

# Utah Childcare Solutions and Workplace Productivity Plan

## Executive Summary

December 2024







### In Brief.

The Childcare Solutions and Workplace Productivity Plan was funded by the Utah state legislature in 2023. The intent was to better understand child care gaps and challenges in Utah and review innovative approaches used in the state as well as in other states.

As part of the report, child care supply data was reviewed compared to potential need. Twelve focus groups were held (four with center-based providers, four with home-based providers, and four with parents). More than 85 stakeholders, practitioners, and state experts were consulted. Discussions also occurred with several local urban and rural chambers of commerce.

### The 5-Point Solutions Plan.

The Child Care Solutions and Workplace Productivity Plan offers strategies for consideration across five categorical areas that are interrelated to the challenges in accessing child care and for the children in child care to thrive.

- Child Care Supply
- Child Care Workforce
- Child Behavior
- Child Care Affordability & Accessibility
- Employer Public-Private Partnerships

In Utah over the past decade, there has been an increase in the percentage of mothers who are working.

For two-parent households working full-time with children under age six, a recent survey found that 74% said they needed two incomes to cover household expenses.

Access to high-quality child care, Head Start, and preschool classrooms funded through the School Readiness Initiative help promote healthy child development and also support a parent's need or choice to work. While families can participate in Head

Start or state preschool regardless of their work status, these programs are options for families within the early childhood landscape.

Employers depend on working parents. A top challenge for many employers is the recruitment and retention of a skilled workforce. The jobs gap in Utah between the number of job openings and the number of people unemployed exceeds 66,000, which leads employers to consider ways in which to expand labor force participation. One way is to review company options to support access to child care in some manner.

The COVID supplemental federal child care funding to Utah enabled the Department of Workforce Services to temporarily undertake an array of strategies to support the child care business model as well as individuals who work in child care. Funds were also used to help make child care more affordable for families.

The supplemental funding has expired, however, the state continues to receive annual federal child care funding through the Child Care and Development Fund (about \$144.6 million in FY2024, with FY2025 appropriations pending Congressional action). Another \$15 million is transferred annually from the Temporary Assistance for Needy Families (TANF) block grant to the state's child care fund.

The report offers several options to consider to help pay for additional investment in child care strategies:

- Unobligated TANF funds
- Unobligated U.S. Treasury Federal State & Local Fiscal Recovery Funds (SLFRF), which must be obligated by December 31, 2024
- Review current programs to prioritize higher category needs
- Supplement child care funding with state funds as other states have done post COVID

Some of the recommendations have no cost (e.g., making fields within current state data systems mandatory rather than voluntary). This would help inform policymakers to consider data-driven strategies. Other recommendations may have a modest or greater cost, however, offer innovative solutions to pressing challenges.

Some of the recommendations tie together two strategies. For example, an early childhood refundable tax

credit tied to the attainment of certifications or higher education incentivizes professional development in early childhood competencies with a boost in wages as a reward. Thinking about ways to connect the low income housing tax credit when used for multi-family housing to child care programs offers communities an integrated strategy to support affordable housing and access to child care.

The focus group comments about the increase in challenging child behavior across early childhood programs since COVID are concerning about the next generation – today's youngest children. There does not appear to be a sole cause, but comments across the focus groups suggested that the increased use of phones and tablets by young children may have a collateral negative impact on child development.

With widespread challenging behaviors across child care, Head Start, and state preschool, there is no singular solution. However, strategies to educate parents as well as to support caregivers could be considered to pre-empt long-term challenges for children as they age into the K-12 educational system.

Addressing the supply, affordability, and quality of child care is complicated. While there are many interrelated pieces, there is no one single strategy that solves it all.

Employers can play a role and other states have enacted either tax credit strategies or matching grants to incentivize employers to help make child care more accessible or affordable for employees. Some states, such as Iowa, have created Child Care Solution Funds that incentivize employers to be part of a local community solution.

The data shows a gap in the supply of licensed care compared to the potential need. Child care affordability is a problem mentioned in each of the focus groups. Parents cite safety and trust as the top two factors related to child care with cost the next factor. Parents also equated licensed care with safety.

The report builds on a decade of Utah child care related studies. Child care access is a complicated challenge. There is no one singular solution. An array of integrated strategies could be considered to ensure that parents who must work or want to work have safe settings for their children. Employers and communities depend on a stable and growing workforce.

## Child Care Solution Plan Recommendations

*“I want Utah to be the best place to live in the nation. I want Utah to be the best place to start a business. I want Utah to be the best place to have a family.”*

Governor Spencer Cox, [2024 State of the State Address](#), January 18, 2024

### #1 Child Care Supply

The supply of child care falls far short of the need. The following solutions are recommended for consideration.

#### Accountable Supply Data.

Currently in Utah, it is difficult to assess the supply of child care compared to the potential need because data systems include total licensed capacity but not program capacity by age. Fields for capacity by age and vacancies are voluntary for programs to report. In addition, there are about nine different systems used to retain data related to child care, Head Start, preschool, and the child care workforce. These data systems are housed by three different state agencies (DWS, HHS, and USBE).

**Recommendation.** The state could consider requiring current voluntary data fields related to child care capacity by child age and vacancies to be mandatory. The nine systems for data could be reviewed to inform options and costs to integrate.

#### [SB 176](#) from Utah 2024 Legislative Session.

Senator Luz Escamilla and Rep. Robert Spendlove introduced [SB 176, the Child Care Capacity Expansion Act](#). The bill would create an employer-based, state-assisted child care capacity expansion grant program by utilizing obsolete government building space.

**Recommendation.** The state could consider enacting SB 176 to turn obsolete public building space into community public-private partnerships to expand child care options for families.

#### Child Care Facility Health & Safety Grants.

Addressing facility maintenance needs could help reduce potential long-term costs as well as mitigate risks.

**Recommendation.** DWS could consider a child care facility needs assessment (survey of child care providers). Based on that assessment, the health & safety grants program could be re-opened.

#### Insurance.

In the child care center focus groups, providers raised the challenge of the increasing costs of liability insurance and that some companies have decided not to insure child care businesses. The Utah Department of Insurance has a [Captive Insurance Division](#) designed to carry out Utah’s Captive Insurance law.

**Recommendation.** The Department of Workforce Services could partner with the Utah Insurance Department to offer a webinar (or series of webinars) to licensed child care providers. Captive Insurance Division experts could offer a presentation outlining the major aspects and benefits of captive insurance, respond to questions, and enable the child care industry in Utah to be better informed about options.

#### Strengthening Business Practices.

The COVID pandemic exposed a great need for strengthening business skills. The Department of Workforce Services pays for business-related classes for licensed child care providers.

**Recommendation.** While more than 400 child care providers have completed one or more business classes, DWS could consider expanding the contract to offer multiple sessions within each topic.





### Local Ordinance Restrictions.

Licensed family child care home providers talked about the impact of local ordinances undermining the operation of state licensed family child care homes. A review of five localities identified by focus group participants found local restrictions related to operating a home occupation business.

#### Recommendation.

The state could consider legislation (similar to laws in Oklahoma and Connecticut) that ensure local ordinances do not undermine state licensing.

### Early Childhood Shared Resources Online Platform.

The [Early Childhood Shared Resources](#) online platform operates in 38 states. It's a knowledge hub to support best business practices for child care centers and family child care homes. The site has more than 2,000 resources for child care providers and can be customized to include resources or links to state specific material or programs.

**Recommendation.** DWS could consider partnering with a CAC to host the online early childhood resources platform to support child care businesses.

### School Readiness Initiative Expansion.

[The School Readiness Initiative](#) is a high-quality preschool program serving disadvantaged children who research shows gain the most from high-quality pre-k. Enrollment is free for families. The program has been frozen at \$12 million since SY2020, which has resulted in a decline of children served to 1,955 statewide.

**Recommendation.** The state could consider doubling funding for onsite high-quality preschool classrooms by reducing funding for a state-funded 15-minute a day online preschool program.

### Head Start Program Participation.

Head Start plays an integral role in supporting families with young children living in poverty as well as children with disabilities. It is part of the early childhood landscape from which parents can choose to send their children.

#### Recommendation.

Given the comprehensive requirements under the [Head Start Performance Standards](#) with which programs must comply, the state could consider including Head Start as part of the child care quality system despite being license-exempt.

## #2 Child Care Workforce

Recruitment for and retention within the child care workforce has long been a challenge but is even more challenging in today's competitive job market. At the same time, it is difficult to strengthen the workforce through trainings and the sharing of best practices when staff cycle in and out because of the low wages. The same challenges are faced by Head Start programs.

The following solutions are recommended for consideration.

### Utah's Registry for Professional Development.

The [Utah Registry for Professional Development](#) tracks those individuals who work in programs participating in the Child Care Quality System, individuals who have undertaken trainings, and those who are interested in financial awards (e.g., the workforce bonus award from 2022). However, many of the fields in the system are voluntary for participants to complete.

**Recommendation.** The state could consider requiring participation in the registry for all individuals working in licensed care and Head Start. A workgroup could recommend the top 10-12 fields that would be mandatory for all who work in licensed care and Head Start. In this way, policymakers would have consistent and reliable data upon which to build early childhood workforce related policy strategies.

### Early Childhood Refundable Wage Credit.

Since 2007, Louisiana has had a refundable tax credit to incentivize early childhood professional development and reward retention in the field. The tax credit is available to those who have worked in a program for six months and who have attained a Child Development Associate (CDA) credential, A.A. in Early Childhood or B.A. in Early Childhood. The size of the credit increases as the level of higher education increases with one exception – for those who receive a CDA, after two years in the field, they receive the same credit amount as those with a Bachelor's degree. The rationale is to invest in those who obtained a CDA and reward retention in the field.

### Recommendation.

The state could consider requiring the [Utah Registry for Professional Development](#) to make early childhood certifications and level of education mandatory fields within the registry for all participants. This would help to inform cost estimates related to a refundable tax credit strategy.

### Supplemental Wage Grants.

Maine and Minnesota offer monthly grants to supplement wages of those working in child care.

**Recommendation.** The state could consider a monthly wage supplement for staff working in licensed child care programs and Head Start.

### HB 461. Child Care Subsidy for Staff Working in Child Care.

[HB 461](#) was signed into law March 14, 2024. The new law authorizes the use of child care subsidy for a child who has at least one parent or legal guardian working as a full-time employee of a licensed child care provider regardless of family income. [Arkansas](#), [Georgia](#), [Indiana](#), [Kentucky](#), [Maine](#), [Massachusetts](#), [North Dakota](#), and [Rhode Island](#) have policies similar to HB 461 related to the recruitment and retention of the child care workforce.

**Recommendation.** The state legislature could consider funding HB 461, the new law, as a recruitment and retention tool to support a workforce upon which parents depend in order to work.

### Child Care Substitute Pool Pilot.

Across the country, states and communities are operating child care substitute pools to address staff shortages or cover absences due to staff illness, vacation, medical appointments, etc. Much like the way K-12 substitute teacher pools work, when temporary staff are needed, substitute pools fill the gap. Typically, a nonprofit organization operates the substitute pool so that placement fees are affordable for child care small businesses.

**Recommendation.** The state legislature could consider piloting a nonprofit-led child care substitute pool as one strategy to address child care workforce challenges.

### #3 Child Behavior

Child care provider focus groups raised challenging child behaviors as a top issue, particularly in the aftermath of the COVID pandemic. Discussions with Head Start and the School Readiness Initiative preschool staff confirmed “*child behaviors*” were a concern across their programs as well.

#### Utah Pyramid Model.

The Pyramid Model is an evidence-based approach to address challenging child behavior used in early childhood programs across 43 states. In Utah, the Institute for Disability Research, Policy & Practice at Utah State University currently implements the Pyramid Model in 44 programs across 26 counties.

**Recommendation.** The state could consider investing in an expansion of the Utah State University pyramid model to provide additional child care programs with support to address classroom quality and challenging child behaviors.

#### Classroom Assessment Scoring System (CLASS®) Professional Development Pilots.

The Classroom Assessment Scoring System (CLASS®) is both an evidence-based scored observation of effective teacher interactions and the quality of early learning settings and a professional development system based on the initial observation. CLASS® is used in 27 state quality rating systems, 27 state pre-k programs, Head Start, and the U.S. Army child development programs.

**Recommendation.** The state could consider integrated early childhood program pilots (with child care, Head Start, and state preschool programs) to use CLASS® as a professional development system to support effective interactions in addressing the needs of children and promoting quality settings for all children to thrive.

#### Child Development Associate (CDA) Credential Infused with CLASS®.

A CDA is an early childhood certification that covers 13 core competencies related to working with children and families. Individuals must complete 480 hours of work experience and 120 hours of coursework in addition to a portfolio that applicants assemble of their work followed by the exam. DWS currently supports individuals pursuing a CDA.

A CDA infused with CLASS® is used by Kindercare and Primrose (private child care programs that work across the country) and in Florida, Georgia, Mississippi, Missouri and some parishes in Louisiana.

**Recommendation.** The state could consider a scholarship model for individuals to earn a CDA infused with CLASS® that focuses on interactions as well as early childhood competencies.

#### The Children’s Center Utah.

The Department of Workforce Services, Office of Child Care currently contracts with [the Children’s Center Utah](#) for [Early Childhood Coaching and Consultation](#). Provider focus group comments complimented coaching staff for their support but mentioned that the dosage was insufficient and rural providers in particular felt they needed additional local support.

**Recommendation.** The state could consider expanding coaching services through the Early Childhood Coaching and Consultation program.

#### Sammy Center.

[The Sammy Center](#) opened in 2020 and offers a strengths-focused program to meet the needs of children with challenging behaviors that have not thrived in private settings. The Sammy Center plays a vital role in Salt Lake City. Yet, families struggle to afford it. Staff work second jobs to make ends meet.

**Recommendation.** To better support children who cannot thrive in a regular child care setting, the state could consider offering a contract to reduce the costs for parents to make care more affordable and to supplement teacher wages so that staff can focus on their primary job without worrying about when their next job starts.

#### Child Care Provider Support for Special Needs Children.

Care About Childcare (CAC) staff at Utah State University currently work with child care providers statewide to obtain a special needs endorsement ([All Means All](#)), which requires 40 hours of training related to working with children with special needs.



**Recommendation.** The state could consider expanding staff for the All Means All program to support more providers statewide to obtain the All Means All endorsement.

#### Utah State University Healthy Relationships.

The Department of Workforce Services partners with Utah State University Cooperative Extension to offer [Healthy Relationships Utah](#) -- parenting classes, relationship building classes, and ways to de-stress to support stronger relationships and families.

**Recommendation.** The state could consider expanding the Healthy Relationships program to offer a new class related to parent-child interactions and the impact of phones and tablets on the healthy development of young children. The state could also consider offering a marriage

license discount for couples who take a course related to the impact of social media through phones and tablets on the next generation (children 0-5).

#### Parent Campaign.

While social media/technology is not the sole cause of the increase in challenging child behavior, it does play a contributing role. The increased use of phones and tablets by busy parents to entertain young children could be impacting a young child's ability to learn how to self-regulate, develop coping skills, and communicate.

#### Recommendation.

The state could consider partnering with [5B45](#), a Utah parent awareness and knowledge building center, to wage a public awareness campaign related to the impact of phones and tablets on a child's early development.

## #4 Child Care Affordability and Accessibility.

The price of child care is a struggle for many families statewide. There are several strategies the state could consider to make child care more affordable.

#### Affordable Housing and Access to Child Care Programs.

The Utah Housing Corporation administers the low income housing tax credit (LIHTC) as well as a similar state tax credit as an incentive for the construction or rehabilitation of housing for low income tenants. Typically, developers attract equity investors who commit funding to a low income housing project in return for a share of tax credits over a 10-year period. Utah's Qualified Allocation Plan (QAP) is used to award points based on an applicant's proposal.

**Recommendation.** Utah could consider two actions. (1) The Utah Housing Corporation could consider modifying the state QAP to make co-location of a child care center (as a community services project) a stand-alone scored item among other scoring criteria. (2) The state could consider a workgroup including at least one Community Development Financial Institution (CDFI) with experience in affordable housing finance and child care facilities development to further review how to integrate economically viable co-location projects.

#### Child Care Subsidy Program Campaign.

Across the parent focus groups, there were parents who were not aware of the child care subsidy program. Consumer awareness is an allowable expense of federal child care dollars. Awareness may only be part of the challenge, however, since the supply of licensed child care is well below the potential need in many communities.

**Recommendation.** DWS has been waging a public campaign about the availability of child care subsidies. Additional efforts could be considered.

#### Military and Tribal Families.

When on-base care is not available at certain locations, or service members' homes are not located near a base, the Department of Defense (DoD) offers fee assistance to families who obtain care at licensed child care programs participating in state quality rating systems.

**Recommendation.** The state could consider creating a Military and Tribal Child Care Liaison position within the Department of Workforce Services, Office of Child Care to form partnerships with military and tribal child care communities to better meet the child care needs of families.



### Child Care Assistance for Refugees.

Utah was home to 3,622 refugees between FY2021 and FY2023. About 43% of arrivals were under age 18; about 15% were five years old or younger. Refugees can receive child care assistance. However, if they work full-time and also want to take job training courses (including English as a second language courses), they cannot receive child care assistance beyond their work hours.

#### Recommendation.

The state could consider a partnership between the Utah Refugee Services Office and the Office of Child Care to ensure that the full need for child care is met. In this way, the long-term self-sufficiency of refugee families would be enhanced.

### Child Care Subsidy Eligibility.

Currently, families with income at or below 85% of state median income (SMI) are eligible for child care subsidy (about \$79,644 for a family of three; about \$94,824 for a family of four). Some states and localities (such as Park City and Summit County), use state or local dollars to support working parents whose income exceeds 85% SMI up to 100 SMI%.

**Recommendation.** Utah could consider appropriating state dollars to support families above 85% SMI, the current maximum income eligibility for the state child care subsidy program.

### Child Care Cost Modeling.

The Department of Workforce Services has undertaken child care cost modeling exercises several times (in 2023 and most recently as part of the narrow cost analysis in the [2024 child care market rate study](#)). Those studies have found that both subsidy rates and private-pay rates do not cover the real cost of child care for children.

Generally, most programs that participate in the child care subsidy program serve a small percentage of children whose care is paid for with a subsidy. For that reason, increasing subsidy rates does not by itself result in a budget high enough to pay for increased wages for all staff, the largest component of the business model's budget.

**Recommendation.** The state may want to consider forming a work group on cost modeling to review options and align cost modeling projections to strategies related to outcome goals.



## # 5 Public-Private Partnerships with Employers

Child care challenges involve supply and affordability. Employers can play a role in helping to expand access to child care and to make it more affordable for families.

### Employer Child Care Tax Credits.

[The Committee for Economic Development of The Conference Board](#) maintains a list of employer child care related tax credits. Overall, 25 states have an employer child care tax credit or employer tax incentive for child care (some states have more than one type of child care credit). These incentives are intended to support employers in helping to meet supply, affordability, and quality goals. Most states that have employer child care tax credits have some type of “piggyback” credit to the federal [employer-provided child care tax credit, Section 45\(f\)](#). The federal tax credit is 25% of eligible expenses and 10% of expenditures for child care resource & referral support paid or incurred during the tax year. The credit is limited to \$150,000 per tax year.

### Recommendation.

The state legislature could consider a “piggyback” tax credit to [federal section 45\(f\)](#), employer provided child care to expand access to child care for employees.

### Alabama Employer Tax Credit.

[HB 358](#) was enacted in 2024 to establish an employer child care tax credit, child care provider tax credit, and a nonprofit child care provider grant. The tax credit is equal to total expenses up to \$600,000 per year for small employers (fewer than 25 employees) and 75% of up to \$600,000 in expenses for other employers. The employer credit is capped at \$15 million in 2025, \$17.5 million in 2026, and \$20 million in 2027.

**Recommendation.** Utah could consider enacting a child care employer tax credit such as the recent measure enacted in Alabama.

### Childcare Solutions Fund.

In 2023, Iowa created local Childcare Solution Funds (CSF) housed in local chambers of commerce or local economic development agencies. Ten counties were selected to participate. Employers were asked to voluntarily contribute

\$150 per employee annually to their local solutions fund. The state Department of Health and Human Services (DHHS) matched the private contributions 2:1 (about \$1.5 million was raised, the state matched with \$3 million). Each local stakeholder group identifies an array of challenges, and priorities for investment are determined at the local level (e.g., supply expansion incentives; infrastructure, equipment, materials; wages; or other identified needs).

**Recommendation.** The state could consider a local Childcare Solutions Fund (CSF) model where state funds match locally raised funds to address locally identified challenges.

### Mississippi Tax Credit for Donating to a Community Collaborative Investing in State Pre-k.

In 2013, Mississippi enacted an income tax credit for contributions to community collaboratives to support state pre-kindergarten. The credit is limited to \$1 million by any individual, corporation or other entity during any calendar year. In 2024, total pre-k tax credits were capped at \$29 million.

**Recommendation.** The state legislature could consider a child care donation tax credit to a local child care solution fund (if created).

### Employer partnership states.

Beyond tax credits, Iowa, Kentucky, Michigan, New York, North Carolina, North Dakota, Tennessee, Texas, Washington, and Wisconsin have enacted legislation to partner with employers related to some type of matching grant for child care supply, affordability, and/or quality. Matching grants are used to support employees who earn higher income than the state child care subsidy program allows. As a part of this project, employer surveys found 61% of responding employers in St. George and 73.3% of responding employers in Salt Lake City said that they would be very likely or somewhat likely to offer monthly child care support to employees with a state match.

**Recommendation.** Utah could consider legislation to fund state matching grants for employers to support employee child care affordability.



## Conclusion

The vision is to make Utah the best state for families. To do so, investment in innovative strategies can help. The framework is in place. Strategies to support that vision are offered. To learn more, read the full report.

*“The American dream lives here. You see, in Utah, we still care about our communities. We still care about our neighbors. We still believe that we can solve problems and help those who are struggling. We know that we have a duty to give back and lift others.”*

Governor Spencer Cox, [2024 State of the State Address](#), January 18, 2024







**For more information contact:**

**Abby Hunsaker**  
Program Manager  
[ahunsaker@utah.gov](mailto:ahunsaker@utah.gov)  
(385) 867-4627

**Ashleigh Jensen**  
Program Specialist  
[ashleighjensen@utah.gov](mailto:ashleighjensen@utah.gov)  
(385) 515-0084



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