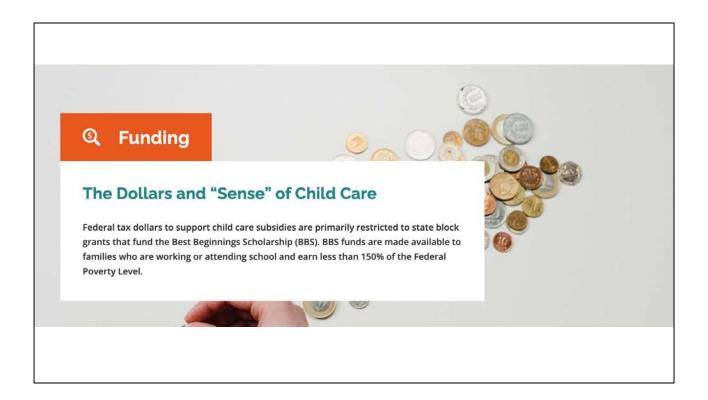
This is linked to the razor thin margins most child care businesses rely on and the volatile market influences which we will highlight in a moment.



Further relief aid, if made available, must consider these needs as enrollment will continue to be reduced with market rates not changing, despite added costs.

It's unclear if further aid will address the fiscal viability of child care businesses and total losses related to the pandemic.

Payroll Protection Loans and Block Grants only went so far to support child care businesses. The overall infrastructure costs and staffing concerns to react and respond to exposures, temporary closures and fluctuating enrollment needs to be included in future relief policies.



Child care business owners and child care providers lack supports at the local, state, and national levels

- Child care is not typically categorized as a "business" yet providing child care professionally is a business and child care businesses are uniquely impacted by COVID-19.
- Capacity restrictions, added sterility, safety and personal protective equipment (PPE) supply costs, fluctuating and increased demands have all contributed to challenges faced by providers.

25%

Best Beginnings Child Care Scholarship only reaches about 25% of eligible families.

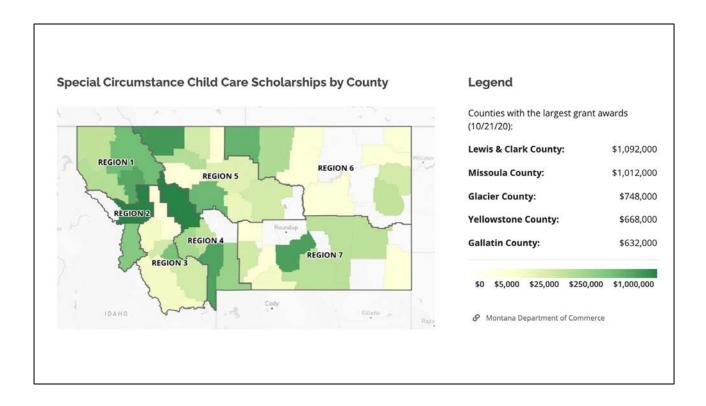
- Only 25% of eligible families are supported by Best Beginnings Scholarship but COVID-19 CARES Act Relief Funds covered 100% of this federally funded and state distributed program for low-income families.
- Relief included copayments for families for the months of March, April, and May 2020 and reimbursing providers at 100% of the authorized amount of care for those same months regardless of attendance.
- As of July 2020 Montana had distributed \$1,419,479 in Best Beginnings Child Care Scholarship support. However, the Best Beginnings Child Care Scholarship only reaches about 25% of eligible families. Additionally, COVID-19 CARES Act Relief Funds supported licensed child care providers in Montana, by distributing grants totaling between \$3,000 and \$26,500 based on size of program to 818 providers.

ENHANCE's advocacy work contributed to an additional \$50M of block grant funding to be allocated for Child Care in the below ways:

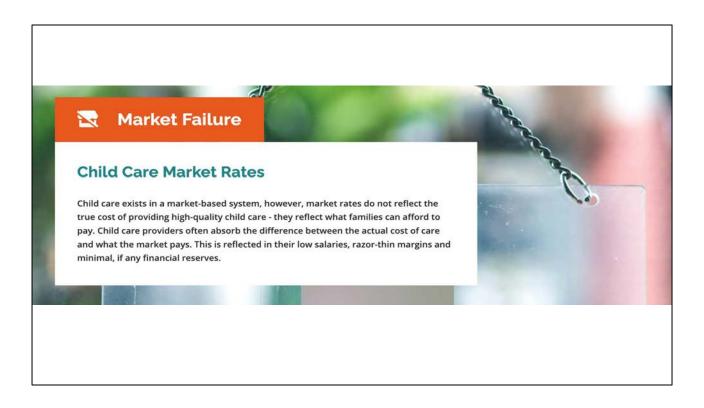
- \$ \$30 million in grants to maintain and expand child care for school-age children during out of school time.
- \$ \$10 million for families with special circumstances requiring in-home care.
- \$ \$8 million for supplemental payments to all licensed and registered child care facilities to maintain and expand child care slots.
- \$ \$2 million for CCR&R agencies for administration and outreach.

ENHANCE advocated for an additional \$50M in block grant funding of which most if not all has already been allocated.

These funds were targeted to the needs of families in the form of direct payment and reinforced maintaining and expanding child care capacity



A significant amount of Direct funds to families were distributed in Lewis & Clark County receiving over \$1M.



As mentioned child care businesses survive but do not thrive in the current environment. They are subject to the "market" as opposed to being considered a public good and invested in as such. Public goods are less likely to require reinforcement in a time of crisis as they are appropriately invested in long before the crisis occurs. If anything COVID amplified the market failure of the child care infrastructure.

"Child care exists in a failed market-based system not covering the true cost of care"

The Iron Triangle

In order for child care programs to be financially sustainable they must live by what is called the Iron Triangle, they must strive for full enrollment every day, collect tuition on time and in full, and match annual revenue to expenses. Since the pandemic, nearly every child care program in Montana has had at least one, if not all three, of these elements at risk. Providers operate with thin margins and even one month of missed income, or an unexpected decrease in enrollment can be catastrophic.

This is not meant to be a criticism to child care leadership across the industry - it is simply applying economic terms to the sector.

The iron triangle of the child care industry was devastated by COVID and more importantly was vulnerable prior to COVID.

As the state has moved past the initial months of the pandemic we are now faced with even higher case rates and community exposure than at the onset proving that the economic model child care providers rely on is further at risk.

Initial aid relief was not enough and the future state of the industry will rely on the iron triangle to be reinforced either with long term state support or a reimagining the economics of the industry.

34%

Of Child Care Providers say they would not survive closing for more than two weeks without significant public investment and support that would allow them to compensate and retain staff, pay rent, and cover other fixed costs

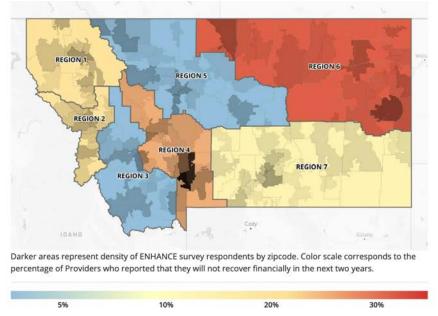
 National Association for the Education of Young Children report released March 27, 2020 titled "A State-by-State Look at Child Care in Crisis - Understanding Early Effects of the Coronavirus"

As you all are aware the child care industry was disproportionately affected by COVID-19.

The National Association for the Education of Young Children in early March conducted a national assessment to understand the early effects of the Coronavirus on Child Care Providers. The report was released in late March (March 27, 2020 titled "A State-by-State Look at Child Care in Crisis - Understanding Early Effects of the Coronavirus" found that in Montana, of the 130 providers that responded:

- 34% say they would not survive closing for more than two weeks without significant public investment and support that would allow them to compensate and retain staff, pay rent, and cover other fixed costs
- 24% would not survive a closure of any length without these supports
- 15% do not know how long they would be able to close their doors and be able to reopen without these supports as 52% have parents who cannot pay fees or copays
- 49% have lost income because they are paid by attendance rather than enrollment and 64% have lost income based on families' own ability to pay
- NOTE: 19% of responses in Montana were from those working in community-based centers and 70% were from those working in family child care homes.

Providers Unable to Recover in the Next Two Years



- In addition to reduced enrollment, child care businesses are experiencing greater than normal expenses in order to implement safety precautions and increased sanitation procedures.
- Cost of cleaning supplies not only doubled but so did the amount of supplies that must be used every day to ensure programs are following best practice guidelines for keeping facilities and surfaces disinfected and clean. Not to mention the increased staff time required to implement the increased sanitation procedures.
- Regions at risk of losing valuable providers across the state are Region #4 and #6 with Region 6 representing very rural communities.



The child care system is disconnected

- In a typical disaster (Flood, Hurricane or Earthquake) schools provide acute shelter but longer term services are supported by churches, charities (ie Red Cross, United Way).
- As COVID-19 is not a typical disaster (e.g. there is not a defined and predictable term or duration, boundary of affected area, or population affected) the typical disaster responses do not match the need.
- Further, there is a lack of coordination between child care providers, families, employers, schools, and agencies providing health crisis support services.

8.72%

Only 8.72% of schools supported direct emergency child care solutions for COVID-19.

ENHANCE Survey, June 29 to July 15, 2020

- Schools were immediately closed upon COVID-19 outbreak and in retrospect there was a missed opportunity for schools to serve as emergency child care providers as they have the infrastructure set up for child care, cafeterias and bathrooms on campus that could have served as a natural space for emergency child care, particularly for essential workers.
- There are 823 schools in Montana, 435 of them representing elementary schools.
- 41.37% of schools reporting that prior to COVID-19 they supported families with child care needs directly through provider partnerships yet 57.45% of schools reported that they do NOT plan to support child care needs during the '20-'21 school year if attendance does not return to pre-COVID-19 structures.

78.3%

Of Schools reported for the 2020-21 school year they have unknown plans or returning to school with a reduced capacity or hybrid online learning solution.

ENHANCE Survey, June 29 to July 15, 2020

- There is an opportunity for schools to play a critical role in collaborating with providers in their community to support child care needs.
- Communication of school plans and services will be critical as plans remain unpredictable leading into flu season on top of the pandemic and resurgence of outbreaks.
- Creative solutions and coordination of services will be critical for schools to recover financially even with government subsidies.
- We know that in certain countries like Missoula there are some creative efforts to coordinate child care services amongst school districts to make it easy for parent to access care.

54.47%

of Businesses report employees are struggling to continue or return to work due to child care challenges Only 21.1% of businesses reported to offer child care benefits as part of employment but 69.62% are not sure or would consider implementing child care benefits

ENHANCE Survey, June 29 to July 15, 2020

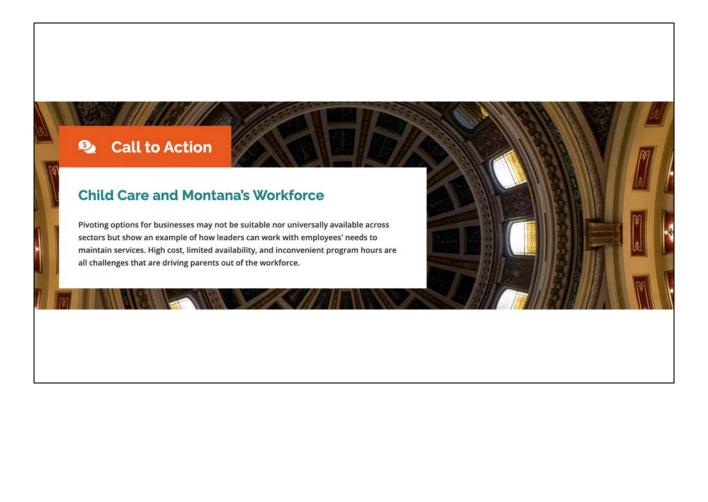
- ENHANCE surprised us as Business leaders acknowledged that child care challenged were directly affecting their bottom line
- Businesses can play a major role in improving affordability and access to child care for their workforce and almost 70% of businesses are not sure or would consider implementing child care benefits
- This can not only reinforce the entire child care infrastructure but can be a successful retention strategy to attract young families to Montana, overall boosting our economic stability.

\$54,562,000

BBER Reported in 2019 the total economic loss to businesses due to child care related problems was over \$54M

The Economic Impact of COVID-19 on businesses is profound

- According to BBER Montana businesses bear the burden of inadequate child care, mainly from reduced revenue due to lower employee productivity and increased employee recruitment costs caused by unwanted employee turnover.
- These factors were only exacerbated by COVID-19, school closures and reduced access to child care services.
- Although ENHANCE was unable to quantify the total economic impact on businesses BBER reported that in 2019 the total economic loss to Montana businesses was \$54,562,000 due to child care related problems



The "Work" in Working From Home

Many businesses maintained employment during COVID-19 by pivoting operations for employees to work from home. For employees with children the ability to efficiently and effectively work from home is compounded by child care responsibilities and with '20-'21 school year plans including virtual learning parents struggle to maintain these conflicting obligations.

One Business respondent stated "Increased demand for our services, staff that do not have child care or school, now have to be at home AND be education teachers for their kids, while also being employees. Not sustainable"

Family Forward Montana

Family Forward Montana strengthens businesses in their commitment to children, families, and the future of Montana's economy through practices which benefit both businesses and their family connected employees. A tiered pathway for employers toward improved workplace productivity, recruitment, and retention makes sense for everyone. Joining forces in this work while supporting children's healthy development not only makes the workforce of today stronger, but also builds the foundation needed for the workforce of tomorrow to succeed.

Businesses who adopt family friendly policies see an increase in:

- Employee Engagement
- · Employee Retention
- Workplace Productivity



The Top costs for businesses are:

- 1-PPE Supplies and Protocols,
- 2-Reduced Hours of Operations
- 3-Additional PTO/Sick time.

Employees' child care needs have impacted 62.5% of businesses.

Employees have reduced hours or quit for 24.44% of businesses and employees work capacity has decreased for 66.67% \$228,306

Average projected fiscal loss to Businesses due to COVID-19

ENHANCE Survey, June 29 to July 15, 2020

 With 62.5% of businesses reporting child care needs have impacted their business - there is an opportunity to collaborate within our communities to engage employers to be part of the child care solution. "It is in the best interest of employers to be proactive in identifying child care needs of their employees"

- It is in the best interest of employers to be proactive in identifying child care needs of their employees and be innovative in their approach to providing sick leave, flexible schedules, telework options, and other solutions to best meet the needs of businesses, employees, and families.
- Businesses can collaborate with community organizations and work with school districts to support creative solutions such as co-op child care partnerships, work-family balance policies, on-site child care, flexible scheduling arrangements, and connecting employees with community resources.

67%

of children under the age of 6 live in households where all available adults are working - without child care these children are left vulnerable.

An estimated 27,000 Montanans fell into these categories in September, which is just over 5% of the labor force.

- Are unemployed and did not look for work due to family responsibilities/child care problems
- Are working part-time and did not look for part-time work due to family responsibilities/child care problems
- Had to take time off of work in the last week due to family responsibilities/child care problems

Investing in child care is investing in Montana

Investing in child care is investing in Montana

- Child care businesses and the child care system is on the brink of collapse.
 This is not new, instead, it has been on the brink for some time, and the
 COVID-19 pandemic has highlighted and exacerbated these intersecting
 factors and cascading effects.
- Historically, child care and the work of child care providers has been undervalued. Child care should be considered an essential service and an essential local business. There is a need for financial and business support for child care providers so that they can compete and be sustainable in the economic market.
- These results demonstrate the need for workplace support and family friendly policies to support the diverse needs of families and communities such as flexible schedules, telework, alternative schedules, and paid leave. Child care providers and families cannot fund child care alone. Financial support from local, state and federal sources is essential as the system cannot sustain itself. Investment in child care will have significant long term health and economic impacts for families, child care providers, and communities for generations.

\$1.61

For every \$1 spent on early care in MT an additional \$0.61 is generated in new spending.

Child Care Connections - COMMUNITY IMPACT OF CHILD CARE

Investing in child care is a winning investment for every \$1 spent on early child care in MT an addition \$0.61 is generated in new spending

16:1

High quality early care programs for at-risk children save the community \$16 for every \$1 invested.

Child Care Connections - COMMUNITY IMPACT OF CHILD CARE

No other investment makes as much sense for MT businesses as investing in high-quality early child care and education

https://enhancemt.org/documents/L&C%20EMPLOYER%20SUPPORTED%20CHILD%20CARE%20%20(1).pdf



NEXT STEPS

- Advocacy
- Communication
- Monitoring Progress

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- State of Montana for supporting our work through the Business Innovation Grant Program.



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