


## MEMORANDUM

**TO:** Mayor and Council Members  
**FROM:** Stephanie Hayden, APH Director   
**DATE:** August 23, 2019  
**SUBJECT:** Staff Response to Council Resolution 20190411-020: High Quality Child Care and Pre-K

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On April 11, 2019, the Austin City Council approved Resolution No. 20190411-020 directing the City Manager to implement any policies from the High Quality Child Care and Pre-K 3 Report where a policy can be implemented without Council action and to present a feasibility report for full Council consideration.

Attached is a copy of the report describing the recommendations and progress. Also attached is a report entitled *Childcare & Economic Development in Austin* written by TXP, Inc., consultant, hired to study potential incentive programs and public private partnerships that could be implemented in Austin around quality child care. The report includes recommendations that Council could consider implementing.

If you have any questions or if I can provide additional information, please contact me at (512) 972-5010 or via email at [Stephanie.Hayden@austintexas.gov](mailto:Stephanie.Hayden@austintexas.gov).

### Attachments

Cc: Spencer Cronk, City Manager  
Chris Shorter, Assistant City Manager  
Donna Sundstrom, Assistant Director, APH



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# Overview

On April 11, 2019, the Austin City Council approved Resolution No. 20190411-020 directing the City Manager to implement any policies from the High Quality Child Care and Pre-K 3 Report where a policy can be implemented without Council action, and to present a feasibility report for full Council consideration.

To prepare this response, Austin Public Health (APH) staff was in communication with staff of the following City departments: Development Services, Economic Development, Human Resources, Neighborhood Housing and Community Development, Office of Real Estate Services, Parks and Recreation, and Planning and Zoning. APH staff also reconvened a meeting of the High Quality Child Care and Pre-K Resolution Work Group to get input from the group that originally made the recommendations to Council in April 2018.

All the recommendations from the Work Group, with their original wording, are included. Each recommendation is followed by a report on the status, including if all or portions of it have been completed, what related work is currently in progress, and whether Council action would be needed. Where appropriate, some recommendations contain additional background information. In the case of Funding Recommendation 2, the Resolution Work Group chose to replace it with a different funding recommendation due to challenges associated with the original recommendation. In the case of Funding Recommendation 3, staff does not recommend moving forward with the original recommendation at this time.

The following recommendations in this report are ready for Council action if Council so chooses:

- Policy Recommendation 1
- Funding Recommendation 2
- Policy and Funding Recommendation D

The following recommendation would require Council action, but is not ready for immediate action:

- Policy and Funding Recommendation E (pending staff update in fall 2019).

Additional recommendations Council could consider are detailed in the report from TXP, Inc., *Childcare & Economic Development in Austin*, which is referenced in this report in the sections on Funding Recommendation 4 and Policy and Funding Recommendation G. The report from TXP, Inc. is attached following this report.

For the purpose of this response, the definition of “high quality” child care is child care providers that have a quality rating of Texas Rising Star (TRS) 4 stars or is nationally accredited, such as through NAEYC (National Association for the Education of Young Children) or NAC (National Accreditation Commission for Early Care and Education Programs).

Staff is available to respond to any questions you may have or to assist with any follow-up direction Council would like to provide.

# Policy Recommendation 1

**Recommendation:** Work with the Development Services Department and the Planning and Zoning Department to explore the current fee schedule and potential fee waivers that may be applied for expenses associated with opening, expanding, and/or operating high quality child care centers. This may involve multiple City departments for waivers that could be provided up front or retroactively. Also explore increasing the types of zoning categories where child care is a permitted use or consider implementing a waiver for the conditional use permit process and/or a fee waiver for conditional use permit fees for high quality child care centers. This process should include gathering input from high quality child care providers to determine what barriers they have faced when working with the City to open and/or expand. Additionally, during the CodeNEXT process, replace all references to “Day Care Services” with “Child Care Services.”

**Notes regarding the recommendation:**

The above recommendation was made before the CodeNEXT process ended. The High Quality Child Care and Pre-K Work Group revised the last sentence of the above recommendation by replacing “CodeNEXT” with “Land Development Code rewrite.”

**Completed:**

In response to this recommendation, on 1/31/19, Austin Public Health amended the Fee Schedule and City Code Chapter 10-3 to waive fees for food establishment permits and general environment/licensing inspections for high quality child care centers that accept subsidies.

**In Progress:**

On 5/2/19, Council provided staff with policy direction on the Land Development Code rewrite, including that the Code rewrite should “enable day cares...in all parts of the city, at a scale commensurate with its surroundings.”

**Council direction needed:**

Council passed Resolution 20181004-036 directing the City Manager to evaluate fee and zoning regulations relating to child care centers. On April 12, 2019, the Planning and Zoning and Development Services Departments sent Council a memorandum with recommendations which can be found at <http://www.ci.austin.tx.us/edims/pio/document.cfm?id=317938>.

Council direction is needed for staff to act on most of the recommendations provided.

# Policy Recommendation 2

**Recommendation:** Develop a policy in consultation with the Office of Real Estate Services, Neighborhood Housing and Community Development, and other relevant City departments and community stakeholders to include the option and related price estimate for an affordable, high quality child care facility for RFPs [Request for Proposals], RFAs [Request for Applications], and other competitive processes that the City conducts to lease or develop space for projects such as affordable housing, office space, Parks facilities, and/or mixed use development. This should be considered when a

quality child care facility is feasible as a partial use of project space and when located in areas where quality child care is needed. Additionally, any future City projects that will house a significant number of employees such as the space for the Development Services Department on the Highland Mall campus, the future headquarters for Austin Energy, the future headquarters for the Austin Police Department, and any other large facilities should include a cost estimate and option for inclusion of an onsite quality child care center for Council to consider as part of each project.

**Completed:**

Over the last several months, the Housing Development Assistance division of the Department of Neighborhood Housing and Community Development has undertaken a revision of the Rental Housing Development Assistance (RHDA) program as well as the Low-Income Housing Tax Credit Resolution (LIHTC) program. The RHDA program provides gap financing for rental housing developments as an incentive to provide housing affordable to households with incomes less than 50% of the median family income for the Austin-Round Rock Metropolitan Statistical Area. The LIHTC program provides Council resolutions in support of applications for tax credits from the Texas Department of Housing and Community Assistance (TDHCA). As these revisions constitute rather dramatic changes in both programs, staff has been aware from the beginning that these revisions would both follow iterative processes.

The RHDA program has been shifted to a quarterly review process with expanded guidelines and a new scoring system. By shifting to a quarterly process, applications are more easily compared to one another and improved through competition. The expanded guidelines explain the process for review of applications, which begins with a quantitative analysis to achieve a minimum threshold score. All qualifying applications are then reviewed internally for risk and then reviewed by the Housing Investment Review Committee, a committee of informed citizens which includes representatives from the Community Development Commission. Finally, the Executive Team conducts a final qualitative assessment and makes a recommendation to the Board of the Austin Housing Finance Agency. The guidelines also explain the required attachments as well as the scoring system for the application. These areas are where the majority of adjustments will be made as it progresses into the next fiscal year.

Currently, the RHDA guidelines requires a description of all general services to be provided to the residents, the number and type of residents to be served annually, a description of the organization providing the services, and proof of the financial capacity of the service provider to be provided as attachments to the application. The RHDA guidelines also explain how points are assigned to applications based upon the number and type of units provided as well as the location of the proposed development. The point system is based upon goals outlined in the Strategic Housing Blueprint and Implementation Plan. As this application has evolved, the only limitation has been the availability of data.

In preparation for FY 2019-2020, NHCD staff has begun reviewing the guidelines and the application to find ways to improve the process for more targeted distribution of the City's resources. NHCD worked with Austin Public Health (APH) to incorporate the text in red in the table below into the program guidelines. The revised LIHTC guidelines ask developers to assess the level of services on offer and rank them according to the following table:

Resident Services Level	Service Referrals, Partnerships and Programs	Property Outcomes	Goal
<b>Basic or Core Services Package</b> Cost: \$250-\$500 per unit per year	Refer residents for employment services, primary healthcare, training on maintaining successful tenancy, counseling, community events; <b>applying for child care subsidies; information on the importance of high quality child care, what it looks like, and how to find it</b>	Savings through reduced costs for legal fees, vacancy losses, bad debts which may cover costs of basic services	Housing Stability
<b>Enhanced Resident Services</b> Cost: \$500 to \$1000 per year Adding one to three services that strategically fit resident goals)	In addition to core services level, 'enhanced services' has formal partnerships (MOUs) for selected asset building services -- employment, financial literacy and health services and provides on-site or access to one to three of the following services --youth and educational success, workforce asset building and financial education, <b>affordable and high-quality child care for children birth through age 4</b>	Basic outcomes plus cost savings in vandalism repairs Plus: -- Reduced turnover except for families moving out to market rate rental or homeownership Support for enhanced services from public and private grants or contributions and/or organizational income	Increased Personal and Financial Assets
<b>Comprehensive Services</b> Cost: Over \$1000 per year	In addition to core and enhanced services previously described, this more comprehensive model provides a wider array of services that fit resident interests: Success in Education, Health and Wellness, Increasing Asset Building and Community Building; <b>on-site affordable, full-time, high-quality child care for children birth through age 4</b>	Basic and enhanced outcomes plus: \$ amount and % decrease in maintenance costs per unit per year -\$ amount and % decrease in security costs per unit per year -# and % of units turning over per year -Police calls reduced Note: Property is one of choice – therefore, occupancy stays higher than competing properties	Move up to Financial Stability and Self Sufficiency

This same analysis will be used for RHDA applications to better assess where services will be more comprehensive and where they will be more targeted for a basic level of service. It is important to note that not all developments will require comprehensive services; in developed areas with multiple pre-existing services, comprehensive may be less important. This is particularly true for child care services. A developer need not expend resources for a dedicated child care facility if affordable, high-quality child care is available and accessible within close proximity. It is this locational component that must be assessed as part of the application. NHCD staff has discussed including this information in the map series that developers use to complete the application. As this data becomes more available and more robust, NHCD staff can better discuss with developers particular obstacles that an area may present and potential solutions that the developer may bring.

### In Progress

The Office of Real Estate Services (ORES) is working with the Strategic Facilities Governance Team on updates to the Facilities Request Form that departments are required to complete when requesting to

renovate space or seeking additional space. Finally, on any new Request for Information (RFI)/Request for Proposal (RFP) for real estate needs, the solicitation will include a requested option for a high-quality child care facility, when applicable. Real Estate is working with APH on developing criteria for when this option would be required.

No Council action is needed.

## Funding Recommendation 1

**Recommendation:** Leverage up to \$112,000 in State funding per classroom per year by investing in one-time startup costs associated with setting up new Pre-K 3 classrooms, including up to eight classrooms in Austin Independent School District and up to 3 classrooms in Pflugerville Independent School District. Continue to invest in the expansion of Pre-K 3 by exploring opportunities with these and other school districts for similar investments in future budget years (\$176,000 based on \$16,000 in one-time costs per classroom, with up to 32 children served per classroom for half-day curriculum).

**Background:** E3 Alliance has data which shows that children who attend two years of high-quality Pre-K are more likely to be ready for kindergarten than those with only one year of Pre-K. While the state legislature passed funding for full-day Pre-K for eligible 4-year olds this year going forward, school districts do not receive state funding for Pre-K for 3-year olds. City funding will be used to expand the availability of Pre-K for eligible 3-year olds in area school districts.

- **Completed:** In FY2018, APH provided Austin ISD (AISD) with startup funds for three Pre-K classrooms. In FY2019, Council approved startup funds for 17 additional new Pre-K classrooms- five in AISD, four in Del Valle ISD, and four in Manor ISD. These classrooms will open in the 2019-2020 school year. These investments are one-time costs that allows area school districts leverage up to \$1,815,520 in state funding to cover the ongoing cost of these classrooms, including teacher salaries. The investments also make it possible for up to 464 additional children to be better prepared for kindergarten and beyond for having attended Pre-K. It is important to note that for each of these investments, APH staff reached out to area school districts to gauge their need and readiness to accept startup funds. At the time these investments were made, Round Rock and Pflugerville ISDs were not able to expand their Pre-K offerings with these startup funds.
- **In Process:** The current draft of the FY2020 budget includes \$128,000 to cover start-up costs for up to 8 Pre-K classrooms in areas school districts. Staff will again reach out to area school districts, including Round Rock and Pflugerville ISDs, to assess their needs and readiness to accept start-up funds for Pre-K 3 classrooms in FY2020.

No Council action is needed.

## Funding Recommendation 2

**Recommendation:** Leverage up to \$280,000 in State funding and expand community-based Pre-K partnerships that could serve up to 80 children in high quality centers. Partner with Texas Association for the Education of Young Children (TAEYC) to provide financial support for eligible child care and Head Start teachers to earn Texas State Teacher Certification through the Alternative Teaching Program (ACC, Huston- Tillotson, Region XIII Service Center). (\$41,800 annually with 5 student participants)

### **Replacement Recommendation:**

Upon reconvening, members of the High Quality Child Care and Pre-K Work Group reviewed this recommendation and decided to withdraw the recommendation as described based on difficulties in recruiting teachers for a similar effort in the past. Instead, the Work Group now recommends shifting the dollars in this funding recommendation to a different use. The Work Group recommends allocating \$40,000 to provide \$2,500 in financial support for sixteen child care teachers in classrooms participating in a Pre-K partnerships between community child care centers and area school districts. The assistance could be used to forgive student loans or to pay for continuing education in the early childhood field, such as an alternative teaching certification or a graduate degree.

United Way for Greater Austin (UWATX) is currently planning the administration of a similar assistance program funded by a private grant that will provide \$2500 scholarships for 10 child care teachers in partnership classrooms during the 2019-2020 school year. UWATX has developed an application and system for administering and distributing the grant funds. The City could work with Workforce Solutions Capital Area or UWATX to distribute the funds to eligible teachers and could use the UWATX system as a model for the administration of the City funding.

### **Background:**

Most child care centers operate on slim financial margins and are not able to pay living wages to their employees. It is said in the early childhood arena that child care in our country is “subsidized” on the backs of child care teachers, who generally make low wages, and many of whom are women of color. With affordability becoming more and more of a challenge for families with low income in Austin, it is difficult for child care centers to attract and retain qualified teachers. Many teachers who do work in Austin must commute from areas outside of Austin that are more affordable. This is one aspect contributing to the lack of availability of affordable, high-quality child care in our city. Additional supports for child care teachers and centers are key to addressing this. Helping child care teachers in centers in Pre-K partnerships reduce or eliminate their school loans could be a key support that would help retain qualified teachers in high quality centers in Austin.

Pre-K partnerships allow school districts to serve additional children in Pre-K at child care centers in the community. UWATX and AISD are launching a collaborative Pre-K Partnership model to expand and sustain pre-K partnership classrooms in community based high quality child care centers. Through this model based at the UWATX, centers in Pre-K partnerships will have a variety of additional supports including administrative assistance and coaching for teachers. The Centers must meet quality standards and have an eligible teacher employed there and able to staff the class. To be eligible, the teacher must have a bachelor’s degree and additional hours specific to early childhood education. The school district partnership draws down state funding for each eligible child enrolled and passes 80% of that funding on



to the child care center, retaining 20% for administrative costs. This strengthens community child care centers by allowing them to access a new funding source.

Leveraging this state funding stream and the additional supports in this model can increase the quality of care provided in centers and may also increase teacher wages, satisfaction, and retention. (Participating centers agree to a minimum salary standard and benefits for the Pre-K teacher). These scholarship/education awards would serve as an incentive for qualified teachers to serve in community-based Pre-K programs and would support efforts toward retention. Currently public school educators are often eligible for public /Federal loan forgiveness programs if they are serving economically disadvantaged populations. However, in community-based Pre-K partnerships, the teachers are employees of the child care center and are therefore not eligible for public employee benefits, despite their service to children from low-income families who rely on public Pre-K and child care subsidies.

Over the next year, the project will include 29 teachers from Child Inc. Head Start classrooms in Child Inc. community-based centers and 10 other (non-Child Inc.) community based child care centers.

Council direction would be needed to move this revised recommendation forward.

## Funding Recommendation 3

**Recommendation:** Invest in a partnership with the Austin Community College Child Care and Development Department to accelerate child care teachers through the CDA Preparation Certificate to improve quality of child care services for approximately 280 children (\$137,600 annually with 20 student participants).

### **No action recommended at this time**

At this time, APH does not suggest moving forward with this recommendation. APH has been working closely with Austin Community College (ACC), Travis County Health and Human Services and Workforce Solutions Capital Area on a new strategy to take advantage of state-level funding for this purpose before local dollars are used. Specifically, ACC has agreed to encourage child care teachers, whenever possible to access T.E.A.C.H. assistance (Teacher Education and Compensation Helps Early Childhood Texas Scholarship Program) available through the Texas Association for the Education of Young Children (TXAEYC) before using local City of Austin or Travis County funding for Teacher and Director TRAC (Training, Retention and Compensation). In FY2020, the City and County TRAC funding will be used as “last dollar” assistance. This approach will allow us to extend the local dollars allowing more child care teachers to further their education.

Rather than implement this Work Group recommendation, APH plans to collaborate with ACC, Travis County, and Workforce Solutions to monitor this “last dollar” strategy over the next year and evaluate how the changes impact TRAC spending. APH will work with these partners to determine if it would be possible to use existing City of Austin support to ACC for TRAC to do a pilot of the accelerated CDA Prep certificate program in this recommendation.

No Council action is needed.

## Funding Recommendation 4

**Recommendation:** Economic Development Department and Austin Public Health should work with United Way for Greater Austin, Early Matters Greater Austin, and other community partners to understand and define the needs for a consultant to study potential incentive programs and public private partnerships that could be effectively implemented in Austin around quality child care (Estimated \$75,000 for consultant cost)

**Completed:**

In response to this recommendation, Council included funds to hire a consultant in the FY2019 budget and APH hired TXP, Inc., a local economic consulting firm with experience working with the City on various projects including the development of Chapter 380, the City's Business Expansion Program, for the period of 1/1/19-10/31/19. TXP worked with APH, the Economic Development Department (EDD), UWATX, Early Matters Greater Austin (EMGA), and other stakeholders to develop a menu of additional options that Council could choose to implement. The final consultant report with recommendations entitled *Childcare & Economic Development in Austin* is included as an attachment after this report.

Council may choose to act on the options detailed in the consultant's report.

## 2018 Bond Item

**Recommendation:** Include the proposed Dove Springs Health Center in the 2018 Bond Package, and expand the project scope and ongoing operational funding needed for the project to enable inclusion of an affordable, high quality child care center onsite.

**Completed:** Council included the child care center in Proposition E of the bond package and it passed with 70% of voters approving. On June 13, 2019, the City held a community meeting to get input on the Public Health Center and more community meetings are planned over the next several months.

No Council action is needed.

## Policy and Funding Recommendation A

**Recommendation:** Work to increase the community's capacity to provide affordable, high-quality child care services by entering into formal discussions with AISD to use underutilized classrooms in elementary schools. Consider City investments in expenses related to minor capital improvements and/or ongoing costs associated with agreements with child care providers to provide high quality affordable child care services to City employees, AISD employees, and/or community members including families with children that qualify for child care subsidies.

**In Progress:**

AISD provided APH with the following statement as an update on the status of this recommendation:

“In January, the Austin City Council passed a resolution directing the City Manager to prioritize the existing and ongoing collaborative work concerning Austin ISD facilities and property.

As the Austin Independent School District plans for new academic investments, which include assuring that students thrive, read and excel—we know the path before us will include difficult decisions. The support that the Austin City Council provided, and has historically provided, means that Austin ISD and the City of Austin will work jointly to assure the best interest of our students and families are kept at the forefront of the decision-making process. (Here are links to two related resources: an Austin City Council [Resolution](#) and a [joint statement](#) from Mayor Adler and Council Member Tovo.)

AISD also has embarked on a comprehensive, school changes process to reimagine how we can best use our facilities to meet our changing needs, such as affordable housing or recreation spaces. This process may bring with it boundary changes, consolidations or repurposing. This summer, districtwide think tanks will:

- Analyze data relative to academics and programming, personnel, culture and climate, and operations and finance
- Review community feedback
- Brainstorm ways to strengthen regions by meeting a set of specific goals and targets
- Introduce creative ideas to support and enhance student learning

The district will not have an idea of how many schools will ultimately be consolidated, closed, or repurposed until late summer after scenarios are developed and analyzed.

AISD knows we may no longer need every one of our district buildings to support student learning, so we are working our partners – municipalities, health care organizations, county government, the City of Austin, Travis County, and others – to identify opportunities that would allow our facilities to continue benefiting the community. This could mean affordable housing, workforce housing, high-quality child care, green spaces, recreation spaces, shared use, social services or private development.

We are committed to working with our communities to explore options that make sense financially and are responsive to the needs of our communities.”

No Council action is needed at this time.

## Policy and Funding Recommendation B

**Recommendation:** Continue to support the Income-Eligible Child Care Assistance program available for City employees. To reach more employees and be more impactful, consider raising the family income level required to qualify, setting the assistance level at a tiered rate to correspond with the higher cost for services per child at younger ages, and/or raising the financial assistance rate overall for all children.

**Completed:** Austin Public Health and Human Resources Department worked together to make benefit enhancements to the Child Care Assistance Program for employees. On January 1, 2019, the following enhancements were made effective:

- Household Income eligibility requirements were updated and increased to allow more employees the opportunity to participate.

Family Size	Current Income Limit	2019 Income Limit
2	\$59,366	\$68,800
3	\$62,710	\$77,400
4	\$72,698	\$86,000
5	\$81,098	\$92,900
6	\$89,498	\$99,750

- Reimbursement rates increased from \$50/week to \$100/week for full-time child care up to kindergarten eligible; from \$25/week to \$30/week for children ages 5-12 in after school care; and a benefit was added of \$100/week for disabled dependents up to the age of 26 enrolled in full-time care.
- The eligibility process was reviewed, and a barrier removed that required a court order for proof of child support. An Affidavit and Agreement was developed and can be used if a court order is not available.
- Access was improved by allowing eligible employees to enroll in the program throughout the year rather than only during open enrollment.

As of June 7, 2019, 162 employees are participating in the Child Care Assistance Program compared to 109 employees in 2018.

**In Progress:** On May 15, 2019, the Mayor, Mayor Pro Tem and Council Member Harper-Madison joined the Early Matters Greater Austin business alliance in the launch of the Family Friendly Workplace Campaign. On June 6, 2019, the City Council approved a resolution directing the City Manager to assess the City's employment practices and identify areas in which the City could improve to become a more family friendly employer. The Human Resources Department has convened a city-wide work group and hired a consultant to use the Family Friendly Workplace toolkit to assess and review benefits and policies, communication around practices, and support for employees. The consultant will be gathering input from employees across City Departments on how to improve. The tentative timeline for this initial assessment is by September 30, 2019.

No Council action is needed.

# Policy and Funding Recommendation C

**Recommendation:** Initiate and allocate funding for a planning process to develop a Coordinated Early Childhood Enrollment and Resources and Referral System among high quality child care providers in the community, Workforce Solutions Capital Area, AISD and neighboring school districts, and Child Inc. This system should make families aware of all the early learning options available to their children that fit their families' needs and location, including high quality child care, child care subsidies, free public Pre-K 3 and Pre-K 4, tuition-based public Pre-K, Early Head Start and Head Start. Furthermore, this system would facilitate the most efficient allocation of limited resources by increasing enrollment in public Pre-K which allows school districts to leverage state funding to serve more children and, in turn, increase the availability of child care subsidies and spaces in Early Head Start for infants and toddlers.

**In progress:**

This project is still currently in the planning phase and is receiving support from the Office of Design and Delivery. Through the Sorenson Impact Center, the J.B. and M.K. Pritzker Family Foundation awarded APH matching funds to hire a Pritzker Fellow for two years starting in September 2018 to focus on developing a plan for a Coordinated Enrollment System for early childhood programs. The Fellow is working with partners to design a system that includes child care subsidies, public Pre-K, Early Head Start, and Head Start. In addition to those key partners, Travis County Health and Human Services and United Way for Greater Austin are also deeply engaged in planning this system. These five partners have demonstrated their engagement in and commitment to carrying out this work through signed Letters of Agreement.

The Fellow and the partner organizations have done extensive research on similar projects in Houston, Chicago, Cleveland, New Orleans and Kent County Michigan, so that the project here will be informed by successes and lessons learned from other communities. In addition to a steering committee, work groups have formed around key aspects of the planning process including data, eligibility and enrollment tool creation, and, through a partnership with the City's Office of Design and Delivery, a user-focused protocol to choose the most effective technology.

This coordinated enrollment system project was included in TEA's application for the Preschool Development Grant (PDG) which TEA received. This grant does not include funding for the project but does include technical assistance from TEA and the opportunity to collaborate with counterparts in Dallas who are developing their own coordinated enrollment project with child care centers. The ultimate goal of this collaboration is to link and scale the systems created in Dallas and Austin.

It is worth noting that through the support APH is receiving from the Pritzker Family Foundation's National Collaborative for Infants and Toddlers (NCIT), we have access to technical assistance and access to information on best practices in the areas of social policy research, communications, and data and from the National League of Cities, Child Trends, and other nationally recognized organizations focused on early childhood. Through NCIT, the Austin Prenatal to Age 3 team is also connected to over 30 cities focused on improving school readiness. Additionally, involvement in NCIT has given APH the opportunity to raise the profile of Austin's early childhood work, as staff have presented on panels and national webinars on the topics of innovative financing, utilizing alternative policy levers, and building a unified message around Prenatal to Three (PN3) work. Finally, the PN3 work happening in Austin is aligned with

PN3 work happening at the state level as well. Pritzker has provided a PN3 state planning grant to three state-level advocacy organizations to develop a policy agenda and action plan, in coordination with partners across the state, for expanding access to high-quality programs and services for young children and their families that support children’s healthy development and learning.

No Council action is needed at this time.

## Policy and Funding Recommendation D

**Recommendation:** Develop a policy that would achieve higher quality in existing child care provider facilities and/or more high quality child care slots available for children that qualify for subsidies by covering the gap in payment that providers experience for each high quality subsidized slot.

**Additional background information:**

There are limitations to data readily available on the gap in the cost of providing high quality child care and the amount providers are reimbursed by child care subsidies. One main source of data on child care tuition rates is the Texas Child Care Market Rate Survey conducted for the Texas Workforce Commission annually by the Texas Institute for Child and Family Wellbeing at the University of Texas School of Social Work and the Ray Marshall Center for the Study of Human Resources at the UT LBJ School of Public Affairs. It is important to note key limitations to using the data in the Market Rate Survey for our purposes. This analysis is based on data from child care centers across Texas and the study found that, “Comparing rates across regions, and continuing a trend seen in prior years, the Austin region (including Capital Area, LWDA 14 [Local Workforce Development Area] and Rural Capital, LWDA 15) as the most expensive child care in the state.” Additionally, this data is for all children on subsidies, including school age children. Nevertheless, this is the primary data source available at this time.

The 2018 Market Rate Survey results were analyzed to determine how much higher the cost is to provide high quality child care. The analysis found that the answer to this question is heavily influenced by two key factors-whether the providers have a high quality accreditation and whether they accept child care subsidies. The study noted that, “A typical center that serves subsidized children charges \$6.31 per day less than a non-subsidized center, while an accredited center charges \$8.58 per day more than a non-accredited center to serve a full time preschooler.” (See table below.)

**Table 1.3.1 Estimated Cost of Subsidy and Accreditation**

Facility Type	Subsidy	Accredited
Centers	-\$6.31	\$8.58
Licensed Homes	-\$2.89	\$4.66
Registered Homes	-\$2.79	\$4.50

Source: 2018 Texas Child Care Market Rate Survey, p. 20, [https://txicfw.socialwork.utexas.edu/wp-content/uploads/2018/10/2018-Market-Rate-Final-Report\\_04.09.19-1.pdf](https://txicfw.socialwork.utexas.edu/wp-content/uploads/2018/10/2018-Market-Rate-Final-Report_04.09.19-1.pdf)

Staff interpret this to mean that accredited centers that accept subsidies operate on a nearly \$15 per day loss per subsidized preschooler. At 21 days of care per month over 12 months, these providers experience a \$3,752 annual loss per subsidized child. By this estimate, the total gap in cost of high quality care for the 4,288 children aged 4 and under who received subsidies in 2018 in Travis County would be over \$16 million. This is likely a conservative estimate as the nearly \$15 per day loss is based on high quality care per preschool aged children – the care for infants and toddlers tends to be even more expensive.

The High Quality Child Care and Pre-K Work Group recognizes that the gap in the cost of care for all children under age 5 receiving subsidized care by high quality providers is not feasible for the City of Austin to cover. Therefore, given that high quality care for infants is the most expensive to provide (and therefore affordable, high quality infant care is the most difficult for parents to find), the Work Group recommended that the City consider covering the gap in the cost of care only for infants who are receiving subsidies for care with high quality providers. Doing so would help providers cover the gap in cost to providing high quality care to children from families with low income. It may help high quality child care providers make more infant seats available in the community by making it more economically feasible. Finally, it may help high quality child care centers provide better wages for teachers in the community.

In 2018, there were a total of 970 infants on subsidies in care, 406 of whom were in care with high quality rated (those with Texas Rising Star 4 stars or nationally accredited) providers. Using the calculation above of an annual gap of \$3,752 per (preschool-aged) child, if the City were to cover the gap in cost of care only for the infants receiving subsidies who are in care with high quality providers, the total would be approximately \$1,523,312.

Staff also worked to do an analysis of the gap in cost of care from a small sample of centers in Austin. Specifically, staff gathered tuition rates by age from high quality child care centers that accept subsidies in each of the 10 City Council districts and compared these rates to the subsidy reimbursement rates. The average gap in cost of care for infants was \$2,982 per child (see table that follows).

Age of child	Average annual gap in cost of care
Infant	\$2,982.06
Toddler	\$2,692.14
2 year old	\$2,171.46
3 year old	\$1,768.14
4 year old	\$1,505.82

Based on this very small sample size, and given that there were 406 infants receiving subsidies and in high quality care in 2018 in Travis County, it would cost the City approximately \$1,210,716.00 to cover the gap in the cost of care high quality providers experience for infants receiving subsidies.

Based on the above 2 methodologies, staff estimate it would cost the City between \$1,210,716 and \$1,523,312 to cover the gap in the cost of providing high quality child care to infants receiving subsidies and the amount providers are reimbursed by child care subsidies. Finally, it is important to note that as the number of high quality child care providers increases, the number of infants served by those

providers is also likely to increase. This would not be a one-time expenditure, but would instead require sustained, and potentially increasing, funding over time.

If Council chooses to approve funding for this recommendation, further staff consultation with early childhood stakeholders would be useful to plan the details of structure and implementation. For example, it may be possible to structure the funding in such a way that at least a portion of the funding to centers is used to improve teacher compensation in these high-quality child care centers serving children on child care subsidies.

Council direction would be needed to move this recommendation forward.

## Policy and Funding Recommendation E

**Recommendation:** Pursue creation of City-owned or leased facilities for high-quality affordable child care, which should include options for contracted and City-run high quality child care services at the facility.

**In Progress:**

ORES is currently negotiating with the landlord of the Bergstrom Tech space, on the inclusion of a child care facility. ORES is also working with APH on requirements needed for high-quality child care facility and assessing the financial feasibility.

Based on direction in the Council resolution on High Quality Child Care and Pre-K, APH has been meeting with the Parks and Recreation Department (PARC) over the past year to explore the potential for converting underutilized PARC facilities into space for child care. The departments consulted with two representatives from the State's Child Care Licensing Division. APH has also been researching what facility modifications would be needed to make a facility suitable for high quality child care. APH shared the recommended modifications with PARC and PARC is working on an estimated cost for making those upgrades.

Additionally, APH and PARC have also been in communication with a nonprofit called Austin City Lutherans. This group, in partnership with a group of United Methodists, are interested in opening a high-quality child care center at the Montopolis Friendship Community Center (MFCC) to serve infants and toddlers from families with low income. MFCC is located on PARC land in Civitan Park at 403 Vargas Road and had previously operated a child care center there. They are considering the possibility of renovating the building on the property and are seeking guidance from Licensing on next steps.

APH will provide an update to Council on these projects by early fall.

Council may choose to act on the options that will be included in the update.



## Policy and Funding Recommendation F

**Recommendation:** Explore options for the Parks and Recreation Department to expand existing programs and/or create new enrichment programs for children 3-5 years old that comply with quality standards. This programming should explore opportunities to collaborate with community partners and providers.

**In progress:**

It is not feasible for PARD to expand programming for children 3-5 years old for two key reasons. First, PARD space for additional programming is very limited by after-school programming during the school year and camp programming in the summers. Secondly, if the amount of time that PARD dedicates to enrichment programming for young children were lengthened, PARD would need to become a licensed child care provider by the state for additional sites. Currently, PARD only operates one location as a licensed child care provider- Nature's Way Preschool which is located at the Austin Nature and Science Center. PARD does not have the space or staff capacity to expand in such a way.

The High Quality Child Care and Pre-K Work Group members recognize the limitations on PARD expanding services for young children. Given those limitations, the Work Group recommends that PARD ensure the existing enrichment services provided for 3 to 5 year olds are high quality, age appropriate, and that the teaching staff providing the services are highly qualified.

There is no Council action needed.

## Policy and Funding Recommendation G

**Recommendation:** Explore options to alleviate tax burdens for quality child care centers through tax abatement and/or leasing City-owned property for child care centers.

**Completed:**

The Economic Development Department (EDD) is committed to incorporating community benefits into the scoring system for evaluating and determining the level of economic development incentives to offer firms that are either relocating or expanding in the community. Child care is considered a community benefit for these purposes.

TXP Inc., the consultant hired as described in Policy Recommendation 4, submitted suggested language and parameters to EDD on this topic which were incorporated into the Business Expansion Program's scoring matrix. The consultant noted in input to EDD that:

“Previous work by TXP estimates that the annual cost to the City of someone who is capable of working but is not employed is approximately \$3,000 – a combination of foregone tax revenue and access to means-tested social programs. While this figure is useful, it may not fully capture the value of enabling greater labor force participation through quality child care, as it puts no

value on the educational and developmental impact associated with high-quality programs. To the extent possible, therefore, the City should err on the side generously incentivizing the provision of high-quality child care.”

The section of the scoring matrix related to child care is on the following two pages.

**In progress:**

The final consultant report from TXP with additional recommendations, *Childcare & Economic Development in Austin*, is included as an attachment after this report. For example, Recommendation #2 in that report relates to ways the City of Austin could incentivize developers and landlords to make space more affordable for child care centers.

Council may choose to act on the options detailed in the consultant’s report.

## City of Austin Business Expansion Program Child Care Scoring Matrix

SECTION 2. COMMUNITY BENEFITS- GENERAL (ALL CATEGORIES)	AVAILABLE POINTS			NOTES
Question	Poor Threshold	Acceptable Threshold	Excellent Threshold	
Does the firm offer parental leave?	Firm adheres only to basic legal requirements under Federal law	Firm provides three or more weeks of paid parental leave	Firm provides six or more weeks of paid parental leave	
Does the firm offer child care support?	Firm does not offer child care support	The company will provide an on-site child care facility for employees (either using their own resources or in partnership with an approved outside provider), and/or provide subsidized child care for employees tied to a percentage of the worker's salary (equal to at least 5% of annual compensation). Facilities (either internal or external) must meet national or state high quality standards, or the Facilities must provide evidence that it is seeking national or state quality accreditation within 2 years of operation.	The company will provide an on-site child care facility (either using their own resources or in partnership with an approved outside provider), that is open to the public that is either provided at no cost to the employee and/or is based on a means-tested sliding scale that is the equivalent of no more than 10% of the employee's or outside party's annual compensation. Alternatively, the firm can subsidize off-site child care for employees tied to a percentage of the worker's salary equal to at least 10% of annual compensation. Facilities (either internal or external) must meet national or state high quality standards, or the Facilities must provide evidence that it is seeking national or state quality accreditation within 2 years of operation.	Beyond the above qualifiers, EDD encourages creative proposals from companies related to meeting the child care needs of their workers and is willing to consider a range of ideas that support a family-friendly work environment. To that end, proposals should meet a demonstrable need (such as after-school programs), involve the commitment of company resources (although this does not necessarily have to be strictly financial), and emphasize providing service to employees who need the most assistance, typically those who are on the lower end of the company pay scale.

COMMUNITY BENEFITS (CATEGORY 3 ONLY) - QUALITY OF LIFE ENHANCEMENTS	AVAILABLE POINTS			NOTES
Question	Poor Threshold	Acceptable Threshold	Excellent Threshold	
Will the company create benefits such as focusing hiring on local workers, enveloping and/or subsidizing wrap-around services such as parental leave, child care programs, sick leave, FMLA and other quality of life enhancements?	The company is not willing to commit to create any workforce and proximate resident benefits.	Firm has some policies or programs that benefit proximate residents or the workforce, including at least one program that subsidizes a wrap-around service.	The firm is an industry leader in creating benefits for the workforce and proximate residents, including at minimum offering at least 12 weeks paid FMLA leave and offering at least one service or amenity that is accessible by neighborhood residents.	
Bonus Qualifiers	AVAILABLE POINTS			NOTES
Question	Bonus Qualifier Pts			
The company will provide an on-site child care facility for employees, and/or provide subsidized daycare for employees.	1			
The company will provide an on-site child care facility that is open to the public.	2			

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# Childcare & Economic Development in Austin

July 2019



TXP, Inc.  
1310 South 1st Street; Suite 105  
Austin, Texas 78704  
(512) 328-8300 phone  
[www.txp.com](http://www.txp.com)

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## Introduction

Demographic trends, the changing nature of work, and the breakdown of informal care networks are all contributing to rising pressure on the America's childcare system. On the demographic side, the structure of the family is changing, with fewer children being born, partially as a result of parents need for greater labor force participation to cope with rising costs and stagnant working-class incomes. Meanwhile, the capacity of extended family and community to provide childcare has fragmented, at least partially due to an increasingly mobile society and declining connection to social and religious institutions. As a result, more families (with fewer resources) than ever are in search of high-quality childcare, at ever-increasing prices. According a report commissioned by ReadyNation/Council for A Strong America (ReadyNation):

Childcare costs are one of the most significant expenses in a family's budget. Monthly costs for a household with one child (a 4-year-old) range from \$344 in rural South Carolina to \$1,472 in Washington, D.C., and costs are higher for families with multiple children. Infant care is even less affordable. Only South Dakota and Wyoming have infant care that meets the Department of Health and Human Services' current definition of affordable—consuming 10 percent or less of a family's income. In Massachusetts, which has one of the highest center-based infant care costs, childcare is considered unaffordable for over 80 percent of families.<sup>1</sup>

On the other side of the equation, childcare providers are equally strained. In many urban areas, rents have risen much faster than revenue, cutting into margins and compressing wages. Childcare is among the lowest paid occupations in the economy, undermining the ability of childcare firms to attract and retain high-quality workers, especially if they are attempting to serve lower and middle-income customers. This has consequences, not the least of which is exacerbating the income gap in current and future generations. "Inequities in education and opportunity begin long before children start school, and they stay with people for their entire life," said Valerie Wilson, Director of Economic Policy Institute's Project on Race, Ethnicity, and the Economy. "The benefits to an .... investment in childcare and early childhood education go beyond helping children and their families. Such an investment would mean a more equal, more just, and more prosperous society."

The situation outlined above is certainly evident in Austin, as for many families, access to high-quality childcare is the tip of the affordability spear. It is no secret that, while

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<sup>1</sup> *The Economic Impacts of Insufficient Childcare on Working Families*, Clive Belfield, 2018.

overall incomes are rising in Austin, affordability is diminishing rapidly for those who cannot command a modern-economy salary. Affordable, high-quality childcare is a piece of the broader puzzle that is especially important as the City has shifted significant economic development focus toward enabling middle-skill jobs. Meanwhile, the average wage in Austin for childcare workers is dismal. According to the most recent Occupational Wage Study (May 2018) done by the Bureau of Labor Statistics for the Austin-Round Rock MSA, the average annual wage across the entire economy is \$53,810. At \$24,360, childcare workers earn only 45 percent of the overall average, and only 80 percent of the average bartender at \$30,280 (reported).

TXP was commissioned by the City of Austin (COA), working through Austin Public Health, to explore the relationship between childcare and economic development. As part of that process, TXP conducted a literature review, as well as interacting with numerous stakeholders. A best-practices survey was developed and administered, but the response did not rise to the level of statistical validity. As a result, information from the survey was incorporated as stakeholder input. In the end, the focus is on recommendations that are contextually appropriate for the situation in Austin, and hopefully can be implemented in the near future.

The structure of the report is as follows. In order to set the context, a review of the benefits of childcare is provided, along with an overview of the state of Pre-K nationally including snapshots of several communities that have enacted creative and/or compelling local initiatives. Since the focus of this report is on the connection between high-quality childcare and economic development, the context section concludes with a discussion of the business case for high-quality childcare. The next section discusses the childcare situation in Austin and includes a summary of stakeholder input. The report concludes with overall findings and specific recommendations to the City of Austin to help broaden access and improve quality in service of supporting the local workforce.

## Context

Throughout most of history, the answer as to who educated the very youngest members of society was simple: mothers. Early childhood development and education took place in the home, with mothers (and often extended family) primarily responsible for the care of young children. But today, unprecedented numbers of American mothers are participating in the workforce, and parents of all types are faced with the economic reality of needing to work. Consequently, millions of young children are in paid childcare for a substantial portion of the years leading up to kindergarten. Research has shown that these early years are crucial; ninety percent of brain



development happens from birth to kindergarten and this development has implications for school success, justice system involvement, and adult earning potential.<sup>2</sup>

### Benefits of High-Quality Childcare

Because children are continuously learning from the moment they are born, the distinction between “care” and “education” is actually false.<sup>3</sup> A report on high-quality childcare states:

During the first few years of life, children’s brains are forming more than one million neural connections every second, impacting all future learning into adulthood. The greatest brain-building occurs when children are babies and toddlers, and it slows noticeably by the time a child reaches kindergarten.<sup>4</sup>

Early brain and child development research demonstrate that human development is powerfully affected by contextual surroundings and experiences, and that these day-to-day experiences affect the structural and functional development of the brain, including intelligence and personality. Communication and secure, loving relationships with adult caregivers literally build the architecture of children’s brains, meaning that the hour-to-hour, day-to-day experiences of babies and young children have lasting impacts on the rest of their lives.<sup>5</sup>

Children who attend high-quality early childhood programs demonstrate better math and language skills, better cognition and social skills, better interpersonal relationships, and better behavioral self-regulation than do children in lower-quality care.<sup>6</sup> So what constitutes high-quality care? The National Association for the Education of Young Children (NAEYC) sets national standards for childcare, which serve as the foundation

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<sup>2</sup> Success by 6 Austin/Travis Coalition (2019). *A 2000 Day Journey: Strategic Plan 2019-2013*.

<https://www.unitedwayaustin.org/success-by-6-plan/>

<sup>3</sup> U.S. Chamber of Commerce Foundation (2018). *Leading the Way: A Guide for Business Engagement in Early Education*.

<https://www.uschamberfoundation.org/reports/leading-way-guide-business-engagement-early-education>

<sup>4</sup> Children at Risk (November 2018). *Building Brains & Economies*. <https://childrenatrisk.org/building-brains/>

<sup>5</sup> U.S. Chamber of Commerce Foundation (June 2017). *Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare*. <https://www.uschamberfoundation.org/reports/workforce-today-workforce-tomorrow>.

<sup>6</sup> American Academy of Pediatrics (2005). *Quality Early Education and Child Care from Birth to Kindergarten*. Pediatrics, [www.aappublications.org/news](http://www.aappublications.org/news).

for its accreditation program. They have identified ten standards for early childhood programs based on research on the development and education of young children.<sup>7 8</sup>

1. Relationships: The relationships among children with each other and children with staff are warm, sensitive and responsive. Children feel welcomed, nurtured and engaged. In a high-quality program, positive relationships are promoted and a child's contributions to the community are encouraged and valued.
2. Curriculum: While specific curriculum can vary from program to program, a high-quality program implements a curriculum that promotes social, emotional, physical, language and cognitive learning and development. The children's planned activities are linked to curriculum goals. Children have the opportunity to learn through exploration and play, with appropriate materials and toys that support their development.
3. Teaching: A high-quality program uses teaching approaches that support a child's learning and curriculum goals. Teachers modify strategies to respond to the needs of individual children and provide learning opportunities through both indoor and outdoor play. The interactions between the teachers and the children are active, stimulating and engaging.
4. Assessment of Child Progress: The program uses appropriate assessments such as observations, checklists and rating scales to assess children's learning and development. Teachers use assessment information to tailor their teaching and activities to a child's particular needs, and regularly shares the information with the child's family.
5. Health: The childcare program promotes the nutrition and health of children and acts proactively to protect children from illness or injury. Staff is trained in first aid, and the program implements clear policies around health, safety and sanitation.
6. Teachers: In a high-quality childcare program, teachers are well educated in early childhood development and many will have education beyond minimum

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<sup>7</sup> The National Association for the Education of Young Children (n.d.). *The 10 NAEYC Program Standards*. <https://www.naeyc.org/our-work/families/10-naeyc-program-standards>

<sup>8</sup> Collaborative for Children (n.d.). *What is High-Quality Child Care?* <https://www.collabforchildren.org/families/what-high-quality-child-care>

standards. Qualifications may include Child Development Associate (CDA) credentials, associate's or bachelor's degrees, or higher degrees. Staff engage in ongoing professional development.

7. Families: The program works to develop and maintain relationships with the children's families. Families feel welcome and encouraged to participate in their child's learning. The program uses a variety of methods to communicate regularly with families. The family feels it and the child care provider are working together as partners in their child's care.
8. Community Relationships: The program establishes and utilizes the resources in its community to further enhance children's learning and program goals. Representatives from community programs and other community members are invited to share their talents with the children and create additional stimulating experiences.
9. Physical Environment: The program operates in a safe and well-maintained environment designed to promote safety and learning. The program has necessary furnishings and equipment to maintain a healthy and safe environment. The program also has ample quantities of age-appropriate materials and toys within children's reach.
10. Leadership and Management: The program maintains appropriate group sizes and ratios of staff to children. The program administrator is well educated in early childhood education. The program possesses and implements policies and procedures that support safety, staff members and children's learning and development, and policies are well communicated to families.

Young children experience their world primarily as "an environment of relationships," and consistent, back-and-forth engagement with warm, responsive, and trusted caregivers help them to form healthy cognitive, social-emotional, and language development, thereby leading to positive outcomes such as increased school readiness.<sup>9</sup>

The following section reviews the state of Pre-K nationally, with an eye toward looking at best practices that potentially could be adopted and/or modified for Austin. It is

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<sup>9</sup> U.S. Chamber of Commerce Foundation (June 2017). *Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare*. <https://www.uschamberfoundation.org/reports/workforce-today-workforce-tomorrow>.

noteworthy that the youngest children served by the programs outlined as follows are perhaps three, as there appears to be little public policy-related literature detailing the impact and best practices for infants and toddlers.

### The State of Pre-K Nationally

Researchers at the National Institute for Early Education Research (NIEER) partnered with CityHealth to analyze access and quality of pre-K programming in America's 40 largest cities. City leaders are increasingly recognizing the strong associations between poverty and school failure and are acknowledging that high-quality pre-K programs are one of the strongest tools to fight the effects of child poverty. Investment in preschool strengthens cities in numerous ways, by:<sup>10</sup>

- Stabilizing the child-care system
- Improving health outcomes
- Reducing school costs in the form of special education and grade repetition
- Discouraging urban flight

Cities have put forth a variety of different initiatives that augment state and federal funds geared toward improving quality and access of preschool. Half of the nation's largest cities now raise local funds dedicated to improving quality and/or access to Pre-K.

The *Pre-K in American Cities* report released in January 2019 utilizes NIEER's 10 benchmarks developed for their annual State of Preschool Yearbook to signify quality and CityHealth's award system of bronze, silver, and gold medals to track access. The NIEER benchmarks include curriculum supports, teacher education level, teacher-child ratio, and health screenings and referrals.<sup>11</sup>

Cities that had at least 30 percent of their eligible four-year-old population enrolled in pre-K programs but failed to meet eight out of the 10 benchmarks received a bronze medal. Cities with pre-K programming that met at least eight of the 10 NIEER benchmarks but had low rates of access were awarded silver. Cities with both high-quality programs and high rates of access earned the gold medal.

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<sup>10</sup> CityHealth and the National Institute for Early Education Research (2019). *Pre-K in American Cities*. <https://www.cityhealth.org/prek-in-american-cities>

<sup>11</sup> CityHealth and the National Institute for Early Education Research (2019). *Pre-K in American Cities*. <https://www.cityhealth.org/prek-in-american-cities>

Only five cities — Boston, Charlotte, Nashville, New York and San Antonio — were recognized with a gold medal, meaning they met 80 percent of the quality standards developed by NIEER and met or surpassed the 30 percent access benchmark. Eight cities received silver medals for meeting eight quality benchmarks but reaching too few children; 20 cities received bronze medals (including Austin), reaching more than 30 percent of eligible 4-year-olds but failing to meet at least eight quality benchmarks. Please see Appendix A for the city-by-city assessment data. Key findings from the study<sup>12</sup> include:

- Access is Too Low: Access to Pre-K programs is limited in most cities. Only 24 of the 40 largest U.S. cities (60%) offer a Pre-K program that reaches more than 30% of the 4-year-old population.
- Class Size and Teacher-Student Ratio are Uneven: Just over half of the largest U.S. cities (23 of 40 or 58%) meet quality benchmarks for Pre-K class size, which is one teacher and one teacher assistant for every 20 students.
- Teacher Preparation is Solid, but Professional Development and Salary Requirements Are Lacking: Almost two thirds of city programs (25 of 40 or 63%) require Pre-K teachers to have a bachelor's degree with specialized training in teaching young children, and most programs (34 of 40 or 80%) require at least some specialized training. Only a small fraction of city programs (6 of 40 or 15%) require that all teaching staff receive ongoing professional development. Only 15 (38%) of the rated city programs require that all teachers be paid comparably to those in the K-12 system.
- Too Few Cities Conduct Health Screenings: Few cities ensure that children are receiving critical health screenings. Fewer than a quarter of cities (9 of 40) ensure that children receive vision, hearing, health, and developmental screenings and referrals.

Cities have considerable opportunities to invest in early education and have taken different approaches to securing funding. In Philadelphia, pre-K program funding is derived from a tax placed upon sugary drinks, while San Antonio's Pre-K for SA program utilizes a sales tax initiative. The following are snapshots of what thought-leader cities across the country are doing to invest in the education of young children, specifically in the Pre-K arena.

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<sup>12</sup> CityHealth and The National Institute for Early Education Research (January 23, 2019). *New Report Shows Only 13 of 40 Large American Cities Meet Quality Benchmarks for Pre-K, 15 Have Low Enrollment.* <https://static1.squarespace.com/static/5ad9018bf93fd4ad7295ba8f/t/5c47844e2b6a28c73a8569b6/1548190799006/Pre-K+in+American+Cities+National+Release.pdf>

## Snapshots of Other Communities

### *Seattle*

In November 2014, Seattle voters approved a four-year, \$58 million Seattle Preschool Services Levy to fund the SPP Action Plan. The purpose of the program is to expand access to affordable, high-quality preschool to enable Seattle's three- and four-year- to enter school prepared to succeed. SPP partners with early learning programs to prepare children for school, enable students to achieve pre-academic skills, enable students to develop socially and emotionally and eliminate the readiness gap for participating children. Data collected on the program shows that 86% of participant children meet kindergarten readiness standards in six critical domains: language, mathematics, literacy, cognitive, physical, and social-emotional.<sup>13</sup> While SPP meets 100% of the quality benchmarks set by NIEER, it only reaches 10% of eligible children.

### *San Antonio*

In 2012, citizens of San Antonio voted for a sales tax initiative that established the Pre-K 4 SA program. The program partners with local school districts to offer Pre-K for four year-old children across the city. The program is free for eligible families and sliding scale tuition based for others (ten percent of available slots are reserved for tuition students, representing 2000 students for the 2019-2020 school year). Pre-K 4 SA is funded through a one-eighth-cent city sales tax that generates around \$35 million per year. In 2018, the program reported spending about \$11,500 per year per student, along with about \$4.2 million annually in grants to other pre-K providers and school districts to help expand full day pre-K and teacher certification.<sup>14</sup> A year 5 independent report published in 2018 indicated that although gaps in readiness existed for Pre-K 4 SA children at the beginning of the school year on five of six outcomes, Pre-K 4 SA children reversed those gaps by the end of the year, surpassing the normed sample in two outcomes (cognitive and mathematics).<sup>15</sup> Pre-K 4 SA meets 80% of quality benchmarks set by NIEER, and it also serves more than 30% of eligible children.

### *New York*

New York City is home to the largest Pre-K initiative in the country, currently serving all 4 year-old resident children who apply. In 2013, there were only 19,000 New York City children enrolled in prekindergarten; Mayor de Blasio's 2014 Pre-K for All initiative now

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<sup>13</sup> Department of Education and Learning, City of Seattle. <http://www.seattle.gov/education/overview/equitable>

<sup>14</sup> McNeel, Bekah (July 17, 2018). *Measuring success at San Antonio's public preschool program*. The Hechinger Report, <https://hechingerreport.org/measuring-success-at-san-antonios-public-preschool-program/>

<sup>15</sup> Decker-Woodrow, Lauren, et.al. (October 18, 2018). *Pre-K 4 SA Evaluation Report Year 5*. Westat, [https://prek4sa.com/wp-content/uploads/2019/01/PreK4SA\\_Year5\\_EvaluationReport.pdf](https://prek4sa.com/wp-content/uploads/2019/01/PreK4SA_Year5_EvaluationReport.pdf)

enrolls about 70,000 Pre-K students across all five boroughs. Data from 2016-17 shows that the city funds the program through a mix of state grants (78 percent), city tax levy (21 percent) and federal grants (1 percent).<sup>16</sup> In 2018, about 94 percent of the city's prekindergarten programs met or exceeded a threshold that predicts positive student outcomes after pre-K, according to the Early Childhood Environment Rating Scale. The program meets 80% of quality benchmarks set by NIEER. Additionally, in 2017, the program was expanded to include 3-year-olds, known as 3-K. 3-K currently serves about 5,000 children in six mostly low-income neighborhoods.

### *Boston*

Boston Preschool (BPS) was established in 2005 for 4-year-old Boston-area children. It currently serves close to 3,000 children, representing approximately 70% of eligible children. As part of the city's fiscal year 2020 budget, \$15 million is being invested in a new Boston Universal Pre-K Fund to guarantee equitable access to free, high-quality pre-K for all 4-year-olds in Boston within five years. Studies have shown that participation in the BPS Pre-K program closes kindergarten racial and income achievement gaps and makes participants 50% more likely to be ready for kindergarten than students who did not participate. Academic improvements were even more dramatic for African-American and Hispanic/Latino students: 80 percent of African-American students who participated in the BPS Pre-K program reached benchmark levels upon entering Kindergarten, compared to 56 percent of students who did not, and 70 percent of Hispanic/Latino students who participated in the BPS Pre-K program reached benchmark levels upon entering Kindergarten, compared to 39 percent who did not. Additionally, students who attended the BPS Pre-K program outperform their peers on standardized state tests, years after their Pre-K attendance. The program meets 80% of quality benchmarks set by NIEER.

### *Philadelphia*

PHLpreK offers free, high-quality Pre-K to 2,250 children ages 3-4 across Philadelphia, with plans to expand to 5,500 seats by Fall 2023. The program is funded by the Philadelphia Beverage Tax passed by City Council in 2016. There are no income requirements to access this program. Additionally, the School District of Philadelphia directly provides free, full-day preschool services to more than 9,500 children (ages 3-5) in the Philadelphia area. These services are available to low-income families that qualify. This program meets 80% of quality benchmarks set by NIEER.

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<sup>16</sup> Center for the Study of Child Care Employment, University of California, Berkeley (2017). *Strategies in Pursuit of Pre-K Teacher Compensation Parity: Lessons from Seven States and Cities*. [http://cscce.berkeley.edu/files/2017/10/Pre-K-Parity\\_NewYorkCity.pdf](http://cscce.berkeley.edu/files/2017/10/Pre-K-Parity_NewYorkCity.pdf)



## Making the Business Case

In addition to being better for the immediate well-being of young children, providing high-quality childcare makes good business sense. In 1940, 1 in 10 children under the age of 5 lived in a household where both parents worked; today, two-thirds of children do.<sup>17</sup> Women entering the workforce has resulted in significant economic gains for our country, yet women's labor force participation has stagnated in recent years, partly due to lack of childcare options. The following statistics from the U.S. Chamber of Commerce Foundation highlight the importance of this issue:<sup>18</sup>

- Women are nearly half of the American workforce and mothers are 40% of primary breadwinners.
- Millennials make up over a third of the workforce, and millennial women are responsible for 8 out of 10 births.
- Without women's labor force participation since 1970, the U.S. economy would be \$2 trillion less and median family income would be \$14,000 less.

Almost 13 million Americans in their prime working years have children under the age of 6.<sup>19</sup> Reliable childcare is essential for parents to be able to complete postsecondary education (thereby increasing earning potential), enter the workforce, and remain employed and productive at work. More than a quarter of college students are raising children; only 27% of them attain a degree within six years, and more than half of those that drop out cite "family commitments" as the reason. Among the nonworking poor with young children (11.4% of the nonworking poor), 70% cite "taking care of home/family" as the reason they are not in the workforce. Other studies have shown that affordable high-quality childcare greatly influenced workforce participation and productivity, with many parents missing work regularly due to problems with childcare.<sup>20</sup> One 2016 study found that working families across the country lose \$8.2 billion in wages annually due to inadequate childcare access.<sup>21</sup> That study is reinforced by the work of ReadyNation, who conducted a nationwide survey on the workforce implications of inadequate childcare. The following figures summarize their results:

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<sup>17</sup> Glynn, Sarah Jane (August 2012). Child Care: Families Need More Help to Care for Their Children. Center for American Progress, [www.americanprogress.org/issues/economy/new/2012/08/16/11978/fact-sheet-child-care/](http://www.americanprogress.org/issues/economy/new/2012/08/16/11978/fact-sheet-child-care/)

<sup>18</sup> U.S. Chamber of Commerce Foundation (2018). *Leading the Way: A Guide for Business Engagement in Early Education*. <https://www.uschamberfoundation.org/reports/leading-way-guide-business-engagement-early-education>

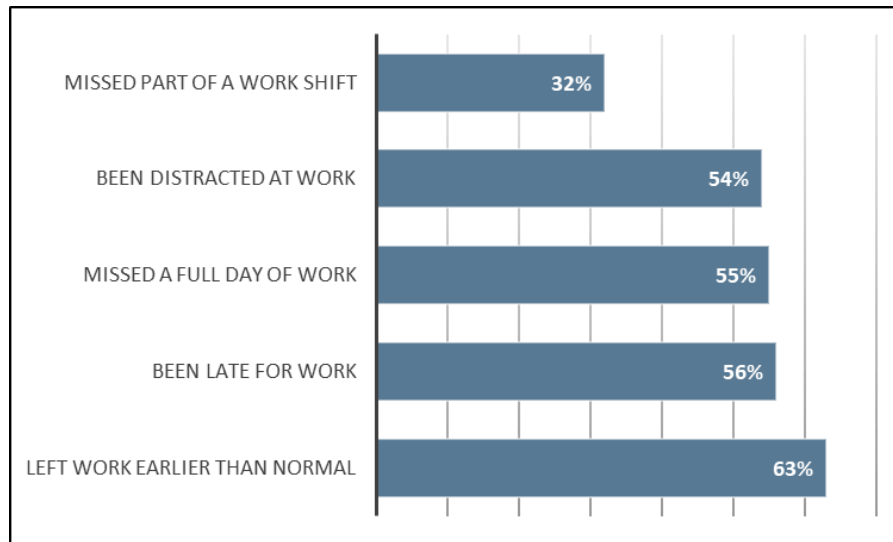
<sup>19</sup> Bureau of Labor Statistics (April 20, 2017). *Employment Characteristics of Families – 2016*. U.S. Department of Labor, [www.bls.gov/news.release/pdf/famee.pdf](http://www.bls.gov/news.release/pdf/famee.pdf).

<sup>20</sup> U.S. Chamber of Commerce Foundation (June 2017). *Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare*. <https://www.uschamberfoundation.org/reports/workforce-today-workforce-tomorrow>

<sup>21</sup> Glynn, Sarah Jane & Corley, Danielle (September 22, 2016). The Cost of Work-Family Policy Inaction: Quantifying the Costs Families Currently Face as a Result of Lacking U.S. Work-Family Policies. Center for American Progress, [www.americanprogress.org/issues/women/reports](http://www.americanprogress.org/issues/women/reports).

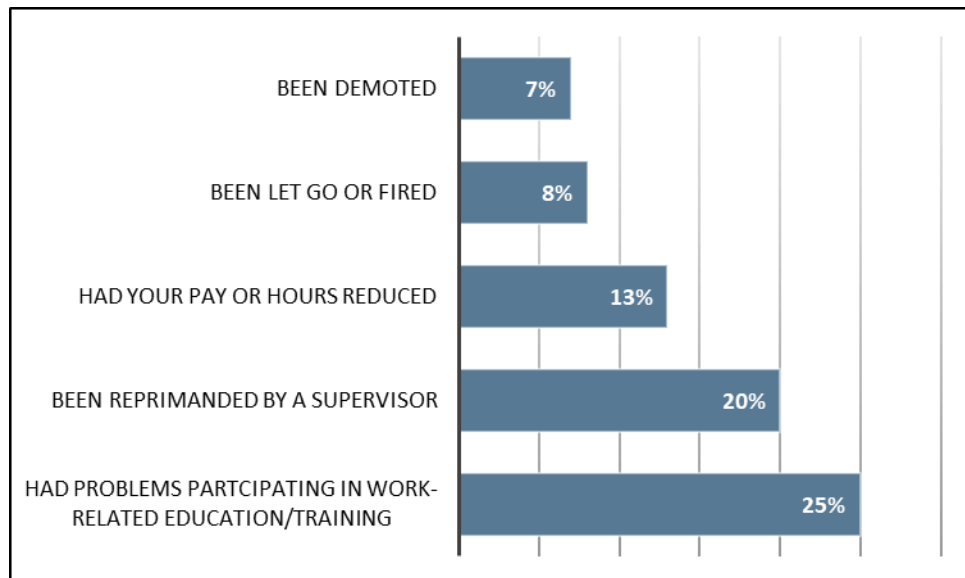


**Figure 1: Time and Effort at Work: Due to Childcare Issues Have You:**



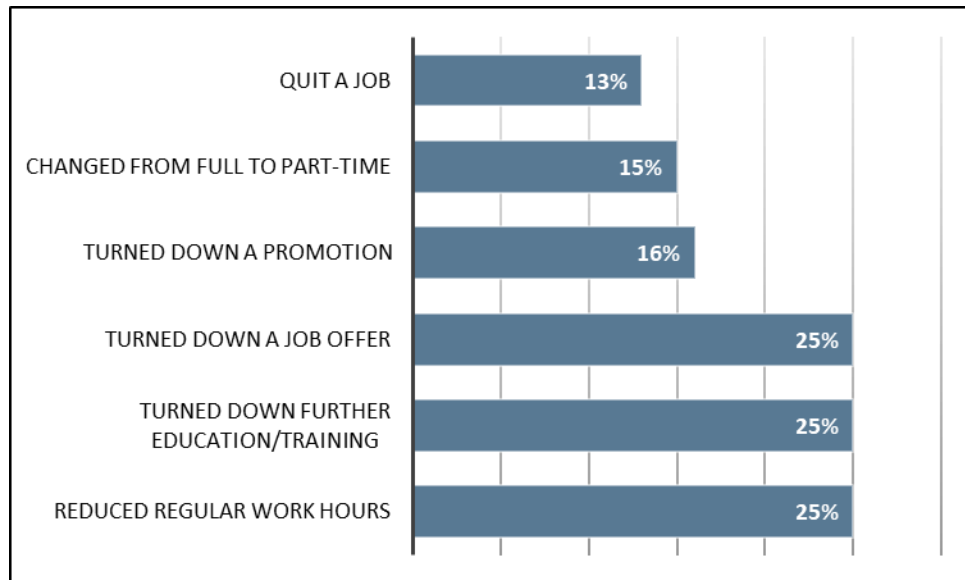
Source: ReadyNation, TXP

**Figure 2: Productivity/Performance at Work: Due to Childcare Issues Have You:**



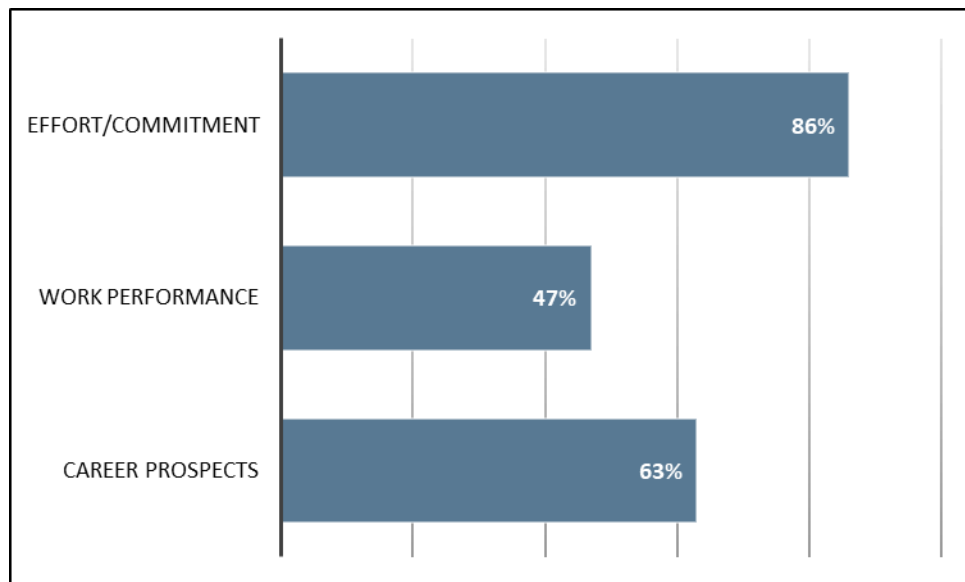
Source: ReadyNation, TXP

**Figure 3: Career Pathways: Due to Childcare Issues Have You:**



Source: ReadyNation, TXP

**Figure 4: Accumulated Adverse Effects Due to Childcare Issues On:**



Source: ReadyNation, TXP

**Table 1: How Childcare Problems Adversely Affect the Economy**

Individual Parents	Businesses	Taxpayers/Jurisdictions
Lost earnings now due to lower productivity and less work experience	Lost existing revenue from lower output	Lost other tax revenue from lower economic activity
Extra costs of job search for alternative work and childcare arrangements	Extra costs associated with employee turnover and absenteeism	Lost sales and consumption tax revenue
Lost future earnings from lower productivity, less work experience, and lower skills development	Lost future revenue from lower output	Lost future tax revenue from lower economic activity

Source: ReadyNation, TXP

**Table 2: Annual Economic Burden per Worker**

Individual Parents	Businesses	Taxpayers/Jurisdictions
<b>\$3,210</b> Lost earnings per year	<b>\$860</b> Lost existing revenue	<b>\$400</b> Lost other tax revenue
<b>\$140</b> Extra costs of job search	<b>\$290</b> Extra turnover costs	<b>\$230</b> Lost sales tax revenue

Source: ReadyNation, TXP

In contrast to these challenges, a brief published by the Marguerite Casey Foundation summarizes the economic benefits of high-quality, affordable childcare:<sup>22</sup>

- Increased worker productivity. Affordable and childcare contributes to a more productive workforce, reduces absenteeism, and improves employee retention. Among businesses that make these investments, 85 percent report improved employee recruitment and nearly two out of three report decreased turnover.
- Boost to businesses' bottom line. Childcare breakdowns leading to absences cost businesses \$3 billion annually in the United States. When businesses are proactive about addressing childcare, their bottom lines benefit. For every \$1 that employers invest in back-up childcare, they can receive a return of \$3 to \$4 due to increased employee productivity and reduced employee turnover.
- Employment and educational support for low-income working parents. The childcare industry supports the direct and indirect jobs of many, and, with continued investment, could further grow employment opportunities. In one

<sup>22</sup> Marguerite Casey Foundation (2016). *High-Quality, Affordable Childcare for All: Good for Families, Communities, and the Economy*. [https://www.policylink.org/sites/default/files/Childcare%20for%20All\\_FINAL\\_0.pdf](https://www.policylink.org/sites/default/files/Childcare%20for%20All_FINAL_0.pdf)

study of student parents at community colleges, 80 percent of respondents reported that the availability of childcare was very important to their decision to pursue education, and almost 60 percent said they would not have been able to continue college without childcare services.

- Higher earnings for parents in the workforce. Childcare provides an essential infrastructure that allows parents to be employed outside the home and to provide for their families. Every dollar invested in the formal childcare sector results in \$15.25 in additional income for parents. In addition, affordable childcare increases family incomes by allowing more parents—especially mothers—to work. If childcare costs decreased by 10 percent, the employment rate for single women would increase by 2 percent, and for married women it would increase by 10 percent. Full government funding of early-childhood education (including childcare) would increase overall maternal employment by up to 10 percent.
- Increased spending and tax revenues. Public investment in affordable, high-quality childcare increases the ability of parents to work and the amount of tax revenues collected thus resulting in lower government spending over the long term. Every dollar invested in high-quality early-childhood education (including childcare) results in public savings of up to \$16 in costs related to special education, grade retention, criminal justice, and welfare.

In addition to strengthening today's workforce by supporting parents, childcare is simultaneously laying the human capital foundation – whether well or poorly – for much of our nation's future workforce.<sup>23</sup> A recent report on the economic impact of childcare noted Texas is missing out on economic gains since only 11% of childcare providers are certified high-quality by state or national standards.<sup>24</sup> High-quality programs can help children build the foundation and begin to develop skills for critical executive functions such as working memory, impulse control, and cognitive flexibility – all of them key to succeeding in both school and the workplace. Even though Texas holds a reputation as a business-friendly state, Forbes reported that from an economic standpoint, “one of the only things holding Texas back is the education rate among its

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<sup>23</sup> U.S. Chamber of Commerce Foundation (June 2017). *Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare*. <https://www.uschamberfoundation.org/reports/workforce-today-workforce-tomorrow>.

<sup>24</sup> Children at Risk (November 2018). *Building Brains & Economies*. <https://childrenatrisk.org/building-brains/>

labor supply.”<sup>25</sup> Thus, investing in Texas children is a proxy for investing in the future health and vitality of our state as a whole.

## Childcare in Austin

The Success by 6 (SX6) Coalition is a local group of child and family advocates that includes providers, parents, policymakers, philanthropists, business leaders, and early childhood experts who are implementing the Austin/Travis County Success By 6 Strategic Plan. The goal of the plan is that each child born in Austin and Travis County has the “best possible first 2,000 days” and “enters kindergarten with the firm foundation they need to succeed in kindergarten and beyond.” The group understands well the connections between high-quality child care (defined as meeting either state or national accreditation standards – Texas Rising Star 4-stars or NAEYC or NAC accreditation) and economic development, as Figure 5 and 6 indicate.

## Barriers in Austin

While the vision is clear, local stakeholders emphasized that the challenges are similar to those found across the nation. If parents are to participate fully in the labor force, they must have access to childcare, but high-quality care can be difficult to find and even harder to afford. The national average cost of full-time center-based care is about \$10,000 a year, which is higher than the average cost of in-state college tuition in 33 states. Costs in larger urban areas, such as Austin, are even higher. SX6 reports that the cost of high-quality infant care in Austin ranges from \$15,000 per year on the city’s east side to \$20,000 on the city’s west side.<sup>26</sup>

The Austin City Council adopted a strategic direction in the Spring of 2018, intended to guide the City for the next three to five years. Broad areas of focus included:

- **Economic Opportunity and Affordability:** Having economic opportunities and resources that enable us to thrive in our community.
- **Mobility:** Getting us where we want to go, when we want to get there, safely and cost-effectively.
- **Safety:** Being safe in our home, at work, and in our community.
- **Health and Environment:** Enjoying a sustainable environment and a healthy life, physically and mentally.

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<sup>25</sup> Badenhausen, Kurt (November 12, 2014). *Texas Leads Best States for Future Job Growth*. Forbes, <https://www.forbes.com/sites/kurtbadenhausen/2014/11/12/texas-leads-best-states-for-future-job-growth/>

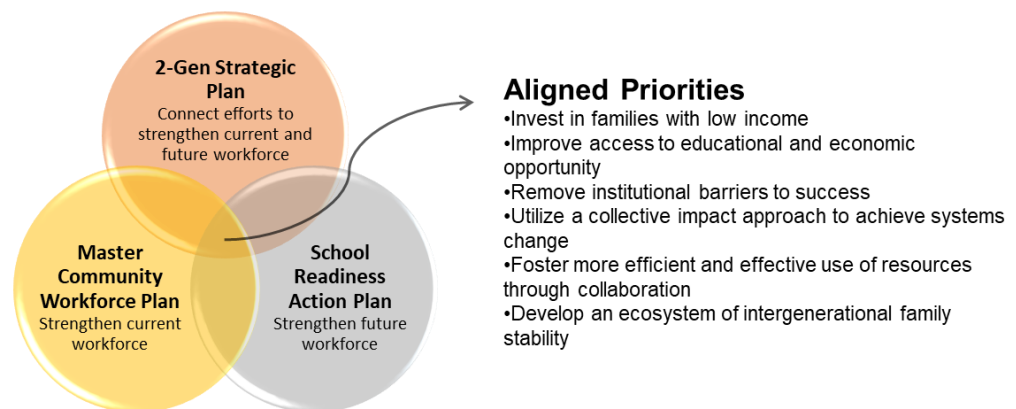
<sup>26</sup> Success by 6 Austin/Travis Coalition (2019). *A 2000 Day Journey: Strategic Plan 2019-2013*. <https://www.unitedwayaustin.org/success-by-6-plan/>

- **Culture and Lifelong Learning:** Being enriched by Austin’s unique civic, cultural, ethnic, and learning opportunities.
- **Government That Works for All:** Believing that city government works effectively and collaboratively for all of us—that it is equitable, ethical and innovative.

Within the **Economic Opportunity and Affordability** section:

- As a strategy: “Create equitable access to quality Early Childhood Education (ECE) by supporting families who do not qualify for existing free programs and cannot afford quality programs on their own, increasing availability of quality ECE programs, and encouraging living wages for ECE providers.”
- As metrics these two community indicators:
  - Number and percentage of children enrolled in quality Early Childhood Education programs (as evidenced by meeting Texas Rising Star criteria). [This metric falls within one of Council’s top 10 indicators (those in which Council would like to see a high level of improvement over the next 2-3 years), “Skills and capability of our community workforce (including education.”)]
  - Percentage of households that area considered cost-burdened based on calculation of housing and transportation costs relative to income (utilities, childcare, property tax, and health care costs to be added as data becomes available.

**Figure 5: Connecting the Dots: Workforce Development and School Readiness**



Source: SX6, TXP

**Figure 6: Putting a Foundation Under the Future Austin Workforce**

	City of Austin Strategic Direction 2023	Master Community Workforce Plan	Success By 6 Strategic Plan 2019-2023	Austin/Travis County 2- Generation Strategic Plan 2019-2023
<b>Vision</b>	Austin is a beacon of sustainability, social equity, and economic opportunity; where diversity and creativity are celebrated; where community needs and values are recognized; where leadership comes from its community members and where the necessities of life are affordable and accessible to all. (from <a href="#">Imagine Austin</a> )	A workforce system that effectively engages employers, community-based organizations, and educational institutions, empowers residents to more efficiently match employers' skill needs and successfully prepares economically disadvantaged residents for family-sustaining careers.	Public and private sectors in Austin/Travis County will work together to ensure that school readiness becomes and remains a top priority. By the time children enter kindergarten, they will have the cognitive, physical, social, emotional and language skills needed to thrive in an educational setting.	Policies and programs are designed, and their resources are aligned, to help parents improve educational skills and become economically stable, to strengthen parents' ability to be positive influences on their children's development, and to help children achieve their maximum potential by simultaneously addressing the needs of parents and children.
<b>Context</b>	SD23 is inspired by Imagine Austin which laid out a 30-year vision for our community. SD23 sets six strategic outcomes to guide the next three to five years and outlines imperatives to advance equitable outcomes across Austin. As a single playbook for effective governance of the City of Austin, it uses an outcome-based approach to setting priorities and budgeting.	By 2021, the Austin Metro Area is projected to have more than 60,000 job openings that require more than a high school diploma but less than a bachelor's degree. The first priority of the Austin Metro Area Master Community Workforce Plan is to improve economically disadvantaged residents' access to these middle-skill jobs.	34,000 children under the age of six live in low-income households in Travis County. Research indicates that children born into and growing up in low-income households are more likely to experience negative health, economic, and educational outcomes. Early learning is critical, as 90% of the brain develops by age five. The goal of the School Readiness Action Plan is to ensure that children ages 0-5 are healthy, happy and prepared for school success.	Economic mobility rates in Austin are lower than those of many major cities. Although there are many promising anti-poverty programs, most focus solely on adults or their children. Research indicates that meeting the needs of both generations (a 2-Gen approach) leads to better economic outcomes for both generations. The 2-Gen Strategic Plan outlines steps to expand and strengthen the 2-Gen approach in Austin/Travis County.
<b>Objective</b>	Together we strive to create a complete community where every Austinite has choices at every stage of life that allow us to experience and contribute to all of the following outcomes: <ul style="list-style-type: none"> <li>• Economic opportunity &amp; affordability</li> <li>• Mobility</li> <li>• Safety</li> <li>• Health &amp; environment</li> <li>• Culture &amp; lifelong learning</li> <li>• Government that works for all</li> </ul>	By 2021: 10,000 residents living at or below 200% of poverty will secure middle-skill jobs.	By 2023: 70% of Austin/Travis County children enter kindergarten school ready.	By 2023: Increase the number of families in Austin/Travis County who are served through a 2-Gen approach, ultimately leading to greater economic mobility in the region.

Source: SX6, Austin Strategic Direction 2023, TXP

Austin lags behind other comparably sized cities in investments in early childhood; last year Austin/Travis County invested \$220 per child under 6 from low-income households. This is compared to San Antonio (\$419), Denver (\$935), Portland (\$965), and Philadelphia (\$1,141).<sup>30</sup> Children from families with lower income are the ones most likely to suffer from lack of access to high-quality childcare. SX6 reports that 34,000 children under age 6 in Travis County live in households with low income, and 90% of them are children of color - that's 1 in 3 children under 6 in Travis County. Only 39% of these children begin kindergarten ready to learn and succeed. In fact, only 34% of children under four from low income households receive any early learning services at all.<sup>31</sup>

One option available to families are the pre-K programs offered by Austin Independent School District. The pre-K program for children aged 4 is full day and half day for children aged 3, and both are free to low-income, children whose first language is not English, military, and other qualifying families. The full day schedule runs from 7:45 am to 2:00 pm, so most working parents must still make arrangements for after school care. In addition to state funding, AISD invests about \$8.7 million of its local money in prekindergarten and serves 4,900 students each year.

For all childcare programs, it should be noted that a tension exists between the need to keep costs low for working parents and the desire to adequately pay childcare workers. Childcare teachers earn salaries from \$8.50 to \$16.86 per hour, with the average bottom salary \$10.67 per hour and the average top salary \$14.07 per hour. Larry Elsner, the executive director of Open Door preschools, noted that their biggest challenge is keeping tuition affordable for families while also paying their staff a living wage. He went on to say, "the childcare industry is subsidized by childcare workers and preschool teachers. They're the ones who make it, more or less, affordable for families."<sup>32</sup>

Finally, the cost of occupancy has risen dramatically as real estate prices in Austin have skyrocketed. This has put pressure on all types of facilities, as increased occupancy costs (such as for rent and property taxes) mean fewer resources for actual provision of care. For example, according to a story earlier this year on KXAN, Dr. Judy Szilagyi

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<sup>30</sup> Success by 6 Austin/Travis Coalition (2019). *A 2000 Day Journey: Strategic Plan 2019-2013*. <https://www.unitedwayaustin.org/success-by-6-plan/>

<sup>31</sup> Success by 6 Austin/Travis Coalition (2019). *A 2000 Day Journey: Strategic Plan 2019-2013*. <https://www.unitedwayaustin.org/success-by-6-plan/>

<sup>32</sup> Diamante, Reena (May 2, 2019). *Teacher Wages Impact Affordability of Child Care in Austin*. Spectrum News, <https://spectrumlocalnews.com/tx/austin/news/2019/05/03/teacher-wages-impact-affordability-of-child-care-in-austin->



recalls the that the challenge of finding high-quality childcare has been felt in Travis County since the 1990s. "I worked and my husband worked," she said. "I had my daughter on a list for childcare before she was born." Her daughter is now married and thinking about starting a family of her own, but Szilagyi says the shortage of good care options hasn't improved. "As a grandmother I may be in the same place, looking for childcare for my granddaughter."

Szilagyi is now the education manager for Child Inc., the organization that currently provides Head Start and Early Head Start services in Travis County for families with low-income. The group operates several centers around Travis County, but they're just as strapped for space as private childcares and preschools. "We have at least a minimum of about 400 children on the wait list" in Travis County alone, said Beverly Davis, Child Inc.'s program operational manager.

## Findings & Recommendations

Access to high-quality childcare in Austin is a classic case of too little supply, too much demand, and not enough resources among the customer base to adequately pay. The details are interconnected and daunting. Since many who need childcare cannot afford to pay a market rate, providers struggle to pay wages at a level that attracts and retains quality employees. Meanwhile, the burgeoning local real estate market yields rents that are way out of reach for providers that don't either already own their facilities or have a favorable long-term lease in place, forcing many to locate either well away from their client base or simply shut down when the rent doubles.

The translation is that childcare for the affluent is adequate (though not without challenges) and extremely challenging for the rest of the working population, absent family circumstances or association with a religious or other group that can offer discounted services. This has become a significant barrier to the creation of middle-skill employment in Austin and is an important part of the overall affordability conversation. In response, TXP suggests that the City work to expand the supply (both facilities and labor force) and lower the costs (meeting demand).

The following are specific recommendations to address each.

### **Recommendation #1: Incorporate childcare incentives into the City's existing economic development program**

- Employer-provided and/or subsidized high-quality childcare on-site
- Subsidies/assistance to employees for high-quality childcare; and
- Creative “gap-fill” programs

#### **Discussion:**

In the Community Benefits sections of the City's incentive scoring matrix there is a portion that rates the company's offering of parental leave and child-care. The company will receive points for each section that will add up to an overall score to determine both their overall eligibility and size of incentive they qualify for. The following language and guidelines were adopted in February 2019.

#### **Does the firm offer parental leave?**

- Poor: Firm adheres only to basic legal requirements under Federal law
- Acceptable: Firm provides two or more weeks of paid parental leave
- Excellent: Firm provides six or more weeks of paid parental leave

#### **Does the firm offer childcare support?**

- Poor: Firm does not offer childcare support
- Acceptable: The company will provide an on-site day care facility for employees, and/or provide subsidized childcare for employees tied to a percentage of the worker's salary (equal to at least 5% of annual compensation)
- Excellent: The company will provide an on-site childcare facility that is open to the public that is either provided at no cost to the employee and/or is based on a means-tested sliding scale that is the equivalent of no more than 10% of the employee's or outside party's annual compensation.

Beyond the above qualifiers, EDD encourages creative proposals from companies related to meeting the childcare needs of their workers and is willing to consider a range of ideas that support a family-friendly work environment. To that end, proposals should help meet the need for increased access to affordable, high-quality child care for infants and toddlers, involve the commitment of company resources (although this does not necessarily have to be strictly financial), and emphasize providing service to employees who need the most assistance, typically those who are on the lower end of the company pay scale. An example of such a program would be one offered by Indeed, where employees can access company-sponsored childcare on an emergency basis. Another unmet need in Austin is childcare for families with non-traditional work hours.

Previous work by TXP estimates that the annual cost to the City of someone who is capable of working but is not employed is approximately \$3,000 – a combination of foregone tax revenue and access to means-tested social programs. While this figure is useful, it may not fully capture the value of enabling greater labor force participation through high-quality childcare, as it puts no value on the educational and developmental impact associated with high-quality programs. To the extent possible, therefore, the City should err on the side generously incentivizing the provision of affordable, high-quality childcare.

### **Recommendation #2: Incentivize developers/landlords to make space more affordable for childcare centers**

- New developments could receive bonus points as part of “place-based” economic development incentives
- Existing buildings could receive either a property tax credit/freeze depending on level of subsidy they provide to childcare tenant

#### **Discussion:**

There is a growing awareness among developers and property owners that childcare is an amenity that potentially can add value to their property. According one well-known Austin developer, “we strongly support childcare facilities . . . in the past, we have provided land to provide to childcare providers . . . currently we have provided three child care facilities at one of our largest developments and there is one tract in Goodnight that is intended to be a child care facility. We have two sites where we are contemplating subsidized childcare facilities where we partner with a childcare provider to provide childcare at a lower cost to our residents . . . While this is conceptual, we have had discussions with a strong child development center operator who thinks the idea has merit.”

While awareness is growing the fact remains that rising costs of occupancy are among the most pressing issues facing many businesses and not-for-profits in Austin, as rents have skyrocketed in recent years, especially near the central city. The City could explore the concept of allowing landlords to use a portion of their City property tax liability to close the gap between market rates and tenant ability to pay as a means of addressing the issue. For example: Assume a high-quality childcare organization (to be defined) is facing a rent increase from \$2,000 to \$2,500 per month as a tenant in a building (which may include more than this tenant) valued at \$2,000,000 for ad valorem tax purposes. Given a current City property tax rate of \$0.4403/\$100 of assessed valuation, that means that the City currently collects \$8,806 annually. If the City chose to offset all of the increase (\$500/month, or \$6,000 annually) that would

mean that the building owner/landlord would owe a net figure of \$2,806 (\$8,896 minus \$6,000) to the City, in return for not raising the rent for that organization. Similarly, high-quality childcare providers could qualify for a “re-set” subsidy based on recent rent increases.

The above is just an illustration of the concept, and by no means an outline of program guidelines. For an effort like this, the devil is in the details, as parameters must be established delineating who qualifies, how and under what conditions can the program be accessed, the appropriate levels of subsidy, what happens if the property tax liability doesn’t meet the subsidy set forth by the program parameters, etc. By the same token, the City may want to look beyond just the property tax liability of buildings occupied as tenants by high-quality childcare providers as the basis of offsetting some or all of their increased cost of occupancy under current market conditions.

The City is expected to consider this recommendation as part of its efforts to refine and update place-based economic development policy.

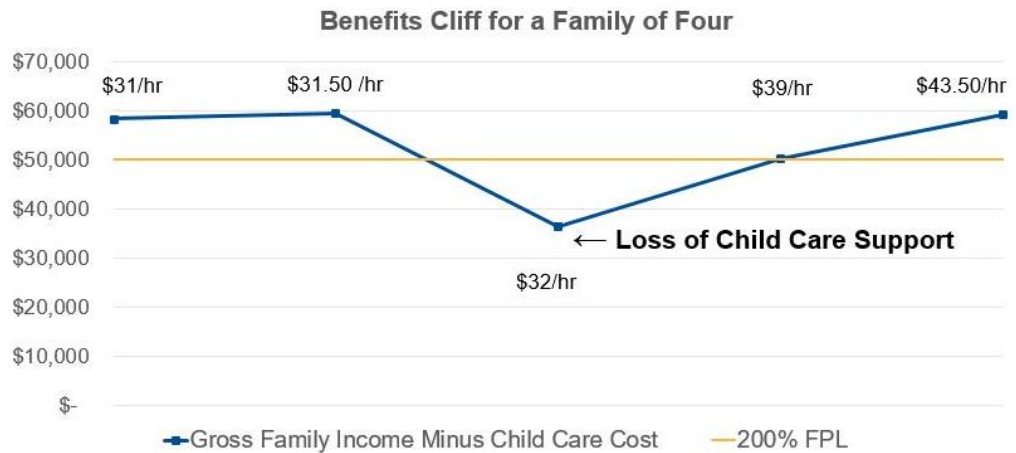
### **Recommendation #3: Subsidize the cost of childcare for graduates of City of Austin-funded job training programs**

- Target children who are 4 years old or younger;
- Coordinate with existing programs as aligned with and part of the Austin/Travis County Success By 6 Strategic Plan; and
- Create a meaningful level of incentive that facilitates acceptance of a middle-skill job for which applicant has been trained (35-50% of monthly cost).

#### **Discussion:**

One of the barriers to middle-skill employment is high-quality childcare, as paying hundreds (if not thousands) of dollars per month is very challenging for those in this income range. The costs are especially daunting for those who need full-time care for children from birth to age 5, as the federal subsidy they receive while in job training is eliminated once they leave the program, creating a “benefits cliff,” as illustrated in Figure 7 below.

**Figure 7: Raises Are Not Always Beneficial**



Source: United Way for Greater Austin

As part of the Baseline Evaluation Report for the Austin Area Master Community Workforce Plan, the Ray Marshall Center estimated that in the 2015-16 year, 925 participants completed a training program among the master plan provider partners including 5 major community-based organizations that receive City of Austin funding. Capital Idea has data on what share of their graduates have children by age range, which can be extrapolated over the entire range of City-funded job training graduates, while all current City employees accessing the stipend are assumed to participate. Data from the Capital Area Licensed Childcare Centers 2018 survey (75<sup>th</sup> Percentile) was used to estimate the average daily cost of attendance by pre-school age group; assuming 21 days/month, the translation is \$1,000/month for infants (less than 18 months), \$935/month for Toddlers (18-36 months), and \$854/month for pre-school (3-5 years). Taken together, this all adds up to approximately \$1.5 million annually to provide an approximate 50% subsidy to the job training graduates outlined above. Nevertheless, an investment on this order of magnitude could materially impact hundreds of families and provide a strong additional incentive to enter and complete job training. The longer-term dividends to both individuals, their families, and the community will be substantial.

With Council support, this conversation could be part of the discussion around the fiscal 2020-21 budget.

**Recommendation #4: Explore options to create dedicated long-term funding that could more widely subsidize the cost of childcare for those of low and middle-incomes (means-tested)**

- Dedicated fees
- Philanthropy
- Fund transfer from City of Austin Enterprise funds,
- Bond funding to create a corpus
- Joint funding with other local public sector jurisdictions
- Other

**Discussion:**

While the recommendations above could provide much needed assistance to certain members of the community, the issue of lack of access to affordable high-quality childcare is much broader. It is unlikely that any one program or source of funds can provide a comprehensive solution. Instead, a portfolio approach should be adopted, with perhaps a single organization or point of contact designated to make sure that resources are aligned and not used in a duplicative fashion. There is precedent for this approach elsewhere. In Virginia, national experts Opportunities Exchange were engaged to facilitate alliances. According to Kathy Glazer, President of the Virginia Early Childhood Foundation:

“our first, Richmond Area Shared Services Alliance, has had some nice initial wins in the area of maximizing business efficiencies for small childcare programs. . . philanthropy in Virginia has been generous and attentive to the cost of childcare. For example, philanthropic organizations have fronted the costs for start-up of Richmond Area Services Alliance. The Robins Foundation has funded early childhood development in the Richmond region at a minimum of 40% of corpus over time, especially through creation of the Partnership for Families Northside and support of a fiscal/resource mapping for Richmond’s distressed East End. Conversations with hospital foundations (most notably, the Danville Regional Foundation) across the state support innovations focused on early childhood systems building for diverse communities, developing strategies that differentiate the needs of urban vs rural vs suburban populations.”

Opportunities Exchange also reported on several cities that have enacted initiatives aimed at earmarking new revenue for the childcare sector. “For example, The City of Philadelphia successfully passed a tax on sweetened beverages in 2016 (which has since survived multiple court challenges and ultimately was sustained by the PA Supreme

Court.) This tax was projected to raise about \$60 million/year for investments in the City's PreK program. Philly PreK pays high-quality childcare programs \$8,500/year per child for services of 6 hours/day and 10 months/year. Many childcare programs that serve parents who need full day/full year services are able to combine these funds with childcare subsidy funds so that they are able to fully fund services and pay teachers a wage scale that mirrors salaries in K-12 private schools (a significant improvement in childcare salaries)."

**Recommendation #5: Inventory not-for-profit spaces (including academic and religious institutions) for possible additional sites and resources to locate high-quality childcare programs.**

**Discussion:**

In addition to incentivizing landlords/developers, the City could play a catalytic role in identifying space and/or additional resources (e.g., playground equipment, technology, etc.) that could be accessed by high-quality childcare organizations at a reduced or no cost.

**Recommendation #6: Encourage the development of childcare "internships" with local colleges/universities**

- Identify any discipline that ultimately interacts with children
  - Human Development & Family Services
  - Education
  - Medical professions
  - Recreation
  - Social work
  - Psychology
- Offer some combination of a stipend and academic credit for working in high quality childcare centers
- Encourage academic research by integrating faculty into process – children could become research subjects (properly controlled/vetted)

**Discussion:**

The internship/apprenticeship model could be applied with local institutions of higher education, where students potentially could receive both academic credit and a stipend for working in high-quality childcare centers. In both cases, the idea is again to find ways to cut costs while maintaining quality standards. The common thread is

leveraging the excess capacity of resources that are partially focused elsewhere to the benefit of all.

### **Recommendation #7: Expand City Staff Capacity on Early Childhood**

If Council were to move forward with one or more of the recommendations in this report, it is also recommended that City staff capacity be expanded to facilitation implementation of the recommendations. For example, if Council were to move ahead with Recommendation #3 or #4, additional City staff focused on early childhood would be required to launch these new efforts.

For example, it was recommended in discussion with community stakeholders for this project, that if the City were to dedicate long-term funding for childcare (Recommendation #4), it would be useful to have a staff person focused on how the City's early childhood funding aligns with other public and private sources of funding. This would ensure the City's dollars are used most effectively to advance the work in alignment with the community's Success By 6 strategic plan, the 2-Generation strategic plan, the Master Community Workforce Plan, and Strategic Direction 2023. It would also help avoid duplication of funding efforts.

## **Conclusions**

While Austin continues to receive accolades for its economic success, the benefits are unevenly distributed. This has been formally recognized by the City, as evidenced in the prelude to the updated Chapter 380 Economic Development Policy adopted last summer. According to this document, "recent job growth without commensurate wage increases means that many in Austin are under-employed, which makes rapidly rising costs even more burdensome . . . in addition, there are who report having a disability, as well as many who are in recovery from substance abuse or who have had a recent experience with the criminal justice system. It is these populations, those who are under-employed, chronically unemployed, and outside the labor force, who are in most need of economic development assistance." The report goes on to cite the enabling Council resolution that identified that "jobs that provide decent compensation for middle-skill workers are a high priority," and "hard-to-employ populations require a heightened effort to maximize meaningful labor force participation."

For many who fit into these targeted categories, access to affordable, high-quality childcare is a significant stumbling block to economic improvement. Moreover, the situation is unlikely to change, absent significant public/not-for-profit intervention. Opportunities Exchange summarized the situation well:



The business model for childcare, which is a market-based system, is broken. Most childcare centers are simply too small to operate efficiently and most leaders are skilled in child development, not business. Even with efficient management, the cost of delivering high-quality childcare is higher than market prices – especially for infants and toddlers. The result is the even well-managed programs struggle to generate sufficient resources to pay decent wages and benefits, keep ratios at best practice levels, or invest in the professional development, planning and supplies/equipment needed to improve the quality of the program. Bottom line – it is almost impossible to deliver sustainable, high-quality, full-day, year-round childcare for infants and toddlers at a price that families can afford or are willing to pay.”

The recommendations found in this report, if implemented, should at least help improve the situation for some. They are all based to some degree, however, on the recognition that a true market-based system of childcare, especially for younger children, is unworkable. High-quality childcare should be seen in the same light as education in general, in that it is a public good that should be supported with resources beyond the fee-for-service implied in a strictly market-based system. This is especially important for younger children, as there appears to little focus on seeing the care of infants and toddlers as a key foundational element of a child’s overall educational experience. To the extent that this orientation can be adopted, the opportunity for ultimate success can only increase.

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