



MEMORANDUM

TO: Mayor and Council Members

THRU: Rodney Gonzales, Assistant City Manager

FROM: Sylnovia Holt Rabb, Interim Director *SHR*

DATE: July 9, 2020

SUBJECT: Revising Eligibility Criteria for the Austin Childcare Business Relief Grant

The purpose of this memo is to provide an update regarding proposed revisions to the eligibility criteria for the Childcare Support Fund (now called the Austin Childcare Business Relief Grant). To ensure the Mayor and City Council members have enough time to review these proposed revisions, City staff set July 21, 2020 as the target date to begin accepting grant applications for this program.

Background

The City Council created the Childcare Support Fund in [Resolution No. 20200507-023](#). The resolution appropriated \$1 million for this program and set the following eligibility criteria: serve families that receive childcare subsidies; have at least a 2-star rating under the Texas Rising Star system; have not received Payroll Protection Program funds; have been impacted by COVID-19 related disruptions; and/or have virus mitigation and protective equipment needs.

The City Council reaffirmed funding for the Childcare Support Fund in [Resolution No. 20200604-040](#), which allocated \$2 million to Childcare Service Provider Assistance. City staff initially interpreted the City Council's action as allocating \$2 million for the Childcare Support Fund. However, the Budget Office clarified on Friday, June 26, 2020 that \$1 million is available for the Childcare Support Fund. The remaining \$1 million is from CARES Act Community Development Block Grant funds that will be administered by Austin Public Health.

The City Council also authorized ratification of a contract with United Way of Greater Austin to administer the Childcare Fund grant program ([Resolution No. 20200611-102](#)).

Staff Recommendations

The eligibility criteria from Resolution No. 20200507-023 significantly limits the number eligible childcare centers for this program. Specifically, the Texas Rising Star rating disqualifies many childcare centers serving east and northeast Austin neighborhoods. Furthermore, information provided by the United Way of Greater Austin shows only 52 of 182 Austin-based childcare centers could be eligible for funds due to eligibility criteria related to the Texas Rising Star certification and the Paycheck Protection Program.

After discussing these issues with the City Council's Economic Recovery Panel, the Equity Office, Austin Public Health, Neighborhood Housing and Community Development, and United Way of Greater Austin,

Economic Development Department staff requested revising the 2-star Texas Rising Star rating requirement and removing the criterion regarding the Paycheck Protection Program. Below are reasons for this request.

Revising the 2-Star Texas Rising Star Rating Requirement

Texas Rising Star is a voluntary rating system of childcare providers participating in the Texas Workforce Commission's subsidized childcare program. Texas Rising Star certification is available to Licensed Center and Licensed and Registered Child Care Home providers who meet the certification criteria. The Texas Rising Star certification system offers three levels of certification (Two-Star, Three-Star, and Four-Star) to encourage providers to attain progressively higher certification requirements leading to a Four-Star level.

Appendix A displays a map of Texas Rising Star-rated childcare centers in Austin as of June 30, 2020. The map reveals that there is a disproportionate number of Texas Rising Star-rated childcare centers on the west side of Austin, and relatively few certified centers on the east side. Even more concerning is the extremely low number of certified centers in Northeast Austin, where many of our city's most marginalized and underserved households reside.

Given the clear equity issue presented by this eligibility criterion, Economic Development Department staff recommend revising the Texas Rising Star rating requirement by including childcare centers that are willing to begin the Texas Rising Star assessment process. This revision would not only allow more childcare centers to be considered eligible for the grant program, but also incentivize more childcare centers in Austin to align their operations with the Texas Rising Star quality standards.

Furthermore, this action would align with the City's equity and affordability values, support Strategic Direction 2023 outcomes associated with Economic Opportunity and Affordability and Government That Works for All, and meet City Council's intent to serve the most vulnerable members of our community.

Removing Paycheck Protection Program Requirement

The ATX Child Care Task Force and the Success by 6 Coalition surveyed childcare businesses in May 2020 to understand how the COVID-19 pandemic impacted childcare operations. A copy of the survey results is attached.

One hundred sixty-six childcare centers completed the survey. The majority (84%) of the respondents are in Austin's city limits. Survey results show that almost 70% of childcare centers applied for a U.S. Small Business Administration loan, including the Paycheck Protection Program, and 85% were approved for a loan. However, the federal funds for many centers were either inadequate to cover ongoing operating costs or have expired. Childcare operators remain concerned with having enough funding to retain their staff, maintain health and safety standards, and pay expenses like rent and utility bills.

Economic Development Department staff recommend removing the Paycheck Protection Program requirement so the City can support childcare centers' ongoing operating costs and expenses not covered by the Paycheck Protection Program. This action would provide childcare centers with sorely needed support to remain open, keep teachers and staff on payroll, and acquire supplies to meet local, state, and federal health and safety guidelines.

Furthermore, this action would also align with the City's equity and affordability values, support Strategic Direction 2023 outcomes associated with Economic Opportunity and Affordability, and meet City Council's intent to serve the most vulnerable members of our community.

Conclusion

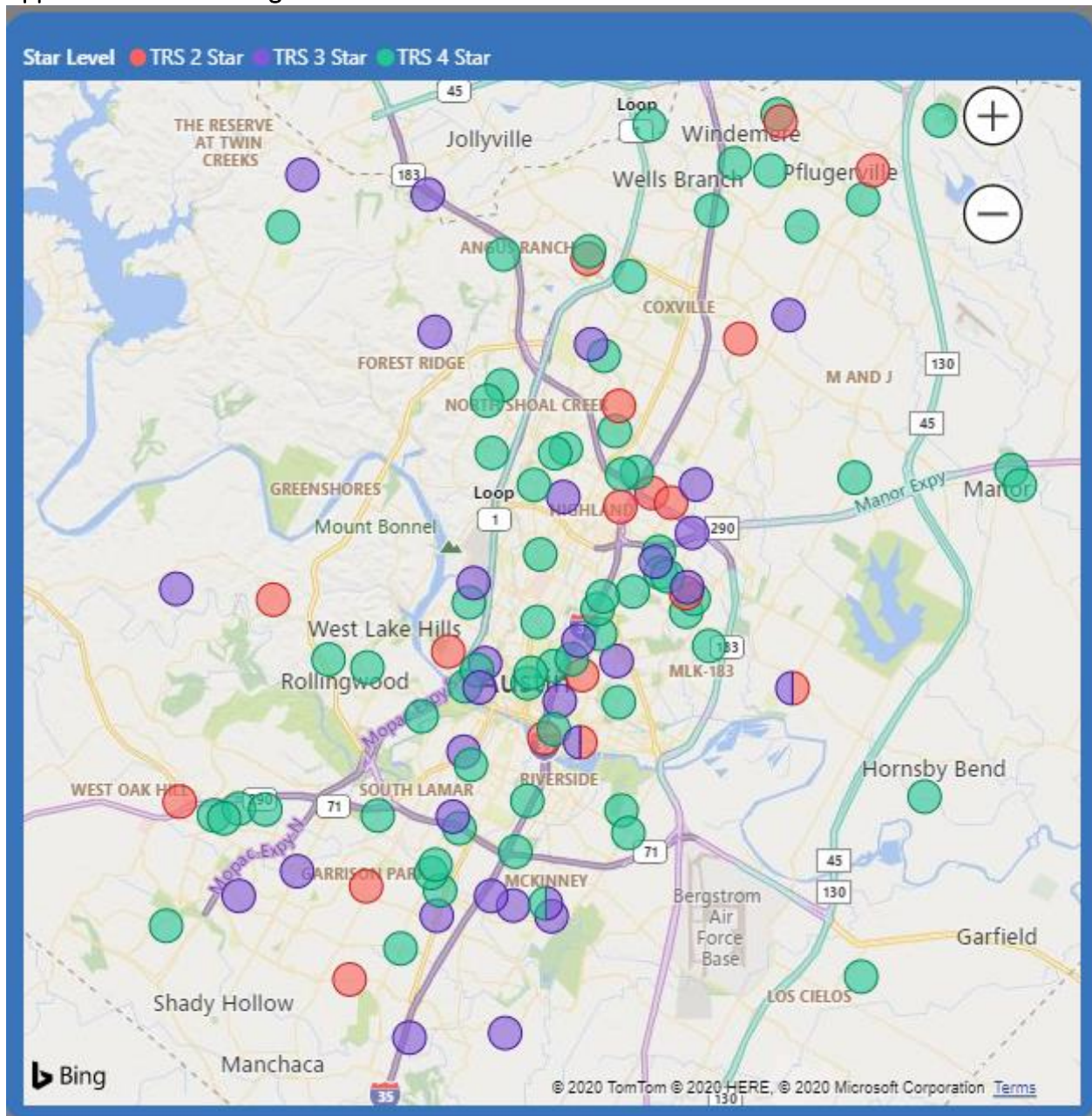
Revising the 2-star Texas Rising Star rating requirement and removing the Paycheck Protection Program criterion are two practical and effective steps that will improve the effectiveness and impact of this grant program. EDD staff will proceed with developing the Austin Childcare Business Relief Grant program based on these two changes, and the program is anticipated to be available for applications by mid-July. A resolution to ratify the changes would be presented for City Council consideration on the July 30th City Council agenda.

Please contact me at (512) 974-3131 or Sylvia.Holt-Rabb@austintexas.gov if you have questions regarding this recommendation.

cc: Spencer Cronk, City Manager
Nuria Rivera-Vandermyde, Deputy City Manager
Rodney Gonzales, Assistant City Manager
CMO Executive Team
Veronica Briseño, Chief Economic Recovery Officer
Joy Miller, Program Manager III

Attachment

Appendix A: Texas Rising Star-Rated Childcare Centers in Austin



Source: "Map of Texas Rising Star Certified Providers." Texas Workforce Commission. View map online at <https://texasrisingstar.org/parents/trs-map/>.



Child Care Provider COVID-19 Survey Results – May 2020

Data collected between 5/15/2020-5/27/2020

Impact of COVID-19

Out of the 166 respondents, 52% (86) of their programs are currently closed

- 53% of centers are closed
- 44% of homes are closed

Reopening

- When asked, providers who are currently closed what the biggest barriers were to reopening, **concerns about health and safety of staff and children** was the most frequently ranked barrier.
- The need for **supplies, PPE and cleaning products** was a **lower concern** than expected. This might be due to Austin Public Health (APH)'s response to provider needs. Providers have been able to fill out a separate survey detailing supply, PPE, and cleaning product needs which have been filled whenever possible within a few weeks.
- Among **centers**, **finding families** to make it worth reopening was another highly ranked concern but was ranked lower for child care homes.

Note: the concerns of centers were more variable –which is likely due to range in type of care (e.g., nonprofit/for profit; church-based; school-based; etc.)

All Providers & Centers	
<i>Please rank the biggest barrier to reopening your program in order of priority:</i>	
1	Concerns about health & safety of myself, staff, and children.
2	Cannot afford to stay open with the reduced group sizes under current requirements.
3	Cannot find staff who are willing to work under the current conditions.
4	Cannot find enough families to be worth reopening program.
5	Cannot get supplies, cleaning products and (PPE).

Child Care Homes	
<i>Please rank the biggest barrier to reopening your program in order of priority:</i>	
1	Concerns about health & safety of myself, staff, and children
2	Cannot find enough families to be worth reopening program.
3	Cannot afford to stay open with the reduced group sizes under current requirements.
4	Cannot find staff who are willing to work under the current conditions.
5	Cannot get supplies, cleaning products and (PPE).



Small Business Administration Loans

- **70%** of providers **applied for a Small Business Administration (SBA) loan**, such as Paycheck Protection Plan, or other support.
- **85%** of those who applied **were approved** for a loan.
- Of the providers who didn't apply, **77% do not plan to apply** for one.

Staff Reductions

- When asked whether the child care program had to reduce staff, benefits, or wages, 41% of all providers said they didn't have to do any of these. Thirty-nine percent of providers reduced hours (which resulted in less pay for teachers), 31% of providers furloughed employees without pay, 13% laid off staff permanently, and 7% reduced benefits.
- Home providers were more likely to not have to do any of these – with 70% indicating they did not have to reduce the number of staff, hours, or benefits compared to 36% of centers.
- 43% of centers, compared to 17% of homes, indicated that they had to reduce hours.
- Only 4% of homes had to furlough or lay off staff, and 8% reduced benefit. This makes sense given that home providers are more often solo providers with no additional staff.
- 36% of centers had to furlough staff without pay, 15% laid off staff permanently, and 7% reduced benefits.
- These patterns were even more pronounced for centers who serve children in the child care subsidy (CCS) system. Centers serving CCS children were more likely to reduce hours (49% vs. 33%), furlough (41% vs. 27%), and lay off staff (21% vs. 4%).
- Closed providers are a lot more likely to have to lay staff off permanently (16% vs 9%) in comparison to open providers. In contrast, providers who were open were more likely to have reduced employees' hours (48% vs. 29%).



Supports Needed to Sustain Services or Reopen

What are the supports/resources that your child care program would need in order to reopen or sustain services?

- **Funding to support social distancing and tuition replacement** were the most frequently cited supports needed to **reopen or sustain services**.

Looking forward to the next three or six months, what other supports or resources does your childcare program need to meet the needs of your staff and families served?

- Looking **3 – 6 months out**, funding and support for **PPE and health/safety supplies**, funding to cover **increased operational costs** and funding for **lost tuition due to ratios/group sizes** were reported most frequently.
- There was minimal difference between the responses of centers and homes in both questions.

Current and Future Sustainability Concerns

When it comes to the current and future sustainability of the child care program, what are you most worried about?

- The **highest ranked concern** was **paying staff** (or self if they are a solo provider). The second highest was **whether families will come back** after the pandemic is over
- **Centers** were also concerned with **making rent payments** and buying **health, PPE and cleaning supplies**.
- **Homes** were concerned with all of the above and also ranked **making utility payments** as a high concern. A notable difference between homes and centers was that home providers were least worried about whether families will come back after the pandemic is over.

All Providers	
<i>When it comes to the current and future sustainability of the child care program, what are you most worried about?:</i>	
1	Paying staff or myself as a solo provider and Whether families will come back after the pandemic is over
2	Making or missing rent or mortgage payment
3	Making or missing utility payment
4	Finding or paying for protective & cleaning supplies for staff/myself
5	Whether staff will come back after the pandemic is over
6	Paying for staff or own health insurance/other benefits



Respondent information

- **166 child care providers** responded to a survey distributed following the Austin/Travis County Child Care COVID-19 Task Force webinar on May 13, 2020.
- **84%** are from **licensed child care centers** and **16%** from **family homes**
- The majority (98%) are owners, site directors or executive directors/CEOs.
- **84%** of providers are in **Austin city limits**, **7%** in **Pflugerville** and the remaining providers are located in Manor, Bee Cave, Del Valle, Lakeway, Spicewood and Westlake.
- **54%** are **for profit** and **46%** are **nonprofit**
- **58%** of all respondents are currently contracted to accept **child care subsidies**.
 - 62% of centers and 37% of child care homes are currently contracted.
- **Prior to the COVID-19 pandemic, almost half, 49%, served more than 50 children** and 21% serve 12 or fewer.
 - Out of centers, 59% serve more than 50 children.
 - Out of homes 93% serve 12 or fewer.
- During the COVID-19 pandemic, 34% of centers, and 93% of homes continued to serve approximately the same amount of children. 45% of centers and 7% of homes served fewer children. 18% of centers served a lot fewer kids, while around 3% served more children than usual.
- 59% of respondents identify as Non-Hispanic White, 15% as Hispanic-White, 9% as Black or African American and 5% as Asian or Asian American.
- **English** is the primary language spoken in **73%** of programs; **Spanish** is the primary language spoken in **23%** of programs and **Other** languages are primary in **3%** of programs.
- 89% of providers served infants and toddlers (birth to three years old), 92% served preschool aged children (three to five years old) and 46% served school aged children (6 years and older) (

Ongoing Engagement

How are child care providers interested in staying engaged? (in order of most frequent responses)

- Additional webinars
- Virtual meetings
- Success by 6 Coalition newsletter
- In person meetings during the weekday (when permitted under public health conditions)
- In person meetings during the weekend (when permitted under public health conditions)
- In person meetings during the evening (when permitted under public health conditions)

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 0
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 0
- 1

WHEREAS, the City Council of the City of Austin, in Resolution 20200507-023,

created the Childcare Support Fund to provide grants for childcare centers in Austin; and

WHEREAS, the resolution requires childcare centers to: (1) serve families that receive childcare subsidies, and (2) have at least a 2-star rating under the Texas Rising Star system and have not received Payroll Protection Plan money, through CARES, and (3) have been impacted by COVID-19 related disruptions, and/or (4) have virus mitigation and protective equipment needs; and

WHEREAS, the Texas Rising Star rating system of childcare providers is a voluntary program of the Texas Workforce Commission and research indicates that there is a disproportionate number of Texas Rising Star-rated childcare centers on the west side of Austin and relatively few on the east side. There is also an extremely low number of certified centers in Northeast Austin, where many of our city's most marginalized and underserved households reside; and

WHEREAS, revising the Texas Rising Star certification requirement will allow childcare centers in the city’s most marginalized communities to apply for this grant and align with the city’s equity and affordability values, support Strategic Direction 23 outcomes associated with Economic Opportunity and Affordability and Government That Works for All, and meet the City Council’s intent to serve the most-vulnerable members of our community; and

2 **WHEREAS**, city staff surveyed 161 childcare centers and found that almost 70%
3 of childcare centers applied for a U.S. Small Business Administration loan, including the
4 Paycheck Protection Program, and 85% of those were approved for a loan. However, the
5 federal funds for many centers were either inadequate to cover ongoing costs or have
6 expired. Childcare operators remain concerned with having enough funding to retain
7 their staff, maintain health and safety standards, and pay expenses like rent and utility
8 bills; and

9 **WHEREAS**, removing the Paycheck Protection Program requirement will allow
10 childcare centers to receive support for ongoing operating costs and expenses not
11 covered by the Paycheck Protection Program. This action would provide childcare
12 centers with sorely needed support to remain open, keep teachers and staff on payroll,
13 and acquire supplies to meet local, state, and federal health and safety guidelines. **NOW**
14 **THEREFORE**,

15 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

16 The Childcare Support Fund grant program is revised so that a childcare center in
17 Austin qualifies for the program if the childcare center: (1) serves families that receive
18 childcare subsidies, and (2) have at least a 2-star rating under the Texas Rising Star
19 system or have started the process to receive a Texas Rising Star rating, and (3) have
20 been impacted by COVID-19 related disruptions, and/or (4) have virus mitigation and
21 protective equipment needs.

2
3
4
5
6
7
8

ADOPTED: _____, 2020

ATTEST: _____

Jannette S. Goodall
City Clerk

DRAFT