

CHILD CARE FOR ALL: A UNIVERSAL CHILD CARE SYSTEM AND HOW WE BUILD IT



EXECUTIVE SUMMARY

All parents deserve accessible and affordable child care, and all child care providers should be respected, protected, and paid as the essential workers they are. But for too long, the community-sustaining work of child care, performed mostly by Black and Brown women, has been undervalued and underpaid. The foundations of safe, thriving communities rest on our young people—and when Illinois parents have little or no affordable child care options, and providers are barely getting by on poverty wages, we are hurting this generation and future generations. But it doesn't need to be this way. Child care should be a public good provided to all Illinois residents regardless of race, class, or zip code. Our vision of Child Care for All is just this: a comprehensive, bold solution to the struggles facing both parents and providers.

Providers and parents have long been aware that the current child care system is broken—**unavailable** for parents who live in child care deserts, large swaths of our state where child care is sparse or nonexistent; **unaffordable** for the many parents paying more than their rent or mortgages for child care; and **unsustainable** for providers who, facing poverty wages and understaffed working conditions, are leaving the child care industry in droves. The Illinois Child Care for All coalition discussed these three major issues in our first white paper.¹ Now, we turn to how to solve the child care crisis.

For too long, we've relied on patchwork solutions to address fundamental problems. The state of Illinois has expanded eligibility for the Illinois Child Care Assistance Program, the state subsidy for poor and working families who have incomes below 225% of the Federal Poverty Line. But the program still leaves out many working families who are barely above the income cutoffs and still can't afford child care. Home child care providers have fought for and won historic rate increases by standing together in their union, but with inflation and basic necessities at record highs, these rates are hardly enough to meet the rising cost of living statewide.

The report shows some of the countless personal stories of the child care crisis across Illinois: A parent just above the CCAP eligibility cutoff who is facing the possibility of picking up a third job just to pay for child care. A provider dipping into her retirement savings to pay for supplies for the children she cares for. A child care center provider working without respite because of massive staffing shortages. These stories are unique in their specifics but upsettingly common across our state. **Right now, child care providers barely make ends meet despite doing work they love for the communities they care for, and most parents struggle to find child care that doesn't break the bank.**

Short-term fixes have failed to change the basic contradiction in the child care system as it exists today: **Parents can't afford to pay and child care providers can't afford to stay** in the industry. The market has fundamentally failed both parents and providers, and the COVID-19 pandemic made clear to the rest of the country what working families have experienced for years: that the child care system is at a breaking point.²

We need **bold solutions that address the scale of the problem.** When we come together as a state, we can build a well-funded, universal system of child care where all working families regardless of income or zip code get the care they need. The purpose of this report is to lay out our vision for Child Care for All, a system of good jobs, high-quality child care, and long-term investment in both providers and parents, and the steps we can take to build that system now.

**CHILD CARE SHOULD BE A
PUBLIC GOOD PROVIDED TO ALL
ILLINOIS RESIDENTS REGARDLESS
OF RACE, CLASS, OR ZIP CODE.**



Our vision:

For parents and providers, the current child care system is less a support than an obstacle course to maneuver. The existing patchwork of programs is challenging to navigate, requires time and fluency to fill out a constant stream of paperwork for providers and families, and leaves vast cracks too many families fall through. Our vision is to create **a universal system for child care with unified oversight, standards, and accountability**, where parents and providers have clear roles and formalized avenues to lend their voices.

Child Care for All means that **all families have access to high quality child care regardless of income**. The shrinking child care workforce is driving our broken system to the brink—we need a massive investment in child care providers to **retain and grow the workforce**. We know that providers can't stay in an industry when they are forced to survive on poverty wages, and that child care access is not equally distributed statewide. We also need to **invest in expanding child care infrastructure**, making sure that zip code is no barrier to accessing care.



How we get there:

We know that a robust, well-funded universal child care system for every Illinois family won't be built overnight. There are four crucial steps that the state can take to move Illinois towards Child Care for All:

- ◆ Expand CCAP eligibility to include families whose income is below \$100,000 per year.
- ◆ Implement a wage floor of \$52,000 per year take-home pay for home-based providers or earnings for child care workers, allowing them to live with dignity. Child care workers deserve to be paid for the essential work they do.
- ◆ Recruit and train 10,000 new child care workers to address the growing rate of child care providers leaving the current system. When we invest in child care workers, we also invest in working families and our communities.
- ◆ Build and operate 25 facilities in child care deserts, so that all parents, not just those in wealthy zip codes, can access high quality care.



How we pay for it:

We have the money to fund the child care system parents and providers deserve.

Child care providers and working families are the backbone of Illinois' economy. But while their work has made the state prosper, a greedy few have rigged the rules to redirect resources from our communities to their country clubs, from our classrooms to their corporate headquarters, and from our public parks to their private jets. Right now, 69% of corporations in Illinois pay zero in state income tax, getting rich from avoiding paying their fair share and from underpaying their own employees. In fact, the top three employers of CCAP parents in the state are Walmart, McDonalds, and Amazon, respectively. In the first six months of the COVID-19 pandemic, billionaires became \$500 billion richer while 40 million people filed for unemployment in the United States.³ **When our elected leaders make wealthy corporations and billionaires pay their fair share, we can fund a child care system that works for all of us.**

We already have models for the ways a child care system can work: public schools. Free and accessible to all, regardless of race, income, or zip code, and guaranteed as a fundamental right—like education, child care is a public good and should be invested in as such.

If we funded our child care system properly, we could fix the current shortcomings.

Other states are paving the way while Illinois falls behind: for example, New Mexico recently significantly expanded its child care assistance program by increasing the number of families that are eligible for the program, creating grants specifically designed to expand the availability of child care in communities where it is needed most, and granting stipends to students studying early childhood education.⁴ Using federal assistance funding, New Mexico guaranteed free child care for every resident for a year. Illinois needs this same courage and audaciousness to meet the scale of the child care crisis in our own state.

Bold solutions to the child care crisis can't wait. We continue to see an exodus of child care providers from the industry due to low wages and parents from the workforce—particularly Black and Latina mothers—due to lack of ability to find care. State investment in universal child care isn't only necessary for the providers and parents at a breaking point, it's also resoundingly popular with both Republican and Democrat voters—despite the corporate interests that tell us that we don't have enough to fund the programs that we all need to survive and thrive.⁵

WITH TRANSFORMATIVE INVESTMENT, WE CAN BUILD A UNIVERSAL CHILD CARE SYSTEM AND ENSURE THAT CHILD CARE IS TRULY ACCESSIBLE, AFFORDABLE, AND SUSTAINABLE FOR ALL.

Led by providers and parents, our Child Care for All Coalition is lifting up the voices of those most impacted by the child care crisis. Throughout this report, the stories of parents left behind by the current system and of providers wondering how they will make it to the next paycheck remind us that those most impacted by the failings of our current child care system are calling out for change. With transformative investment, we can build a universal child care system and ensure that child care is truly accessible, affordable, and sustainable for all.

INTRODUCTION

The child care system in Illinois is broken. Parents can't find care, don't receive enough assistance, or can't afford the high price of tuition; workers don't stay in the sector due to poverty wages and lack of benefits. Child care is a poorly funded system that relies on limited state dollars and parent tuitions that cannot cover the full cost of providing care. Our first white paper delved into these issues, showing how dire the situation is for working families and providers across the state.⁶ In that same report, we introduced our vision for how Illinois can start to remedy this crisis and build a universal child care system to address deeply rooted issues in the child care field.

Our state has the ability to create such a system, but large corporations and the wealthy have avoided taxes for too long, draining the state of resources we could use to fund a universal child care program. Corporations like Walmart, McDonald's, and Amazon avoid taxation while depending heavily on an underpaid workforce made up of people of color who themselves require child care assistance due to low wages. Indeed, Walmart, McDonald's, and Amazon are the largest employers of Illinois parents who use the Child Care Assistance Program. **Illinois must make sure these corporations pay their fair share in order to bring about the change Illinois children, families, and workers need.**⁷

More than just collecting more revenue, Illinois needs a new vision for child care—one that will lay the foundations for an equitable and accessible child care system that is funded by the state and works for all parents who need it. In the meantime, the state needs to take immediate action to address current issues and start on the pathway toward a universal child care system.

The first and second parts of this report will present our vision for child care in Illinois and the four short-term steps necessary to build a universal child care system. The third section will explain how Illinois can make its tax system more equitable so billionaires and large corporations pay their fair share. Our conclusion will summarize our positions and demands.



LARGE CORPORATIONS AND THE WEALTHY HAVE AVOIDED TAXES FOR TOO LONG, DRAINING THE STATE OF RESOURCES WE COULD USE TO FUND A UNIVERSAL CHILD CARE PROGRAM.

A New Vision for Child Care in Illinois

To build a child care system that works for families and workers, Illinois needs a new vision for the state's child care sector. **All families need access to child care that is affordable and accessible, allowing parents to freely access and pursue professional and educational opportunities. The child care system must sustain the workforce through good pay, benefits, and mentorship programs. And the system must incorporate parent and worker voice in decision-making to keep it accountable.** We don't need to look any further than the public education system for a model of a universal system that benefits all Illinoisans. In the system we know is possible, child care will be an entitlement and a public good for all children and families, similar to K-12 in public schools. Just as the state guarantees that all young people can access their fundamental right to education, it must also make sure that every child and family has access to high quality, reliable early childhood education and care.

Our vision is one where supply is a combination of fully funded non-profit centers, licensed and license-exempt home-based settings, and public centers, which will provide child care to all families in Illinois regardless of income. This mixed-delivery system will allow parents and children to align their child care needs with their lives, regardless of work hours, family structure, or geographical location. Meanwhile, child care workers will be able to build careers by participating in one or more settings that fit their personal needs and professional goals.

This system will feature a plentiful supply of child care to all children and families. The available options will be abundant in all communities throughout the state, not only where more affluent households reside. The state will maintain a list of spots available at all providers that parents and guardians will be able to choose from and access without any unnecessary, burdensome red tape.

JUST AS THE STATE GUARANTEES THAT ALL YOUNG PEOPLE CAN ACCESS THEIR FUNDAMENTAL RIGHT TO EDUCATION, IT MUST ALSO MAKE SURE THAT EVERY CHILD AND FAMILY HAS ACCESS TO HIGH QUALITY, RELIABLE EARLY CHILDHOOD EDUCATION AND CARE.

Instead of a means-tested approach, where the state imposes eligibility cutoffs based on income and family size for assistance, the system Illinois needs will provide **appropriate funding to every child in the state regardless of the setting of care.** The state would become the main source of funding, and parents will pay no tuition. Only robust state funding can address child care affordability for parents and sustainability for providers. Individual families are not in a position to solve the child care affordability crisis on their own. Our state can fund this system by ensuring that large corporations and the wealthy pay their fair share. In this system, providers will be able to afford to live and thrive in their communities because early childhood educators and staff will have salary parity with the K-12 system, regardless of the setting. In the words of a center director responding to a recent Illinois Department of Human Services survey, "Public funding is the only way child care and early childhood programs will be able to keep up with minimum wage and pay qualified teachers a livable and equitable wage".⁸

The new child care system will be democratic and participatory, providing opportunities for those directly impacted by the system to share feedback. Parents and workers will have input on

ONLY ROBUST STATE FUNDING CAN ADDRESS CHILD CARE AFFORDABILITY FOR PARENTS AND SUSTAINABILITY FOR PROVIDERS.

how the system is operated through processes and formal roles like local councils that will be an integral part of decision-making structures. Home-based and center-based providers will bring their knowledge and perspective to the table while parents will be able to help mold the system in a way that benefits them and their children. Workers will also have their collective voice heard through their unions and will set and enforce high standards of care, working conditions, and wages.

Enacting this vision will require state oversight to ensure accountability within the expanding system. In the short term, the state must exercise robust and effective oversight of the current landscape of providers, especially over the use of public funds by for-profit centers. Over the longer term, the state must create unified administrative structures dedicated solely to child care that will foster and monitor the universal system Illinois families need and deserve.

To build such a system, Illinois needs to move away from frameworks and policies that have historically limited the provision of child care as a public good. Policymakers have long framed early childhood care as a private matter that individual families, specifically mothers, must shoulder. From the 19th century, conservative stakeholders, from philanthropists to government officials, have considered women seeking employment out of the home as depriving their children of care. As a result of this understanding, the lack of state support along with cultural norms about motherhood pressured women to abandon employment to fulfill their supposedly motherly duties.⁹ At the same time, women have become essential to the U.S. workforce. During and after World War II, women slowly and steadily increased their participation in the workforce. In January 1948, 32% of workers were women. Since June 1978, women composed 50% of the American workforce, and since March 1986, they make up at least 55% of the workforce.¹⁰ Women not only participate in the workforce, their earnings have become central in families' earnings; from 1970 to 2000, women have been the main driving force in increasing family incomes in the United States.¹¹ **For millions of working women who work and don't have easy access to child care, having a child presents a conundrum: do they leave the workforce and take care of their children since they don't have support to remain employed, or do they navigate an expensive, inaccessible, and unavailable child care environment where they may not find the care that suits their family needs?**

But the choice between parents' economic needs and children's care is a false one. European countries and the Canadian province of Quebec have developed policies to provide affordable care to all families through state-provided child care, ensuring both parents and children can thrive. These countries understood that without providing child care as a public good, they wouldn't have full participation of their female workforce and children wouldn't receive the care they need.¹² Illinois and the US must make the same choice to support working parents and give children the care they deserve.

In addition to shifting our perspective on child care, we must do away with long-standing policies that have proven ineffective and inaccessible to working families. First, we must eliminate means-tested funding for child care. After World War II, the federal government crafted child care subsidies as targeted, limited assistance to poor families with incomes lower or slightly above the poverty

line. Multiple programs were created in fits and starts between the 1950s and the 1990s, resulting in “a confused collection of funding streams with no uniform goals, standard, and administrative structure”.¹³ Families that qualify for one or multiple programs must navigate complex bureaucracy and seemingly endless paperwork to receive limited, if not insufficient, support. Meanwhile, families that don’t qualify because they are slightly above the income cutoff must bear the brunt of paying for care in full, often sacrificing other necessities like groceries and utilities just to afford the astronomical cost of child care. For providers, low or nonexistent subsidies translate into poverty wages. Centers and home-based settings are mostly funded by varying degrees of a combination of assistance payment and tuition, from fully publicly funded spaces to only privately funded settings.¹⁴ But the meager rates paid by the state and the expensive tuitions that don’t reflect the actual cost of care barely cover expenses providers incur.¹⁵

Along with moving away from means-testing, we must move away from the system of vouchers and the funding instability to which it subjects child care providers. The voucher system in the Child Care Assistance Program makes payments unstable for providers because changes in hours of care or enrollment create instability and unpredictability in their budgets. The current Strengthen and Grow Child Care Grant Program offered by Illinois to centers and home-based providers as well as contract-based funding (known as Site Administered Program in Illinois) show that stable funding models are possible.¹⁶ Illinois needs to go further and expand this type of funding to all child care settings. With increased and more predictable funding, centers and home-based settings will rely less on parents’ tuition, making child care more affordable for families. Consistent funding will give providers better resources and eliminate a source of budget unpredictability to pay better wages and offer proper benefits to workers in all settings.

Increasing Illinois’ investment in child care will address a third major issue in current child care policy: market-driven supply. As result of the current system, wealthier, whiter areas in our state and the country tend to have more adequate child care supply, while working class people of color tend to live in “child care deserts” in which there is little to no supply of providers within reasonable distance of children’s homes.¹⁷ Before 2016, Illinois and the US didn’t have a child care supply policy in place. When Congress reauthorized the Child Care Development Block Grant in 2014, the fund established rules that went into effect two years later for states to conduct studies and develop strategies to expand child care supply.¹⁸ Despite this important step to make states have plans around how to offer child care to their families, these rules haven’t changed how supply is created: private providers still voluntarily open facilities that are licensed and regulated by state-level agencies without any guidance or clear policy of how to meet existing and growing demand for child care.¹⁹ This voluntary approach created vast geographic distinctions across our state and a hugely uneven distribution of child care supply. To end this diffuse, unequal way of supplying care, the state must step in where demand is not met and provide the foundations for the universal, state-funded child care system that Illinois needs and deserves.

But this system will not be built overnight. To **lay the groundwork** for the universal child care system that providers, workers, parents, and children deserve, the state must implement the following **four key initiatives**.

**WEALTHIER, WHITER AREAS
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NO SUPPLY OF PROVIDERS**

Families with incomes just above the eligibility cutoff to enter or exit the program suffer the most from the lack of assistance. These are the families for whom child care is most unaffordable, who are forced to make difficult decisions when figuring out how to pay for basic necessities or whether to stay in the workforce. A 2020 report from the National Employment Law Center urges states to increase exit-income thresholds for child care assistance to reflect the reality that nearly all families struggle to afford the high cost of child care.²⁴

FIG 1

FAMILY SIZE	YEARLY INCOME CAP TO ENTER CCAP (2022)	YEARLY INCOME TO EXIT CCAP (2022)	EXPECTED AVERAGE YEARLY INCOME (2022)
2	41,196	50,352	69,473
3	51,816	63,336	85,821
4	62,436	76,308	102,169
5	73,056	89,292	118,518
6	83,676	102,276	134,866
7	94,296	115,248	137,929
8	104,916	119,844	140,993
9	115,536	122,448	144,056

Source: numbers based on CCAP guidelines available at <https://www.dhs.state.il.us/page.aspx?item=118832>

To close the gap between families that have and don't have access to CCAP, **Illinois must increase the funding for child care and expand eligibility.** As a first step, access to the CCAP program must be made available to all families making up to 400% of the federal poverty level (FPL) per year—e.g., \$73,240 for a family of 2, \$92,120 for a family of 3, and \$111,000 for a family of 4 in 2022 dollars.²⁵ With this income guideline, most Illinois families up to the state average and beyond will be able to access child care assistance. The state will start moving towards being the main source of funding for child care, and Illinois will support working families by making child care more accessible and affordable.

FAMILIES WITH INCOMES JUST ABOVE ELIGIBILITY, EITHER BECAUSE THEY DIDN'T MAKE LITTLE ENOUGH TO GET INTO THE PROGRAM OR BECAUSE THEY MADE JUST SLIGHTLY ABOVE THE PROGRAM'S EXIT RAMP, SUFFER THE MOST FROM THE LACK OF ASSISTANCE.

Raising eligibility to child care assistance to 400% of the federal poverty level (FPL) will also significantly increase the number of children served. According to the 2020 census, Illinois has 894,769 children ages 0-5. Of those, 327,717 (36.6%) live in families with incomes up to 200% FPL. If the income threshold were raised to 400% FPL, that would make 258,068 more children eligible, totaling 585,785 children or 65.5% of Illinois children eligible for child care subsidies.²⁶



Not all eligible children receive subsidies through CCAP. However, if the current proportion between eligibility and awarded subsidy remains the same, the number of children receiving assistance would also increase significantly. In Fiscal Year 2021, 60,789 children from ages 0-5 received CCAP subsidy or 18.5% of all eligible children counted in the 2020 Census.²⁷ If the same proportion were applied to all children that live in families with incomes up to 400% FPL, 108,658 children would potentially receive CCAP subsidies, an increase of 78.5%.

To guarantee equitable access for all Illinois children, **the state must facilitate families' access to the assistance program by streamlining and simplifying the application process** and the procedures families go through to stay in the program along with coordinating other programs that support working families. These initiatives will allow parents that have limited time off or irregular schedules to navigate the system and receive assistance for child care.²⁸

By expanding the number of children eligible for the program, Illinois will have to increase the state's investment in child care. The current federal guidelines defined by the Child Care Development Block Grant (CCDBG), the main funding source for CCAP, suggest that states should cap eligibility for child care subsidies at 85% of State Median Income (SMI) depending on the family's size.²⁹ In 2022, that means that Illinois is allowed to use federal funds to assist child care access for a family of two that makes up to \$59,000, or a family of three with income up to almost \$73,000, or a family of four that earned up to almost \$87,000 in a year.

The proposed Build Back Better Act of 2021 would have solved that issue by progressively changing the current CCDBG guideline from 85% of SMI to 250% SMI by 2025 along with expansion of funds available.³⁰ Currently there are two bills in the Senate that address the assistance eligibility issue. Senators Patty Murray (D-WA) and Tim Kaine's (D-VA) Reconciliation bill introduced in May 2022 proposes to salvage the child care sections of the Build Back Better Act.³¹ In March 2022, Sen. Tim Scott (R-SC) introduced a bill proposing expanding CCDBG's income guidelines to 150% SMI which would also address this issue.³²

Without reform of the CCDBG from the federal government, several states took the initiative to make child care more affordable through expanding access to assistance. The most notable case is New Mexico, where the governor expanded access to child care assistance to all families making up to 400% FPL along with waiving co-pays by using funds available through the American Rescue Plan Act for 12 months.³³ New Mexicans will vote on a ballot measure in November 2022 to establish a constant funding stream for the expanded program.³⁴

Like New Mexico, **Illinois must find other revenue sources for child care in the state to complement funds received through the CCDBG and current levels of state funding.**

Illinois has a roadmap to implement affordable child care for families stuck in the gap between access to assistance and the average income along with increasing funds for working families who already qualify for CCAP. In 2019, the Illinois Commission on Equitable Early Childhood Education and Care Funding laid out a long-term plan with the goal of fully funding high-quality early childhood care and education at license-exempt homes, licensed homes, and centers in Illinois. To achieve this goal, the funding commission proposed that the burden to pay for child care be shifted from families to the state of Illinois. In this model, Illinois would mostly fund the system with families providing copays on a sliding scale based on income. Families with incomes higher than 400% FPL would pay only 7% of the total cost of care, or in February 2019 numbers, up to \$8,576 per year or \$714 per month. All other families with incomes between 375% and 225% FPL would gradually pay less, paying from 6% to 1% copay. Families making up to 200% FPL would have no copays.³⁵

The first step to implement the above copay structure requires that Illinois expand the eligibility to CCAP from the current entry ramp of 250% to 400% FPL. This would immediately extend assistance to those families that fall into the gulf in between access to assistance and the state average income. Expanding eligibility would also start building a copay structure proposed by the funding commission that would make child care affordable to all Illinois families.



MARIA FRANCO

Maywood, IL
Parent



I grew up in Bensonwood and moved to Maywood 22 years ago when I married my childhood sweetheart.

For a little while I was a stay-at-home mom, but when I wanted to get back into the workforce and support my household with an income, that's when I started to encounter obstacles. At the time schools didn't offer Pre-K or Head Start, and if they did the hours were limited to something like two hours—who can work for two hours? I was told to apply for Action for Children, but your income had to be 250% below poverty level. And if you had even the slightest change in income, like \$10, you would fall out of the program. I felt like it really encouraged people to stay low-income—if you got a \$1 or \$2 raise you would lose your child care.

Another issue I faced was the backlog of applications. The system was made up to approve you within 30 days of submitting, but if it took more than 30, 60, 90 days to be looked at and your pay stubs expired you would have to resubmit all the paperwork again. If you mailed in the paperwork it would often get lost, or if you forgot one social security number on one page you would have to start all over again. While awaiting approval, I was being asked to pay for child care up front, which I couldn't afford to do. Your mortgage and car payment don't wait, but you had to wait to get approved for child care.

I see many providers in my community are having to go out of business—my children were cared for by great providers, and many of them are out of business because the pay is so low. Some of them became family to my kids, and they weren't able to stay in the field. Once my boys were old enough to go to public school I was so happy, but then I still had to find care for after school and find transportation. Hearing that 15 years later when my kids are in college and graduated that so many parents are still facing these same issues is such a shame.



A \$52,000 per Year Earnings Floor: The Pay Workers Need and Deserve

According to Illinois' most recent survey on early childhood workers' salary and staffing, in Fiscal Year 2021, early childhood teachers at child care centers made an average wage of \$14.29 per hour, while teacher assistants averaged \$12.00 per hour, maintaining the trend of poverty wages in the industry. These wages are barely over state minimum requirements—the Illinois minimum wage was \$11.00 per hour in 2021, and the Chicago minimum wage was \$14.00 per hour. **Poverty wages are driving workers from the child care field, exacerbating the already-dire staffing shortages made worse during the COVID-19 pandemic.** In 2021, educator turnover was 39.5% and assistant turnover was 55.9%. According to center directors surveyed, a quarter of educators and almost a fifth of assistants said that dissatisfaction with wages and benefits was their main reason for leaving their employers.³⁶

Licensed home child care providers fared even worse in terms of wages, averaging an annual income of \$15,431 per year, or \$6.27 per hour in work weeks of around 47.3 hours. **When the time for cleaning, preparing food and planning activities is accounted for, home providers worked on average 70.5 hours per week in Fiscal Year 2021, reducing their average hourly pay to \$4.21 per hour.** Over a third of home providers plan to leave the industry within the next 10 years. Among the reasons for planning to leave the field identified by providers surveyed, dissatisfaction with wages ranked 6th, while dissatisfaction with benefits ranked 3rd.³⁷

License-exempt providers have even lower income. Their daily rates are \$21.09 per child as of July 2022, or \$2.64 per hour per child in a 40-hour work week.³⁸ In 2020, the yearly cost of taking care of two children in a license-exempt setting was \$26,397.³⁹ Adjusting to inflation, the cost of providing care for two children would be \$28,769 per year.⁴⁰ Currently, a license-exempt provider would make at most \$10,982 if taking care of two children for 260 business days, or just 38% of the total cost of care.

RACISM AND SEXISM CONTRIBUTE TO THE HISTORIC UNDERVALUING OF CHILD CARE WORKERS, WHOSE CAREGIVING HAS LONG BEEN CONSIDERED A LOW, UNDIGNIFIED TYPE OF WORK PRECISELY BECAUSE OF BEING WORK CARRIED OUT DISPROPORTIONATELY BY WOMEN OF COLOR.

Almost all child care workers (95%), from center-based teachers to license-exempt providers, are women, and most are women of color.⁴¹ **Racism and sexism contribute to the historic undervaluing of child care work, which has long been considered a low, undignified type of work precisely because of being carried out disproportionately by women of color.**⁴² For these reasons, these workers were excluded from any legal protection regarding working conditions and wages for much of the 20th century. The federal minimum wage law was not extended to cover child care centers until 1972.⁴³ Licensed and licensed-exempt home providers still don't have any legal protections for their wage levels, and in Illinois these workers have relied on their own collective power to better their wages.⁴⁴

The presence of for-profit centers in the child care industry further contributes to keeping wages low, as center owners must derive a profit from the public funding and/or parent fees. Over 50% of licensed child care centers in Illinois are operated for-profit, based on the 2021 Illinois Salary and Staffing Survey of Licensed Child Care Facilities.

State officials and child care specialists in Illinois have recognized that the existing system has failed workers. In February 2021, the Illinois Commission on Equitable Early Childhood Education and Care Funding (also known as the “Early Childhood Funding Commission”) presented its cost of quality modeling, i.e., how much it would cost Illinois to fully fund high-quality child care. The commission affirmed that parity between wages for workers in early child care with those working in K-12 school districts is necessary “to ensure highly qualified teachers and staff are hired and retained”.⁴⁵ According to a 2019 report by Illinois Action for Children, implementing parity between child care providers and school districts would encourage child care staff to stay in the industry.⁴⁶

To immediately address this issue and correct this historical wrong, Illinois must enact a state-wide child care worker earnings floor of \$52,000 per year—equivalent to \$25 an hour—the necessary average amount to be able to afford rent for a 2-bedroom housing unit in the state.

Illinois can look to other states as models for this kind of reform. Currently, the boldest plan to address child care workers' pay comes from New York State. A 2019 bill in the state assembly sponsored by State Senator Jessica Ramos and Assemblywoman Sarah Clark was reintroduced in December 2021 to create a wage floor of \$45,000 per year for all child care workers in the state.

Setting an earnings floor would ensure that child care workers are able to afford the cost of living in Illinois. Based on the Economic Policy Institute’s Family Budget Calculator with 2020 dollars, the cheapest place to live in the state is the Quad Cities region. There, a family of three (2 working adults with 1 child) can afford housing, food, utilities, and other necessities if they make \$53,040 per year or \$25.50 per hour. The below table shows the hourly wage and annual earnings necessary for the cost of living for most cities and regions in Illinois in 2020.

EPI Family Budget Calculator	Cost of living for families of 3 (two adults and one child) in different cities and regions in Illinois, March 2020 dollars*		Cost of living for families of 3 (one adult and two children) in different cities and regions in Illinois, March 2020 dollars*	
	City/Region	Hourly	Yearly	Hourly
Chicago Metro	\$31.73	\$66,000.00	\$30.17	\$62,748.00
Peoria	\$30.20	\$62,808.00	\$27.51	\$57,228.00
Urbana/ Champaign	\$29.75	\$61,872.00	\$27.07	\$56,304.00
Springfield	\$29.69	\$61,764.00	\$26.99	\$56,136.00
Bloomington/ Normal	\$29.59	\$61,548.00	\$27.00	\$56,160.00
Danville	\$28.80	\$59,904.00	\$25.97	\$54,024.00
Quincy (Adams County)	\$28.51	\$59,304.00	\$25.25	\$52,524.00
East St Louis (St Louis Metro)	\$27.97	\$58,184.00	\$26.29	\$54,684.00
Cairo (Alexander County)	\$27.89	\$58,008.00	\$24.65	\$51,276.00
Rockford	\$27.56	\$57,324.00	\$24.96	\$51,912.00
Quad Cities	\$25.50	\$53,040.00	\$24.73	\$51,432.00

Numbers do not include the cost of child care proposed by the Economic Policy Institute since the methodology used to define them (market rate) does not reflect the true cost of child care for parents and providers



To immediately ensure child care workers' ability to afford housing and other necessities, regardless of provider type or license status, Illinois must establish a \$52,000 earnings floor for the industry. To achieve this, the state needs to change the funding model for child care. Instead of year-to-year, fluctuating funding, the Governor's commission proposed that centers be funded through multi-year contracts, bringing predictability to centers' budgets and operations. Through these contracts, the state must exercise robust and effective oversight of the use of funds to ensure centers meet the earnings floor for their staff. For home providers, vouchers that travel with the recipient child and vary according to attendance must be replaced or complemented by steady funding streams that combine covering the cost of care and labor costs so providers can support themselves and their families.⁴⁷

The current system, which relies on a shrinking workforce earning poverty-level wages, is unsustainable. Setting an earnings floor for all child care workers is a necessary step towards rebuilding the child care workforce and ensuring adequate supply of child care for parents.

BRENDA WILLIAMS

Chicago, IL
Home Child Care Provider



I've been a child care provider for almost 20 years, and a member of our union, SEIU Healthcare Illinois, for 17 years. My interest in this field came about when I was looking for child care for my own daughter—I had a very difficult time finding child care I was comfortable with. And even though I ended up finding a place for her, I said you know what, I'm going to do this myself. I started taking classes, learning more about how to care for children other than what I knew as a parent. My intention was to only be in home child care for a few years, but I'm still here almost 20 years later.

I love what I do—some of these kids have been with me since diapers. I am definitely not in this for the money. **I need a specific number of children just to meet my bills. I have drained savings accounts and pulled from my retirement to stay afloat. You have to be very calculating to make sure you can pay the bills and give the kids everything they need, from the meals we serve to the activities we do throughout the day. These things cost money.** I've bought hats, gloves, socks, underwear, coats—we are truly family care providers, and we provide for the whole family in a lot of cases. If there are snafus in Springfield and things aren't processed in a timely matter, all you get from the state is "we apologize for the delay" but ComEd isn't interested in that, the mortgage company isn't interested in that. During the Rauner years, so many providers just gave up and threw in the towel. It was taking 2-3 months to process paperwork, and sometimes it came back with the person being denied and then you've provided 6, 8, 12 weeks of service you don't get paid for.

The biggest issue that I see right now is the way the families are qualified for child care. It gives me major heartburn. Everything is based on gross income, and everyone in the world knows nobody goes home with their full gross income. **I have had parents literally with \$2 over the max income allowed who were denied qualification. I have had parents who were doing overtime at time of redetermination and were denied because of overtime money. It's really sad that they have to go through these things.** Mom can almost see some light and have \$1.50 car fare and then everything set up to help her dissolves because she has an extra \$1.50 so she doesn't qualify. Mom has to work, and wants to work, and wants to provide for her family but is faced with impossible choices. The system just doesn't work.

I see so many couples struggle because child care is a huge part of their budget. Child care shouldn't be a quarter or half of your monthly budget. Parents shouldn't fear getting a raise or a promotion because it will mean they no longer qualify for child care assistance. Right now, parents are damned if they do and damned if they don't.

Over the 20 years I've been in this business I've seen a lot. Every year, there's a new hurdle placed before us that we have to navigate, and everybody didn't sign up for that. At my house, the kids play with one another, talk to one another, read, sing, and dance. Some people think that this job is simple, and it's not—child care providers wear a lot of hats. I am not only a provider but a therapist, a nurse, even a bus driver to my kids. There's so much that child care providers do that people don't see or recognize.

Recruit and Retain 10,000 More Child Care Providers and Center Workers

The pandemic has exacerbated the existing crisis in the early care and education workforce. More and more workers are leaving centers or closing their home-based services, and fewer people are entering the workforce due to low wages and poor working conditions. A survey conducted during the 2022 National Head Start Annual Conference found that among 900 respondents, 90% of respondents' programs have closed classrooms due to short staffing. The National Head Start Association also estimated that respondent centers had on average 30% of job positions unfilled.⁴⁸

Illinois currently suffers from the same trend. According to the state's staffing and salary survey for Fiscal Year 2021, center directors claimed that it took them at least three weeks to be able to fill open positions, almost two weeks more than it took them before the COVID-19 pandemic.⁴⁹ With turnover rates varying from 39.5% to 55.9% percent among educators, center in Illinois are having difficulty remaining fully staffed.⁵⁰ The inability to retain staff combined with centers closures caused by the COVID-19 pandemic resulted in the loss of 6.6% of the Illinois child care center workforce from 2019 to 2021.⁵¹

For home child care providers, the mass exodus of providers from the early care and childhood education sector directly affects the available spots for children. When a provider stops providing services to children, the state loses licensed child care slots. As shown in our last white paper, **licensed family child care homes capacity fell 25% from 2016 to 2020.**⁵² Between 2019 and 2021, the state lost 10.9% of its active home child care providers.⁵³

THE HIGH TURNOVER AMONG CHILD CARE WORKERS HAS LED TO A CONSTANT CRISIS IN THE EARLY EDUCATION WORKFORCE.

One of the main barriers for individuals to join and remain in the early childhood education (ECE) workforce is education. Since the push for more schooling by staff and educators in the 2000s, there has been a continuous tension between the imposition of education requirements to improve quality of care and the relaxation of those standards to facilitate workers' entrance into this workforce.⁵⁴ According to the latest Illinois staffing survey, 70.5% of early childhood teachers and 44.7% of licensed home providers have acquired high education credentials, from completing college-level courses to masters' degrees.⁵⁵

Illinois does not have statistics on child care workers' indebtedness, but national statistics indicate that educators have higher student loan debt than the average worker. Of 802 ECE workers surveyed by a Stanford study in March 2022, 19% of them reported having student debt compared to the national average of 17% for all workers.⁵⁶

Considering that in Illinois most child care workers are women and disproportionately are people of color, we can also assume that the overall trends for those groups apply to those working with young children. According to a 2019 study on teacher indebtedness, 91% of African American students and 82% of Latinx students took out loans to pursue education while 76% of White students did the same.⁵⁷ The same study shows Black students had a harder time paying their student loans since they tended to be employed in lower-paying positions than Latinx and White students.⁵⁸

Combined with the need to expand affordability to thousands of Illinois families and increase the wage floor for child care providers, **the state must implement additional policies to train, recruit, and retain early education workers.** As suggested in 2018 by a group of specialists in early educator training and qualification, “the incumbent ECE workforce should bear no cost for increasing practitioners’ knowledge base, competencies, and qualifications, and the entering workforce should be assisted to limit costs to a reasonable proportion of postgraduate earnings, with a goal of maintaining and further promoting diversity in the pipeline of ECE professionals”.⁵⁹ This can be done by a combination of expanding existing programs and creating new, affordable ways for workers to enter and stay in the workforce.

The few existing programs to address student indebtedness among child care workers fall short in achieving their purpose. Currently, Illinois offers scholarships and a wage supplement program to child care workers. Eligible child care workers can receive one- or two-time payments of \$250 to \$2,500 per year commensurate to the worker’s income and highest earned degree. These are valuable but of limited assistance to workers.

The federal government and states use public-private partnerships with non-profit organizations to offer scholarships to ECE workers. Illinois offers an array of scholarships to child care workers through the Illinois Student Assistance Commission (ISAC),⁶⁰ while the federal government and multiple states offer T.E.A.C.H. grants.⁶¹ These are important initiatives, but according to a 2022 analysis of the T.E.A.C.H. grants, they had limited impact and no major effect on student outcomes in areas with high need for teachers.⁶²

For example, as of September 2019, to become a teacher assistant for infants and toddlers in a Chicago Early Learning program funded by the city, a worker is required to have a Gateways Level 3 credential.⁶³ To achieve such a level, a provider must go through training provided by the state through public-private partnerships and attain at least 9 college credit hours.⁶⁴ Entry-level pay hovers around Chicago’s minimum wage (\$15.40 per hour as of July 2022).⁶⁵ If this hypothetical teacher assistant acquired their college credits through the City Colleges of Chicago in the 2021-22 school year, this person would come into the sector owing \$5,502 before interest rates while making \$1,232 per month before taxes.⁶⁶ If a teacher assistant desires to stay in the industry, the next step is to acquire an associate degree in Early Childhood with 60 college credit hours, costing at the same college an extra \$31,178 on top of the first nine credits.⁶⁷ If this person is the main breadwinner or contributes significantly to a family’s income, the student debt acquired would add an extra burden to their budget.

As the example above demonstrates, **scholarships need to be greatly expanded to properly support early childhood educators in both centers and home-based settings.** Reducing the weight of student debt from these workers’ budgets will help retain current providers and attract new people interested in child care. In conjunction with expanding scholarships, **the state should also allow community colleges to grant bachelor’s degrees in early education in Illinois,** as proposed in bill SB1832 sponsored by State Senator Cristina Pacione-Zayas (D-Chicago) and 23 other state senators. By expanding offerings through public community colleges, current and future workers will have access to more affordable and accessible degrees. Community colleges offer flexible schedules, tend to be much less expensive than other higher education institutions, and provide education to mostly working-class people, making them valuable partners in expanding and strengthening the child care workforce.⁶⁸

Cohorts are also valuable options to streamline and facilitate access to the necessary credentials for current and future child care workers. Cohorts are generally short-term, small-group programs designed with the goal of attending to specific workforce demands while providing students an affordable way to attain necessary credentials. A 2019 survey conducted by the Illinois Governor’s Office of Early Childhood Development gathered information on 25 cohort programs that operated between 2009 and 2019. All programs had significant impact in furthering the education of child care workers. According to the survey, the evaluated cohorts created spaces of learning where workers established strong social ties that helped them stay and finish the programs. These programs also provided course design and structure that engaged and supported workers, since cohorts can be designed to attend to specific populations and needs.⁶⁹ Illinois must rely more on this model of education, since it will help workers streamline their access to necessary credentials and attend to specific workforce needs.

Alongside the expansion of scholarships, affordable degrees and cohort programs, **Illinois should invest in alternative ways for child care workers to enter and remain in the workforce such as apprenticeships.** These programs have burgeoned in major urban areas under the leadership of local stakeholders, and show great promise in building a more sustainable, equitable child care workforce without the burden of educational cost.

Apprenticeship as a model of career advancement in child care and early learning started in West Virginia in 1989. As of 2018, there were 13 apprenticeship programs for child care workers across the United States, but Illinois currently has no such program.⁷⁰ Apprenticeships in Pennsylvania and California are examples of potential paths forward for Illinois.

The Pennsylvania Early Childhood Education Apprenticeship Program started in 2016 as partnership between District 1199C Training Fund, the Community College of Philadelphia, and First Up, a non-profit involved in training standards for early childhood workers. Through the program, workers can get the training necessary to acquire a Childhood Development Associate certificate or a bachelor’s degree in early childhood education, credentials that permit career upward mobility and geographical mobility to the apprentices. The Training Fund acts as the overall coordinator of the

program, providing support to the apprentices as well as liaising with the community college and First Up. As of 2018, students participating in the program averaged a GPA of 3.5 and had a retention rate from year 1 to 2 of 90%.⁷¹



In California, there are 4 different programs run by local stakeholders such as unions, employers, and early childhood non-profit organizations. Funded by a mix of public and private grants, three programs offer training for center-based workers, with two of them focused on providing credentials to Head Start providers, while one of them provides education for home providers. Stakeholders have partnerships with local community colleges that allow workers to acquire college credit hours toward the necessary state-level certification or associate's or bachelor's degrees.⁷²

California apprentices surveyed in 2019 reported that the programs were of high value and a determinant in their career advancement. At least 80% of respondents claimed that the program increased their general knowledge of early childhood care and education, and participants in focus groups stated that the programs helped them “enhance the quality of care and instruction”. Eighty-six percent of respondents claimed that they want to advance their career in the field. Among the reasons to join the program, individuals surveyed said one of the most important was that programs have low to no-cost enrollment and participation. As one apprentice said in a focus group: “one day, [someone] called me and told me about the program, that we were gonna get free education, free books. There is no excuse for you not to enroll”.⁷³

Illinois should also consider implementing **peer-to-peer, on the job training to recruit and retain child care workers**. Coaching or mentoring can be useful tools for workers in centers and home-based settings to advance their education and training.⁷⁴ Programs like these can also be used to support license-exempt home providers in accessing training and helping them acquire a home child care license to increase the number of providers and consequently, expand the number of child care slots available through this type of setting. Washington State and California have successful mentoring and coaching programs that can be used as models for Illinois.⁷⁵

By implementing these initiatives for recruitment and retainment of workers, from expanding existing scholarships and developing multiple pipelines for early childhood workers, Illinois can start rebuilding its child care workforce.



TERESA HERBERT

Chicago, IL
Child Care Center Worker



I work at Child Care Careers as a substitute teacher across Chicago at different daycares. **Right now, I'm subbing three days a week at daycare centers. We teachers are short staffed and it's to the point that most of us are burnt out working with 22-28 kids in a classroom.** The salary is low starting at \$14 per hour if you have a bachelor's degree. With an associate degree, you'll be starting at \$12 per hour. I don't want to go back to the classroom if I have \$145,000 in student debt. I'm not going to go back to making less. Right now, I make more by being a sub. I have two master's degrees making \$28 an hour as a substitute teacher.

With school being back in session, centers are shutting down classrooms because of short staffing. A solution to this would be to offer more pay, better benefits, retirement, breaks for teachers, smaller case loads, and better kid to teacher ratios. I'm burnt out and that's why I'm subbing. I'm ready to retire but have a long way to go.

No one takes child care seriously, yet parents need us to go to work. Providers work long hours, and we also have families and kids to go home to. My shift is usually seven in the morning until six at night, which is a nine-hour shift, and I do even more overtime when the centers I'm in are short-staffed. I'm tired.

Why am I invested in this? It's because I care about the children, they're our future.



Open 25 public child care centers in areas of high need

Even if all the previous steps are implemented, a major issue in the current child care crisis would still remain unaddressed: the existence of child care deserts across Illinois. For 50% of Americans and 58% of Illinoisians, child care is simply not available in their community. Child care deserts don't impact families equally—wealthier regions with larger proportion of White residents tend to have access to appropriate supply of child care, while working class neighborhoods tend to either not have any available child care or not enough spots for the number of children that live in those areas.⁷⁶

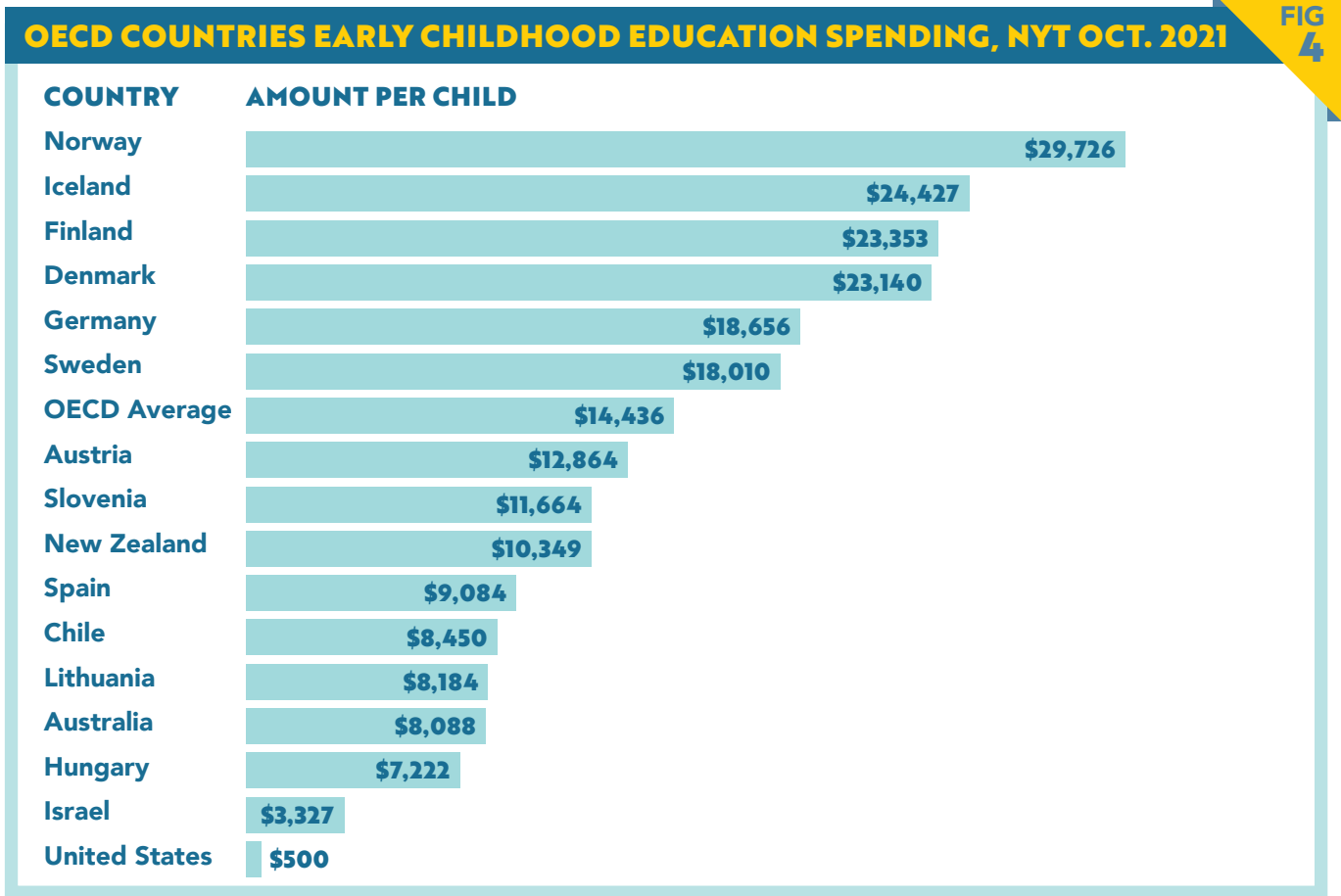
The formation of such deserts stems from the reliance on a market-based, voluntary approach to child care supply, that is, the offering of early childhood education in Illinois and the U.S. depends on a provider's personal will and ability to open a center or establish a home-based setting without any guidance or direct investment from the state. By relying on this flawed system, Illinois and the rest of the country have failed working class families of color, leaving parents to fend for themselves in areas with little or no child care.

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When it comes to public expenditures on child care, the US is an outlier among other developed countries. In 2019, the United States spent \$500 annually per child while other countries spent on average \$14,436. Israel, the country second-to-last in expenses with child care, spent \$3,327, almost seven times more than the US.⁷⁷ The graph below taken from the *New York Times* illustrates the stark differences between the United States, Australia, and other European and South American countries in 2019.

IN 2019, THE UNITED STATES SPENT ANNUALLY \$500 PER CHILD WHILE OTHER COUNTRIES SPENT ON AVERAGE \$14,436.



Source: <https://www.nytimes.com/2021/10/06/upshot/child-care-biden.html>

This stark lack of investment in child care is the result of the fraught, 100-year-old history of the US failing to establish a national, public child care system. Since the early twentieth century, progressive social movements urged the government to support working mothers and provide state oversight on child care. By the 1930s, these movements had achieved small gains but had little impact on the sector. During the Depression, the federal government built part-time, publicly funded Emergency Nurse-y Schools (ENS) that serviced children of unemployed parents and children with disabilities. The schools had well-trained teachers that worked with a well-developed education curriculum. However, as the war effort intensified in the early 1940s and the federal government focused spending on war-related industries, these schools gradually lost funding and workers, leading to facility closures and never becoming a full-fledged system.⁷⁸

The closest the United States got to a national child care system was the one funded by the Lanham Act of 1940. The main goal of the bill was to federally fund and operate services that would support mothers working in war-oriented factories. Despite being limited mostly to coastal states due to the concentration of the war effort in those areas, the centers were a successful endeavor. The children that attended those centers had above-average outcomes in terms of income and family size. Mothers who relied on federally-funded child care while they worked in the factories producing goods for the war effort were more successful in remaining in the workforce, despite the post-war pressure to go back to homemaking duties. But since the law was seen as a war-related measure, the funding for the Act was discontinued in 1947 despite public pressure to maintain it.⁷⁹

In the 1950s and 1960s, child-care related tax breaks and the Head Start program gave some support to working families, but had little effect on the way that child care was supplied. Backed by women's rights activists, labor leaders, and early childhood advocates, the Comprehensive Child Development Act of 1971 was the last effort to try to create a universal child care system, but despite Congressional support, President Richard Nixon vetoed the bill. Our current child care system, in which federal funds subsidize state's child care assistance programs through a maze-like system of vouchers and providers that few parents are eligible for and able to navigate, was designed in the 1980s. None of the policies enacted since World War II have addressed the supply issue head on.⁸⁰

Currently, the Kaine-Murray Child Care Reconciliation Plan proposes creating a separate fund within the Child Care Development Block Grant that would support states in expanding their provider networks and address the lack of supply.⁸¹ However, Illinois should not wait for Congress to act—we can address this historical limitation directly. **Our state can lead the country by creating 25 public child care centers in areas of high need.** According to the Center for American Progress, in Illinois 68.7% of rural populations, two thirds of city residents, and a little over half of suburban families live in child care deserts.⁸² By targeting the construction of public centers within child care deserts with most immediate need, Illinois will be able to meaningfully address the unavailability of child care.

To deliver child care in a manner that works for children, families, and workers, public centers would be a catalyst for a viable system in the state of Illinois. These centers should be built following the best construction and educational guidelines to create welcoming and educational spaces for children of all ages of race and income. These centers must be publicly run and administered to provide high quality education for children and allow training and career advancement for staff as well as adhere to high labor standards. Workers in public centers will express their collective voices through their unions, and will receive pay parity with local school districts. Finally, these centers will be led by democratic, participatory councils where parents, administrators, and workers sit together to have a voice on the center's operations and make them better serve the needs of the children that attend them.

Illinois has the chance to set the standard for equitable child care access through public centers. In 1997, the Canadian province of Quebec created a unified, province-wide child care system mostly subsidized by state funds with parents paying low copays. Through a mixed-delivery system of public funded non-profit centers, subsidized for-profit centers, wholly private for-profit centers, and home-based settings, the Quebec system has met child care demand, but still has a lot of work to do in increasing labor standards and quality of care.⁸³ By implementing public centers, Illinois would be going further than Quebec.⁸⁴ Illinois can avoid such pitfalls by publicly funding the child care system and setting high standards that can be expanded and replicated in other child care settings.

HEATHER TAMEZ

Bellwood, IL Parent and Child Care Center Worker



I have been at my center for four years. I have a four year-old daughter and she goes there so we get a discount, but we don't qualify for assistance. We pay out of pocket for her to attend daycare. **We are in that middle gap—we don't make under the amount to qualify, but we don't make too much.** I see the struggles that other parents go through, how they're going to pay their rent and afford care for their kids. When I was pregnant with my daughter, I was working at another center that was going to charge \$2100 a month for her as a baby, which would have been my entire paycheck.

I love my work. I work with two and three year olds and the kids in my classroom all have disabilities. Two of my kids don't talk, so I am always trying to find little moments like a smile or a hug that are major milestones. Some parents think we're just babysitting so we shouldn't get a raise or get more money, but it's so much more than that. Lots of people don't understand what we deal with in the classroom, the personalities, the potty training—and right now I've been by myself in my classroom since April. It's been so hard for us to hire more teachers for multiple reasons: people are looking for more pay or a sign-on bonus. Right now we're hiring a spot for my classroom and a floater. Since I'm the only teacher in my classroom, when I took a week of vacation we had to close the room for the entire week. I don't want to do that but I can't burn myself out because of shortages at work. **I don't get paid a lot but I can't leave the kids I care for. I can't imagine someone else who doesn't give a darn coming in to care for them. For me this job is not about a paycheck.**

If I could change anything in the child care field, I would change the pay that providers are receiving. I've left centers because I know I can get more as a new hire somewhere else, but there's always a drawback: I'm leaving that center to go somewhere else and leaving those kids behind, leaving that open space. The pandemic exposed a lot of issues. Some centers I've been at just send you home for a week and a half if you were exposed to COVID and don't pay you—how do you expect me to be out of work and not get paid?

I think a lot of people need to hear stories about child care—we hear it on the news, but some people say why don't you just quit and do something else. Now with the shortage of teachers, I don't want to be one of those people leaving. I'm sticking in this because if we fight together I know we can make the child care system better.

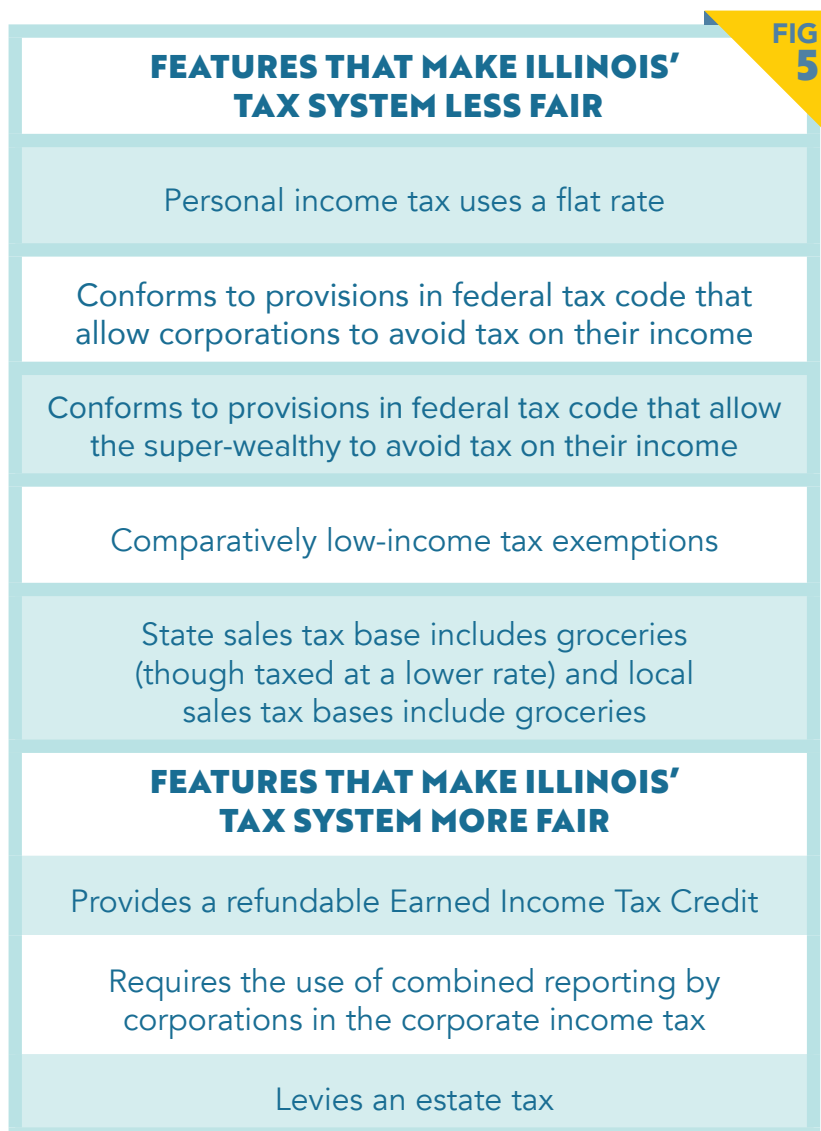


Funding the Changes Illinois Families Need

To fund the kind of expansion necessary for both working families and child care providers, the state needs to only look toward the massive untapped revenue lost to corporate tax loopholes and subsidies to billionaires. The state has the means and the revenues for a transformative investment in child care—large corporations and the wealthy must pay their fair share and contribute for the advancement and betterment of Illinois families.

THE STATE HAS THE MEANS AND THE REVENUES FOR A TRANSFORMATIVE INVESTMENT IN CHILD CARE—LARGE CORPORATIONS AND THE WEALTHY MUST PAY THEIR FAIR SHARE

The COVID-19 pandemic highlighted the need for a real public child care system, instead of magical thinking about market-based solutions to the child care crisis. The Early Childhood Funding Commission identified the need for \$10.5 billion in additional investments in child care, and there are substantial investments the state should make to put us on the path toward a universal system.⁸⁵ Historically **our state has under-invested in human services, to the detriment of many of the same people most affected by the child care crisis: working families generally, disproportionately women, and people of color.** In the past year, we have seen small glimpses of what can be done when we invest in working families, via federal funds from the American Rescue Plan Act; however, this source of funds goes away in roughly two years.⁸⁶ Often, we still think on a scale determined by the historical under-investment our communities have experienced, rather than the scale of the changes Illinois families need. Our state now faces a choice and cannot afford to continue placing burdens and harms on families.



We can afford the child care system we deserve when we make billionaires and corporations pay what they owe. **Our state taxes working families more than it taxes rich people and corporations.** Corporations and rich individuals routinely avoid paying taxes. The average state income tax corporations actually pay, or effective rate, has been declining for years compared to the rate they are supposed to pay, and **most corporations in Illinois paid zero state income tax** in the most recent year for which data is available.⁸⁷ At the same time, corporate profits are soaring, especially at companies which sell basic goods like energy or food.⁸⁸ Similarly, the overall effective tax rate on the top 1% of Illinois families by income is about half the effective tax rate on the 20% of Illinois families with the lowest incomes.⁸⁹

Overall, Illinois has the 8th most unfair tax system in the country, according to the Institute on Taxation and Economic Policy (ITEP). The biggest driver of this unfairness is reliance on sales tax instead of income taxation. Sales tax falls much more heavily on working families who must spend more of their incomes paying for basic necessities, while income tax collects more from rich people and corporations—or at least has the potential to do so. Because of exemptions and credits targeted to working families this remains true even though Illinois has a flat income tax—all payers must be taxed at the same rate according to our state constitution—and even as the potential to collect much more from rich people and corporations goes unrealized.⁹⁰ In the past few years, revenues collected by this tax system for the state general revenue funds have increased.⁹¹ However, the increase has been much smaller than the windfall corporate profits and greatly increased wealth of billionaires since the start of the pandemic. It certainly does not mean the inadequacies and unfairness of Illinois’ tax system have been fixed.

A fundamental reason our income tax laws do not fulfill their potential to make billionaires and corporations pay their fair share is that they fail even to count much of corporations’ and billionaires’ income as income. The definition of income in taxation devised early in the 20th century, when income taxation was coming into being, encompasses consumption expenditures plus changes in wealth over a time period.⁹² But unlike the rest of us, billionaires and corporations typically have many choices in how their income is defined legally for tax purposes. They created these choices to benefit themselves using an army of lobbyists and lawyers in a basic failure of democracy. The result of this rigged system is they don’t pay taxes and our communities struggle to provide essential public services.

Corporations have created several ways they can choose to avoid Illinois corporate income tax through the very definition of income. Big corporations manipulate how potentially-taxable activities are distributed among various legal entities and where their potentially-taxable income is alleged to have been taken in.

One of the main reasons most big corporations operate through a host of various subsidiary legal entities is to avoid taxes. While Illinois corporate income tax requires reporting from a corporate parent and entities at least 50% owned by the corporation together, the law considers whether each entity is present in the state and therefore taxable separately.⁹³ Absurdly, income is apportioned for taxation based on sales, yet actual



BY REWARDING LARGE LOW-WAGE EMPLOYERS IN PARTICULAR, CORPORATE TAX GIVEAWAYS FUNNEL PUBLIC DOLLARS AWAY FROM ESSENTIAL SERVICES IN COMMUNITIES SUCH AS CHILD CARE FOR WORKING FAMILIES TO SOME OF THE CORPORATIONS THAT EXACERBATE THE CHILD CARE CRISIS.

taxability requires a physical presence in the state—creating the possibility of “nowhere income” if a particular subsidiary makes a high value of sales in Illinois but does not have a physical presence, avoiding tax not only in Illinois but all other states as well.⁹⁴ It does not have to be this way.

Illinois could determine

related companies as a group were taxable, preventing corporations from gaming the system through how they set up their subsidiaries. Illinois could also opt to use other factors—having workers in the state or owning property in the state—in addition to sales to determine the portion of total corporate income that should be taxed in Illinois.

Similarly, a significant reason major corporations set up subsidiaries outside the US is to avoid taxes. Once manipulation of where corporate income is “recognized” for tax purposes expands from playing state tax systems off against one another to using non-US entities, larger possibilities open for corporations to avoid taxes. As a general rule, Illinois’ requirement of combined reporting by a corporate parent and subsidiaries ends at “water’s edge,” not applying to non-US subsidiaries. Just under 60% of all US multinational corporations’ profits are reported in seven international tax havens, around \$300 billion annually.⁹⁵ This profit-shifting by multinationals generally avoids Illinois corporate income tax; the few exceptions in Illinois tax law are small measures meant to focus on some of the worst corporate profit-shifting behavior.⁹⁶ **Illinois corporate income tax could require combined reporting that includes non-US subsidiaries as well as US subsidiaries. Alternatively, the corporate income tax could allow reporting that otherwise stops at water’s edge but must include companies in known offshore tax havens.⁹⁷ At minimum, Illinois could further tax “Global Intangible Low-Tax Income,” one limited category the state does tax, created by the federal government as an attempt to address what is believed to be among the worst offshore corporate tax avoidance.⁹⁸**

Sometimes, the flow of tax dollars reverses, and our state government subsidizes big corporations by giving them massive tax breaks. The rationale given for such corporate giveaways is typically to retain or create jobs at a particular site. Among the largest state programs for tax giveaways set up in this fashion is the Economic Development for a Growing Economy (“EDGE”) program. Even under an assumption the program creates or retains jobs, it does not require job quality, such as requiring that those jobs pay a living wage. For example, two of the top three largest EDGE agreements in terms of estimated tax giveaway are for Amazon distribution centers; in total, the three Amazon agreements alone give away \$112 million in taxes Illinois does not receive.⁹⁹ In addition to site-based subsidies like EDGE, other significant categories in the “tax expenditures” report published annually by the Office of the Comptroller include giveaways that supposedly reimburse corporations for the administrative burden of complying with tax laws. A large and characteristic example is the “Retailers’ Discount” applied to sales and use taxes. This giveaway unnecessarily pays retail corporations to administer the sales tax even though it is computerized and automated and has been for years.¹⁰⁰ By rewarding large low-wage employers in particular, corporate tax giveaways funnel public dollars away from essential services in communities such as child care for working families to some of the corporations that exacerbate the child care crisis. As we highlighted in our first report, the largest employers of parents who receive CCAP are Walmart, McDonalds, and Amazon.

Billionaires have also created extensive means by which they avoid taxes on their income—which has soared in recent years. As of May 2022, billionaire wealth in the US had skyrocketed by \$1.7 trillion since the start of the COVID-19 pandemic in March 2020.¹⁰¹ The 17 billionaires residing in Illinois at the start of the pandemic have seen their combined net worth increase by \$38.4 billion, or 73%.¹⁰² Overall, the ways billionaires avoid income taxes are similar to the ways corporations avoid income taxes described above. The effect is similar as well. Last year, investigative journalism nonprofit ProPublica began publishing a series of articles showing many of the richest individuals in the country frequently paid nothing in federal income tax.¹⁰³ Since Illinois income tax laws mostly conform to the federal laws, this pattern likely holds with state income tax as well.

Billionaire Name	Notes on Main Income Source	Net Worth
Patrick Ryan	Insurance (formerly at Aon, now Ryan Specialty Group)	\$8,123,000,000
Richard & Elizabeth Uihlein	Packaging supplies (Uline Inc), Schlitz Beer inheritance	\$6,800,000,000
Joe Mansueto	Investment research services (Morningstar)	\$6,018,000,000
Sam Zell	Real estate & private equity (Equity Group)	\$5,901,000,000
Neil Bluhm	Real estate (Walton Street Capital) & gaming (Rivers Casino)	\$5,510,000,000
Thomas Pritzker	Hotels (Hyatt Hotels), other investments	\$5,090,000,000
Eric Lefkofsky	Groupon	\$4,116,000,000
Sheldon Lavin	Meat processing (OSI Group, supplier for McDonalds)	\$3,000,000,000
Byron Trott	Investment advisory & private equity (BDT Capital Partners)	\$1,722,000,000
Carl Thoma	Private equity; former business partner of Bruce Rauner (at GTCR)	\$1,600,000,000

FIG 6

Adapted from Forbes Billionaires Index information

One injustice of federal tax law is that most income from investing is taxed at a lower rate than wage income. This is a significant contributing reason why someone like Chicago real estate billionaire Sam Zell pays a lower federal tax rate than the average early childhood educator. Of course, this lower tax rate on investment income known as long-term capital gains cannot explain billionaires paying zero taxes, but it is a contributing factor to extreme inequality. Some states also tax capital gains at a lower rate than wage income but most, including Illinois, do not.¹⁰⁴ **However, Illinois could compensate for the federal tax subsidy to the super-rich by imposing a surcharge on capital gains to increase the effective tax rate until it is no longer lower than taxation of regular wage-earners, as has been proposed in New York.¹⁰⁵ At minimum, our state could move to address the highly egregious way that private equity and hedge fund managers pay themselves known as “carried interest.”** These executives declare most of their fees to be capital gains so they can pay the lower federal rate. Carried interest has nearly been ended at the federal level several times, and in 2017 a privilege tax to address carried interest passed the Illinois Senate, but it remains in place.¹⁰⁶ Following methods developed to estimate potential revenue from the 2017 bill, we estimate a similar privilege tax to address carried interest could raise \$1.5 billion in new state revenue in its first year of existence.¹⁰⁷

Another major way billionaires avoid state income taxes involves structuring and timing transactions to manipulate when they have income legally defined for tax purposes. Accumulation of financial wealth is not taxed as it occurs, but at occasions determined through complex, arbitrary rules that are easily gamed by the rich.¹⁰⁸ Among those with the very top incomes, it is not only possible but apparently common to ensure their increasing wealth never becomes taxable income. Instead of selling any part of their holdings, which would make their financial gains “realized” and therefore taxable, billionaires fund their lavish consumption by borrowing under very favorable terms with part of their wealth as collateral.¹⁰⁹ This, along with the simple ability to time when financial losses are counted to offset taxable income, explains how a multibillionaire could pay zero federal income tax while seeing their wealth continue to increase. There are tax policy tools to address this, ensuring the income tax actually taxes these high incomes. Mark-to-market taxation considers the increase in value of investment assets.¹¹⁰ Mark-to-market has been applied in the federal tax code, but only in very limited circumstances.¹¹¹ **Illinois could use mark-to-market taxation to ensure billionaires pay income tax on their skyrocketing wealth that would not be taxable otherwise.**

Illinois has the opportunity to invest in a system of child care that supports working families and reflects our values as a state. To do so, we must demand billionaires and corporations pay what they owe for these services in our communities. The measures described above can fund badly-needed expansion and transformation of our child care system.

CONCLUSION

The child care crisis can't wait. For parents, the current system is unaffordable and unavailable; for providers, poverty wages and poor working conditions mean this work is unsustainable. Because of the astronomical cost of child care, mothers, disproportionately Black and Latina, are leaving the workforce in droves. Meanwhile, unsustainably low wages are driving child care providers from the industry, exacerbating an already-tenuous system where there are not enough early educators to meet the demand. Instead of continuing to patch a status quo that has failed providers, parents, and children, Child Care for All is a solution that meets the scale of the problem—one that reflects our state's commitment to supporting the next generation of children and the providers who nurture them.

CHILD CARE FOR ALL IS A SOLUTION THAT MEETS THE SCALE OF THE PROBLEM—ONE THAT REFLECTS OUR STATE'S COMMITMENT TO SUPPORTING THE NEXT GENERATION OF CHILDREN AND THE PROVIDERS WHO NURTURE THEM.

The COVID-19 pandemic stretched working families to the breaking point and laid bare the reality that child care is unaffordable, unavailable, and unsustainable. Meanwhile, billionaires in Illinois actually got richer during the pandemic. To truly support child care providers and working families, we need to rebalance our priorities as a state—respecting, protecting, and paying providers as the essential workers we are and making rich corporations pay their fair share.

For too long, the state has protected corporate profits at the cost of our public services. Some of the same big corporations that pay little or nothing in Illinois taxes employ a large, low-wage workforce that relies on child care assistance. The top three employers of Child Care Assistance Program parents in Illinois are Walmart, McDonalds, and Amazon, wealthy corporations that pay their own workers unsustainably low wages. We are told that these tax giveaways are an incentive for major corporations to bring jobs to our city and state—**these same jobs that pay so little that so many of its workers are using CCAP. These major corporations use our public dollars to pay poverty wages and help the mega-rich get richer.**

Parents and providers have come together in the Child Care for All coalition to demand solutions that work for all of us. We know what we need—living wages for all child care providers, expanding access to child care for parents across income and zip code, and an investment in recruitment and training. We need to rebalance our state priorities to invest more in working families than in corporate finances.

Illinois has the chance to be at the forefront of bold solutions to the nationwide child care crisis—but instead we are falling behind. Last year, New Mexico used American Rescue Plan Act funding to make child care free for everyone in the state; New York and Washington, DC are currently pioneering long-term investment in preschool and early learning. It's time to lead the way by implementing a universal child care system that supports working parents, providers, and most importantly the kids it is designed to serve.



**WE NEED TO REBALANCE
OUR STATE PRIORITIES
TO INVEST MORE IN
WORKING FAMILIES THAN
IN CORPORATE FINANCES.**



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 **ILLINOIS
CHILD CARE
FOR ALL
COALITION**



CHICAGO
TEACHERS
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