

Executive Summary

How COVID-19 Has Impacted Indiana's Child Care System



**Indiana Early Learning
Advisory Committee**

November 2020



EXECUTIVE SUMMARY

The Indiana Early Learning Advisory Committee (ELAC) decided to shift the focus of this year's report to the impact that the national public health crisis due to the COVID-19 pandemic has had on early care and education. While the pandemic and its effects are ongoing, this **report provides a point-in-time understanding of the impacts as of June 30** and offers possible solutions to strengthen early care and education in our state.

Child care is an essential service. Advocates for early care and education have long known that child care is essential and child care providers are heroes. The initial shutdown due to COVID-19 highlighted this fact for others to see as well. During this unprecedented and uncertain time, early care and education professionals showed up to work and created and implemented plans to keep children safe.

Child care allows Hoosier parents to be in the workforce. Before COVID-19, two thirds of households with young children (ages 0-5) were in need of child care because all parents were working. One in three Indiana households with young children are headed by a single parent. Single parenthood can greatly affect one's ability to care for their child while also meeting their workplace responsibilities.

Indiana has a large workforce in goods-producing industries (manufacturing, construction, and natural resources and

mining), which means many workers cannot work remotely and therefore must have child care while they work. The U.S. Census Household Pulse Survey conducted from September 2-14, 2020, shows that only one in four households in Indiana (26%) have at least one adult who is working from home due to the pandemic. This is well below the national average of 36%. Indiana ranks 46th (out of 50 states and the District of Columbia) for the number of households with an adult working from home.

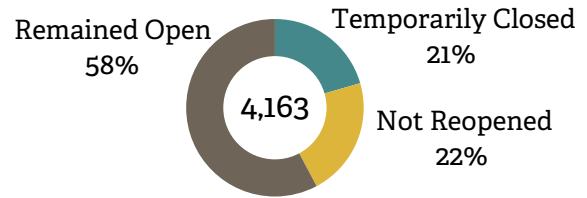
Having a parent working from home does not solve the problem of needing child care during the pandemic. Parents cannot easily split their focus to give both their child and their work the attention they require.

More than half of Indiana early care and education programs remained open during the initial shutdown due to COVID-19.

Prior to COVID-19, all counties had at least one early care and education program to serve young children and families. During the initial shutdown due to COVID-19 (March 23 - June 30), three counties (Newton, Union, and Ohio) experienced a period in which no programs were available for children and families. Indiana's rural counties lost a greater percentage of known early care and education programs compared to urban counties.

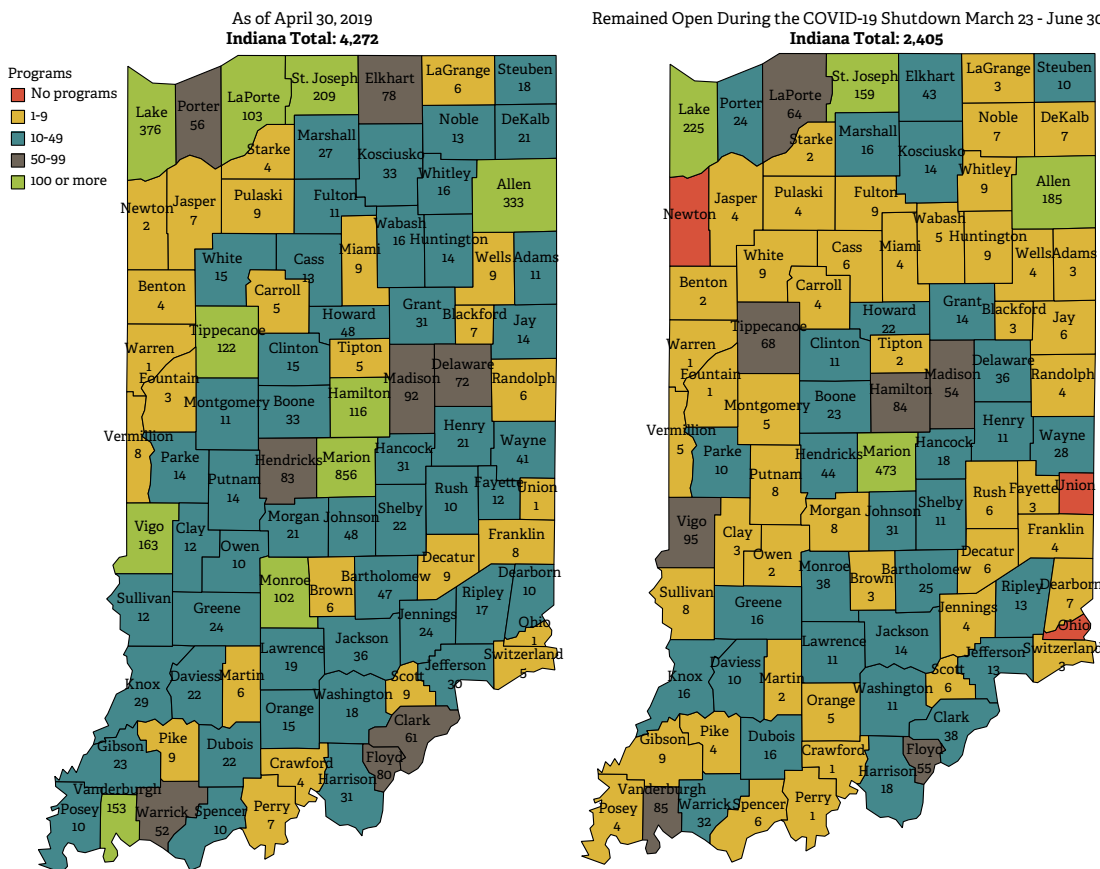
A majority (73%) of the programs that remained open during the COVID-19 shutdown were family child care homes.

FIGURE 1: Percentage of Programs Open During COVID-19 Shutdown



Source: FSSA Office of Early Childhood and Out-of-School Learning, March 23, 2020 - June 30, 2020.

FIGURE 2: COVID-19 Impact on Indiana's Early Care and Education Programs



Source: FSSA Office of Early Childhood and Out-of-School Learning, April 30, 2019 and March 23, 2020 - June 30, 2020.

There were concerns that COVID-19 would decrease the number of high-quality rated programs, which had risen every year since ELAC first reported it in 2014. Before the COVID-19 shutdown, Indiana was on track to have more high-quality programs in 2020. However, with 368 high-quality programs still closed as of June 30, the number of high-quality rated programs has decreased by 287 compared to April 2019.

During the COVID-19 shutdown, half of high-quality rated programs remained open. This resulted in a third (29; 32%) of Indiana counties having no high-quality program options available to families, compared to only four counties having no high-quality rated program before COVID-19.

In an attempt to help stabilize the early care and education industry across the nation and in Indiana during the shutdown, federal, state, and local governments, as well as private organizations, directed funding to support early care and education. Federal and state government provided three major financial supports. The Lilly Endowment also made financial support available in Indiana.

“The financial assistance has been a lifesaver. I would not have been able to remain open without it. It is still day to day, but grateful that I at least have a fighting chance.”

~ Marion County early care and education program

In addition, several local communities with philanthropic and other private support provided financial relief to child care programs.

Indiana quickly instituted a process for the application and awarding of funds to help programs deal with the immediate financial losses and instability due to the novel coronavirus pandemic.

“The Temporary Assistance Grants saved our child care programs!”

~ Community Coalition Leader



The COVID-19 pandemic has put a strain on nearly all industries, employers, communities, and families. The impact of COVID-19 on the early care and education industry has implications for the economy, programs, families, and children.

- Employers have become more aware of the critical role that child care plays in sustaining their own workforce.
- The early care and education sector is a fragile industry, and not many programs were able to withstand the initial impacts of the pandemic without significant financial support.
- COVID-19 created financial instability for families with children and caused stress and trauma.
- Many Hoosier families had to make difficult choices when going to work to provide for their family if they were unable to find a safe, affordable child care option.
- Children experiencing other adversity may be the most impacted by the pandemic. Children are more vulnerable than adults to the emotional impact of traumatic events that disrupt their daily lives. Some of our most vulnerable children have lost their connection with critical supports and resources and may not have access to adequate shelter, food, and safety during this time.

While Indiana and the country are in the midst of the COVID-19 pandemic, the long-term implications are still unknown. Based on preliminary insights contained in this report, ELAC recommends the following to best help young children and their families, early care and education programs, employers, and communities.

RECOMMENDATIONS

- 1. Increase Funding, Collaboration, and Flexibility**
- 2. Enhance and Increase Use of Business Management Supports**
- 3. Study Other States' Use of Tax Credits and Incentives to Support Families and Early Care and Education Professionals**
- 4. Strengthen Early Care and Education Data Reporting and Sharing**



1. Increase Funding, Collaboration, and Flexibility

Before the pandemic began, early care and education programs had slim margins—experiencing difficulty bringing in sufficient revenue to operate. Emergency federal, state, and philanthropic funding helped programs meet urgent new needs during the initial shutdown due to COVID-19. This emergency funding allowed many programs to either remain open or reopen after closing temporarily. As the pandemic continues, programs still face the need for increased funding to meet emergency needs. Once the pandemic ends, federal, state, and philanthropic officials can use their COVID-19 response as a model to make additional permanent funding available. Such funding could mean programs will not have to return to slim margins that make it difficult to provide affordable, high-quality early care and education to Indiana's youngest children.

Prior to the COVID-19 shutdown, programs had to meet many requirements in order to access various funding streams that help them break even. During the shutdown, the state of Indiana provided flexibility to programs caring for children.

For example, families did not have to meet the same attendance requirements, and programs were permitted to spend funding on personal protective equipment. Such flexibility helped programs stay open or reopen and continue their essential work of providing early care and education. The pandemic has caused many Hoosier families to experience similar struggles during the crisis.

Once the pandemic ends, families will again face struggles that are specific to their individual circumstances. If the state continues to offer flexibility in funding requirements, then early care and education programs will be able to better meet the long-term needs of each family.

2. Enhance and Increase Use of Business Management Supports

Although most programs received relief funding, not all did. Some early care and education programs had difficulty accessing funds through the Paycheck Protection Program (PPP) due to issues related to business management and financial systems. Prior to and during the pandemic, Indiana's Family and Social Services Administration (FSSA) Office of Early Childhood and Out-of-School Learning has worked with partners to understand programs' business needs. FSSA has connected programs to existing resources and provided additional support to strengthen their business management capacity. In addition to partners that specialize in early care and education like Child Care Aware of America and First Children's Finance, FSSA could partner with Small Business Development Centers and SCORE Mentors in order to strengthen business supports.

In addition to building programs' business management capacity, state and local partners have looked to shared services models as a solution. Shared services can set programs up for success by alleviating the need to manage their business operations on their own. Experts can manage program functions such as payroll and human resources, while early care and education programs focus on creating high-quality early learning environments.

FSSA could explore these efforts for implementation in Indiana, especially now that more programs recognize the benefits of utilizing such supports.

3. Study Other States' Use of Tax Credits and Incentives to Support Families and Early Care and Education Professionals

Since 2016, ELAC has helped host an annual statewide Early Learning Summit, which has focused on building and strengthening partnerships with business leaders. Many business leaders in Indiana make investments in the state's early care and education system. During this pandemic, more employers have realized the critical role that child care plays for their workforce and local economy. Employers have been asking what they can do to help their employees and the local community. Some states, like Georgia,¹ offer tax credits to encourage employer support of child care.

COVID-19 has also put a spotlight on the low wages paid to essential workers like early care and education professionals. During the pandemic, program administrators have faced added difficulty recruiting staff to work for such low wages during this dangerous time. Other states, such as Nebraska and Louisiana,² offer tax credits to early care and education professionals to supplement their wages in order to retain their workforce. Indiana could study the best practices of other states in order to determine which tax credit strategies may engage employers to invest in child care and meet the needs of programs and families during this crisis and beyond.

1. In "Georgia, businesses can receive a 100% total state tax credit, 10 percent credit per year for 10 years for land acquisition, improvements, buildings, building improvements, furniture and equipment used for the construction, expansion, improvement or operation of an employer provided child care program." https://gears.org/wp-content/uploads/Business_Toolkit.pdf

2. <https://csce.berkeley.edu/files/2019/05/From-Unlivable-Wages-to-Just-Pay-for-Early-Educators.pdf>

In addition to studying the use of tax credits, Indiana could examine how the definition of Next Level Jobs might be amended to include the early care and education workforce. The pandemic has spotlighted this industry as both in-demand and essential. With increased wages and supports from Next Level Jobs, Indiana could see improvement in its early care and education workforce.

4. Strengthen Early Care and Education Data Reporting and Sharing

In nearly every annual report, ELAC identifies a need to strengthen data systems across state agencies and partners to have more rapid, consistent, systematic, and comprehensive reporting. During the initial shutdown due to the pandemic, the FSSA Office of Early Childhood and Out-of-School Learning worked with partners across the state to collect and report on changes in the availability and capacity of early care and education programs. The work state and local partners have done to respond to the pandemic has provided much-needed data to understand the impacts of the pandemic, and it has also identified vulnerabilities in the data system, specifically regarding real-time data on child care demand and supply.

As some next steps in developing a unified early care and education data system, Indiana could designate the ELAC Data Coordination and Systems Integration Workgroup as the state's early care and education Data Governing Body, as 11 other states have done.³ The workgroup could review the KSM Consulting report from the Preschool Development Grant Birth-to-Five and work to develop actionable steps and a timeline for implementation.

There are some additional data integration changes that could make tremendous progress for Indiana's early care and education system, especially during another emergency like the COVID-19 pandemic:

- Assign unique program site identifiers with the ability to link with children and the early care and education workforce. Indiana has licensed and registered programs monitored by the FSSA Office of Early Childhood and Out-of-School Learning that are assigned a program identifier. Similarly, the Indiana Department of Education assigns public schools a unique school identifier. Early Learning Indiana, which provides data support for FSSA, also gathers data on unlicensed and exempt programs and assigns them a unique program identifier. Assigning unique identifiers across state agencies and partners could help to mitigate duplicate reporting. When a program interacts with more than one agency (e.g., a public school that is also licensed by FSSA), they will not have the same unique program identifier. Similarly, when a licensed center or home closes with FSSA and opens a new facility, they will be assigned a new unique program identifier, meaning there is not a historical record. This causes ELAC and its state partners to spend considerable time ensuring these programs do not get counted twice in the needs assessment.

3. <https://www.childtrends.org/wp-content/uploads/2018/09/ECDC-50-state-survey-9.25.pdf>

- **Align child-level data definitions.** In past years, ELAC wanted to understand equity and access for different populations, such as children of color, children from low-income families, children in foster care, children experiencing homelessness, and children with disabilities. Indiana's data collection methods and definitions are not standardized across state agencies, so a first step is for agencies to align definitions and methods for collecting and reporting on special populations. The Indiana Department of Education went through a similar process with their Data Exchange and INview projects through the Ed-Fi Data Standard and Technology Suite, and they may be able to share lessons learned with early care and education system partners.

These actions would be a concrete way to make progress while the state budget is constrained.

