

GOVERNOR'S CHILD CARE TASK FORCE REPORT



NOVEMBER 2021



LETTER FROM THE CHAIR

Dear Governor Reynolds:

As a mother, wife, employer and Iowan, I am honored to submit the final report of the Governor's Child Care Task Force on behalf of myself and our 17 task force members. In the fall of 2020, the Governor's Economic Recovery Advisory Board identified a comprehensive strategy to address Iowa's child care needs as its top priority and recommended the creation of this task force. In our meetings over a 100-day period, the task force members focused on innovative solutions to positively impact Iowa families, rather than merely incremental changes. I believe we have accomplished this goal, and I am pleased to submit these recommendations to you.

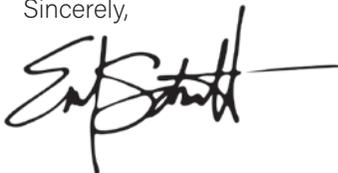
The task force started with a major assignment. Iowa's child care crisis touches every corner of the state – livelihoods of families, economic growth of communities, expansion of businesses and stability of our government. The economic impact is significant; Iowa loses \$935 million dollars annually as a result of lack of child care. A lack of child care availability affects employers, and also creates challenges for Iowa families when parents leave or miss work, or postpone their own education or training.

In a state as hard working as Iowa, it comes as no surprise that our state is a national leader for all parents in the household working. Iowans know how to get the work done and feel a certain pride in our work. A lack of child care availability should not be a constraint on our ability to be productive at work, and we know the current environment is not sustainable. Equal parts important is ensuring not just access to care, but access to quality care. Quality child care can be a springboard to learning and a key tool in early childhood development and school readiness.

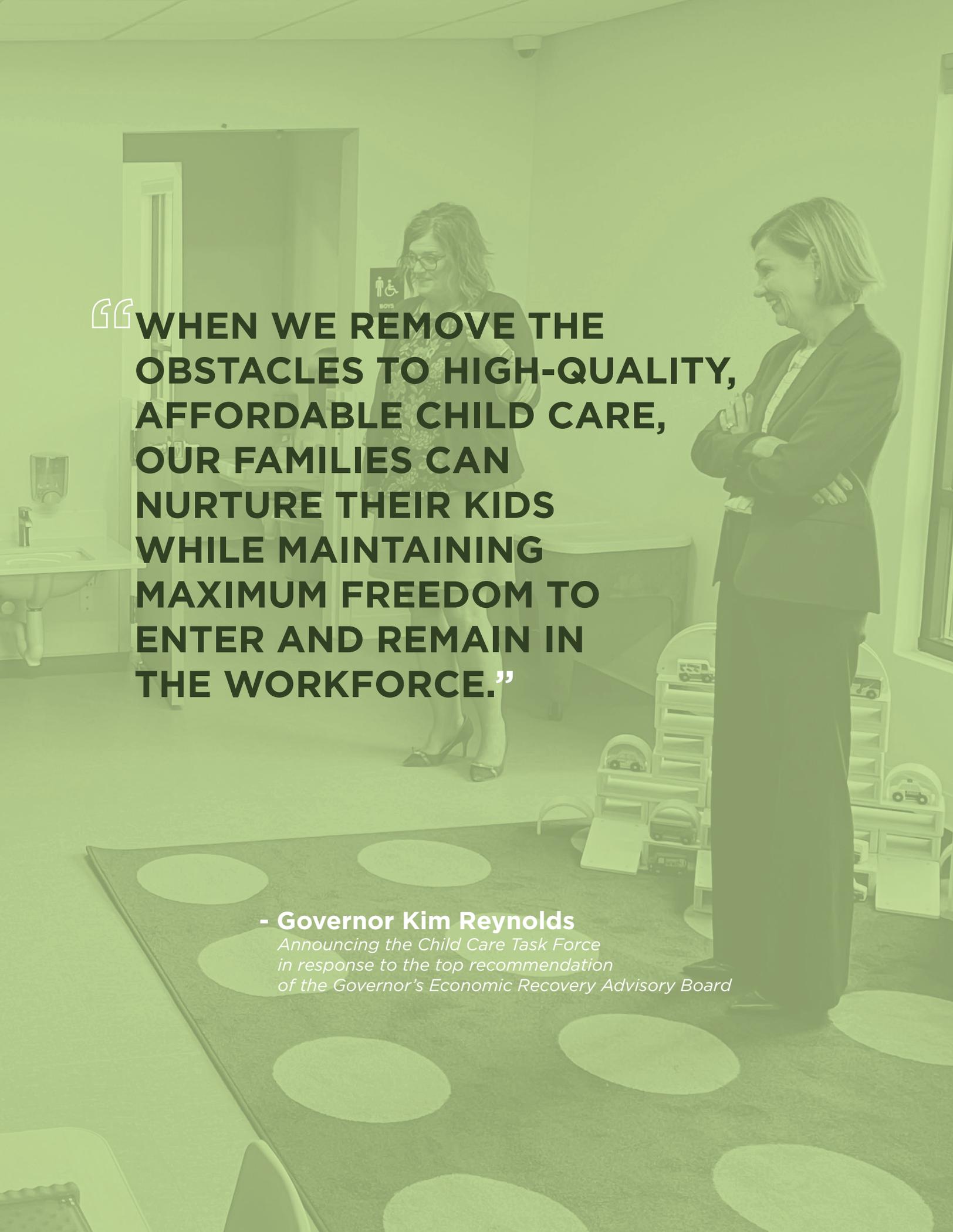
The task force took a hands-on approach as we worked toward a comprehensive child care strategy for Iowa. Our group included service providers, nonprofit organizations, elected officials and members of industry from around the state. We held town hall meetings to hear directly from child care providers, families, employers and members of the child care workforce. The stories we heard are captured between the lines of this report – from parents struggling with waitlists to child care providers overly burdened with paperwork and facing staff shortages.

Thank you for taking swift action to create this task force and for considering these recommendations that were formed through extensive collaboration. While this task was a significant challenge, we hope it will result in a significantly improved child care environment.

Sincerely,

A handwritten signature in black ink, appearing to read 'Emily Schmitt', with a long horizontal flourish extending to the right.

Emily Schmitt
Chair



“WHEN WE REMOVE THE OBSTACLES TO HIGH-QUALITY, AFFORDABLE CHILD CARE, OUR FAMILIES CAN NURTURE THEIR KIDS WHILE MAINTAINING MAXIMUM FREEDOM TO ENTER AND REMAIN IN THE WORKFORCE.”

- Governor Kim Reynolds

*Announcing the Child Care Task Force
in response to the top recommendation
of the Governor's Economic Recovery Advisory Board*

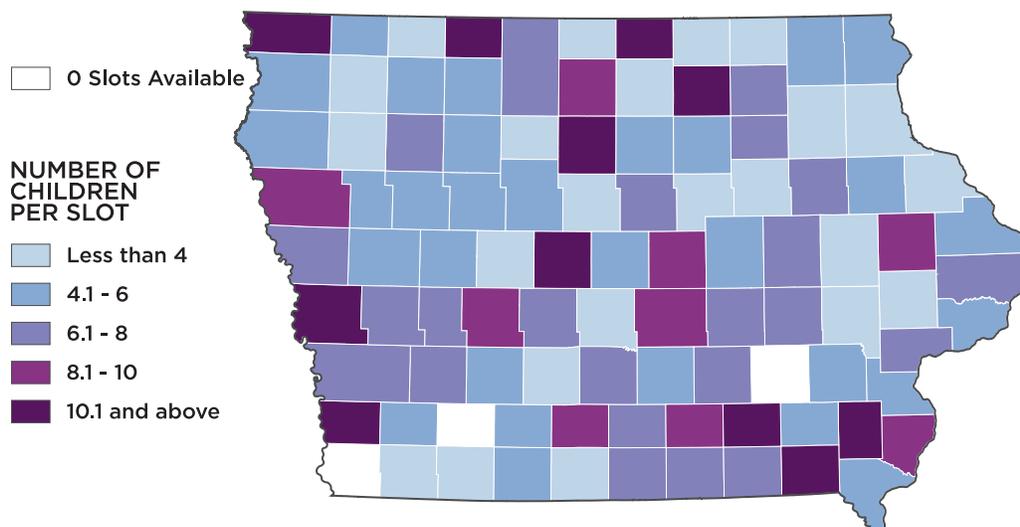
INTRODUCTION

Iowa is home to a skilled, highly qualified workforce with an unbeatable work ethic. This workforce is critical to the state's continued economic growth and prosperity. And yet too many working parents struggle to find quality, affordable child care for their children while they work.

Indeed, Iowa is a national leader in the share of households with all parents working, but has too few options for child care: 23 percent of Iowans — and nearly 35 percent of rural Iowans — live in a “child care desert,” or an area with a shortage of licensed providers. Moreover, at an average monthly cost of \$1,031, child care is more expensive than housing for the average Iowa family.

NUMBER OF CHILDREN PER OPEN CHILD CARE SLOT

Infants and Toddlers Only, Child Care Centers and Licensed Early Head Start Programs Only



SOURCE: Derived from 2020 Iowa Department of Human Services child care licensing information for providers of care for infants and toddlers and the U.S. Census American Community Survey - 5 year estimates.

These problems intensified during the pandemic, which forced many child care providers to close while others were left with mounting debt, higher expenses, and a worker shortage.

Iowa's child care crisis hurts more than Iowa child care providers and families. It also costs Iowa's economy close to a billion dollars each year in lost tax revenue, employee absences, and turnover.

Governor Kim Reynolds created the Child Care Task Force through Executive Order 8 on March 10, 2021. The task force was established in response to the top recommendation of the Governor's Economic Recovery Advisory Board, which convened early on in the pandemic to deliver bold recommendations for helping Iowa's economy not only rebound, but grow.

The Governor's charge to the Child Care Task Force was to develop a comprehensive strategy to address Iowa's child care shortage and barrier to work in Iowa.

The recommendations in this report represent an opportunity to do just that while building on the strong foundation of Iowa's workforce, businesses, economy, and quality of life.

MEMBERSHIP

Governor Reynolds appointed members of the task force to represent business, nonprofit and community organizations, child care providers, and local government.

Emily Schmitt, Chair

Sukup Manufacturing Co.

David Arens

Wells Fargo

Jennifer Banta

Iowa City Area Business Partnership

Amy Bice

Family Child Care Home Provider, Cherokee

Mayor Roy Buol

Dubuque

Teree Caldwell-Johnson

Oakridge Neighborhood

Tessa Dinsdale

Lincoln Savings Bank

Erika Fuentes

Crittenton Center

Lisa Gates

Friendship Village

Pastor Philip Herman

Highland Park Community Development Association

Mary Janssen

Childcare Resource and Referral of Northeast Iowa

Josh Laraby

Fairfield Economic Development Association

Mayor Gene Newgaard

Iowa Falls

Miranda Niemi

Quality Beginnings

Dawn Oliver Wiand

Iowa Women's Foundation

Jenna Ramsey

Stanton Community Development

Raven Walker

Family Child Care Home Provider, Council Bluffs

Dianna Williams

Ann Wickman Childcare Center YMCA

PROCESS

The Child Care Task Force cast a wide net to gather feedback and insight on the state of child care in Iowa, with a total of 51 official meetings, working groups, and town halls. The task force's 15 recommendations provide a comprehensive look into child care solutions for families, providers, communities, and employers. Additional "Just Do It" recommendations were identified as common-sense process initiatives that the state can put in place with relative ease.

The Child Care Task Force created four working groups to leverage the expertise and experience of stakeholders and community members.

CHILD CARE TASK FORCE WORKING GROUPS



**INCREASING EMPLOYER INVESTMENT
AND ENGAGEMENT OPPORTUNITIES
IN CHILD CARE**



**REGULATORY BARRIERS
& FINANCING OPTIONS**



**EXPANDING ELIGIBILITY
FOR CHILD CARE ASSISTANCE**



CHILD CARE WORKFORCE ISSUES



The Child Care Task Force also held two virtual town hall meetings to receive direct insight on ways to improve child care in Iowa from those who know it best: parents with children in child care and child care providers.

RECOMMENDATIONS IN SUMMARY

CHILD CARE SOLUTIONS FOR BUSINESSES

Business Coordination

- Develop a child care planning pilot program that identifies a single point of contact for employers, advocates, and communities to seek technical assistance on child care

Business Slots

- Establish a tax credit program to incentivize employers to purchase slots (available openings) in a child care center as a benefit to employees

Business Investment Credits

- Create an Iowa Child Care Investment Tax Credit program

Property Tax Parity

- Create a subcategory of commercial property used for child care centers to treat property tax the same as residentially classed property

Vacant School Rehabilitation

- Create a pilot project to transform vacant school buildings into child care centers utilizing local and state resources, while also identifying opportunities to fill community needs

Child Care Challenge Fund

- Support and continuously review the Child Care Challenge Fund to increase availability of child care with partnerships that include regions, communities, and businesses

Sales and Use Tax Exemption

- Create a sales and use tax exemption on building materials used for the construction or expansion of a licensed child care center

Best Places for Working Parents

- Implement a designation in Iowa for the Best Place for Working Parents® available to eligible employer businesses

SUPPORT FOR CHILD CARE PROVIDERS

Shared Services

- Develop a shared services model that will allow child care providers to access a statewide, web-based partnership platform for support on various business operations

Fire & Safety Code Requirements

- Create consistency and transparency in fire and safety code requirements in child care centers



QUALITY CHILD CARE FOR FAMILIES

Child Care Assistance

- Provide more flexibility in Child Care Assistance program requirements to help more working families and child care providers

Blended Child Care and Education

- Expand early learning opportunities by blending child care and preschool options.

Child Care Enrollment Hub

- Develop a central online hub for parents to quickly and easily find information regarding child care facilities, openings, and enrollment

INVESTING IN THE CHILD CARE WORKFORCE

Workforce Education Compensation

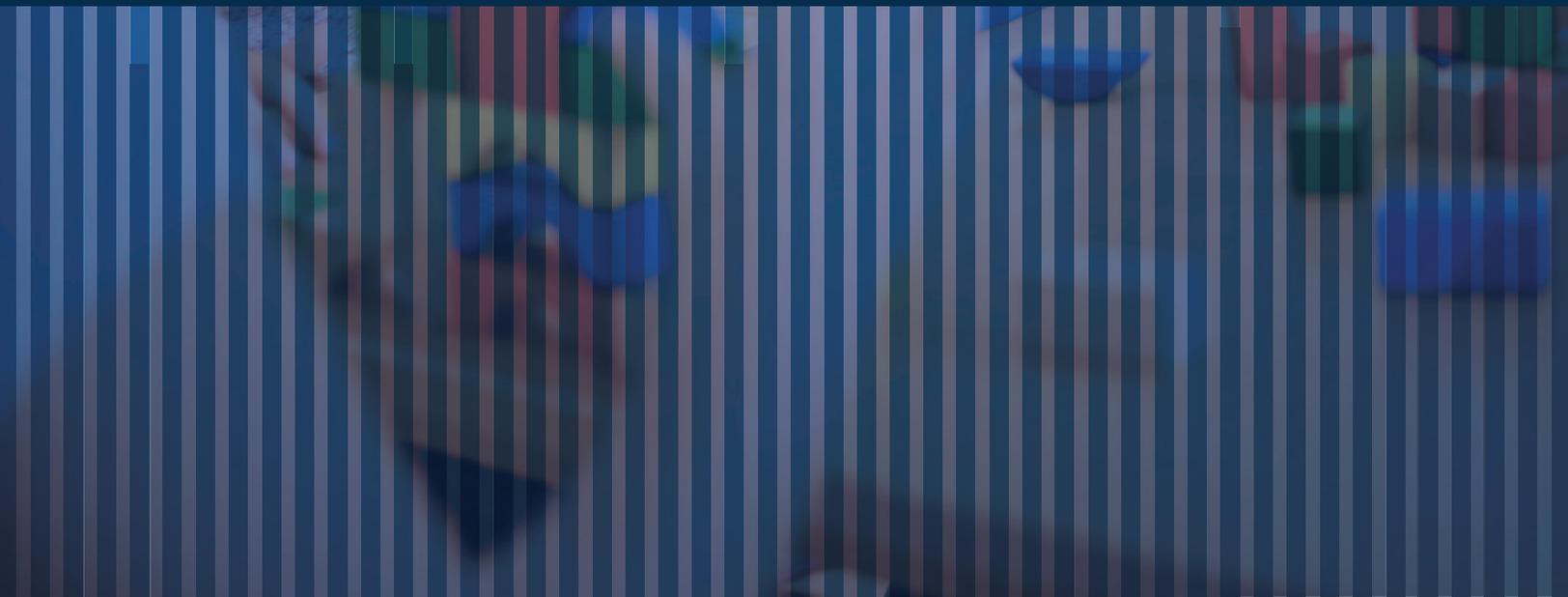
- Continue to support child care workforce education programs – including T.E.A.C.H and WAGE\$ – and leverage new opportunities to fill the gap for individuals interested in pursuing the child care profession

Ratio Requirements

- Re-examine staffing restrictions and child-staff ratios to determine whether regulatory changes should be made



CHILD CARE TASK FORCE FULL RECOMMENDATIONS



CHILD CARE SOLUTIONS FOR BUSINESSES

Promote Child Care Availability through Employer Investment and Provider Expansion

The availability of quality, affordable child care is key to attracting and retaining a workforce. Business leaders understand the value of child care-related work benefits for employees, company productivity, and their bottom line. However, creating, expanding, and/or running child care centers can be cost prohibitive for employers. Iowa needs incentives to help lower costs and make child care more accessible, which will benefit businesses, workers, and child care providers.

BUSINESS COORDINATION

Recommendation: Develop a child care planning pilot program that identifies a single point of contact for employers, advocates, and communities to seek technical assistance on child care.

Many businesses and communities needing child care solutions simply don't know where to begin. The state can play an important role in partnership with stakeholders to connect the dots and provide technical assistance to businesses.

The Iowa Business and Child Care Coalition, formed by the Iowa Women's Foundation and statewide business leaders, created a toolkit of solutions for businesses, from subsidized child care to flexible spending accounts and on-site child care. The task force recommends creating a pilot initiative through a partnership between the Iowa Economic Development Authority (IEDA) and the Iowa Women's Foundation with a full-time Child Care Navigator position that assists businesses in assessing their needs and understanding the solutions outlined in the toolkit. IEDA's supervision will provide needed connectivity to business, communities and economic development organizations across the state.

Some Iowa businesses are already delivering child care solutions to their employees. Casey's has operated Casey's Kids Child Development Center for 30 years to attract and retain team members. Vermeer opened an on-site child care, Yellow Iron, in 2015 that supports parents with early hours, incorporates school transportation, and offers drop-in care for unexpected events. Frontier Co-op has offered child care options for their employees since 1976 with a choice for on-site subsidized child care at Frontier Childcare and Preschool or a monthly child care reimbursement. A dedicated point of contact will assist Iowa businesses in learning one another's successes and understanding the available supports, regulatory requirements, and best practices.

BUSINESS SLOTS

Recommendation: Establish a tax credit program to incentivize employers to purchase slots (available openings) in a child care center as a benefit to employees.

Iowa employers who are working to recruit or retain talent understand the availability of child care can make or break a family's employment decisions. Child care waitlists should not be a barrier. Iowa can help talent attraction efforts through incentives that encourage employers to buy slots at child care centers and make them available to employees when needed. Employees could cover some, most or all of the cost of slots they use, while employers could cover the cost of unused spaces so that child care providers receive a stable funding stream and can afford to keep spaces open for the employer.

The task force recommends an incentive that pairs private donations with state tax credits to help businesses invest in child care and that IEDA oversee the incentive to ensure funds are used for their intended purpose.

Private industry is already investing in child care slots in Iowa. JBS USA and Swift Prepared Foods (formerly Plumrose USA) partnered with the Ottumwa Family YMCA to fund their child care renovation and expansion project in return for affordable child care for the companies' employees. With JBS' \$600,000 contribution to the project, the company will receive 40 discounted child care slots at the updated YMCA facility for employees with children from birth to age 3. Additionally, all JBS employees will be offered a \$10/month discount on a YMCA membership.

Pella Corporation partnered with New Horizons Academy to bring an accredited program to Pella and merge an existing child care center into a newly remodeled facility. With Pella Corporation's investment, the new facility will offer accredited programs for early learning with capacity for up to 214 children, ages 6 weeks through the end of fourth grade, expanding availability of child care in the community by 43%. To avoid long waiting lists for Pella Corporation employees who are new to town, they plan to reserve a limited number of available spots. They are also exploring the potential for discounted rates for the children of employees that attend New Horizon Academy.

BUSINESS INVESTMENT CREDITS

Recommendation: Create an Iowa Child Care Investment Tax Credit program.

Under the proposed Iowa Child Care Investment Tax Credit program, businesses would be eligible for a 20% refundable tax credit for investing in the construction or acquisition of a nonprofit child care center used by the employees of the company, and a 5% refundable tax credit for the annual cost of providing child care to the children of employees. This proposal complements the federal employer-provided child care credit (Internal Revenue Code section 45F), in which businesses are eligible for a federal income tax credit equal to 25% of the expenses to purchase or build a child care facility used by the business' employees.

In South Carolina, businesses are eligible for a tax credit equal to 50% of the cost of establishing or operating a child care program for their employees. These costs could range from mortgage or lease payments to equipment, building purchases or improvements, and donations to nonprofit organizations.

PROPERTY TAX PARITY

Recommendation: Create a subcategory of commercial property used for child care centers to treat property tax the same as residentially classed property.

The costs of running commercial child care centers are much higher than those of residential family child care homes because of additional overhead expenses. One such expense with the potential for relief is the higher tax burden. Commercial child care centers are considered commercial property for state property tax purposes, whereas in-home noncommercial child care operations are considered residential property.

This recommendation would create a subcategory of commercial property that is used for child care. The subcategory would treat commercial property the same as residential property for the purposes of applying assessment limitations. This would lower the property tax burden and create property tax parity between commercial child care operations and in-home noncommercial child care operations. The classification and valuation standard would remain the same as commercial property.

VACANT SCHOOL REHABILITATION

Recommendation: Create a pilot project to transform vacant school buildings into child care centers utilizing local and state resources, while also identifying opportunities to fill community needs.

Old schools across the country are finding new life as housing, and this recommendation builds on that trend by opening more space for child care. School buildings are a natural fit for child care since they are already designed for children and can be renovated or updated to ensure zoning compliance is met and rooms are adapted in an age-appropriate manner. Reusing vacant school buildings is a cost-effective way to provide space for child care centers in rural Iowa.

In a spring 2021 survey, Iowa school districts reported at least 49 vacant school buildings across the state; of those, 15 buildings were identified as being in suitable condition to be transformed into child care centers with upper-floor housing. Under this recommendation, an Iowa community will be identified for a pilot project to convert a vacant school so that the ground floor provides space for child care and upper floors could be used for other community needs, such as housing or small businesses. IEDA is best positioned to lead the pilot project because the state agency oversees various financial assistance programs that help stimulate economic growth through the redevelopment of buildings in Iowa communities. IEDA should leverage these resources for the pilot project and evaluate the results.



CHILD CARE CHALLENGE FUND

Recommendation: Support and continuously review the Child Care Challenge Fund to increase availability of child care with partnerships that include regions, communities, and businesses.

Many Iowa communities and businesses are working together to make child care more available and affordable for families. Last year, Governor Reynolds launched the Child Care Challenge Fund, an innovative program that encourages employers, community leaders, and other stakeholders to work together on solutions. Specifically, this matching grant program helps with the construction, renovation, and remodeling of child care facilities.

Often, communities, businesses, and nonprofits want to expand or scale programs but need additional funding to get the project off the ground. The Child Care Challenge Fund matches private investments dollar for dollar and can help close fundraising gaps to jumpstart projects. Grants are awarded on a competitive basis by Iowa Workforce Development (IWD) in consultation with the State Workforce Development Board.

In 2021, IWD partnered with the Iowa Department of Human Services (DHS) to distribute more than \$13 million in federal grants and Child Care Challenge funds to existing or new child care projects across the state. DHS funds covered supplies, equipment, and health and safety improvements while the Child Care Challenge funds were used to purchase ground or pay for major renovations or new construction costs. By working together to braid the grant programs, Iowa was able to provide significant assistance to applicants that will result in more than 4,000 additional child care slots across the state.

Sunflower Child Development Center in Decorah is in the beginning stages of an expansion to accommodate 92 new child care slots. Furniture and equipment will be paid for with funding from the Investing in Iowa's Child Care (\$750,000) and the Child Care Challenge (\$10,000) funds. All classrooms will be fully furnished with age-appropriate equipment and supplies, including STEM-focused learning tools/toys. This project has connected and engaged many local partners, including Winneshek Medical Center, community organizations, schools, colleges, utility, and several businesses and banks.

SALES AND USE TAX EXEMPTION

Recommendation: Create a sales and use tax exemption on building materials used for the construction or expansion of a licensed child care center.

Making child care more available and affordable starts with cutting costs for child care providers. Iowa law allows contractors to purchase building materials for use in construction contracts with state agencies and other exempt entities without paying sales and use tax on them. The exemption applies to materials permanently installed or placed in a construction project, such as the bricks and mortar used to construct an office building. Allowing commercial child care centers to identify as a Designated Exempt Entity as it relates to sales and use tax exemptions lowers construction costs, which makes it easier to build or expand child care centers and opens up more child care slots for families.

BEST PLACES FOR WORKING PARENTS

Recommendation: Implement a designation in Iowa for the Best Place for Working Parents® available to eligible employer businesses.

The Best Place for Working Parents® initiative was created by the Miles Foundation in Fort Worth, Texas, to assess, designate, and promote area businesses that support family-friendly and business-friendly policies to increase and retain their workforce. The foundation discovered that businesses providing child care for their employees decrease job turnover by up to 60%. A short, confidential online self-assessment and accompanying platform allows participating businesses to compare their policies to those of businesses of similar size and see if they qualify for a Best Place for Working Parents® designation. Policies reviewed by the assessment include paid health care, paid time off, maternity/paternity leave, on-site child care, child care assistance, backup child care, flexible hours, remote work opportunities, nursing (lactation) benefits and other “Best Places” business designations. Rolling out the Best Place for Working Parents® initiative in Iowa would provide Iowa employers with the opportunity to be recognized for their investments in child care, help attract working parents, and encourage competition and continued investment in Iowa families.

JUST DO IT

Continue to support the Rural Child Care Market Study Grant Program

Child care is a challenge across rural communities in Iowa and across the nation. The Rural Child Care Market Study Grant Program supports the use of data and analysis by rural communities to determine their specific needs and solutions. Through the Governor’s Empower Rural Iowa Initiative, Governor Reynolds introduced the grant program to help communities assess their child care market environment and develop strategies to address child care challenges. On October 5, Governor Reynolds announced \$100,000 in new funding for this program.



SUPPORT FOR CHILD CARE PROVIDERS

Reduce Regulatory & Administrative Burdens on Child Care Providers

Many child care providers struggle to provide the best, responsive care to children and families while operating an efficient and thriving small business. Challenges include attracting and retaining qualified staff, overhead expenses, and small margins. Identifying mechanisms to help offset the barriers that child care centers (commercial facilities) and regulated family child care homes (residential care in a private home) experience must be part of the solution to Iowa's child care crisis.

SHARED SERVICES

Recommendation: Develop a shared services model that will allow child care providers to access a statewide, web-based partnership platform for support on various business operations.

Shared services models for child care businesses allow providers to operate independently while benefiting from cost savings and resources offered through the partnership platforms. Investments in a shared services model produce significant returns for participating providers, including operational efficiencies that enable their businesses to be more efficient, sustainable, and higher quality, according to a study by the Development Research Partners.

With 32 states and the District of Columbia incorporating a shared services child care initiative, it is a nationally recognized best practice. The shared services approach includes a common child care management software system to centralize key functions, including administrative tasks (payroll, billing and fee collection), group purchasing, professional development and pooled retirement benefits and/or health benefits. Some states have also launched substitute pools and created online platforms for child care providers to share instructional resources. States that have put in place shared services have generally worked with national experts to help identify the services that best fit their needs and roll them out through a phased approach.

In New Hampshire, child care centers that participate in shared services have experienced significant cost savings, such as saving 25% on commercial insurance. The program's 23 participating agencies also have a combined buying power of over \$30 million, which allows providers to spend significantly less on food and classroom supplies. Additionally, partnering with a large-scale property management company has given providers access to a one-hour response time for emergency repairs and back office supports (human resources, accounting services, marketing).

Wisconsin launched a shared services network to serve as a catalyst for stabilizing the child care market and elevating the quality of child care. The network offers technological advancements and centralized processing, on-site business consultation, joint purchasing on bulk goods and services, a substitute teacher pool, and access to an online platform that houses thousands of materials and resources vetted by national experts.



FIRE & SAFETY CODE REQUIREMENTS

Recommendation: Create consistency and transparency in fire and safety code requirements in child care centers.

Child care centers report inconsistent, unclear regulations at the state and local level. Unforeseen local requirements that may vary from the state fire and safety codes can make it difficult to control costs. Also, there might be opportunities to identify alternative, more affordable solutions that meet the same level of requirements.

The State Fire Marshal provides safety requirement guidelines for child care centers based on a variety of factors, including the number of children served, types of kitchen equipment utilized and location of the center in a building. In addition to State Fire Marshal requirements, some municipalities also have requirements that a child care center must meet to comply with city codes. There may be a variety of methods to design and equip a center to meet state and local requirements; however, providers may be unaware of design options they could implement that meet safety requirements and significantly reduce related costs.

In addition to ensuring that child care providers are aware of all remedial options, there should be consistency between state and local fire and safety code requirements and the enforcement of those requirements.

In one instance, a child care provider identified the need to purchase an \$80,000 kitchen ventilation system to follow state fire and safety code regulations. Upon further research, the provider discovered a more affordable solution that was approved by the state, but had not previously been offered as an option. With another provider, city requirements were interpreted differently among the city inspectors, which led to additional unplanned costs and child care enrollment delays. With consistency, direction, and open conversation between regulators, providers can better manage the extensive safety requirements in child care centers.

JUST DO IT

Identify and work to reduce areas of state regulatory burdens on child care providers.

Through a statewide survey, DHS should examine specific areas of regulatory burden on child care providers and identify opportunities to reduce it. The state should apply “Lean,” a method pioneered by the private sector and used in Iowa since 2003 to help provide efficient and effective services. For example, a Lean process review could streamline paperwork requirements for Iowa’s child care licensing and voluntary quality rating system.

Advocate to reduce paperwork requirements for the federal Child and Adult Care Food Program.

The Child and Adult Care Food Program is a federally funded program that provides meal reimbursement to child care centers, adult day care centers, emergency shelters, before and after school programs, and family child care homes. A cumbersome federal paper-based system discourages some small child care centers from participating in this valuable program.

Improve support to child care providers in business competencies.

Enlist business experts in local communities and through industry associations to provide technical support or mentorship to help child care providers succeed in running a business. The state could implement an expanded Child Care Management systems approach using the “iron triangle” of early care and education finance, a model that focuses on finding balance among three factors: full enrollment, revenue that covers per-child cost, and on-time full fee collection.

Re-examine Iowa’s quality rating system with an eye toward promoting ease of use and incentives for engagement and improvement.

Iowa should review its voluntary ratings system for registered family child care homes, licensed child care centers and preschools, and should consider connecting the system to bonuses as an incentive for both initial participation and improvement. Formerly the Iowa Quality Rating System, Iowa Quality for Kids (IQ4K) provides a rating between one and five stars for providers working to offer exceptional child care. This rating is analyzed based on the qualifications of caregivers, with level one reflecting basic registration or licensing standards and level five reflecting training in quality areas such as professional development, health and safety, leadership and administration.

Work with libraries across the state to set up regional lending libraries for toys and/or curriculum.

Regional lending libraries can provide local child care centers with thousands of educational resources, including children’s books, videos, and teacher instructional and resource books. This would allow child care centers to offer a diverse education without the burden of excessive costs and storage space.



QUALITY CHILD CARE FOR FAMILIES

Improve Access to Quality Child Care for All Families

Working parents need access to safe, nurturing, educational, and affordable child care. A thriving child care system is critical to growing Iowa's workforce and supporting child development.

CHILD CARE ASSISTANCE

Recommendation: Provide more flexibility in Child Care Assistance program requirements to help more working families and child care providers.

The state-funded Child Care Assistance (CCA) program supports low-income families with parents who are looking for work, employed, or attending school to pursue vocational or educational training. Child care programs that accept CCA receive a reimbursement rate ranging from the 50th to the 75th percentile of the 2020 Market Rate Survey, depending on program type, age of the child being served, and IQ4K rating.

In State Fiscal Year 2021, a total of 31,152 children (16,652 families) accessed child care services through CCA. During this same time period, Iowa had more than 4,500 regulated child care programs in the state.

Raising the CCA initial eligibility level, which follows the household income guidelines, would allow more working Iowa families to benefit from the program. Iowa's CCA initial income eligibility level was last raised in 2005 from 140% of the federal poverty level (FPL) to 145%, or \$31,842 annually for a family of three. Iowa lags behind all but 10 other states at the current percentage. Single-parent households are the predominant participants in the state's CCA program. At initial eligibility, a working single parent with one child can earn no more than \$25,260 per year to be eligible for CCA benefits. Recent changes to the program have worked to address the "cliff effect," or loss of benefits when Iowans earn a small pay raise, but the initial eligibility level prevents many working parents and families from participating in the CCA program at all.

Iowa law does not allow parents to pay the difference between CCA rates and rates charged to families who do not receive assistance (private pay rates). This can be a disincentive for child care providers to accept children receiving CCA. DHS should review state CCA programs that allow or require parents to pay the difference between private pay rates and their state CCA reimbursement and make a recommendation about Iowa's path forward.

Finally, child care providers need relief to cover budget gaps caused by the unexpected absences of CCA-eligible children. CCA reimburses child care programs for no more than four days per month for eligible children that are absent because of illness or other reasons. Providers are not paid for additional absences, which hurts their bottom line. While providers can cover unpaid absences with children on a waiting list, many wait weeks or months to do so in order to avoid leaving CCA families without child care. Reimbursing providers for additional absences would give them more time to determine whether a family is temporarily or permanently absent without absorbing a financial loss. This is a particularly important issue for child care providers that serve children with special needs. Although providers receive a higher CCA rate for children with special needs, these children may be absent more frequently due to medical issues.

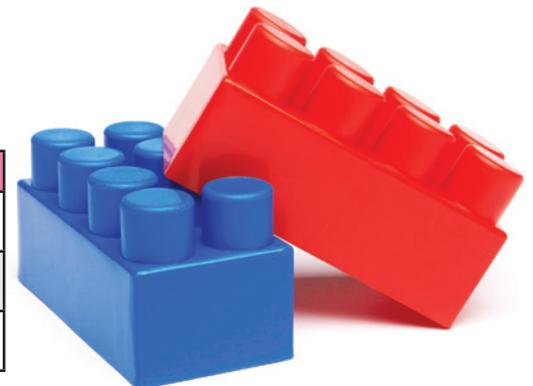
CHILD CARE ASSISTANCE INITIAL ELIGIBILITY LEVELS

Estimated FPL	Estimated Caseload for FY 2022			At Average Rate of \$414 per Child			
	Average Monthly # Children	Monthly Increase per FPL Level	Cumulative Increase	Monthly Cost Increase	Cumulative Monthly Increase	Annual Cost Increase	Cumulative Annual Increase
145% FPL	24,250						
150% FPL	25,106	856	856	\$354,384	\$354,384	\$4,252,608	\$4,252,608
155% FPL	26,006	900	1,756	\$372,600	\$726,984	\$4,471,200	\$8,723,808
160% FPL	26,906	900	2,656	\$372,600	\$1,099,584	\$4,471,200	\$13,195,008
165% FPL	27,806	900	3,556	\$372,600	\$1,472,184	\$4,471,200	\$17,666,208
170% FPL	28,706	900	4,456	\$372,600	\$1,844,784	\$4,471,200	\$22,137,408
175% FPL	29,606	900	5,356	\$372,600	\$2,217,384	\$4,471,200	\$26,608,608
180% FPL	30,466	860	6,216	\$356,040	\$2,573,424	\$4,272,480	\$30,881,088
185% FPL	31,326	860	7,076	\$356,040	\$2,929,464	\$4,272,480	\$35,153,568

Monthly increase based upon anticipated SFY22 caseload and cost per child date and U.S. Census Bureau data (2019) for number of children at various FPL beyond 145% FPL (Includes all cases)

ALLOWABLE REIMBURSED ABSENT DAYS

Absent Days	Cost
4 (current)	\$8.8 million/year
6	Additional \$4.4 million/year
8	Additional \$8.8 million/year





BLENDING CHILD CARE AND EDUCATION

Recommendation: Expand early learning opportunities by blending child care and preschool options.

Iowa put in place a state-funded preschool program in 2007 to provide more 4-year-old children the foundation to enter kindergarten ready to learn. The Statewide Voluntary Preschool Program provides at least 10 hours per week of instruction by Iowa-licensed teachers through a stable funding source: Iowa's state school-aid formula. Iowa spends about \$86 million annually on the program. While enrollment numbers have increased since 2007, only 55% of Iowa's 4-year-old children attended in 2020. Education leaders point to barriers such as space constraints for schools and complications for working parents, who may pass up state-paid preschool to pay for other child care options because they need full-time care beyond the 10 hours of preschool.

Blending early childhood education and child care would address this barrier. Understanding the interrelated nature of child care and early childhood education and that most brain development occurs well before age 4, many states around the country have turned to models that blend the two.

Research shows preschool has long-term benefits for:

- Students, who are more likely to enter school ready to learn, to graduate on time, and to find employment, with even greater gains for children from low-income and dual-language backgrounds
- The economy, with an impressive return on public investment as high as \$17 for every dollar
- Working parents, given the scarcity of high-quality, affordable child care

Blending preschool and child care provides a stable option for working families, positions students for success in school and sets the stage for long-term economic benefits. Public-private partnerships between school districts and private child care centers could help ensure district-supported blended models do not unfairly compete with private providers. These partnerships could also ease space constraints for schools. The Iowa Department of Education could provide targeted support to assist schools and child care facilities in exploring options for learning models, particularly as results become available from an exploratory project in Council Bluffs.

The Council Bluffs Community School District recently launched a child care and early learning exploratory project to improve the area's early childhood development opportunities and attract and retain workforce. With a total budget of \$17 million, including a \$7 million investment from the Iowa Department of Education's second round of Elementary and Secondary School Emergency Relief (ESSER II) funds, the project includes the construction of an Early Learning Center to address the community's ongoing needs for more child care and preschool options. The new center will serve 192 children from birth to age 5 in 14 full-day preschool classrooms. This project will offer valuable insight about the potential for expanding this concept statewide.

CHILD CARE ENROLLMENT HUB

Recommendation: Develop a central online hub for parents to quickly and easily find information regarding child care facilities, openings, and enrollment.

Iowa families struggle to learn about child care providers, find openings, and fill out required paperwork. With a real-time central information system, families could search for child care openings by location, book tours online, fill out paperwork electronically and enroll faster. Both families and providers struggle with the communication and time spent on the enrollment process.

Updates on child care openings are available through a DHS portal based on regular data inputs from providers, but the information is often incomplete or outdated. Iowa should explore technology that enables seamless updates in real time, providing accurate information for families, providers, and the state.

Allegheny County, Pennsylvania developed a data and community management platform to collect and share information about area child care centers. The county launched a search platform that tracked attendance data through text messaging enabled through artificial intelligence and offered a provider portal. As it expanded, the platform added features such as a child care finder tool with search filters. The platform includes data from all early learning, after school, summer camp and virtual program offerings for children from birth to age 18. With this data, the county can access powerful, real-time information that will lead to improvements, such as better education for providers and communication with families needing child care.

JUST DO IT

Encourage integration within child development centers to support children with special needs.

The state should encourage child care programs to make accommodations to integrate more children with special needs. Parents of children with special needs, including physical or cognitive disabilities, face challenges in finding quality child care, and integrated child development centers enable typically and atypically developing children to learn and play together. Inclusive child care centers, such as Easterseals Iowa's Child Development Center at Camp Sunnyside, enhance social, emotional, physical, cognitive, and language development and improve the child care experience for working families.

Support collaboration on nutrition programs in child care settings.

Children develop healthy eating habits early in life that not only provide nutrition for their growing bodies, but also promote better health throughout the rest of their lives. DHS should work with child care centers to provide access to locally grown food and education for children and families through collaborative programs, such as Garden Grants, and partnerships with agricultural organizations.

Encourage hospitals and medical facilities to provide child care information to new parents.

To help new parents secure safe, affordable and quality child care, the state should maintain and expand outreach strategies to hospitals, OBGYN and midwife practices, pediatricians, 1st Five Consultants, the Perinatal Network program, family support programs, and community agencies and organizers of child/family-focused community events. With limited child care availability statewide, parents must secure slots as early as possible – often before the birth of their children. These services should support families during pregnancy and following the birth of their children.

INVESTING IN THE CHILD CARE WORKFORCE

Recruit and Retain a Qualified Child Care Workforce

The quality of Iowa's child care system hinges on the quality of the child care workforce. Providing a safe environment for children to learn and grow requires significant knowledge and skills for child care professionals, the critical workforce behind the workforce. Incentives for education and training, along with competitive pay, will ensure the child care workforce meets the growing needs of Iowa's working parents and their children.

WORKFORCE EDUCATION COMPENSATION

Recommendation: Continue to support child care workforce education programs — including T.E.A.C.H. and WAGE\$ — and leverage new opportunities to fill the gap for individuals interested in pursuing the child care profession.

Children are better positioned to thrive in child care settings in which workers have foundational skills in child development and are adequately compensated.

T.E.A.C.H. and WAGE\$ are established state programs with proven results in boosting the qualifications and compensation of the child care workforce. T.E.A.C.H. is a comprehensive scholarship program that provides access to low-cost education and counseling support, as well as fair pay for child care workers who earn an early childhood education degree or certain credentials. In the last three years, T.E.A.C.H. has supported more than 1,100 early childhood professionals, with an average grade point average of 3.6 and more than 8,900 credits earned. The WAGE\$ program provides salary supplements to the early care and education workforce based on their level of education and has been proven to reduce turnover and help attract staff. The retention rate for WAGE\$ participants in Iowa is 84%, according to DHS data, compared to the national child care retention rate of 70%.

In June 2021, Governor Reynolds announced that DHS will use federal funding to expand the T.E.A.C.H. and Child Care WAGE\$ programs statewide through FY 2022. DHS should collect and review data on the effects of the expansion and determine whether to recommend state funding for FY 2023 and beyond.

Low wages create a barrier for child care programs attracting and keeping staff, which affects the availability of child care. The state should look at opportunities to fill any gaps in existing programs to enhance workforce recruitment efforts. New incentives could include:

- Tuition assistance for individuals interested in pursuing a career in early childhood education with a commitment to work in child care for a set number of years following the completion of their education
- Work-study programs that allow high school students to earn credits toward a degree or that allows post-secondary students to earn financial assistance by working in a child care setting
- Registered Apprenticeship programs in child care development that allow participants to earn money while they learn

RATIO REQUIREMENTS

Recommendation: Re-examine staffing restrictions and child-staff ratios to determine whether regulatory changes should be made.

Iowa's child care licensing standards require workers to be at least 16 years old or to work under the direct supervision of an individual who is at least 18 years old. As child care providers struggle to recruit and retain the workforce necessary to meet their communities' needs, these regulatory restrictions should be reviewed. DHS also should review child-staff ratio requirements, which are narrower for children ages 18 months through age 3 than the vast majority of states.

This review of child-staff ratios and standards of care should be guided by the latest research on child development and safety and weigh any possible unintended consequences of modification alongside workforce shortage concerns.

IOWA CHILD-STAFF RATIO REQUIREMENTS/STANDINGS

	6 weeks	11 months	18 months	35 months	Age 3	Age 4	Age 5
Iowa Ratio	1:4	1:4	1:4	1:6	1:8	1:12	1:15
# of States with Same Ratio	32	32	11	7	3	13	12
Number of States Allowing More than Iowa	14	14	37	35	43	18	17
Number of States Allowing Less than Iowa	3	3	1	7	3	18	20

JUST DO IT

Implement a child care workforce sign-on and retention bonus structure through the Iowa Department of Human Services.

To offset the child care industry's struggle to attract and retain workers, the state should offer staff bonuses through DHS that are connected to job commitment, training, and/or improved quality ratings.

Streamline federal background checks.

Iowa's current process to obtain fingerprints and submit them to the FBI is time-intensive and creates delays. DHS should collaborate with the Iowa Department of Public Safety to use electronic fingerprint technology to ensure results of fingerprint-based record checks are received quickly, helping employers hire child care center employees in a more timely manner.

Encourage regional partnerships for child development programs that engage high school students.

Create a workforce pipeline for the child care industry by proposing regional planning partnerships for career and technical education programs that recruit high school students into child development programs. Iowa has 15 regional planning partnerships, which help school districts deliver high-quality career and technical education programs effectively, efficiently and economically by sharing capital, resources, and talent.



APPENDIX



CHILD CARE TASK FORCE WORKING GROUP MEMBERS

Increasing Employer Investment and Engagement Opportunities in Child Care

Addressed how to develop employer investment and engagement opportunities internally and within their communities.

NAME	ORGANIZATION
Lisa Gates <i>Working Group Leader</i>	Friendship Village
David Arens	Wells Fargo
McKinley Bailey	Building Families
Jennifer Banta	Iowa City Area Business Partnership
Mayor Roy Buol	City of Dubuque
Mark Dodd	One Vision
Debi Durham	Iowa Economic Development Authority, Iowa Finance Authority
Tami Foley	Iowa Department of Human Services
Kelly Garcia	Iowa Department of Human Services, Iowa Department of Public Health
Monica Garner	Iowa Department of Education
Megan Hammes	University of Iowa Wellness
Dan Haynes	Ann Wickman Childcare Center YMCA
Mary Janssen	Exceptional Persons, Inc. / Childcare Resource and Referral of Northeast Iowa
Jaye Kennedy	Waypoint Services
Jenna Knox	Broadlawns Medical Center
Jeannine Laughlin	New Horizon Academy
Ann Lebo	Iowa Department of Education
Kathy Leggett	Iowa Workforce Development
Katie Morris	VGM Group
Jen Neumann	De Novo Marketing
Miranda Niemi	Quality Beginnings
Dawn Oliver Wiand	Iowa Women's Foundation
Umesh Parekh	Primrose School of Urbandale
Austin Pehl	Atura Architecture
Wade Riedinger	YMCA International
Monica Stone	Iowa Department of Human Rights
Beth Townsend	Iowa Workforce Development
Ellen Twinam	University of Iowa Health Care
Dianna Williams	Ann Wickman Childcare Center YMCA
San Wong	Iowa Department of Human Rights

Regulatory Barriers and Financing Options

Addressed child care regulations that pose barriers to increased child care slots in Iowa and lack of available financing options for the creation and infrastructure of child care facilities.

NAME	ORGANIZATION
David Arens <i>Working Group Leader</i>	Wells Fargo
McKinley Bailey	Building Families
Mayor Steve Brimhall	Mount Pleasant
Teree Caldwell-Johnson	Oakridge Neighborhood
Tessa Dinsdale	Formerly with Lincoln Savings Bank
Debi Durham	Iowa Economic Development Authority, Iowa Finance Authority
Colleen Frein	Mason City Chamber of Commerce
Erika Fuentes	Crittenton Center
Kelly Garcia	Iowa Department of Human Services, Iowa Department of Public Health
Monica Garner	Iowa Department of Education
Heath Hupke	Mason City Family YMCA
Mary Janssen	Exceptional Persons, Inc. / Child Care Resource and Referral of Northeast Iowa
Ann Lebo	Iowa Department of Education
Nancy Lowenberg	US Bank
Jay Mattson	Community United Child Care Centers
Mayor Gene Newgaard	City of Iowa Falls
Dawn Oliver Wiand	Iowa Women's Foundation
Ryan Page	Iowa Department of Human Services
Brian Pauly	Mason City Parks & Recreation
Jake Peterson	Peterson Construction
Jenna Ramsey	Stanton Community Development Director
David Steen	Iowa Workforce Development
Monica Stone	Iowa Department of Human Rights
Beth Townsend	Iowa Workforce Development
Pastor Chad Trunkhill	Our Savior Lutheran Church
Mindi VandenBosch	Vermeer Forage
Tammy Wetjen-Kesterson	Early Childhood Iowa (Iowa/Jefferson/Keokuk Counties)
San Wong	Iowa Department of Human Rights

Expanding Eligibility for Child Care Assistance (CCA)

Addressed the “child care cliff effect,” or gaps that occur when families lose child care assistance at a disproportionate rate due to an increase in wages.

NAME	ORGANIZATION
Erika Fuentes <i>Working Group Leader</i>	Crittenton Center
Julie Allison	Iowa Department of Human Services
Amy Bice	Family Child Care Home Provider
Elisabeth Buck	United Way of Central Iowa
Teree Caldwell-Johnson	Oakridge Neighborhood
Tessa Dinsdale	Formerly with Lincoln Savings Bank
Debi Durham	Iowa Economic Development Authority, Iowa Finance Authority
Todd Figley	Albaugh LLC / Little Endeavors LLC
Kelly Garcia	Iowa Department of Human Services, Iowa Department of Public Health
Danielle Hale	Northwest Iowa Mid-Sioux Opportunity, Inc.
Sheila Hansen	Common Good Iowa
Ann Lebo	Iowa Department of Education
Jaimie Miller	Iowa Credit Union League / Iowa Credit Union Foundation
Valerie Newhouse	Iowa Lakes Community College
Miranda Niemi	Quality Beginnings
Jeff Reed	BIZLAB
Linda Rouse	Iowa Workforce Development
Sarah Stevens	Bright Horizons
Monica Stone	Iowa Department of Human Rights
Beth Townsend	Iowa Workforce Development
Deb Vandergaast	Child Care Provider
Shanell Wagler	Iowa Department of Management
Michael Witt	Iowa Workforce Development
San Wong	Iowa Department of Human Rights

Child Care Workforce Issues

Addressed child care and workforce issues, including recruitment and retention, reimbursement rates, and health insurance.

NAME	ORGANIZATION
Dianna Williams <i>Working Group Leader</i>	Ann Wickman Childcare Center YMCA
Jennifer Banta	Iowa City Area Business Partnership
Amy Bice	Family Child Care Home Provider
Teree Caldwell-Johnson	Oakridge Neighborhood
Liang Chee Wee, Ph.D.	Northeast Iowa Community College
Debi Durham	Iowa Economic Development Authority, Iowa Finance Authority
Kelly Garcia	Iowa Department of Human Services, Iowa Department of Public Health
Lisa Gates	Friendship Village
Danielle Hale	Northwest Iowa Mid-Sioux Opportunity, Inc.
Sheila Hansen	Common Good Iowa
Dan Haynes	Ann Wickman Childcare Center YMCA
Pastor Philip Herman	Highland Park Community Development Association
Wendy Hoogeveen	Iowa Department of Human Services
Mary Janssen	Exceptional Persons, Inc./Childcare Resource and Referral of Northeast Iowa
Eric Kholtdorf	Little Endeavors
Josh Laraby	Fairfield Economic Development Association
Ann Lebo	Iowa Department of Education
Jillian LS Herink	Iowa Association for the Education of Young Children
Amber Morud	Charlie Brown Preschool and Child Care
Miranda Niemi	Quality Beginnings
Kristina Norwood	Iowa Western Community College
Dawn Oliver Wiand	Iowa Women's Foundation
Umesh Parekh	Primrose School of Urbandale
Wade Riedinger	YMCA International
Arturo Sanchez	Iowa Workforce Development
Adelheid Spitzli	Child Care Provider
Monica Stone	Iowa Department of Human Rights
Beth Townsend	Iowa Workforce Development
Shanell Wagler	Iowa Department of Management
Raven Walker	Creative Learning Childcare and Preschool
Michael Witt	Iowa Workforce Development
San Wong	Iowa Department of Human Rights

SUPPLEMENTAL MATERIALS

- **Governor's Economic Recovery Advisory Board Final Report:** https://governor.iowa.gov/sites/default/files/documents/GovAdvisoryBoard_Report_112020_F.pdf
- **Governor's Executive Order 8 establishing the Child Care Task Force:** <https://governor.iowa.gov/sites/default/files/documents/EO8%20-%20Child%20Care%20Task%20Force.pdf>
- **Iowa Business and Child Care Toolkit, developed by the Iowa Women's Foundation and the Iowa Business and Child Care Coalition:** <https://iawf.org/business/request-your-toolkit/>
- **Best Places for Working Parents:** <https://bestplace4workingparents.com/>

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