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June 17, 2016

Senator Patrick Browne  
Majority Chair  
Pennsylvania Senate Appropriations Committee  
Senate Box 203016  
Harrisburg, PA 17120-3016

Senator Lisa Baker  
Majority Chair  
Pennsylvania Senate Labor & Industry Committee  
Senate Box 203020  
Harrisburg, PA 17120-3020

Senator Vincent Hughes  
Minority Chair  
Pennsylvania Senate Appropriations Committee  
Senate Box 203007  
Harrisburg, PA 17120-3007

Senator Christine Tartaglione  
Minority Chair  
Pennsylvania Senate Labor & Industry Committee  
Senate Box 203002  
Harrisburg, PA 17120-3002

Dear Senators Browne, Baker, Hughes & Tartaglione:

On June 21, 2016, you are holding a joint hearing of the Senate Appropriations and Labor & Industry Committees to examine the impact of recent changes in federal wage, hour and over-time regulations on businesses, non-profits and the State budget. I am taking this opportunity to respectfully submit my comments.

My organization, the Pennsylvania Child Care Association (PACCA) is a statewide, membership organization that exists to be a strong and effective voice for quality early care and education programs, and to give leadership and support to those organizations that assist the Early Childhood Education community, families, and children in the Commonwealth of Pennsylvania. PACCA's over 1,000 members operate nearly 1,800 early learning programs that care daily for over 170,000 children aged birth through school-age each day. PACCA's membership also includes Child Care Information Services (CCIS) who provide county-wide child care resource and referral services, as well as businesses, consultants and other entities that provide a service or product to the child care provider community.

In this last year, we have looked closely at state and national efforts to raise minimum wage and most recently the U.S. Department of Labor's new Overtime Rule that will update and set standards aimed at protecting workers and ensuring that they are equitably compensated. We are torn.

We know that higher-quality early learning settings produce better outcomes for children. Program quality is directly linked to the quality of the staff, their education, training, and experience. However, compensation is so universally low, many of the teachers in our early childhood classrooms are eligible for the same public benefits and supports as the children in their programs receive.

While education and training requirements and expectations have increased for early education teachers, compensation has not. An article that appeared earlier this year in the Philadelphia Inquirer profiled a young, 28 year-old teacher working in a preschool program in West Philadelphia who chose to live in a shelter to save as much as he could of his \$20,000 annual salary. ([http://articles.philly.com/2016-03-22/news/71735448\\_1\\_christopher-rouse-providers-teachers](http://articles.philly.com/2016-03-22/news/71735448_1_christopher-rouse-providers-teachers)).

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As noted in the report released June 14, 2016 by the U.S. Departments of Education and Health and Human Services, our early childhood workforce is woefully undercompensated limiting and directly impacting our ability to attract and retain highly-qualified staff. According to the report, the median annual earnings of a Pennsylvania child care teacher is \$19,590. Parking lot attendants and manicurists on average make more. I have attached a copy of the Pennsylvania infographic issued with the report as illustration. In addition, according to the U.S. Bureau of Labor Statistics, the median wage for Pennsylvania child care directors as of May 2015 was \$42,490, approximately \$5,000 below the new threshold proposed by the U.S. Department of Labor. Most directors are salaried and work significantly more than a forty-hour work week. Reducing hours, paying overtime, or increasing the salaries above the new threshold are expensive options for child care programs.

We have made an extraordinary commitment to early learning in Pennsylvania. Our Keystone STARS program through the Office of Child Development and Early Learning recognizes and rewards early learning programs as they make continuous quality improvements. In our mixed delivery system, only our highest quality early learning providers can provide Pennsylvania Pre-K Counts services. The resources provided by these programs enhance the ability of early childhood teachers to support positive outcomes for the children they serve. Unfortunately, while receiving the same level of award as any other provider of Pre-K Counts, high-quality child care providers begin at a disadvantage because their wraparound base rates are so low.

Pennsylvania has nearly 8,000 regulated child care providers; approximately 75% contract to serve children from low income, working families receiving subsidized child care. When the state budget focuses efforts on increasing the number of children served by Child Care Works, we are only creating more slots in programs already struggling to meet their basic operating needs with child care subsidy **reimbursement rates that that have not increased in nearly ten years**. In fact, nearly 54% of current child care providers caring for children from low-income families are actually locked into subsidy payment rates below the maximum rates set in 2007 because of DHS payment policies.

Low reimbursement rates are driving high-quality child care programs out of business. In the last year, twenty-seven PACCA members closed their high-quality programs. Providers are in a tough position. They cannot charge parents the true cost of care; parents simply cannot afford it. As a result, providers are forced to offer artificially low teacher salaries, causing high turnover and affecting quality. While these new rules are commendable, their impact may contribute to more programs failing.

The cost of living has risen 14% in the last 10 years. A recent study by the PA-based Non Profit Finance Fund found that child care subsidies do not cover a provider's minimum cost of care per child and leaves a revenue gap of at least 23% for high-quality providers and 15% for lower-quality providers. Some argue that Pennsylvania should only invest in quality early learning programs and point to programs like Keystone STARS tiered reimbursement, grants and awards as how we pay for quality. Unfortunately, while these are deeply appreciated supports that recognize quality, they do not make up for all of the costs related to improving quality, as well as employing, retaining and compensating staff.

Child care is a significant industry in our commonwealth. According to the Committee for Economic Development Pennsylvania's child care industry contributes over \$3.3 billion directly & indirectly to its economy. Pennsylvania's child care industry employs over 58,000 individuals that support an additional 27,000 jobs in other industry sectors across the state. However, the child care community is under siege. Our members want to pay staff more. However, as much as we applaud the intent of proposed minimum wage increases and the new overtime rule, without new investments of resources to address basic child care subsidy rates, child care providers will not be able to employ and compensate the staff with the necessary credentials and experience to produce the outcomes we want for our children.

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What Pennsylvania should do?

- Education and compensation of the workforce should be key components of our efforts to improve the quality of early learning programs;
- If Pennsylvania is serious about improving the quality of care and education that children receive, that commitment needs to be reflected in child care subsidy reimbursement rates;
- Not only should child care subsidy reimbursement rates provide funding for child care that meets basic requirements, rates should be sufficient to pay for quality child care;
- Our quality initiatives, such as Keystone STARS should be stand-alone incentives and not supplements to insufficient rates.

Thank you for considering my comments. We welcome the opportunity to talk with you and your committees further on this important topic. Please contact me if you have any questions.

Sincerely,



Diane P. Barber  
Director

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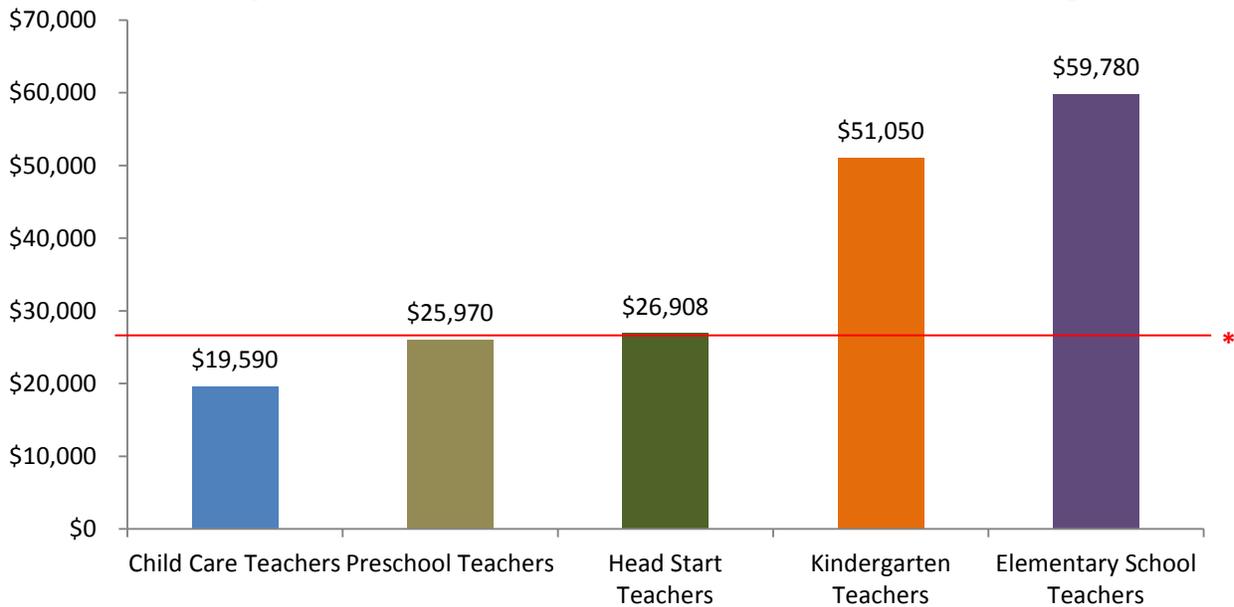
## Access to High Quality Early Learning Matters!

Research shows that during the earliest years of a child's life:

- 700 1,000 new neural connections form every second
- Genetics plus experiences shape the developing brain
- The foundation forms for future cognitive abilities
- Vocabulary at age 3 can predict 3<sup>rd</sup> Grade Reading Achievement

## High Quality Programs Depend on a Quality Workforce Low Wages Undermine Quality

### Pennsylvania Median Annual Workforce Earnings



\*Supplemental Nutrition Assistance Program (SNAP) eligibility for a family of three: \$26,124  
Note: The U.S. Bureau of Labor Statistics did not report separate wage data for PA preschool special education teachers.

### Pennsylvania Demographics

- 850,234** Children Under Age 6
- 360,863** Children Under Age 6 Below 200% of Poverty
- 67.9%** Children Under Age 6 Living in Households with All Parents Working
- 46.3%** Families Led by a Single Mother with Children Under Age 5 Living in Poverty
- 21.8%** Children Under Age 5 Living in Poverty

### Pennsylvania Median Annual Wages for Other Occupations



Parking Lot Attendants  
\$20,890



Manicurist & Pedicurist  
\$21,020



Word Processors/Typists  
\$34,070



Nurses  
\$65,690

Source: U.S. Census Bureau, ACS 1 Year data (2014); U.S. Bureau of Labor Statistics, Occupational Employment Statistics (2015); Head Start Program Information Report (2015).

