



2021

# Clearing the Path:

Strengthening Child Care, Strengthening Alabama



THE WOMEN'S FUND  
of GREATER BIRMINGHAM







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*2021 Clearing the Path: Strengthening Child Care, Strengthening Alabama* can be viewed and downloaded at [www.womensfundbirmingham.org](http://www.womensfundbirmingham.org).

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# Foreword

**W**hen the Regions Foundation decided to support *Clearing the Path: Strengthening Child Care, Strengthening Alabama* produced by The Women's Fund of Greater Birmingham, it was well before pandemic was a common word in our vernacular.

The focus of the report was to produce data around child care in Alabama and how it impacts working parents, especially women—where we are, where are the gaps, where are the deeper challenges—and then offer insight and guidance for improvements.

Then COVID-19 hit.

While many things came to a screeching halt, the work of The Women's Fund did not. And the importance of this report is magnified now more than ever.

COVID-19 further exposed those who were more at risk, those who had less support, and those who faced incredible barriers, all of which exist for women and in the child care space.

With data now confirming the unequal impact of the virus on vulnerable populations and industries—including child care—a thorough and comprehensive examination of the industry is even more important. While this data and information are vital, the approach and response to create a child care industry that will support the state's attainment goal of a half-million skilled workers, which must include women, by 2025 is critical. Alabama will recover, and as our state moves forward from the pandemic, we must look at child care with a broad but focused lens.

At Regions, our mission is to make life better for our customers, our associates, and the communities we call home. We understand that when our communities are strong and thriving, everyone benefits – individuals, businesses, social service organizations and families. By supporting initiatives that have a meaningful and measurable impact, we are fulfilling our mission and helping strengthen our home state.

We believe that *Clearing the Path: Strengthening Child Care, Strengthening Alabama* will be a valued resource not only for the business community but for local and state lawmakers as well.

Now, more than ever, quality, accessible child care is vital for greater economic development – and economic empowerment of Alabama families, many of which are led by women. As our state moves forward, research conducted by The Women's Fund offers data and solutions that highlight the importance of strengthening and reviving a child care industry that supports working mothers and is worthy of all Alabama children.



**Marta Self**

Executive Director,  
Regions Foundation and  
Head of Corporate Philanthropy,  
Regions Bank



The Regions Foundation is a nonprofit 501(c)(3) corporation funded primarily through contributions from Regions Bank. The Foundation supports community investments that positively impact the places served by Regions Bank.



A woman with brown hair tied back, wearing a blue denim shirt, is working in a workshop. She is looking down at a black plastic storage bin with red compartments, which is filled with various small metal parts and tools. The bin is sitting on a wooden workbench. In the background, there are large windows and wooden walls, suggesting a rustic or industrial setting. A red semi-transparent box is overlaid on the image, containing the text "Executive Summary".

# Executive Summary

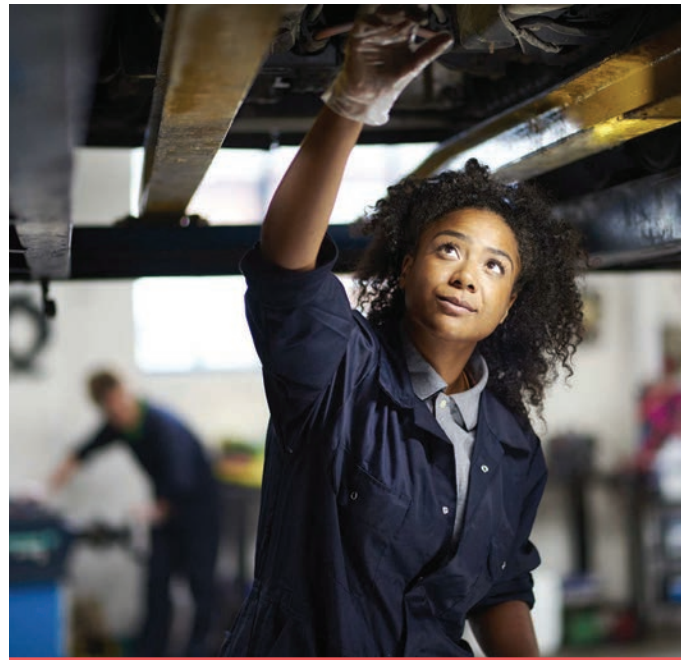


# Executive Summary

## *Child care keeps Alabama working.*

**T**his fact is especially true for women. Women's labor force participation is highly correlated with use of child care. When you consider this reality compounded with the fact that Alabama has the nation's second lowest labor participation rate for women in the country, the need to promote policies and programs that support access to high-quality child care that meets the diverse needs of families is paramount.<sup>1</sup>

As the pandemic rages on, setbacks are mounting. In April 2020, at the height of the pandemic, unemployment was at 13.2 percent (compared with 2.6 percent in March 2020), which represents over 300,000 jobs.<sup>2</sup> In January 2021, 56 percent of unemployment claims in Alabama were filed by women, and women dropped out of the national labor force at a rate nearly four times the number of men.<sup>3</sup> Nationally, unemployment claims are even higher for Black and Latina women than White women revealing the disproportionate impact of the pandemic on an already inequitable job market.<sup>4</sup> Women cite child care as a top barrier to workforce participation making it critical to include child care in pandemic recovery efforts to attract and retain women in the workforce.



Federal relief packages present an opportunity to both stabilize and transform child care systems in states nationwide, including Alabama. The federal government's response to COVID-19, in the form of three rescue packages, dedicated specific resources to child care providers as small businesses and essential services for working families, including:

- **The Coronavirus Aid, Relief, and Economic Security (CARES) Act**, March 2020: Included \$65 million for the child care industry in Alabama.<sup>5</sup>
- **The Consolidated Appropriations Act**, December 2020: Included an estimated \$187 million for the child care industry in Alabama.<sup>6</sup>
- **The American Rescue Package (ARP)**, March of 2021: Sets aside nearly \$734 million for child care in Alabama, including \$451 million for an emergency stabilization fund, \$282 million to supplement the Child Care Development Block Grant (CCDBG) program.<sup>7</sup> Providers are able to use stabilization funding for a variety of purposes, such as paying for rent, materials, personal protective equipment, as well as mental health support to children and staff.<sup>8</sup>

**“Workforce issues seem to dominate every conversation from Muscle Shoals to Birmingham to Mobile and are critical to the future prosperity of our state. The state cannot maximize its economic growth without addressing the barriers that are unique to women. If child care is prioritized as a workforce infrastructure - just like roads and bridges needed to get to work - Alabama has a great opportunity to get this right.”**

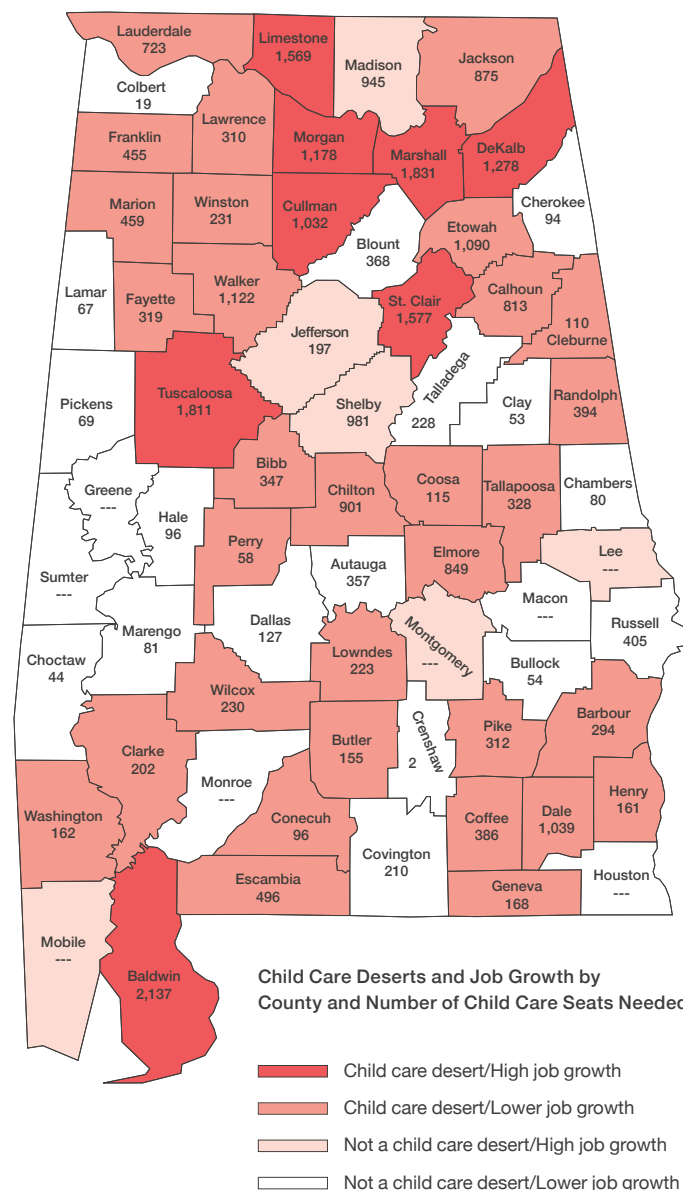
**Melanie Bridgeforth, MSW,**  
President & CEO,  
The Women’s Fund of Greater Birmingham

This historic billion dollar plus investment in child care presents an invaluable opportunity for state and local leaders to continue to strategically deploy resources to meet the existing needs of the child care system as well as to reopen child care programs that remain closed and support all child care programs in their quest to safely serve children and families.

*Clearing the Path: Strengthening Child Care, Strengthening Alabama, commissioned by The Women’s Fund of Greater Birmingham, is a timely and relevant research tool to examine the role child care plays in supporting a workforce that fuels Alabama’s economy.*

As we look ahead to the future, the demand for a skilled labor force will only increase as Alabama continues to attract and grow business and industry necessary to undergird a vibrant economy. The report outlines major challenges facing Alabama’s child care system and offers recommendations for business leaders, state policymakers, and the broader advocacy community to address those challenges.

**MAP 1. UNMET CHILD CARE NEEDS IN ALABAMA COUNTIES BY JOB GROWTH (2020)**



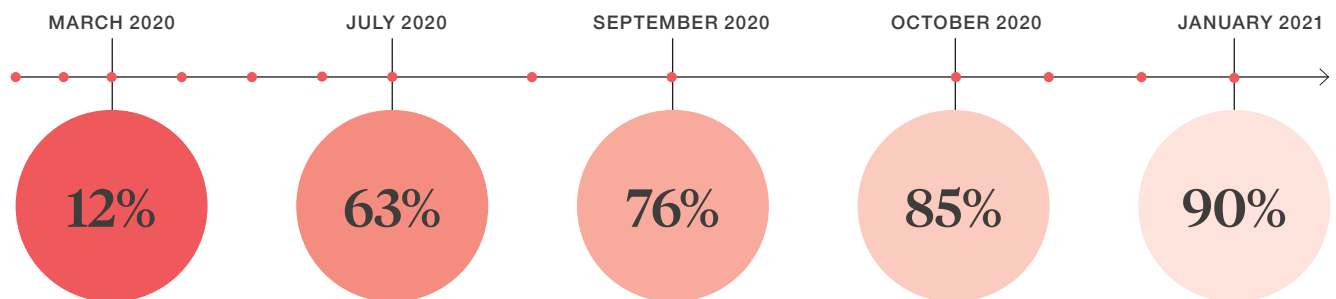
Source: AL DHR Capacity Data, provided January 2020; ACS Population Data, 2018; Bureau of Labor Statistics, Job Growth data 2014-2018. Ratios calculated by author.



## At a Glance: Temporary Assistance for Stabilizing Child Care (TASCC)

The Alabama Department of Human Resources (DHR) used \$65 million allocated to the state through the CARES Act to supplement the existing child care subsidy program and to create the Temporary Assistance for Stabilizing Child Care (TASCC) grant program. TASCC was designed to help closed child care facilities reopen.<sup>9</sup> Eligible providers received \$300 per child (except for children participating in the Child Care Subsidy Program or children funded by the Office of Head Start) if they were or planned to be open by August 17th, 2020.<sup>10</sup> Grants contributed to the safe reopening of Alabama child care facilities throughout the summer and fall of 2020.

### TIMELINE OF ALABAMA CHILD CARE OPENING STATUS



#### Sources:

Alabama Department of Human Resources, "More than 75 Percent of Alabama Child Care Facilities Now Open," September 21, 2020, <https://dhr.alabama.gov/more-than-75-percent-of-alabama-child-care-facilities-now-open/>

Alabama Department of Human Resources, "New Survey Finds 85 Percent of Alabama Child Care Facilities Now Open," October 21, 2020, <https://dhr.alabama.gov/new-survey-finds-85-percent-of-alabama-child-care-facilities-now-open/>

Alabama Department of Human Resources, "Nearly 90% of Alabama Child Care Facilities Now Open," January 29, 2021, <https://dhr.alabama.gov/nearly-90-of-alabama-child-care-facilities-now-open/>



## KEY FINDINGS

Despite the fact that the COVID-19 pandemic has forced many out of the workforce, Alabama's goal of gaining 500,000 new skilled workers by 2025 has not changed. The following key findings and recommendations can help meet this goal and build the workforce Alabama needs:

### **Alabama's workforce demands require addressing the unique barriers for women workers.**

The Women's Fund of Greater Birmingham's groundbreaking report *Clearing the Path: Building a Sustainable and Inclusive Workforce for Alabama* (2019) revealed, women are comparatively underrepresented in the state's workforce.<sup>11</sup> Despite a trend of low unemployment rates prior to the pandemic, nearly a third of Alabama women (ages 18-64) with children under 18 were not in the labor force.<sup>12</sup>

#### **Data Highlights:**

- 65% of children under age five have both parents in the workforce or live with an employed single parent. That's 190,450 children with working parents.
- Over 11 percent of all Alabama employees—and an even higher percentage of women (17 percent)—missed work in 2018 due to child care.

### **Access to high-quality, affordable child care drives labor force participation - especially for women - and fuels regional and statewide economic growth.**

Employers, in turn, benefit from a deeper pool of potential employees, lower turnover and absenteeism due to child care barriers, and an easier time attracting skilled workers and families to Alabama.

#### **Data Highlights:**

- It is essential that child care is an integrated part of economic development. Fourteen Alabama counties added 3,000 new jobs over a 5-year period. To support this workforce growth, the counties collectively need enough child care to serve an additional 12,000 children (see map 1 on page 7).
- The availability of child care affects women's participation in the workforce. Twenty-seven percent of Alabama women with children do not participate in the labor force leading to lost revenue for families and our economy.

#### **Note:**

Child care is a dynamic industry and source dates are especially relevant. Where noteworthy, source dates are provided outside of footnotes.

## Investing in the child care industry is an investment in Alabama's economy.

Child care is a professional industry that provides essential services to working families. High quality child care bolsters Alabama's future workforce by supporting early learning and putting children on a path for success in school and life. COVID-19 has severely strained child care providers in the state. While most child care providers have reopened since the beginning of the pandemic, enrollment is down 22 percent.<sup>13</sup>

### Data Highlights:

- The child care industry employs over 16,700 Alabamians – 90 percent of whom are women.
- The median wage for a child care professional in Alabama is \$9.02/hour, or \$18,770 per year.
- Child care businesses - the majority of which are women owned - account for \$427 million of the state's economic activity.
- Taking into account multiplier effects, the sector contributes an estimated \$21 billion to the state's economy.

## In order to reap the economic benefits of a gender-inclusive workforce, Alabama must address three urgent challenges regarding child care: access, affordability, and quality.

The number of business leaders who recognize the value and importance of child care for their employees and their business goals is growing. But addressing child care challenges requires action and investment from employers, the state, communities, families, and philanthropic funders.

### Data Highlights:

- There are only enough licensed child care seats to serve two-thirds of children in Alabama with either one or both parents in the workforce. This translates to 67,000 children.
- In over half of counties there are three times as many children as there are available licensed child care spaces.
- On average, infant/toddler child care costs more than half of a year's tuition at the University of Alabama.

## RECOMMENDATION HIGHLIGHTS

In addition to the key findings, the report offers some formal recommendations which are summarized below. In subsequent sections of the report, there is a deeper look into how the recommendations can be put into action. This list is non exhaustive as the report will likely spur more questions and lead to other opportunities to strengthen child care in Alabama. Strengthening child care in Alabama requires:

### **Elevating child care in Alabama's economic and workforce policymaking:**

(See pg. 21)

- Incorporating family voices into workforce leadership
- Establishing an intra-agency council on child care and the workforce
- Increasing pay parity for child care professionals through a public investment

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### **Cultivating greater child care supply by:**

(See pg. 29)

- Expanding and supporting licensed home-based child care
- Exploring shared services and child care cooperatives
- Expanding employer-sponsored care

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### **Supporting affordability and quality for families at all income levels by:**

(See pg. 35)

- Expanding parental child care and child tax credits
- Expanding child care subsidies

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### **Empower families with better information to make child care choices by:**

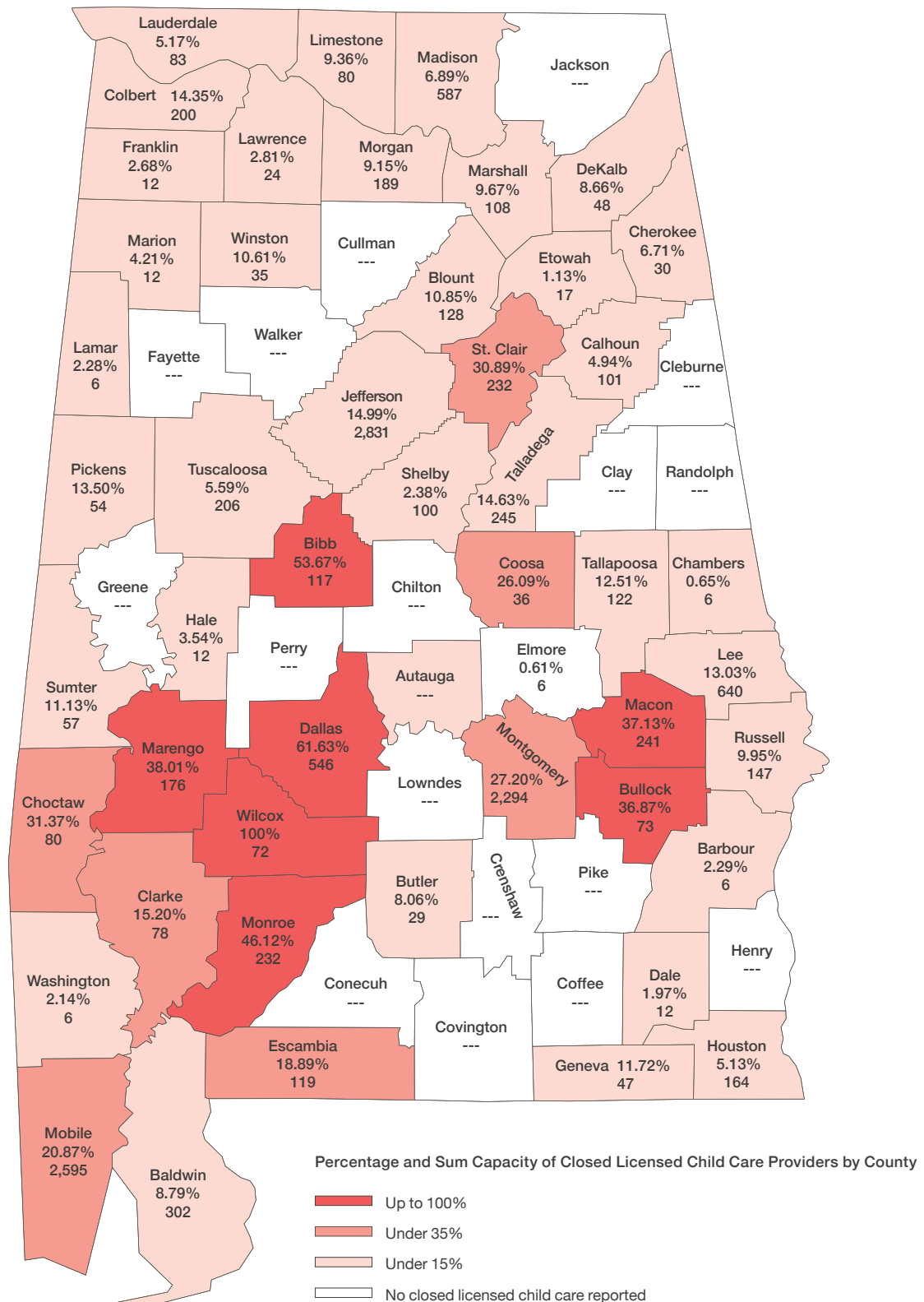
(See pg. 39)

- Expanding quality through a state investment in Alabama Quality STARS, the state's quality rating system
- Increasing access to child care rating information

*Clearing the path for women in Alabama requires examining the role child care plays in Alabama's economic future, including a close look at how the child care industry serves as Alabama's backbone. This report examines the landscape of child care and offers insights to expand access and strengthen the affordability and quality of child care.*



**MAP 2. PERCENTAGE AND SUM OF CLOSED LICENSED CHILD CARE PROVIDERS IN ALABAMA (NOVEMBER 2020)**



Source: Data provided by the Alabama Department of Human Resources on November 23, 2020. Percentages calculated by The Women's Fund of Greater Birmingham.



A young girl with brown hair in two braids is focused on working in a workshop. She is wearing a green knitted sweater and is positioned at a workbench. In the foreground, a pair of hands wearing grey work gloves is visible, reaching towards the workbench. The background is filled with various tools and equipment, including a large metal vise, a collection of wrenches in a tray, and a blue storage cabinet. The scene is lit with warm, natural light, creating a sense of concentration and skill.

# Child Care and Alabama's Economy



# Child Care and Alabama's Economy

*Researchers, business leaders, and early childhood education experts agree: high-quality, accessible child care is essential for Alabama's economic future.*

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Alabama's goal of 500,000 new skilled workers by 2025 to meet workforce demands remains and the obstacles are now steeper due to the unprecedented toll on Alabamians and local businesses during the COVID-19 pandemic.<sup>14</sup> Creating a strong workforce is paramount to Alabama's economic vitality and competitiveness; without skilled workers, and more to follow in their footsteps, Alabama will miss valuable economic opportunities.

Prior to the devastation resulting from COVID-19, unemployment in Alabama was very low, especially for some industries and areas of the state.<sup>15</sup> As of fall 2019, the unemployment rate was 2.8 percent.<sup>16</sup> "Hiring is a struggle and competition is tight between us and other nearby manufacturers, especially for technical positions," said Jason Gibson, controller for Kamtek, Inc., an auto-parts manufacturer located in Birmingham.<sup>17</sup> "We all want a more consistent, stable workforce. Much of the population is willing to work but are not available because of child care."

Population and workforce trends highlight the need for a concerted effort to meet Alabama's ambitious attainment goal. Child care is a critical part of the economic equation for Alabama families today, and families who might consider moving to the state in the future.

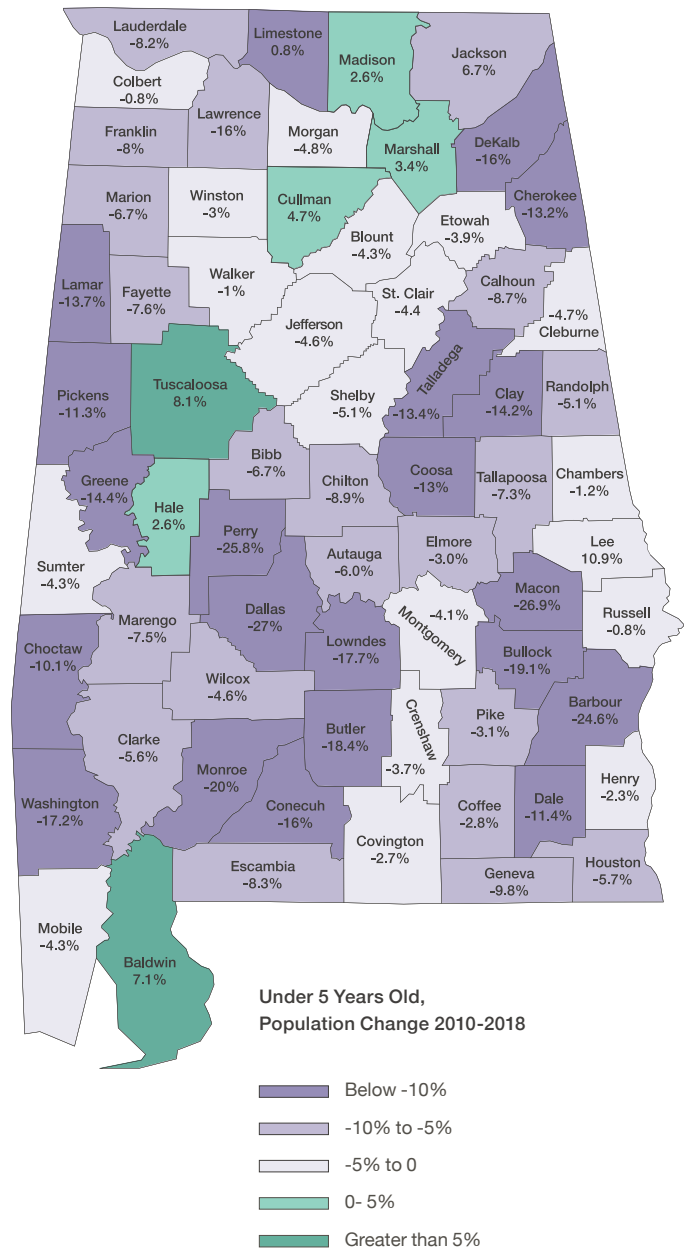
Alabama is home to 293,000 children under age five, 65 percent of whom have two parents in the workforce or live with an employed single parent.<sup>18</sup> Since 2010, the number of children in Alabama under age five has declined nearly 4 percent, from 305,000 to 293,000,<sup>19</sup> suggesting that the state is not attracting young families—a trend with troubling implications for the future workforce (see Map 3 on pg. 15 and Map 4 on pg. 18).

**"We all want a more consistent, stable workforce. Much of the population is willing to work but are not available because of child care."**

**Jason Gibson,**  
Controller, KAMTEK, Inc.



**MAP 3. POPULATION CHANGE AMONG CHILDREN UNDER 5 IN ALABAMA**



Source: AL DHR Capacity Data, provided January 2020; ACS Population Data, 2018; Bureau of Labor Statistics, Job Growth data 2014-2018. Ratios calculated by author.

As Alabama’s economy recovers and aims to regain lost ground, employers must tap the potential of new types of workers—including Alabama parents not yet in the labor force. As of 2018, of the 492,452 women (ages 20-64) in Alabama with children under 18, 27 percent do not participate in the labor force. These numbers are likely to have grown substantially during the COVID-19 pandemic as more parents, mostly women, left the labor force to care for children when schools or child care facilities were closed or operating virtually.

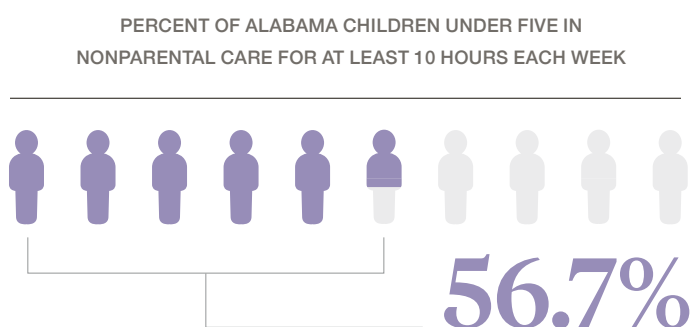
Employers in growing fields like health care and manufacturing recognize child care is a barrier to hiring. **“There’s a demographic out there that is untapped because of child care,”** says Traci Wells, former Human Resources Manager at Kamtek, Inc.<sup>20</sup> **“High quality, accessible child care is a valuable recruiting tool for employers,”** agrees Elizabeth Hamlin, Director of Associate Services at Blue Cross Blue Shield of Alabama, which employs over 3,300 associates across the state. Hamlin continues, “Employee stress levels are reduced with the knowledge that their child is in a licensed, safe, and nurturing environment.”<sup>21</sup>

Growing industries such as health care and manufacturing require jobs with non-standard working hours. For example, at Kamtek Inc., new manufacturing employees are often assigned evening or night shifts. Options for parents who work nonstandard hours are slim. **Only 6 percent of licensed child care seats across the state are for nighttime care, and in 58 percent of counties (39) no licensed child care centers offer nighttime care.**<sup>22</sup> According to Hamlin, “Working parents would benefit from centers increasing operational hours to accommodate alternative work schedules.”

Child care also impacts the existing workforce. As of 2019, more parents worked than ever before, which meant more children were in child care. In 2019, 56.7 percent of Alabama children under age five were in nonparental care for at least 10 hours each week.<sup>23</sup> Increased access to child care will enable greater parental workforce participation and raise parents' income. When parents have access to high-quality, affordable child care, employers benefit from reduced absenteeism and productivity loss, increased employee retention, and a greater abundance of skilled workers.<sup>24</sup>

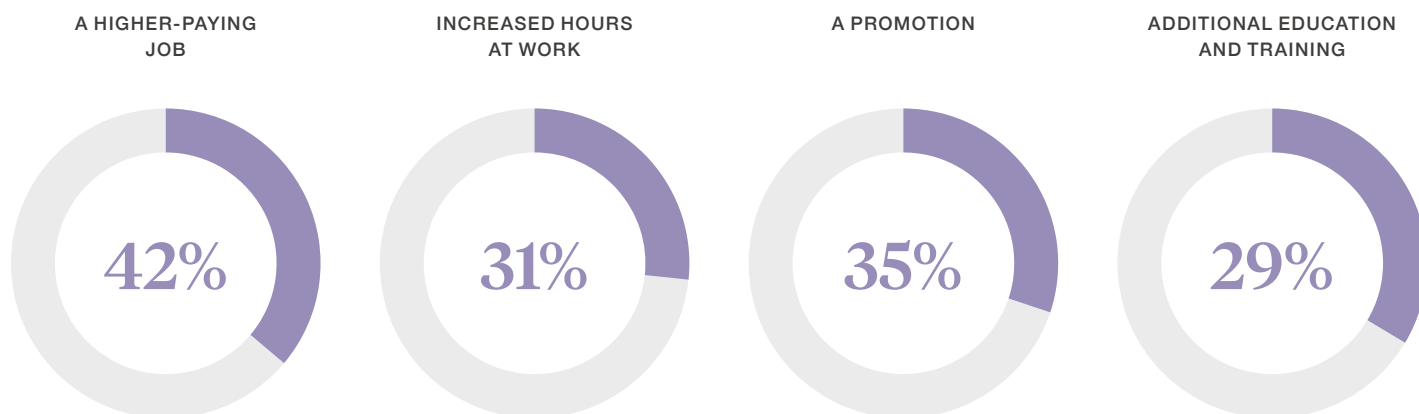


Many parents do not reach their full potential at work because of child care-related barriers. Half of American families report difficulty finding child care,<sup>25</sup> causing parents to cut back work hours, rely on less safe and less reliable child care leading to work disruptions, or drop out of the workforce entirely.<sup>26</sup> Data from the U.S. Bureau of Labor Statistics reveals that over 11 percent of all Alabama employees—and an even higher percentage of women (17 percent)—missed work in 2018 due to child care.<sup>27</sup>



When child care is inaccessible or inadequate, **women bear the brunt of reduced income and work hours.** As The Women's Fund of Greater Birmingham's *Clearing the Path: Building a Sustainable and Inclusive Workforce for Alabama* (2019) report revealed, child care challenges are one of the key factors limiting labor force participation, workforce advancement, and educational investment among women.<sup>28</sup> A 2016 survey of mothers suggests that many women would choose to invest in their careers or re-enter the workforce if child care was more affordable and reliable.<sup>29</sup>

**The survey found that if mothers had access to affordable and reliable child care, they would pursue:**



Source: Schochet, 2019

In Alabama, women lowering or limiting their advancement in the workplace is particularly problematic because women are more likely to enroll in and complete higher education than men. Fifty-seven percent of Alabama women have completed some education beyond high school, compared to 52 percent of men.<sup>30</sup> Despite women being well-represented in workforce development programs, women are under-represented in the labor force, employed at lower rates, and earn lower incomes.<sup>31</sup> This indicates a breakdown in the education to employment pipeline.

Child care is essential to women working in growing fields. The three Alabama industries with the highest projected employment growth are manufacturing related,<sup>32</sup> where rapid growth will necessitate that employers reach workers beyond their typical hiring profile (men) to include women. Yet according to *The Women’s Fund’s Status of Women in Alabama* (2020) report, only 7.6 percent of women work in the manufacturing industry. Attracting women to manufacturing will require thinking differently about how to find and support talent by addressing women’s unique needs, including child care.

*Women bear the brunt of reduced income and work hours.*

PERCENT OF ALABAMA WOMEN AND MEN WITH  
SOME EDUCATION BEYOND HIGH SCHOOL



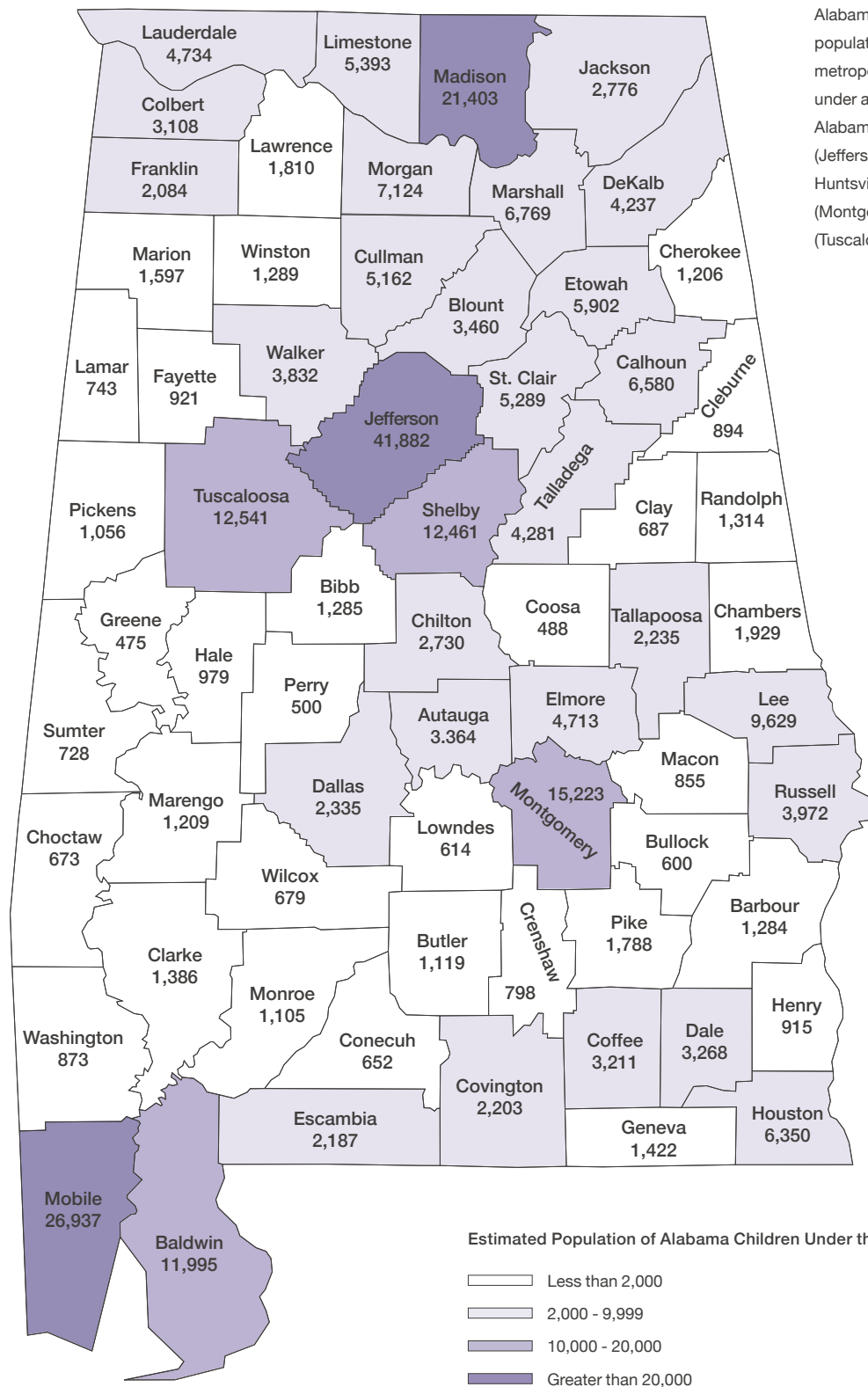
Child care is also critical to retain women workers in essential and growing fields, such as education, health care, food services, and child care.<sup>33</sup> In Alabama between 2016 and 2026, the two occupational fields with the highest projected growth in terms of total jobs are health care support occupations (16 percent) and personal care and service occupations (13 percent) – both fields dominated by women.<sup>34</sup>



*When parents have access to high-quality, affordable child care, employers benefit from reduced absenteeism and productivity loss, increased employee retention, and a greater abundance of skilled workers.*







#### MAP 4. POPULATION OF ALABAMA CHILDREN UNDER 5, BY COUNTY



Alabama's young children, like the state's population overall, are concentrated in metropolitan areas. Forty percent of children under age five live in the counties with Alabama's five largest cities: Birmingham (Jefferson Co.), Mobile (Mobile, Co.), Huntsville (Madison Co.), Montgomery (Montgomery Co.), and Tuscaloosa (Tuscaloosa Co.).<sup>35</sup>

### Estimated Population of Alabama Children Under the Age of 5, 2018

 Less than 2,000  
 2,000 - 9,999  
 10,000 - 20,000  
 Greater than 20,000

Source: ACS Population Estimates

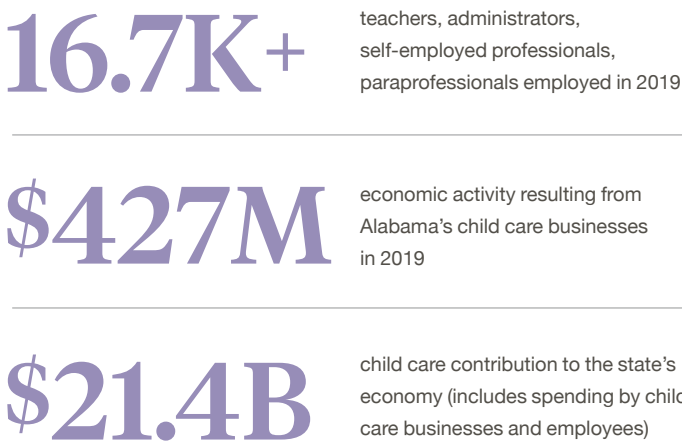
THE CHILD CARE INDUSTRY IS ALABAMA’S BACKBONE

The child care industry is a major economic contributor, employing more than 16,700 teachers, administrators, self-employed professionals, and paraprofessionals in 2019. Child care businesses accounted for \$427 million of the state’s total economic activity in the same year.<sup>36</sup> Taking into account multiplier effects of spending by child care businesses and their employees, Alabama’s child care sector contributes \$21.4 billion to the state’s economy.<sup>37</sup>

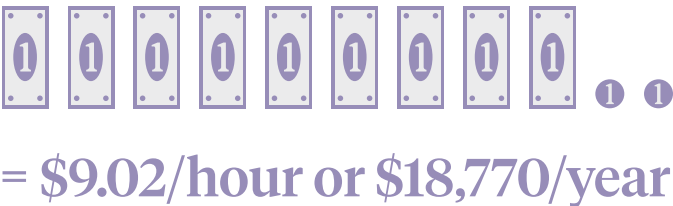
Despite the sector’s economic importance, many child care providers—often woman-owned small businesses—struggle to stay in business and child care professionals earn low wages. The COVID-19 pandemic has increased the cost of operations due to the need for additional cleaning supplies and learning materials, while lower enrollment rates and increased social distancing have led to lower revenue through tuition. Providing care for young children is expensive, in large part because of the high ratio of adults to children necessary to create a safe environment for young children. More than 60 percent of child care provider expenses are for staff compensation.<sup>38</sup> Yet the vast majority of child care industry employees are barely making ends meet.<sup>39</sup> Nationally, over 90 percent of child care professionals are women and nearly 49 percent are people of color, signaling the disparate impact of pay inequities. The median wage for a child care professional in Alabama is \$9.02/hour, or \$18,770 per year,<sup>40</sup> and Alabama early educators with a bachelor’s degree earn 35 percent less than their peers teaching older children.<sup>41</sup> According to Basic Economic Security Tables, a working single parent earning the median wage of a child care professional would need an additional \$5/hour in Alabama to meet her basic needs.<sup>42</sup>

*Alabama early educators with a bachelor’s degree earn 35 percent less than their peers teaching older children.*

FOR BETTER OR WORSE: THE ECONOMIC IMPACT OF ALABAMA’S CHILD CARE INDUSTRY



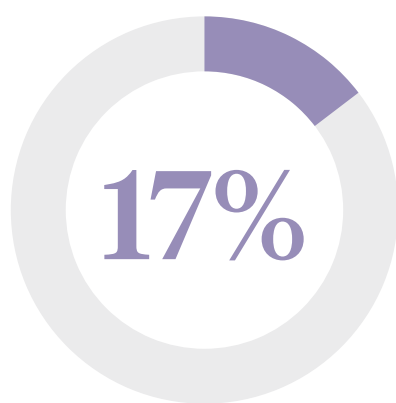
THE MEDIAN WAGE FOR CHILD CARE PROFESSIONALS IN ALABAMA



Low wages are a major driver in high turnover among child care professionals and providers in Alabama and across the nation. “Every investment in high quality child care we make is wasted if workers leave after three months,” says Gail Piggott, Executive Director of the Alabama Partnership for Children. “Workers really subsidize the cost of early childhood education by working long hours for low wages, and it’s a problem we need to solve.”<sup>43</sup>

## *Child care quality also affects the learning, development, and well-being of Alabama's children, who will shape the state's future for decades to come.*

Low wages also impact Alabama's bottom line. **Seventeen percent of Alabama early educators and child care professionals live below the poverty line, and nationally more than half of child care professionals qualify for public supports such as nutrition assistance (formerly known as food stamps) and Medicaid.**<sup>44</sup> During the COVID-19 pandemic, many child care professionals had a higher income with unemployment payments than their previous income while working.<sup>45</sup>



of Alabama early educators and child care professionals live below the poverty line

If Alabama workers are to access the child care they need, the state must invest in a thriving and stable child care industry. With the right market-based supports, such as compensation and benefits at parity with Pre-K teachers, and community buy-in, child care professionals could invest in training and education for themselves. Additionally, child care facility owners could invest in quality improvements or expansions while maintaining affordability for families.

Child care quality also affects the learning, development, and well-being of Alabama's children, who will shape the state's future for decades to come. Alabama leaders recently affirmed the importance of early childhood education with historic investments in First Class Pre-K to reach 40 percent of four-year-olds.<sup>46</sup> Broader investments in child care access and quality would complement and enhance investments in Pre-K for the remaining 60 percent of four-year-olds in addition to infants and toddlers.

How and where young children spend their time has long-term repercussions for the children and our state. Children who experience high-quality care during early childhood are more likely to enter kindergarten on grade level and ready to learn,<sup>47</sup> more likely to graduate from high school and be employed as adults, and have higher lifetime earnings resulting in a virtuous cycle in which access to high-quality child care supports today's workforce while also helping build the workforce for the future.<sup>48</sup>

*Economic and educational impacts from child care for families, employers, and providers can multiply into larger-scale economic rewards for businesses and regional economies, enabling the workforce to become more skilled and productive, businesses to grow and thrive, and more families to opt to remain in or move to Alabama.*

## RECOMMENDATIONS

# Elevate Child Care in Alabama's Economic and Workforce Policymaking

Child care must be a planned part of Alabama's economic development. As the state continues to successfully recruit large scale economic development projects, increased coordination will be required between local and state economic development agencies and the local and state offices of the Alabama Department of Human Resources. Opportunities to bolster this coordination include incorporating family voices into workforce leadership and establishing a state task force on child care and the workforce

## 1. Incorporate Family Voices into Workforce Leadership

The Alabama Workforce Council (also known as Alabama Works!) formed in 2015 as an employer-led statewide effort to understand the structure, function, organization, and perception of the Alabama workforce system. It includes representatives of the state's major employers and government agencies, as well as elected officials, and it has significantly catalyzed progress on workforce goals by opening communication between public and private sectors.

### **ADOPT CHILD CARE AS A CORE PRIORITY**

By explicitly adopting child care as a core priority to promote workforce development, the Alabama Workforce Council will ensure a pool of potential employees that has the support it needs to enter and remain in the workforce. Through utilizing regional workforce councils and engaging local chambers of commerce, the strategy to grow child care can be customized by region and county to meet the local demand and to tailor the expansion of child care capacity to meet the needs of local employees and industry. By coordinating with Alabama Department of Early Childhood Education to support and expand the Child Development Associate (CDA) credential for high school students, Alabama Works! could help strengthen and build the child care workforce in Alabama.

### **GIVE FAMILIES POWER AT DECISION-MAKING TABLES**

All of us benefit when those closest to the issue weigh in on the solution. Although many of Alabama Works! members have families themselves, their role on the Council is that of a representative of employers or government—not of parents or families. Adding dedicated parent and child care provider representatives to the Alabama Workforce Council would explicitly recognize that many workers and small business owners/operators are also parents and would elevate the important role child care and other family supports play in building the workforce Alabama needs.



## **2. Establish an Intra-Agency Council on Child Care and the Workforce**

The challenges Alabama faces around child care access, affordability, and quality are complex, and solving them will require state leadership to coordinate in order to grow child care and meet the state's workforce demands. To facilitate this shared response, the Alabama Governor could convene an intra-agency council on child care and the workforce that includes representatives from integral state agencies, including the Alabama Department of Human Resources, Department of Early Childhood Education, Department of Commerce, and Department of Labor. Additionally, by including representatives from employers, child care providers, and child care resource and referral agencies, the council will be able to coordinate and align approaches that are currently fragmented.

## **3. Increase Pay Parity for Child Care Professionals through Public Investment**

The child care industry is a critical industry that supports all economic sectors in Alabama. Attracting and retaining a workforce of child care professionals to provide a safe and high-quality early childhood education is key to meet the state's workforce demands. Without increases in pay, however, the child care workforce will continue to experience costly turnover and will continue to be insufficient to meet the growing demand needed to fuel our state's economic growth. Using federal dollars, such as those provided through the Child Care Development Fund, is key to grow and invest in our state's child care workforce and will pay dividends to our state's economy.

*Child care must be a planned part of Alabama's economic development.*

A close-up photograph of a woman in a digital camouflage military uniform and cap, smiling and looking at a young child with dark curly hair. The child is looking off to the side. The woman's uniform sleeve features a patch of the United States flag. A semi-transparent green rectangular box is overlaid on the right side of the image, containing the title text.

# Understanding the Landscape



# Understanding the Landscape

Alabama doesn't work without child care which is why it is critical to understand the child care landscape in Alabama. In addition to strengthening the child care industry, Alabama must address three urgent challenges related to child care: availability, affordability, and quality. Without intentional focus on building an accessible and affordable child care system, Alabama will not reach its workforce goals.

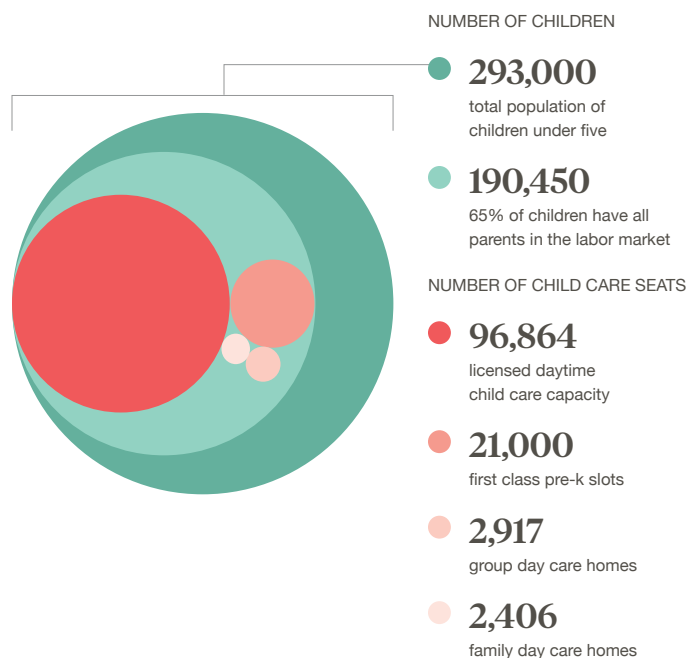
## Availability

*Across the state of Alabama, there are not enough licensed child care providers to serve families and activate the full workforce potential of parents.*

While 293,000 children under age five live in Alabama, there are 102,187 licensed child care seats and 21,000 First Class Pre-K Slots (See Figure 1).<sup>49</sup> That is only enough to serve 36 percent of Alabama's young children. However, providers are often operating with lower enrollment than the capacity for which they are licensed. Providers may not be able to fill every seat as they may opt for lower child-teacher ratio standards, such as those required by national accreditation standards.<sup>50</sup> For some providers the available seats may be used by older children for before and after-school care (Alabama only tracks ages of children receiving state subsidies).

It is likely, though, that at least some of those child care spaces are available because some parents who want to enter the workforce cannot afford child care options, are not receiving subsidies, or are not finding the care that works for their family. Other workers may be using informal child care that is not licensed, but which they can afford and meets their geographic or scheduling needs.

**FIGURE 1.** ALABAMA YOUNG CHILD POPULATION VERSUS LICENSED CHILD CARE CAPACITY



Source: ACS Population Estimates 2018; DHS Capacity Data, January 2020; AL DECE Pre-K data Note: Some licensed child care seats may be duplicates of First Class Pre-K slots.

*A child care desert is a census tract where there are more than three young children for every available seat in a licensed child care provider. As of 2018, 60 percent of Alabamians lived in child care deserts.*

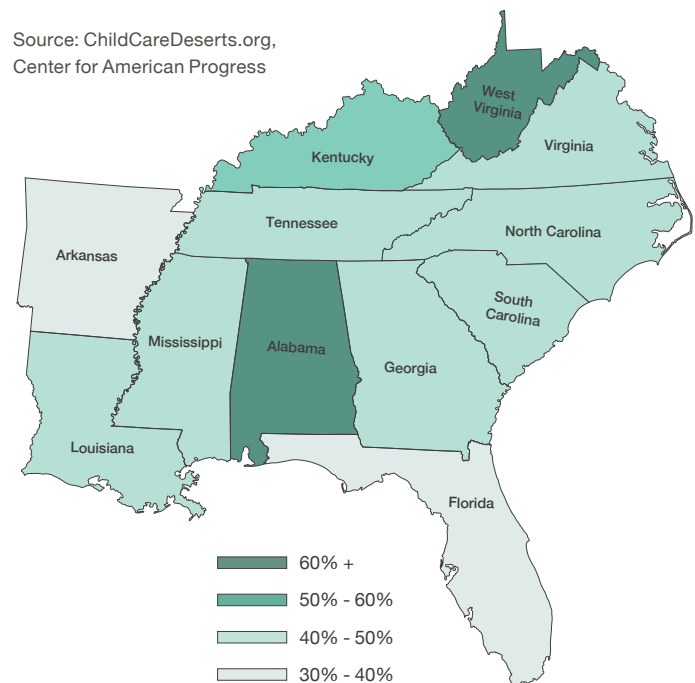
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The 65 percent of Alabama’s young children—over 190,000—with either one or both parents in the workforce are likely to require some type of care while their caregivers are at work. However, there are only enough licensed seats to serve two-thirds of them. This translates to 67,000 children with employed parents but with no licensed child care seat available.

Who is caring for children not enrolled in licensed child care while their parents are working? There are many unknowns given the lack of data and the varied way families are forced or choose to engage child care services. If Alabama families rely on relatives for child care at the same rate as families nationally (19.1 percent), roughly 56,000 children receive family member-care.<sup>51</sup> Some licensed child care seats may also be First Class Pre-K Slots. But it is possible that child care from older relatives, or from other friends, family, or neighbors, was less available for many families this past year because public health guidelines strongly discouraged close contacts among households, especially with relatives at higher risk due to COVID. The remaining 11,000 children are likely in license-exempt centers or other types of unlicensed and informal care (see sidebars on pages 26 and 34). If Alabama’s population grows or draws more parents into the workforce, so will the gap between the number of children who need child care and available child care seats. Meeting this demand will require cultivating a greater child care supply.

**MAP 5 CHILD CARE DESERTS IN THE SOUTHEAST**

Source: ChildCareDeserts.org,  
Center for American Progress



Child care gaps exist across the state. A recent report by the U.S. Department of Education found that Alabama has the highest occurrence of “child care deserts” of any state in the southeast (see Map 5). A child care desert is a census tract where there are more than three young children for every available seat in a licensed child care provider. As of 2018, 60 percent of Alabamians lived in child care deserts.<sup>52</sup>



## At a Glance: Understanding Types of Child Care In Alabama

This report focuses on licensed child care, because it is the only regulated form of child care for which capacity data is readily available, and because licensure plays an important role in safeguarding the health and safety of children in care. Several child care options exist in Alabama:

- **Licensed Child Care:** The Alabama Department of Human Resources (DHR) licenses both child care centers and child care homes.<sup>53</sup> Alabama law requires individuals caring for an unrelated child outside the child's home for more than four hours a day to hold a license.<sup>54</sup> Of the 1,920 licensed child care facilities in Alabama, 65 percent are centers, and 35 percent are child care homes. Nearly 90 percent of Alabama's 108,000 licensed child care seats are in center-based facilities.<sup>55</sup>
- **License-Exempt Child Care:** Some religiously-affiliated programs are exempt from licensure. These programs, which make up about 22 percent of Alabama child care facilities, are subject to local health and fire inspections, but are otherwise not monitored by the state, and there is no information available on the number of children they serve.
- **Informal Child Care:** Many Alabama families use informal, unlicensed child care, often provided by a relative, friend, or neighbor.

Two other programs designed to provide early childhood education to Alabama children may also serve as a source of child care for parents:

- **Head Start and Early Head Start:** Head Start (3-4-year-olds) and Early Head Start (0-3-year-olds) are federally funded, locally run early childhood development programs aimed at low income families.<sup>56</sup>
- **Pre-K:** Alabama's First Class Voluntary Pre-K programs offer pre-kindergarten instruction for 21,000 four-year-olds (about one-third of the eligible population).<sup>57</sup>

Head Start grantees and child care centers operating First Class Pre-K are required to hold child care licenses.



## Child Care Access by County

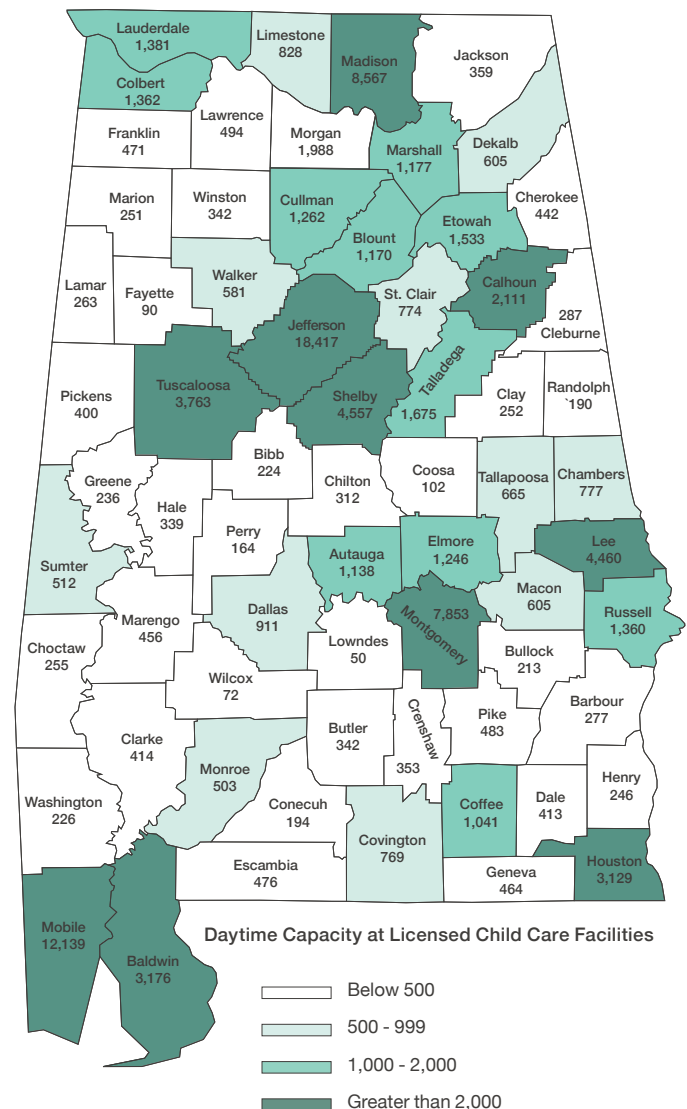
The availability of licensed child care varies across Alabama counties. Map 6 shows the number of licensed child care seats in each of the state's counties. To identify places likely to have unmet demand for child care, look at the number of children per licensed child care seat in each county. As Map 7 shows, 58 percent of Alabama counties (39) have 3 or more children under age five for each licensed child care seat—the definition of a child care desert. This includes Tuscaloosa and Baldwin where the population of children under five has grown more than 5 percent over an eight year period (see Map 3). Most counties likely have unmet child care demand, but the magnitude in each need varies. Because about 10 percent of child care facilities remain closed after COVID, this situation has worsened since the data was collected.

A particular concern for businesses, some of the counties with the most rapidly growing demand for workers have substantial child care shortages. Map 1 (on pg. 7) overlays child care supply with job growth in Alabama counties to highlight areas where particular attention is needed. Half of the fourteen counties that added at least 3,000 jobs from 2014-2018 are also child care deserts. Collectively, these counties could need more than 12,000 child care seats to ensure a spot for every child that needs it and to support workforce growth.<sup>58</sup>

County-level data suggests that there are two types of areas with child care shortages in Alabama, both of which have consequences for economic growth and vitality. First, counties on the fringes of the state's large metro areas, such as Baldwin, Tuscaloosa, St. Clair, Cullman, Limestone, Morgan, Marshall, and DeKalb, have growing populations and employment, but availability of child care has not kept pace, creating a shortage of child care seats.

*If the gap between population/job growth and child care availability continues to widen, economic development could slow if parents are unable to enter or remain in the workforce.*

MAP 6. LICENSED CHILD CARE CAPACITY BY COUNTY



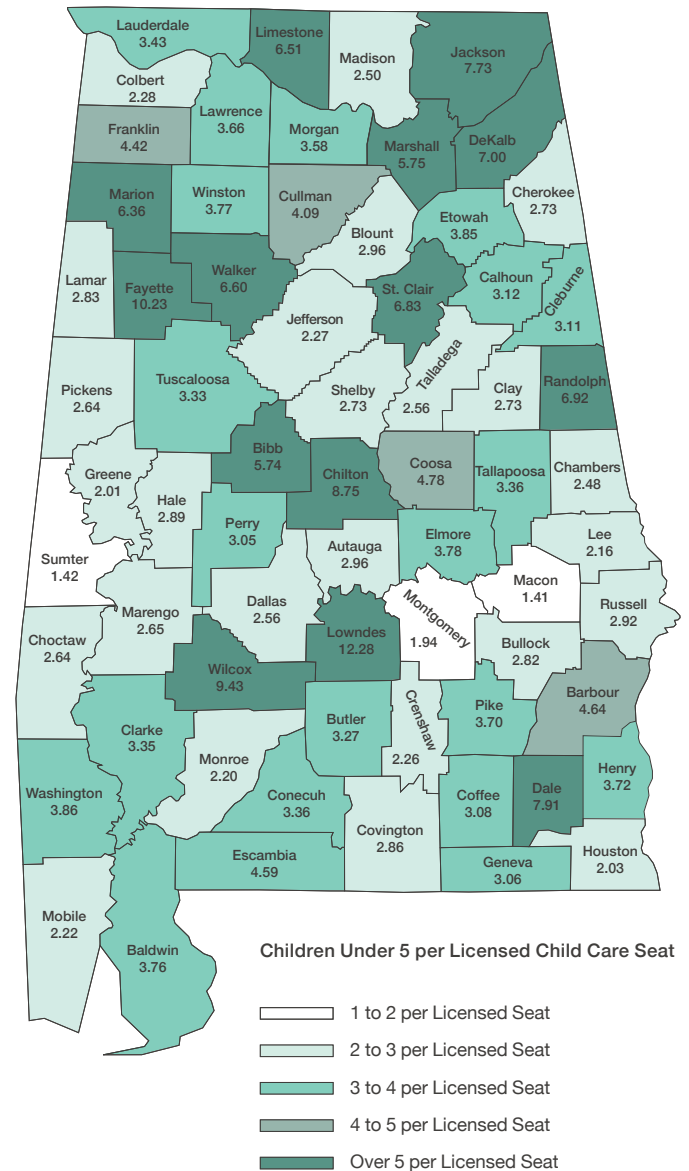
Source: AL DHR Capacity Data, provided January 2020; ACS Population Data, 2018; Bureau of Labor Statistics, Job Growth data 2014-2018. Ratios calculated by author.

Second, child care advocates and experts report that shortages in care are most severe in rural areas of the state.<sup>59</sup> As shown in Map 7, the number of children per licensed child care seat is highest in rural counties such as Lowndes and Fayette counties. Employers also recognize the difficulties in finding available care between more rural and urban/suburban areas. Elizabeth Hamlin of Blue Cross Blue Shield of Alabama echoes the struggles, “Challenges exist related to the availability of child care in certain geographic areas of the state. While child care is readily available in metropolitan areas, it is often very limited in rural areas.”

Alabama’s rural counties have experienced some of the state’s highest population loss in recent years, and many have lost jobs as well. Parents may not seek child care in these areas because of a lack of local job opportunities perpetuating a vicious cycle. In rural counties, a lack of available child care can further dissuade parents from pursuing job opportunities, preventing businesses from opening or expanding, and ultimately causing a lack of opportunities for both parents and businesses. For this trend to change, parents simultaneously need access to jobs and the ability to know their children are safe and well-cared-for while they work.

When licensed child care is unavailable, parents face tough choices. Parents may decide that placing their child with a provider of uncertain quality or safety is not worth the risk to their child’s well-being or their own mental health. Opting out of work, opting out of skill-building opportunities despite high demand for skilled workers, or choosing a license-exempt or unlicensed child care without the minimum standards of health and safety oversight are all choices Alabama families make every day.

**MAP 7. NUMBER OF CHILDREN PER LICENSED CHILD CARE SEAT, BY COUNTY**



Source: AL DHR Capacity Data, provided January 2020; ACS Population Data, 2018. Ratios calculated by author.

## RECOMMENDATIONS

# Cultivate Greater Child Care Supply

The bottom line is there is not enough child care. Cultivating a supply of different types of child care, such as licensed home-based care and employer sponsored sites, gives families more choices about who will care for their children, and whether and how parents can participate in the workforce. It is critical to understand more about families seeking a child care provider, including information about wages, demographics, and the specific communities in which they live, and more about community needs, including the demand for extended hour or night time care. By focusing on areas where family and community needs are greatest, while simultaneously supporting a healthy, high-quality market for child care, Alabama can take targeted action to grow its supply of licensed child care and increase opportunities for women to enter and remain in the workforce. Key opportunities for success include home-based child care, shared services/co-ops, and expanding employer-sponsored care.

## 1. Expand and Support Licensed Home-Based Child Care

Home-based providers are an appealing solution for many working families due to their generally lower tuition, availability to serve neighborhoods or regions with few center-based providers, smaller environment, and the potential to offer evening or weekend hours.<sup>60</sup> They also may provide care that is more tailored to a family's culture, language, or a child's individual developmental needs. During the COVID-19 pandemic, home based providers, who serve smaller numbers of children, were able to open safely and serve the children of essential worker parents.

Still, home-based centers account for only 10 percent of licensed child care capacity in Alabama, suggesting an opportunity for the state. Across the country, the number of licensed home-based providers is on the decline due to high costs and low wages, necessitating action from state policymakers, foundations, and community leaders.<sup>61</sup> The Alabama Department of Human Resources has already launched a recruitment project in two workforce regions which uses a digital campaign that tailors outreach to potential providers and aspiring entrepreneurs. This pilot could inform efforts moving forward.

A key source of new licensed home-based providers could be the family, friend, and neighbor caregivers providing informal care in their homes. Unrelated providers caring for even one child outside of their home require state licensure. This is good policy in terms of child health and safety, but likely means that many friends or neighbors informally providing regular child care who should be licensed are not—and may not be aware of the requirement. The Alabama Department of Human Resources could explore supportive and non-punitive ways to locate and license these providers to ensure appropriate monitoring and provide access to the subsidy funds and quality supports that accompanies licensure. As a licensed provider, they would be eligible to accept subsidy payments for children in their care.



Home-based child care providers, new and existing, have the potential to grow quickly and nimbly with the right policy and market supports, such as:

- Increased subsidy reimbursement rates for infant/toddler care, staff training/credentials, Alabama Quality STARS QRIS participation, nontraditional hours, and serving high-need geographic areas<sup>62</sup>
- Targeted small-scale loans, financing, and/or tax credits to help home-based providers invest in better, safer care environments<sup>63</sup>
- Flexible funding for prospective home-based providers to open and operate
- Coaching supports to enact quality improvements, either via the Alabama Department of Human Resources, or contracted shared services
- Auditing and addressing applicable local and county-level zoning laws that might restrict the growth of home-based care providers<sup>64</sup>

Increased subsidy reimbursement rates can be supported from state Child Care and Development Funds (CCDF), which received a federal funding increase in 2018. Loans and coaching supports are best supported by a combination of state funds and targeted investments from local government, businesses, and philanthropic foundations seeking to grow the supply of quality, affordable child care in their communities. Addressing zoning laws requires the time and expertise to conduct an initial audit, but no ongoing costs.

Another promising model is staffed family child care networks, which employ a paid staff person with expertise in child development and the needs of home-based child care to provide support and services to improve the quality and financial viability of home-based child care providers. For example, All Our Kin, a staffed family child care network in Connecticut, offers participating providers peer networking, in-home coaching/consultation, and training.<sup>65</sup> These networks typically require dedicated state or philanthropic funding to launch, but over time can become self-sustaining through earned revenues from services provided.



## 2. Shared Services and Child Care Cooperatives

One way small-scale child care providers, including home-based providers, can expand, offer high-quality care, and stay in business is with shared service, cooperative, or network models. Child care providers can formally collaborate by pooling resources for shared supports and services that a single provider would not be able to afford alone.

Shared service models can offer administrative supports and pooled savings that increase the financial sustainability of providers by:

- Achieving economies of scale
- Identifying and filling vacant seats quickly
- Ensuring fees are collected in a timely fashion
- Assisting providers in administrative support by navigating the paperwork required to access and combine funds from various sources (such as child care subsidy and federal child and adult care food program funds)

For example, the Georgia Alliance for Quality Child Care offers member providers savings on common food and supply purchases, human resource and administrative templates and tools, and trainings for parents and staff.<sup>66</sup> Shared back-office arrangements also enable providers to focus on their mission—caring for children. **Shared service models also support quality improvement, using savings and efficiencies to increase compensation for staff or invest in professional development.**

Alabama could expand shared service models in the state in several ways:

- Increase awareness of these models among providers through trainings and resources
- Provide short-term startup grants for these models, paid for with philanthropic funding or federal CCDF quality funds
- Incentivize providers to participate in these networks by providing operating grants for participation
- Partner with national organizations such as Opportunities Exchange and All Our Kin that provide technical assistance for the creation of shared services or staffed family child care networks

Like staffed child care networks, shared services models typically require an initial infusion of public or philanthropic funding but should seek to become self-sustaining over time. Business leaders who want to improve the supply or quality of child care for their workers could also help fund these initial start-up costs, or provide in-kind support (such as office space, technology, and supplies for the network) to help launch.

### 3. Expand Employer-Sponsored Care

As more employers realize the impact of child care on their workforce, some Alabama business leaders are taking direct action to expand employee access.

#### On-Site Care

Some employers offer onsite or nearby child care for their employees. “We provide a subsidized, onsite, licensed and nationally accredited child care center for our employees in the Birmingham area,” says Elizabeth Hamlin of Blue Cross Blue Shield of Alabama, “This benefit provides employees peace of mind that their children are receiving quality care, and we believe it has a positive impact on employee satisfaction, attendance, and productivity.”<sup>67</sup> Regions Bank, which employs approximately 3,500 people in the Birmingham area, offers a dedicated child care center near its offices, and priority access to three other child care facilities downtown, including options for backup/emergency care.<sup>68</sup> In addition to providing a convenient care option, employers can oversee quality and offer employees discounts.

#### Off-Site Options

Employers for whom it is not feasible to offer an onsite option of their own could partner with local providers to offer referrals, discounts, or negotiate special options for employees, especially where non-traditional schedules are a barrier to finding care. They could also offer flexible spending accounts to allow employees to pay for child care before tax. Another model under consideration by North Alabama business leaders is a child care cooperative supported collectively by several regional employers – a solution at work in other states that could be well-suited to rural areas.<sup>69</sup>

#### Employer Child Care Tax Credits

In addition to building awareness in the business community about the importance of child care and the value-add of child care investments, Alabama can concretely incentivize this kind of activity with child care tax credits aimed at employers.<sup>70</sup> Louisiana offers one compelling model: The state has created a multipronged package of tax benefits aimed at child care access and affordability, and employers that support high-quality child care centers and partner with child care resource and referral agencies are eligible for tax credits.<sup>71</sup> Other pieces of this tax credit system offer benefits for families, providers, and child care professionals.<sup>72</sup> Since the implementation of these tax credits, the number of child care providers with high-quality ratings has increased, enrollment in high-quality child care centers has expanded, and more families have access to high-quality care.<sup>73</sup>

Other state tax credit systems expand the pool of available funds by encouraging businesses and individuals to donate to funds that support child care access and quality. In Oregon, donations to the state’s Child Care Fund by businesses and individuals are eligible for a state tax credit in addition to the federal deduction for charitable donations.<sup>74</sup> This means that by paying into statewide child care, individuals and business can actually make money back in tax savings.



# Affordability

*Even where child care is technically available, it is often unaffordable, even for middle- or upper-class families. When high-quality child care costs more than a parent's paycheck, some parents may opt out of the workforce to stay home or choose to shift to part-time work to save on child care costs.<sup>75</sup>*

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The average weekly cost for infant/toddler child care in Alabama was \$115 as of 2017, which translates to approximately \$460 a month, or \$5,980 a year.<sup>76</sup> That's 11 percent of the annual income for a household with children earning the median income (\$55,000). Put another way, a year's worth of child care costs more than half of a year's tuition at the University of Alabama – but parents usually have a lot more time to save up for college and prospective students can qualify for scholarships, grants, and financial aid.

Alabama is not alone in this challenge. Recent national research found that “in no state does the cost of center-based infant and toddler care meet the federal definition of affordable.”<sup>77</sup> The U.S. Department of Health and Human Services defines affordability as paying no more than 7 percent of family income on child care. Basic Economic Security Tables conservative estimates show that in Alabama a worker with an infant and preschooler would need to budget 18.9 percent of a living wage for child care. That's more than taxes (18.5 percent), housing (14.2 percent), and food for the entire family (11.5 percent).<sup>78</sup> The price of center-based care for an infant and a toddler (\$13,780) is nearly the same as the average annual mortgage payment for Alabama families (\$13,788).

*A year's worth of child care costs more than half of a year's tuition at the University of Alabama – but parents usually have a lot more time to save up for college and prospective students can qualify for scholarships, grants, and financial aid.*

Working families with income below 130 percent of the poverty level may be eligible for subsidies that help pay a portion of child care costs.<sup>79</sup> A family of four must make less than \$33,480 a year to qualify for subsidized care. Child care subsidies are funded from state and federal Child Care Development Fund (CCDF) grants administered by the Alabama Department of Human Resources.

Until recently, the child care subsidy system in Alabama did not work well for all children. In 2016, only one in five eligible children received assistance, and the subsidy waiting list was 8,400 children long.<sup>80</sup> Families spent years on waiting lists, and many providers refused to accept subsidies, due to low reimbursement rates.<sup>81</sup> As of 2020, only 45 percent of licensed child care providers accept children who receive subsidies, which means that parents of children who receive subsidies must look even harder to find a place to enroll their child.

## At a Glance: The Child Care Safety Act, 2018

In May 2018, Governor Kay Ivey signed HB 76, the Child Care Safety Act, into law.<sup>82</sup> This law, supported by a diverse coalition of stakeholders led by VOICES for Alabama's Children and including The Women's Fund of Greater Birmingham, increased health and safety requirements for all child care facilities and aimed to reduce the number of license-exempt providers. The law, prompted in part by several instances of injury<sup>83</sup> or death<sup>84</sup> to children in the care of license-exempt child care providers, requires any child care facility receiving state or federal funds, or operating for profit, to be licensed. It also requires license-exempt providers to clearly disclose to parents that they are not regulated or licensed by the state. By 2019, as a result of the law, 170 (out of 206) previously exempt facilities obtained licenses while others chose to close or not to accept subsidies.<sup>85</sup>

Recent years have brought substantial improvements in Alabama's child care subsidy program, as a result of state leadership and additional federal funding. The U.S. Congress re-authorized CCDF in 2014, increasing health and safety standards for subsidized child care providers, and increased funding for the program in 2018, opening up \$40 million in new funding for Alabama.<sup>86</sup> At the same time, Alabama child advocates lobbied leaders in the Alabama legislature to pass the Child Care Safety Act, which increased health and safety standards. These improvements eliminated the subsidy waiting list, increased subsidy reimbursement rates for providers, and funded more training.<sup>87</sup> Federal stimulus money in 2020 and 2021 could provide much needed resources to help save child care facilities from permanent closure and help put Alabama back on a path to more affordable, accessible, high-quality care for all families who need it.

What about the majority of Alabama children (88 percent) who live in households that do not qualify for child care subsidies? **Working Alabama families, like many middle-income families nationwide,<sup>88</sup> are burdened by child care costs.** For example, a family of four earning \$35,000 annually earns just over the subsidy threshold but would probably still struggle to pay the average annual child care cost of \$5,000-\$7,000 (14-20 percent of their annual income).<sup>89</sup> If the family needed care for multiple children (as many families do), costs would be an even bigger challenge.

Middle income families find some economic relief in the form of a federal child care tax credit, but for households earning above \$43,000 annually (below the median income for Alabama families with children), the credit carries a maximum of \$600 for a single child and \$1,200 for multiple children.<sup>90</sup> **Unlike 24 other states, Alabama does not offer families an additional state-level child care tax credit.**<sup>91</sup> In 2021, most Alabama families will additionally benefit from a new federal child tax credit in the form of direct payments—but it is not yet clear whether some or all of these COVID recovery benefits will become permanent.

## RECOMMENDATIONS

# Support Affordability for Families at All Income Levels

Child care in Alabama is not affordable for most families. This pushes or keeps employment-eligible parents out of the workforce or into lower-quality child care arrangements. Alongside efforts to expand quality, Alabama can use both the subsidy and tax systems to make high-quality child care accessible for more families. Investing in affordability for families across the income spectrum will help Alabama grow its population of workers, keep more parents in the workforce, and attract or retain more families with young children to the state.

## 1. Expand Parental Child Care and Child Tax Credits

New federal tax credits for families with children could play a key role in giving families an infusion of much-needed resources that they might choose to use on child care, but these benefits are currently temporary. The state could supplement these funds or make some or all of these stimulus tax credits permanent.

Alabama should explore parental tax credits as a way to help families with child care costs.<sup>92</sup> Twenty-four other states already offer state child care tax credits in addition to the modest credits available on federal taxes. In Louisiana, families are eligible for a refundable tax credit for child care expenses, with higher tax credits if they choose a highly-rated provider, supporting both affordability and quality in the state's child care market.<sup>93</sup> Louisiana child care providers are also eligible for a tax credit worth up to \$1,250 per eligible child, depending on their QRIS ratings. Because Louisiana's tax credit is refundable, tax-exempt nonprofit and faith-based institutions can also benefit.

## 2. Expand Child Care Subsidies

Alabama should invest additional funds to reach working families earning over 130 percent of the poverty threshold, as well as currently eligible families unaware of the program. Setting the threshold for subsidies at the federal maximum of 85 percent of the state median income, or approximately \$40,900, would alleviate child care cost burdens for many more working Alabama families, expanding their household purchasing power and supporting greater workforce development. Achieving this goal may require additional state and federal funding, but if the U.S. Congress continues to increase child care funds as they have since the onset of the COVID-19 pandemic, Alabama policymakers can invest and leverage state dollars as well to expand access to families which can drive more women into the workforce, ultimately helping the state achieve its attainment goal by 2025.

Families need more providers to accept child care subsidies. As small businesses, child care providers should explore all options for revenue, including accepting child care subsidies, First Class Pre-K grants, and other opportunities. Increased subsidies are available to programs participating in Alabama Quality STARS QRIS.

With a combination of subsidy expansions, family tax credits, and donation-based tax incentives, Alabama can support quality and affordability in child care for families across the income spectrum and make the state a better place to raise a child.

# Quality

*Families are in the best position to choose a child care provider that meets their child's needs. This is part of the reason why child care operates as a market-based, choice-driven system. However, markets function best when consumers have full, timely information to make decisions.*

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A variety of resources exist for Alabama families in search of child care. The Alabama Department of Human Resources maintains a list of licensed child care providers on its website, which contains basic information (name, address, and phone number), listed by county. Ten regional child care resource and referral agencies (known as CCR&Rs) provide referrals to local child care providers, information on licensing and quality as available, and help connect families with subsidies and other community resources.<sup>94</sup> Joan Wright, Executive Director of Childcare Resources, a CCR&R that serves the Birmingham region, reports that many of the families they serve have specific needs that limit their provider options, such as a non-traditional work schedules or an inclusive and supportive environment for children with special health needs.<sup>95</sup> In these cases, information can expose gaps in the child care market, but does not necessarily fill them.

In recent years, Alabama has provided families with more information about child care quality and incentivized improvement via Alabama Quality STARS, the state's child care Quality Rating and Improvement System (QRIS). Similar systems exist in states across the country. DHR rates participating providers on a scale of 1 to 5 stars, based on factors associated with high-quality child care, including staff qualifications and professional development, management and administrative practices, learning environment and curriculum, family involvement, and community partnerships. The lowest rating, 1 star, is the baseline standard for licensure. Providers that receive higher ratings are eligible for higher incentive payments, the primary motivation for opting-in.<sup>96</sup>

## At a Glance: What does “high-quality” child care look like?

The difference between high-quality and low-quality child care is enormous for parents, providers, and especially for children. Research on the benefits of high-quality care is strong, while low-quality care can adversely affect child development and even jeopardize child safety, making parents less willing to enter the workforce if low-quality or unsafe care is their only option.<sup>97</sup> Alabama Quality STARS, the state's quality rating system, measures based on the following component areas:<sup>98</sup>

- Staff Qualifications and Professional Development
- Management and Administrative Practices
- Learning Environment and Curriculum
- Family Involvement and Community Partnerships



Although Alabama Quality STARS (QRIS) has existed for center-based programs since 2015, and home-based programs since 2019, only 91 center-based providers—less than 7 percent of licensed Alabama child care establishments-- participated as of 2019.<sup>99</sup> Huge regions of the state are without a single STAR-rated provider, including 32 Alabama counties (see Map 8). With 68 percent of STAR-rated centers earning only a single star, even fewer counties have higher rated provider options. Accreditation from the National Association for the Education of Young Children (NAEYC) offers another signifier of child care quality, but Alabama also has relatively few NAEYC-accredited programs which are concentrated in the Birmingham and Montgomery areas only.

With so few participating providers, most Alabama parents cannot use STARS to compare program quality, lowering the participation incentive for providers and further discouraging families from using STARS as a meaningful quality indicator.

### At a Glance: Combating COVID with Gender-Lens Grantmaking

The Women’s Fund established the Rapid Operating and Response (ROAR) for Women Fund, a permanent emergency relief fund in response to the COVID-19 pandemic. At the time of ROAR’s launch, only 7 percent of licensed child care centers in Alabama were open and operating. Some were planning to close permanently with devastating long-term effects for women, families, and communities. The Women’s Fund utilized the ROAR Fund to raise financial capital in partnership with corporations and family foundations and to deploy targeted, flexible grants to child care providers to fill critical financial gaps and incentivize them to reopen.

The Women’s Fund awarded 31 grants to child care providers totaling over \$195,012. **Our grants were prioritized to child care centers serving the children of essential employees.** Grants provided flexible, gap funding for child care providers, allowing licensed centers and day care homes to re-open or remain open while they waited for federal relief dollars. One-hundred percent of ROAR-funded child care centers remain open at the time of publication. Grant funds impacted 1,308 children, 353 essential worker parents, and 239 child care staff across the state. Ninety-seven percent of ROAR dollars were invested in women-owned businesses.

RAPID OPERATING AND RESPONSE (ROAR)  
GRANTS BY THE NUMBERS

**\$195,012** dollars awarded to ROAR grantees by The Women’s Fund

**31** ROAR grant recipients

**100%** of ROAR-funded child care centers remain open at the time of publication

**97%** of ROAR dollars invested in women-owned businesses

## RECOMMENDATIONS

# Empower Families with Better Information to Make Child Care Choices

Parents are the best people to make decisions about their child's care, but they need access to reliable and relevant information. Too often the child care search is opaque and frustrating, leaving parents to rely on word-of-mouth recommendations. Informational basics are often available via regional child care resource and referral agencies and/or the Alabama Department of Human Resources, but more substantial information about quality is more difficult to obtain. Parents need information about program quality that can help them tour a child care facility with the right mindset, ask questions, and compare options to make the best choice for their family and child.

## 1. Expanding Quality through a State Investment in Alabama Quality STARS

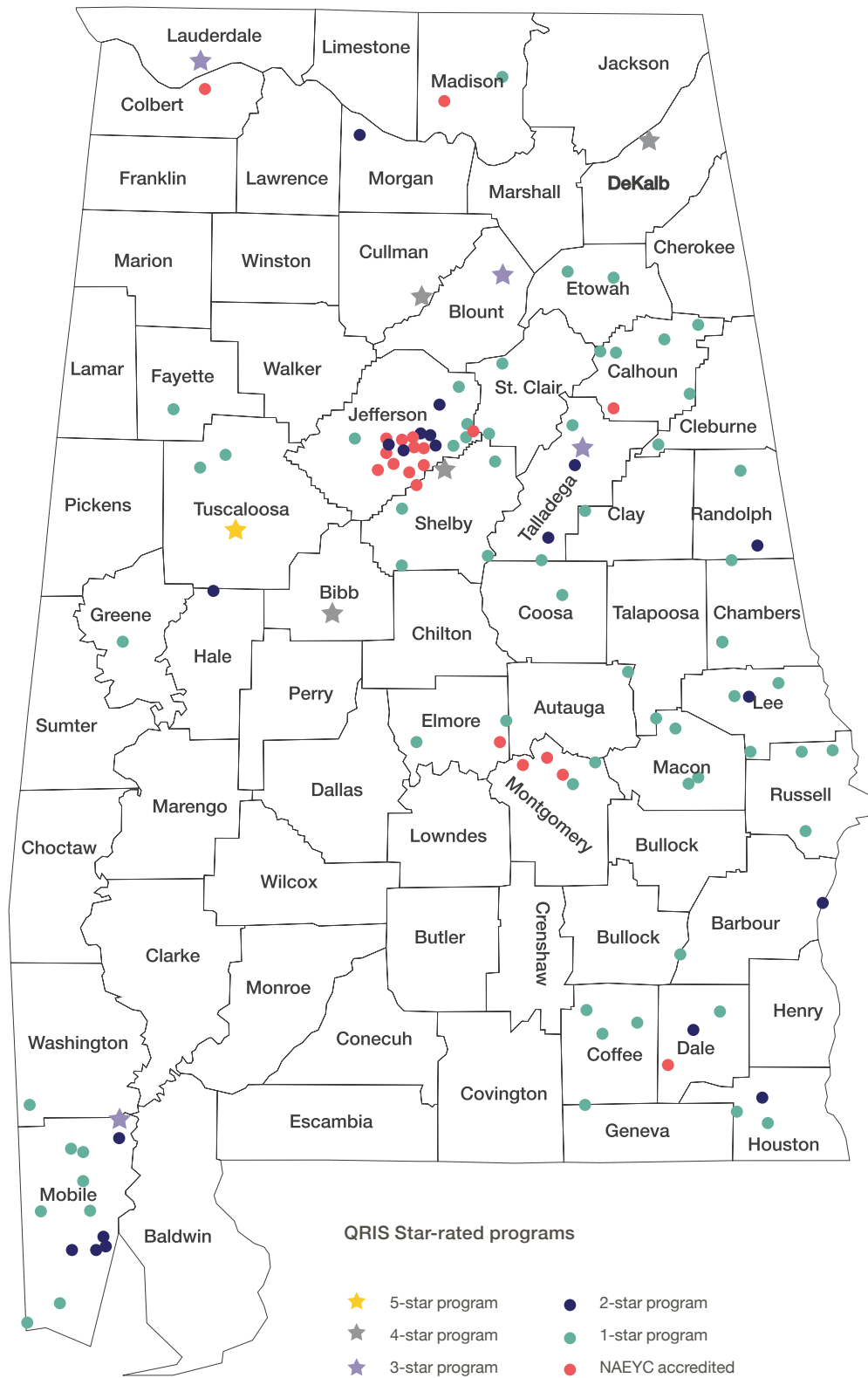
The Alabama Quality STARS QRIS rating system is one way to provide parents with the information they need, but it requires significant revision in order to increase provider participation, help providers increase their quality and star ratings through staff investments, and offer more useful information for parents. Improving the QRIS and expanding participation is among the goals of Alabama's recent Preschool Development Birth Through Five Grant from the U.S. Department of Health and Human Services.<sup>100</sup> This grant provides an opportunity for the state to re-examine Alabama Quality STARS QRIS and make it more useful and impactful for families.

No matter how Alabama Quality STARS QRIS evolves, many providers need additional support to reach higher star levels. Alabama can use a portion of its federal CCDF quality funds to help providers reach and maintain higher levels of quality. Businesses, philanthropic organizations, and civic groups can also help by funding coaching to help providers reach higher rating levels, which drives quality, or making micro-grants to enable providers to make investments in facilities, equipment, and materials needed to reach higher star levels. Child care networks and CC&Rs can provide technical assistance needed to participate in Alabama Quality STARS QRIS. Coupled with tax credit and subsidy incentives for providers to achieve higher levels of quality, such business and philanthropic investments would have a high return on investment, because they would enable providers to increase their revenue per child served, making them more financially viable over the long-term.

## 2. Increase Access to Child Care Rating Information

Information on Alabama Quality STARS QRIS-rated programs can be organized in a more user-friendly way. Currently, the Alabama Quality STARS QRIS website allows users to search for programs by county, but only includes a list of star-rated programs and their star rating. Full functionality could include additional information such as hours of operation, available vacancies, meal options, and languages spoken by staff. Enhancing or rebuilding the Alabama Quality STARS QRIS website to make the information more readily accessible to families seeking care could significantly increase the functionality of Alabama Quality STARS QRIS, increasing its use and incentivizing provider participation.

**MAP 8. LOCATIONS OF ALABAMA QUALITY STARS QRIS-RATED AND NAEYC ACCREDITED CHILD CARE PROGRAMS**



Source: Alabama Quality STARS QRIS-Rated Centers, October 31, 2019 report, data provided by the Alabama Department of Human Resources







# Conclusion

*The availability of quality child care is a fundamental necessity for women's economic opportunity and participation in the workforce.*

---

Improving access to high-quality child care is essential for Alabama's economic and educational future. Alabama has several key supports in place already, including a growing cohort of leading employers who recognize the need and the value of child care for their employees and for their bottom line, recently improved state laws, federal investments in early childhood education, and an active community of early childhood advocates.

Despite building this important foundation, meeting the state's workforce goals will require implementation and expansion of additional supports to address the deeply entrenched child care barriers currently facing many Alabama workers. These include a shortage of licensed providers, a child care economy that is too costly for families and unsustainable for providers, and a shortage of reliable information to support families' child care choices. The economic and health impacts of COVID-19 have only deepened these pre-existing challenges, and severely destabilized many parents' and child care providers' fragile economic footing.

Because all Alabamians reap the benefits of a stronger economic future, all Alabamians also have a role to play in helping make it a reality. Parents, employers, community leaders, voters, taxpayers, legislators, and policymakers must work together to strengthen our state's economy and families today and for tomorrow.

The recommendations in this report aim to address these challenges and reflect a market-based approach to improving child care that requires engagement, support, and investment from employers and business groups, state and local government, families, child care providers themselves, advocates, and philanthropic funders. None of these groups can solve Alabama's child care challenges on its own, but by working together they can build a brighter future for Alabama's workforce and children.

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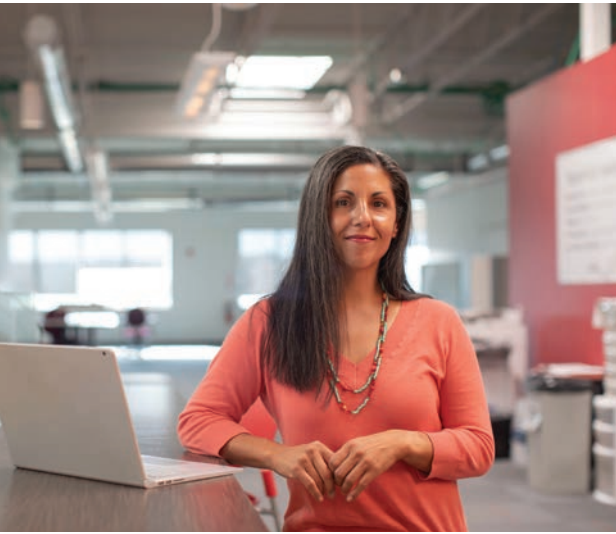
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### Mission

The Women's Fund of Greater Birmingham accelerates economic opportunity for women and their families through philanthropy, research, and advocacy.

### Vision

We envision a society where power and possibility are not limited by gender

[womensfundbirmingham.org](http://womensfundbirmingham.org)

