



## MEMORANDUM

**TO:** Mayor and Council Members  
**FROM:** Stephanie Hayden, Director, Austin Public Health   
**DATE:** August 17, 2020  
**SUBJECT:** Staff Response to Resolution 20200729-089

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This memorandum and attached report serve as a response to Resolution 20200729-089 regarding the state of childcare and supervision and support for children and youth in our community impacted by COVID-19.

The attached report includes immediate and long-term supports and funding considerations to stabilize the childcare sector in our community and provide direct support to families with children. The supports and funding considerations in the report will also further progress toward the stated commitments in the City of Austin Strategic Direction 2023 and in the Imagine Austin Comprehensive Plan to improve economic opportunity and affordability by increasing “access to quality childcare services near homes and workplaces.”

For questions or additional information, please contact Donna Sundstrom at (512) 972-5038 or email [Donna.Sundstrom@austintexas.gov](mailto:Donna.Sundstrom@austintexas.gov)

### Attachment

Cc: Spencer Cronk, City Manager  
Nuria Rivera-Vandermyde, Deputy City Manager  
Christopher Shorter, Assistant City Manager  
Brion Oaks, Equity Office  
Kimberly McNeeley, Director, Parks and Recreation  
Roosevelt Weeks, Director, Austin Public Library  
Veronica Briseno, Economic Development  
Donna Sundstrom, Assistant Director, APH

## SUMMARY OF PROPOSED SUPPORTS AND FUNDING CONSIDERATIONS

The information in this section is a high-level summary of the supports and funding considerations related to child care and families with children proposed in this document.

The table below highlights essential one-time stabilization funding that is urgently needed to ensure that the child care sector exists for our economy after the COVID-19 pandemic.

<b>IMMEDIATE CHILD CARE STABILIZATION GRANTS</b>	
<b>Proposed Support</b>	<b>Funding Consideration</b>
Grants to stabilize child care programs for at least 12 months	\$12-15 million (one-time expense)
Grants to stabilize up to 158 registered or licensed family child care programs for at least 12 months	\$1,000,000 (one-time expense)
Mini-grants for listed and informal “Family Friend and Neighbor” child care programs to become registered or licensed	\$300,000 (one-time expense)
Stipends for Family Child Care Network leaders to serve as mentors/coordinators in communities to help improve health, safety, and quality of care in family child care programs	\$200,000 (one-time expense)
<b>Total</b>	<b>\$13,500,000 -16,500,000 million (one-time expense)</b>

The supports in the table above will help address the immediate crisis facing the child care system. However, they will not address the long-term and long-standing inequitable access to high quality child care in Austin-Travis County. The following table includes proposed ongoing funding considerations that would begin after the first year of immediate stabilization funding, starting in fiscal year 2021-2022, to help achieve the City’s Strategic Direction 2023 goal of equitable access to high quality early care and education in Austin-Travis County.

The first proposed support in the table below is substantial, though it is important to note that while \$21 million would cover the cost of care for the approximately 2,000 children on the waitlist for child care subsidies, it would cost an estimated \$71,410,500 annually to fund high quality child care for all potentially-eligible children age 4 and under who are NOT currently served through available state allocations of Federal Child Care subsidies in Austin/Travis County. That type of more complete child care coverage in our community would require strong advocacy for significantly expanded state and federal early childhood investments and/or City efforts to greatly increase dedicated municipal/local funding streams for child care (ex: soda tax in Philadelphia, sales tax % in San Antonio).

<b>FUNDING TO STRENGTHEN CHILD CARE SYSTEM OVER THE LONG-TERM</b>	
<b>Proposed Support</b>	<b>Funding Consideration</b>
Fund child care for the approximately 2,000 children on the child care subsidy waitlist.	\$21 million annually
Fund to subsidize the cost of childcare for graduates of City of Austin-funded job training programs (Ameliorate the benefits cliff for child care subsidies)	\$1.5M annually
Mini-grants for listed and informal “Family Friend and Neighbor” child care programs to become registered or licensed	\$100,000 annually
Stipends for Family Child Care Network leaders to serve as mentors/coordinators in communities to help improve health, safety, and quality of care in family child care programs	\$50,000 annually
Pre-K Partnerships - support the administrative hub and continue leveraging \$1.8M in state funding to expand high quality Pre-K	\$150,000 annually for up to 5 years
<b>Total</b>	<b>\$22,800,000 per year</b>

In addition to the immediate stabilization funding and long-term supports for the child care system, the table below highlights a funding consideration for immediate direct support to families with children.

<b>IMMEDIATE DIRECT SUPPORT TO FAMILIES</b>	
<b>Proposed Support</b>	<b>Funding Consideration</b>
Direct assistance for families with children age birth through 11 who have low income and are experiencing financial hardships due to COVID-19	<b>\$15,458,000 (one-time expense)</b>

## INTRODUCTION

The supports and funding considerations proposed in this report were developed in collaboration with members of the Austin-Travis County COVID-19 Child Care and Schools Group in response to City Council Resolution 20200729-089. The group established and is operating by a set of guiding principles that were founded on and align with the Austin-Travis County Success By 6 Strategic Plan endorsed by the Austin City Council, with which the City of Austin and Travis County seek to align investments in high quality early care and education. These principles include that:

- **Equity is at the core of this work.** Under “normal” circumstances, access to child care is inequitable in Austin-Travis County, Texas, and our nation, due in part to lack of public funding for child care. This lack of access to affordable high-quality care disproportionately affects children of color and children from families with low income. As a result, only 38% of children from families with low income are kindergarten ready as compared to 61% of other children, and in Travis County, 90% of the children living in poverty are children of color. (Further data is available in the [Success by 6 Strategic Plan](#).) Furthermore, child care teachers are often women of color who are not paid a living wage and do not receive benefits for the important early care and education they provide for our youngest children.
- **Emergency solutions should not destabilize the existing system including center and home-based/family child care providers.** Capacity to serve more children and families exists in the community, but there is insufficient funding to provide care for families who need to access it.

The supports and funding considerations in the report will also further progress toward the stated commitments in the City of Austin Strategic Direction 2023 and in the Imagine Austin Comprehensive Plan to improve economic opportunity and affordability by increasing “access to quality child care services near homes and workplaces.”

## EARLY CARE AND EDUCATION FOR CHILDREN BIRTH TO AGE 5

### AN OPPORTUNITY TO BUILD BACK BETTER

**The child care sector is facing a crisis due to COVID-19. This report proposes solutions that will help immediately and over the longer term, allowing us not to simply return to pre-pandemic conditions, but to seize the moment and take bold action to build back better for our children, families, and economy.** The pre-COVID-19 child care system was not working well for broad swaths of children, families, and the child care workforce. Even pre-COVID, the proven benefits of high-quality early care and education were unattainable for many. The COVID-19 crisis presents our community with an opportunity to not only stabilize the child care system to weather the immediate crisis, but to build back better. Going back to “business as usual” is inadequate and promotes poor outcomes for the most vulnerable children in our community. We have an opportunity to address the significant chasms in the child care funding structure and create a stronger system with more equitable access to high quality child care as other forward-thinking cities have done.

In Austin-Travis County, only 54% of child care programs are currently open. Even though over half of the child care programs in our area are open, very few are at full capacity due to reduced ratios to meet health and safety guidelines and due to decreased demand for care at the moment, as many parents are keeping their children at home while teleworking. Prior to the COVID-19 crisis, Austin lacked equitable access to affordable high quality child care, which disproportionately impacted children of color in low-income households. The pandemic has exacerbated that inequity, increased need, and destabilized the existing fragile child care sector.

An estimated 50% of child care programs nationwide are at risk of going out of business due to COVID-19. Closures of half the area child care programs would impact the entire Austin-Travis County economy because as parents at all income levels are trying to go back to work, many won't be able to find child care. Current federal and state COVID-19 response funding does not address the financial stability of child care programs, though state and local groups continue to advocate for this. Local funding efforts, while greatly appreciated, have not been sufficient to meet the significant need.

Lower child:teacher ratios are needed to mitigate the spread of COVID-19, but they are costly. Analysis by United Way for Greater Austin indicates that child care programs are experiencing increased costs burdens averaging \$200-\$900 per child per month at this time. Looking forward, it is anticipated that child care programs will need to maintain lower ratio and group size requirements for the next 6-12 months due to COVID-19 risk, so stabilization funding from local, state, and federal sources including public-private coordination will be crucial in order for the sector to remain viable.

While COVID-19 has necessitated providing child care in small groups to help mitigate spread, it is important to note that these lower child:teacher ratios and group sizes are in fact the recommended key components of high quality child care under national accreditation standards. There is a robust body of evidence that low child:teacher ratios during the first 5 years of life nurture optimal language, cognitive, and social-emotional development essential to future educational success. Research also shows that people living in poverty who do not receive high-quality child care (early childhood education) are:

- 25% more likely to drop out of school
- 50% more likely to be placed in special education
- 60% less likely to attend college

The [return on investment \(ROI\) for high quality child care is calculated at \\$13.70 for every \\$1 invested](#).

Therefore, while investing in low ratios is essential to the immediate health and safety conditions, immediate and ongoing funding to maintain these standards is necessary to ensure the economic viability of our community.

## BACKGROUND INFORMATION ABOUT THE CHILD CARE SYSTEM

COVID-19 has illuminated a fragmented and inadequate child care system at a national level, and no state in the nation has a more fragmented system than Texas. According to a [2018 study by the Bipartisan Policy Center](#), Texas ranks last out of all states in having a coordinated, integrated early care and education system, layering a crisis on top of a weak and unstable foundation. Despite years of efforts in Austin to address the lack of access to affordable high quality child care through the community's Success By 6 Coalition with support from the City of Austin and Travis County, the conditions pre-COVID-19 were dire.

Child care in Austin is a classic case of too little supply, too much demand, and not enough resources among the customer base to adequately pay. Many families who need child care cannot afford to pay a market rate. Child care providers struggle to pay wages at a level that attracts and retains employees. Average wages are between \$8.50 and \$16.86 per hour, and in Texas, [56% of the child care workforce qualifies for public income supports](#).

The local real estate market yields rents that are way out of reach for child care 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 within the city limits or simply shut down when the rent doubles.

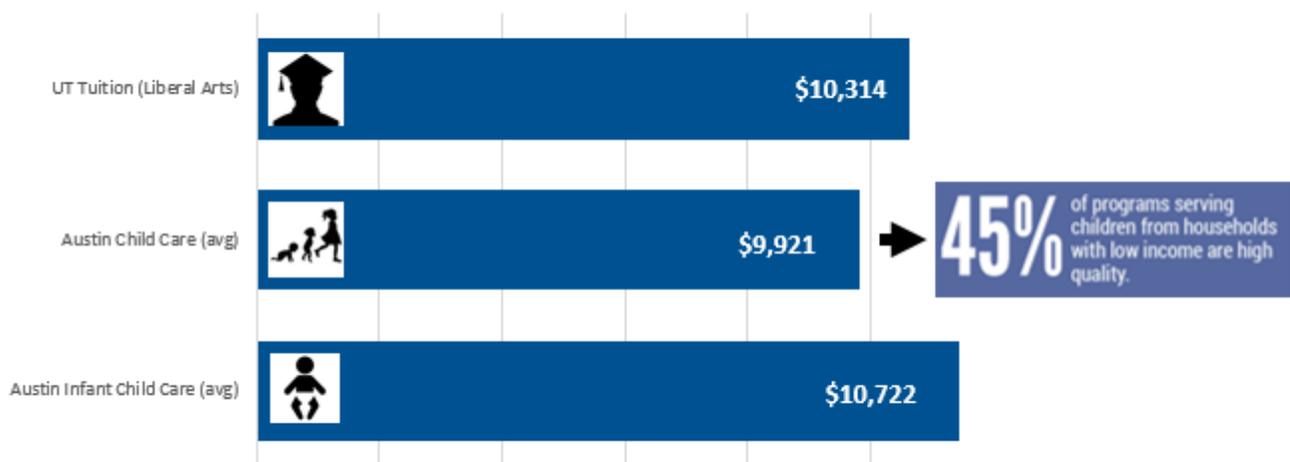
Lack of accessible and affordable child care has become a significant barrier to the creation of middle-skill employment in Austin. Among the nonworking poor with young children (11.4% of the nonworking poor), 70% cite “taking care of home/family” as the reason they are not in the workforce. In addition, the lack of access to quality child care impacts educational outcomes in our schools.

- High quality child care improves kindergarten readiness and less than half of children entering schools are kindergarten-ready. This results in additional costs for interventions, special education, and retention.
- Data from E-3 Alliance demonstrates that those who start school kindergarten-ready meet and exceed performance at 3<sup>rd</sup> grade, in high school, and beyond.

The current child care subsidy system managed by the Texas Workforce Commission (TWC) at the state level only provides funding for a small portion of those potentially eligible (by income). The Austin-Travis County area only receives funding to subsidize approximately 3,000 seats, while the potentially eligible population of children under age 6 (based on household income and estimates of workforce participation) alone is 14,982, 90% of whom are children of color. Since July 2019, there has been a waiting list for funding of more than 2,000 children in Travis County.

Costs are also a burden for middle-upper income families. The market rate for infant care is more expensive than a year of school at the University of Texas.

## Child Care Costs More Than College



**\*High Quality Care in West Austin costs over \$20,000/year.**

Data Source: UT website: 2019 Texas Child Care Market Rate Survey

**IMMEDIATE STABILIZATION FUNDS: GRANTS FOR LICENSED CHILD CARE CENTERS**

Given an analysis of the increased cost of care per child to child care providers under current conditions indicated in the following chart, we recommend creating a Child Care Stabilization Fund for at least 12 months to sustain a supply of quality early child care for the Austin-Travis County workforce. (Detail about cost modeling is available in the appendix.) The first year of stabilization funding could be followed by dedicated ongoing funding to enhance and maintain the supply of high quality child care in our area.

<b>Increased cost per child of providing quality child care during COVID-19</b>			
	Annual cost per child	Monthly cost per child	Increased cost per child per month
<b>Licensing (TX minimum standards)</b>	\$8,240.57	\$686.71	N/A
<b>Governor's Re-Opening Checklist</b>	\$10,925.70	\$910.47	<b>+\$223.76</b>
<b>CDC Group Size Limit &amp; High Quality Ratios</b>	\$18,147.75	\$1,512.31	<b>+\$825.60</b>

Analysis by United Way for Greater Austin based on information from the following sources/tools: Minneapolis Fed Report (<https://www.minneapolisfed.org/article/2020/how-a-covid-19-10-person-group-limit-affects-minnesotas-child-care-providers>) and the U.S. Department of Health & Human Services Calculator (<https://childcareta.acf.hhs.gov/pcqc>)

Based on these increased costs to providers, it is estimated that it would take \$48 million (\$4 million per month) to stabilize all open and operating programs for one year. To offset this need, it is proposed that a Child Care Stabilization Fund of between \$12 million and \$15 million be created to provide meaningful and essential relief to open and operating programs. The potential long-term impact of this fund could result in:

- Significantly increased capacity to address the deficit in access to high quality child care that is a barrier for families seeking to participate in the workforce or in workforce training
- Educational success of children who lack access to high quality early care and education during their first 5 years.

**\$12 million to \$15 million Stabilization Grants for Child Care Centers:**

- The estimate is based on 267 licensed child care centers (open and operating as of July 15) and 128 licensed child care homes and 70% of licensed capacity. (Calculations use current ACS Survey population data and Texas Workforce Commission's Texas Rising Star subsidy reimbursement rate for the Workforce Solutions Capital Area).
- Child care programs rarely enroll to their licensed capacity. Many target enrollment to 85%-90% under normal conditions.
- Most child care programs in Austin-Travis County are currently operating at 26%-50% licensed capacity. ([Hobby School Child Care Study](#))

**Recommended Criteria:**

- Licensed child care centers in Austin/Travis County that meet the following criteria should be eligible to apply:
  - Provide full-day, year-round child care for children ages birth to 5
  - Are open and operating
  - Can demonstrate economic hardship caused by COVID-19

- Require Owner/Director commitment to allocating a percentage of the funds to increase compensation for staff (ex: \$1 increase in hourly wage).
- Require documentation of operational policies and procedures that align with [Governor’s Open Texas Checklist for Child Care Centers](#)

Grant amounts would be determined by a calculator that incorporates factors that may include number of children enrolled, number/percent of children from low-income families (supported by child care subsidy), quality-rating/accreditation, number of staff (for enhanced pay), and weights for equity (such as located in priority zip codes, offers bilingual or multi-lingual services). The final formula for grant amounts could be determined by data collected in an intent to apply or pre-application survey to ensure funding is awarded to those who most closely meet the intent and purpose of the support. (Note: this consideration is modeled after Illinois Restoration Grants.)

### IMMEDIATE STABILIZATION FUNDS: FAMILY CHILD CARE TRAINING & TECHNICAL ASSISTANCE FUND

In addition to stabilizing child care centers, it is essential to include support for “family child care programs” that is provided in family homes and includes licensed, registered, and listed programs, as well as informal “Family, Friend, and Neighbor” (FFN) caregivers.

Family child care programs provide essential child care options for families who:

- Need affordable care.
- Need care during non-traditional work hours (evenings and weekends)
- Are seeking providers who share their own language and culture
- Seek trusted neighborhood caregivers

**A \$1.5 million Family Child Care Training and Technical Assistance Fund** would provide relief as well as support to create Family Child Care networks, which would strengthen and stabilize family child care programs in Austin-Travis County. The fund would include:

- **\$1,000,000** for stabilization grants for licensed and registered family child care programs on a smaller scale but similar to licensed child care centers. This would help stabilize up to 110 family child care homes serving up to 12 children each at an average cost of care of \$700 per child.
- **\$300K** in mini-grants for listed and informal/FFN family child care programs to become registered or licensed.
- **\$200K** to stipend Family Child Care Network leaders to serve as mentors/coordinators in communities who can support health, safety and quality efforts in culturally congruent ways.

Funding for mini-grants for FFN providers would help create a structure and process to connect with these informal caregivers. Existing state regulatory processes for child care licensing include a number of barriers for these caregivers to participate and become eligible for public funding, including fees for background checks, licensing fees, and steps required to meet licensing standards. The mini-grants would help with the financial barriers these processes entail. Several community organizations are positioned to support FFN providers navigate these processes, creating a path for them to participate in the formal child care system, but they lack staff capacity and resources to scale this effort. (For example, the United Way for Greater Austin is working with Go Austin !Vamos Austin! and Avance, Inc. to distribute \$200K in direct emergency relief for 110 family child care providers.)

This Training and Technical Assistance Fund would also support culturally congruent professional development opportunities focused on providing quality care and developing small business skills. Not only would this expand

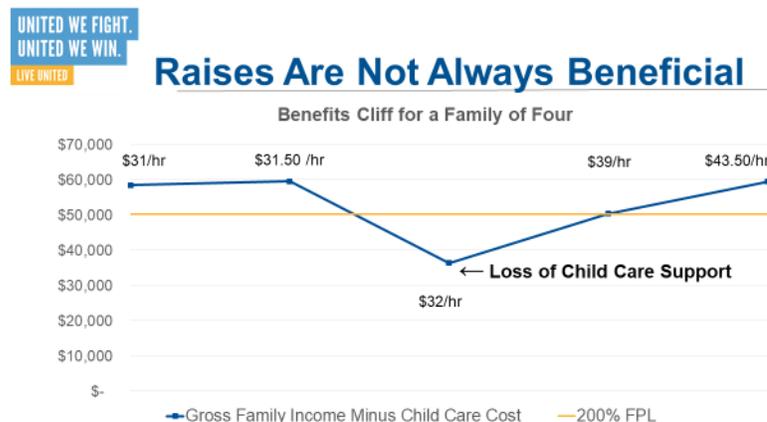
access to quality care for families, but it would also build the cohort of minority and women owned businesses in Austin. This work would be modeled after the [All Our Kin Staffed Family Child Care Networks](#).

## FUNDING TO STRENGTHEN CHILD CARE SYSTEM OVER THE LONG-TERM

Beyond the immediate stabilization grants, additional funding is needed to strengthen the child care system over the long-term so that all children from families with low income have access to high quality early care and education. As previously mentioned, at an average annual cost of \$10,500 per child, it would cost \$71,410,500 per year to provide high quality care for all potentially eligible children age 4 and under that is not available through state allocations of Federal Child Care subsidy. On a smaller scale, to cover the cost of care for the 2,000 children currently on the subsidy waitlist, the additional investment needed after the first year of immediate stabilization grants would be approximately \$21,000,000 annually.

The following are additional potential solutions that would further strengthen financial viability of the sector and increase access to affordable, high-quality child care.

- The City of Austin has engaged a consultant to create an economic development corporation (EDC) with the intent to structure private-public partnerships for certain community benefits that contain an economic nexus. The City of Austin should explore the use of an EDC to benefit quality subsidized child care. The consultant the City has engaged has experience leveraging an EDC for this purpose in NYC. This could yield funds to increase access to high quality child care programs by, for example, incentivizing child care programs to accept subsidies and to meet quality standards, and to pay staff a living wage.
- Explore mechanisms to ameliorate ‘the benefits cliff’ for graduates of Workforce Development Programs. Currently, when an individual receiving child care subsidies receives a pay increase that crosses the 85% state median income threshold, they no longer qualify for child care subsidies and the subsidy ends within 30 days. Typically, the individual’s pay increase does not offset the loss of the child care subsidy. Creating a sliding scale to sustain but a partial but incrementally reduce the subsidy after an individual crosses the income threshold may improve family economic self-sufficiency. Anecdotal reports indicate that individuals may refuse promotions or pay increases that tip them over this income threshold due to the immediate and urgent need for continued access to child care. This partial subsidy creates a meaningful level of incentive that would facilitate acceptance of a middle-skill job for which the individual has been trained. An analysis conducted by TXP indicates that it would cost approximately \$1.5 annually to provide an approximately 50% subsidy to City of Austin-funded Workforce Development job training graduates with children age 4 or younger. 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.



- Fund a child care quality requirement. While the State of Texas leverages all available funds from the Federal Government for child care funding, unlike other states, the state does not add general revenue to supplement access to high quality care. There are no requirements for child care programs to accept child care subsidies and participation in the quality rating system (Texas Rising Star) is voluntary as well. The base reimbursement rate for subsidies falls far short of the cost of providing quality care, and consequently child care programs that accept subsidies experience a deficit for each child enrolled that is supported by a subsidy. Many programs either choose not to accept subsidies, greatly limit the number of families with subsidies they are willing to enroll or accept subsidies and operate programs that fall short of quality standards, which negatively impacts child outcomes.

As a result of significant work by the Austin-Travis County Success By 6 Coalition, Travis County has a higher percentage of child care programs that participate in TRS than many regions. However, the State allocations of funding essentially penalize regions that have higher percentages of quality-rated programs. The funding allocation does not increase to cover the higher subsidy reimbursement rates given to quality child care providers so the local region must then serve fewer children with the same amount of dollars. Advocates across the state are urging Texas to require that all programs that accept subsidies participate in the TRS system, but this will require phase-in time and for the State to commit funds to cover the cost of quality without significantly reducing access.

There is an opportunity for Austin to be the first city to commit that all children that are accessing child care subsidies have access to a TRS program. The first steps toward achieving this are:

- Recommend that the local Workforce Development Board implement a baseline quality assessment of all providers contracted to receive subsidies. This data collection will help identify what resources and funds are needed to help programs attain TRS certification. The assessment would be accompanied by mentor assistance to help providers address any barriers that exist and navigate through the process toward quality.
- Invest local funds (public/private) to cover the gap between the cost of providing quality care and the subsidy reimbursement from TWC.

### **Pre-K Partnerships Funding**

A unique partnership between Austin ISD and the United Way for Greater Austin provides a mechanism for high quality child care programs to partner and co-enroll children eligible for both Pre-K and child care subsidies which leverages state funding into the child care system. In the pilot year, 473 three and four year olds received full-day Pre-K programming in 41 child care classrooms across Austin through this model. The students were co-enrolled in Austin ISD as Pre-K students and in 11 community child care centers (including Child Inc. Head Start centers). This leveraged approximately \$1.8M in state funding to the Austin community, specifically to both Austin ISD and the high quality child care centers. (Each co-enrolled student leverages approximately \$3,600 in state Pre-K funding per school year). A City investment of \$150,000 annually starting in the 2021-2022 school year would sustain support for the administrative hub (located at the United Way for Greater Austin) that coordinates the Partnership locations including providing administrative oversight, professional development and instructional coaching, and assessment and evaluation. This program has capacity to scale to all Texas Rising Star (3 or 4 Star rated) programs to increase access to Pre-K programming while leveraging state investments into quality child care. More information about the Pre-K Partnerships is available [here](#).

## WHAT WILL HAPPEN IF WE DON'T PROVIDE IMMEDIATE AND LONG-TERM SUPPORT?

### ***Without Immediate Support:***

In late June and early July, the Hobby School of Public Affairs at the University of Houston conducted a survey of child care programs in the Austin area and Travis County at the request of the City of Austin and the Austin Chamber of Commerce. The [survey results](#) showed that only 50-60% of Austin's child care programs are open and operating. The majority of programs are operating at 26-50% capacity, in part due to private-pay families who do not yet feel that it is safe to return children to care. Many of these families have other resources to provide in-home care at least at this time. Yet in order to operate under current recommendations to mitigate the risk of COVID-19 transmission, these programs are operating at staffing levels between 50-100% capacity. This includes increased staffing for smaller group sizes, maintaining stable groups of children with at least 2 staff members, and enhanced cleaning processes. This results in a significant increase of costs with less revenue. This sector, under normal conditions, survives on very slim margins and this differential is not sustainable into the near future. In fact, 60% of the programs indicate they will need to lay off or furlough staff between 3-6 weeks from now. If this happens, more centers will have to cease operating, which would reduce child care access.

Local data mirrors national statistics and the longer-term consequences are dire. Approximately two out of five respondents to a national study —and half of those who are minority-owned businesses—are certain that they will close permanently without additional public assistance [https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/holding\\_on\\_until\\_help\\_comes.survey\\_analysis\\_july\\_2020.pdf](https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/holding_on_until_help_comes.survey_analysis_july_2020.pdf)

Texas data from this study indicates:

- 34% of child care programs are certain that, without additional public assistance, they will close permanently.
- 90% of programs are paying more for cleaning supplies; 75% for personal protective equipment; and 65% are paying more for staff and personnel costs.
- 44% of programs responding to the survey have engaged in furlough, pay cuts, or layoffs
- Assuming they are operating at 80% of capacity or less, 48% of programs responding to the survey expect to close within six months, if they don't receive additional public support.

When local school districts are closed, families often rely on this child care sector to meet the needs of school age children during weekends, holidays and summer. As our local school districts extend virtual learning into the fall months, there may be an increase in need for child care capacity without capacity or funding.

The \$1 million in child care relief grant authorized from the City of Austin opened to applications on July 21, 2020. Within 24 hours there were more than 155 applications started. The entire \$1 million allocation to childcare providers was expended by August 3, 2020. The average grant award was roughly \$16,000 per provider, but given the operational costs associated with COVID compliance, these grants will not be enough to sustain providers through a continued pandemic. Moreover, this initial round of funding prioritized providers that serve low-income families, but many of the providers that make up the childcare system as a whole were not served by this grant program, and they are also in danger of bankruptcy or shutdown. Additional information about this grant funding:

- United Way ATX declined only 35, but 126 abandoned the application in progress, likely because they realized that they were not eligible (because they didn't serve children in the subsidy system).
- This was a reimbursement grant, so it only supported expenses incurred between March 1 and submission of the application in July. However, centers are *still* having to meet the more rigorous health and safety protocols, meaning they will continue to have losses in the coming months.

- Three applicants recently filed for bankruptcy. Anecdotally, when called to seek clarification on different parts of their applications, many directors said they will not be able to continue going for more than a few months at best. Directors/owners are spending a significant amount of time trying to weave together various funding streams and the time and effort involved in that is significant and causing additional strain on the system.
- The \$1 million funding prioritized centers that serve low-income families receiving child care subsidies. Many ineligible center directors noted that while they don't serve low-income families, their staff members make less than \$16/hour and they are the ones that are being laid off now.

**Without Long-Term Support:**

Without some relief for the child care sector, our community faces long term negative impacts on both the economy as well as educational outcomes for a generation of children.

Austin/Travis County has created a Master Community Workforce Plan to create more than 10,000 middle skill jobs and move thousands out of poverty. However, lack of accessible and affordable child care is a barrier to the creation of middle-skill employment in Austin and across the nation.

***“Among the nonworking poor with young children, 70% cite lack of child care as a key reason they are not in the workforce.”***

Insufficient child care negatively impacts parents, employers, and taxpayers. When families do not have the child care they need, parents’ work productivity falls, resulting in costs to parents, their employers, and ultimately taxpayers. ([Ready Nation Report](#))

In Austin, **60%** of children under 6 have all available parents in the workforce. National studies indicate the aggregate economic cost of the lack of access to quality care:

Cost to Parents: \$37 Billion	Cost to Businesses: \$13 Billion	Cost to Jurisdictions \$7 Billion
Lost earnings now due to lower productivity and less work experience	Lost revenue from lower output	Lost 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  In the healthcare sector, many individuals are leaving the workforce entirely because of the cost and burden associated with finding quality and safe child care	Lost future tax revenue from lower economic activity

It is essential to ensure that we build the supply of child care and ensure that the child care supply is funded to provide high quality care. Yet, access without quality does not achieve our goals. We must require quality.



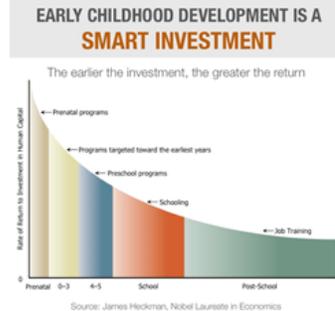
## Quality Matters

High quality child care increases Kindergarten Readiness  
**\*Less than 50% ATX children are K-Ready**

Kindergarten Readiness predicts 3<sup>rd</sup> grade reading

Investing in quality **reduces** expenses in intervention, Special Education & retention

ROI = **\$13.7** per every dollar invested



Efforts to build and sustain a robust supply of high quality child care will require effort and investment at all levels of public funding as well as private investment from both the business and philanthropic sector.

### STATE AND FEDERAL ADVOCACY OPPORTUNITIES

The City Council’s Legislative Affairs Cabinet has urged for child care funding and increased federal share of Medicaid costs (FMAP) to its federal delegation. Additional calls and continued advocacy at the State and Federal Level for Immediate and long-term needs should be considered in the following areas:

#### Texas Workforce Commission

- Maintain the enhanced reimbursement rate (25%) for child care subsidies to meet increased costs of care under recommended health and safety guidelines
- Expand subsidy funding for full day child care needed for school-age children in event of virtual instruction (funding only exists for part-day child care for school age children).
- Implement Texas Rising Star Workgroup recommendations including increasing reimbursement rates to align with the true cost of quality. Currently funding allocations to Local Workforce Development Boards result in the unintended consequence of reducing access to child care when the quality of care is higher. The Capital Area Workforce Board area has one of the highest rates of TRS-rated centers, and the reimbursement costs for children enrolled in these centers is higher. Rather than allocating a higher percentage of dollars to support quality care, the Texas Workforce Commission instead reduced the target number of children to be served because of the higher costs per child. This is a disincentive for regions to improve quality for the sake of access and will result in higher costs to public education for children who do not enter school with the foundational skills needed to succeed because they didn’t have access to quality child care.

#### Governor’s Office/Senate Finance Committee

- Release the remaining \$171M in CARES funding for child care for essential workers, enhanced rates, and stabilization of the sector during anticipated ongoing disruptions and enhanced operational costs (operating at 50-70% capacity with increased staffing and supply costs) to mitigate risk of community spread during the next 6 months.
- The State should prioritize efforts to improve coordination and integration of early care and education programs using recommendations in the Bipartisan Policy Center report.

**Federal Government**

- Include significant child care relief funding in future pandemic relief packages (such as the Federal Child Care and Education Relief Act). There is bipartisan support for child care stabilization funds, but we need Senators on both sides of the aisle to prioritize child care stabilization funds in the next COVID-19 relief package. Democrats have proposed a \$50 billion stabilization fund for relief and recovery. Republicans introduced a resolution calling for \$25 billion for child care stabilization. (Letter from Dallas Chamber). One concern raised is that, like Texas, other states haven't spent all of the CARES funding allocated for child care, so they are hesitant to authorize additional funding.

**CARE AND EDUCATION FOR SCHOOL-AGED CHILDREN**

Given the evolving nature of this pandemic, current discussions with those directly impacted are underway. Needs identified in these community conversations may lead to additional funding considerations.

COVID-19 is disrupting educational and child care plans for parents with children of all ages. Area school districts are offering parents the choice to have their children attend school either in person or do virtual learning. Some districts may offer a hybrid of these two options. Many parents are planning to or would like to have their children attend school remotely, rather than in person due to concerns about the spread of COVID-19.

Parents who are able to work from home are more easily able to choose remote learning for their children, although this arrangement can pose challenges to parents who are trying to work while providing the supervision, care, assistance, and attention children need to succeed with remote learning. Remote learning is an even more challenging consideration and may be an impossibility for many parents who are unable to work from home and cannot be there to provide that care and assistance to children doing remote learning. Of note, child care teachers have expressed concern about covering the cost of care for their own children when they are doing remote learning.

**EQUITY IN CHILD CARE AND EDUCATION**

Given the especially difficult context in which this school year will take place, a series of community conversations have arisen, sparked by the interests of parents and community members around what supports are needed for an equitable return to school this year. The conversations also focus more broadly on how to increase equity in child care and education. The collaborative that has formed from these conversations is called [Equity in Pandemic Child Care and Education](#). These conversations of the collaborative are focused on children from birth to age 18 and are striving for deep community engagement to elicit the needs of families. Areas of focus that have been identified are: communication, child care, social and emotional health, public health, public school stabilization, school reopening, stabilizing families, remote learning, pods, and organizing and advocacy.

**Equity in Childcare and Education - Draft Issue Areas for Consideration 8/3/2020**

<ul style="list-style-type: none"> <li>• Amplifying community voices</li> <li>• Better communication from/with the school district</li> <li>• Providing information to school communities</li> <li>• Media engagement</li> </ul> <p><b>Communication</b></p>	<ul style="list-style-type: none"> <li>• Childcare Age 0-4</li> <li>• Child and youth supervision 5-18</li> <li>• Childcare subsidies and funding</li> </ul> <p><b>Childcare</b></p>	<ul style="list-style-type: none"> <li>• Addressing trauma</li> <li>• Child &amp; youth socialization</li> <li>• Compassionate curriculum and expectations</li> </ul> <p><b>Social &amp; Emotional Health</b></p>	<ul style="list-style-type: none"> <li>• Controlling the spread of COVID-19</li> <li>• Protecting public and school community health</li> </ul> <p><b>Public Health</b></p>	<ul style="list-style-type: none"> <li>• Keeping students enrolled</li> <li>• Public School funding</li> <li>• School privatization issues</li> <li>• Identifying near term actions that build toward the long-term vision</li> </ul> <p><b>Public School Stabilization</b></p>
<ul style="list-style-type: none"> <li>• Delaying school start date</li> <li>• Regulatory uncertainty at the state level</li> <li>• Safe school reopening procedures</li> </ul> <p><b>School Reopening</b></p>	<ul style="list-style-type: none"> <li>• Mutual aid</li> <li>• Direct financial assistance from govt &amp; institutions to families</li> <li>• Food insecurity</li> <li>• Housing instability</li> </ul> <p><b>Stabilizing Families</b></p>	<ul style="list-style-type: none"> <li>• Internet access</li> <li>• Technology &amp; device access</li> <li>• Special education</li> <li>• Remote learning supervision/tutoring</li> <li>• IT support services for families</li> <li>• Support for teachers</li> </ul> <p><b>Remote Learning</b></p>	<ul style="list-style-type: none"> <li>• Family matching</li> <li>• Subsidies</li> <li>• Alignment with the district</li> </ul> <p><b>Pods</b></p>	<ul style="list-style-type: none"> <li>• Creating authentic relationships among community members</li> <li>• Coalition building: students, families, teachers, school staff, community orgs, institutions, government</li> <li>• Local, state, and federal advocacy</li> </ul> <p><b>Organizing and Advocacy</b></p>

With regard to children birth to age 5, there is synergy between the topics of focus in these conversations and the initiatives of the community's Success By 6 coalition around barriers to accessible, affordable, high-quality child care; supports for families with young children; and advocacy for equitable systems change.

There may be opportunities to unite these efforts with other community coalitions such as the [Success By 6 Coalition](#), [Community Schools](#), [Kids Living Well](#) (formerly the Travis County Child and Youth Mental Health Planning Partnership), and the work of [Family Opportunity Road Map 2-Generation initiative](#) to further progress toward common community goals and elevate the voices of communities directly or negatively impacted.

City staff from various departments have been and will continue to be actively engaged in these conversations with community members and staff can update the Mayor and Council as efforts move forward.

### CHILD CARE SUBSIDIES FOR SCHOOL AGE CHILDREN

Some licensed child care programs that primarily provide care for children ages birth to 5 and usually only provide after-school care for school-age children, are planning to offer care for school-age doing remote learning. Some parents in the community may choose this option and pay the program's tuition to enroll their child.

Federal child care subsidies for school-age children generally support after-school and summer/holiday care and normally it is prohibited to use subsidies to provide school-age care during the school day. However, the federal Office of Child Care is expected to issue guidance soon that will allow the Texas Workforce Commission to authorize full-day child care subsidies for school age children. With this change, subsidies cannot be used to replace school or to deliver the actual education/instruction, rather, this will allow child care providers to supervise, support, and provide care for remote learners receiving a subsidy.

This could help families with low income who would prefer to have their school-age children do remote learning in smaller child care program settings rather than in a larger school setting. However, there is still a cost (known as "parent share of cost") for parents receiving child care subsidies. Also, if additional funding is not allocated to support this new subsidy, it may not help more children be served with subsidies given the current waitlist.

### PARENT-INITIATED LEARNING PODS

Some parents around Austin are forming or seeking to form learning "pods" with other families, many of which will be located in private homes. These pods may take a variety of forms, including but not limited to:

- Facilitated pods- a facilitator, who may or may not be a certified teacher, supervises and assists children while they engage in their school's remote learning activities
- Co-ops- parents from two or more families take turns hosting all the children in their homes for remote learning
- Micro-schools- a certified teacher teaches the children who may not be enrolled in a formal school or using a school's remote curriculum
- Family, Friend, and Neighbor care- an informal care arrangement with a family member, friend, or neighbor to care for school age children from one or more families during the day

In many of these arrangements, families are planning to hire and pay for a facilitator, teacher, family member or friend to be with the school-age children and guide their learning. Furthermore, remote learning requires access to technology (i.e. computer, tablet, internet access). For these reasons, this arrangement is not accessible to most families with lower income as a substitute for the free care and education public school provides.

[StrongerTogetherATX](#) is one parent-initiated group that has formed to help connect families with learning pods and "with alternative temporary or long-term learning support regardless of their ability to pay."

Just as there are health concerns related to COVID-19 with children going back to school, there are health considerations related to families forming pods. APH plans to draft guidance for families forming learning pods about health and safety considerations parents should be aware of and measures that can be implemented to mitigate the spread of COVID-19 in pods.

Additionally, grassroots efforts to connect families who may not know each other to form learning pods have positive intentions of supporting working parents and their children during a difficult time. At the same time, it brings up potential safety concerns. Austin Public Health and the Austin-Travis County COVID-19 Child Care and Schools group inform families participating in learning pods about child care licensing and background check processes that could help to mitigate safety risks to children.

### DIRECT ASSISTANCE TO FAMILIES WITH CHILDREN

Another item for consideration is to provide direct assistance to families with low income who have children and have been impacted financially by the pandemic. This would help families with young children and elementary-school age children who may be having difficulty paying for child care, may have increased child care expenses due to COVID-19, and may be facing other financial hardships in meeting their basic needs due to the pandemic. In Austin-Travis County, there are 30,916 children aged birth through 11 living in households at 100% of the poverty level. If families were given \$500 in assistance per child, the cost of this support would be \$15,458,000.

### CITY OF AUSTIN COLLABORATION WITH AUSTIN ISD

The Austin ISD (AISD) School Board voted to postpone the school year start until September 8, 2020. With three weeks of virtual teaching planned and a petition for additional weeks of virtual teaching being worked upon, the Austin Parks and Recreation Department (PARC) and the Austin Public Libraries (APL) are working closely with Austin Independent School District to best support the return to school. PARC and APL have made immediate plans to assist AISD outlined in the memo from PARC Director and APL Director to Mayor and City Council on August 11, 2020 to do the following:

- Libraries and PARC are working to host additional Travis County voting locations mid-October through early November to help relieve AISD of that burden. Several locations have already been identified, including the Central Library.
- APL facilities have been identified to serve as in-person tutoring and/or pod locations to be operated through the Victory Tutoring Program grant.
- PARC is currently vetting the possibility of hosting Educational Pods in PARC facilities to assist AISD, should school capacity become an issue. Such an arrangement could help AISD maintain the smaller group sizes needed to ensure physical distancing among children and teachers to mitigate the spread of COVID-19.
- PARC has agreed to support AISD in the form of after-school outreach programs at agreed upon AISD locations.
- PARC and Libraries will work with AISD to help send out joint messaging about all of these community opportunities once confirmed.

## CONCLUSION

The areas included in this response have emerged as urgent challenges brought on by COVID-19 that need to be addressed. Not addressing these problems will compromise the health and well-being of our families as well as the economy. It is also an opportunity to build back better.

***“It is easier to build strong children than to repair broken men” – Frederick Douglass***

## APPENDIX

**Success By 6 Strategic Plan and Leadership Team:** <https://www.unitedwayaustin.org/success-by-6-plan/>

**ROI Calculation for investment in early care and education:** <https://heckmanequation.org/>

**Early Childhood Workforce Index:** <https://csce.berkeley.edu/files/2018/06/2018-Index-Texas.pdf>

**The COVID-19 Pandemic & Austin Child Care Centers: Impact, Reaction & Survival, a survey of child care programs in the Austin area and Travis County conducted in late June and early July 2020 at the request of the City of Austin and the Austin Chamber of Commerce,** <https://uh.edu/hobby/austinsurveys/austin-survey-reports/hobbyschoolchildcarecenterreport.pdf>

**Staffed Family Child Care Networks: A Path Towards a Stronger, More Sustainable Child Care System July 2020** <http://allourkin.org/sites/default/files/All%20Our%20Kin%20Staffed%20Family%20Child%20Care%20Networks%20Brief%20-%20FINAL.pdf>

### Local Child Care Cost Modeling Detail:

- The Federal Reserve Bank of Minneapolis conducted an analysis of the impact of pandemic related operational changes on child care program revenues and costs and found that classrooms experienced a significant net-income loss as a result. <https://www.minneapolisfed.org/article/2020/how-a-covid-19-10-person-group-limit-affects-minnesotas-child-care-providers>
- United Way Success By 6 used this analysis as an example and analyzed the impact of operational changes on Austin/Travis County child care programs using the same model and the same [U.S. Department of Health and Human Services Provider Cost of Quality Calculator](#). The hypothetical child care program size aligns with the size of average providers in Austin/Travis County. In addition, the model based expenses (salary, facilities and utilities, etc.) on Texas averages provided by US Health & Human Services. Rates for revenue (subsidy/tuition) were the Texas Workforce Commission daily rate for a Texas Rising Star 4 Star Center in the Travis County region. This rate is set to align with approximately 75% of the market rate in the area.
  - Given the high cost of living in Travis County, it is likely that our cost /expense assumptions (based on Texas average) are lower than most programs have.
  - Often child care programs have a higher tuition rate for private pay families than they receive as reimbursement from subsidies. It is possible that revenue assumptions for the programs that mostly serve families on subsidies are close, if not too high. For child care programs that enroll a higher percentage of private-pay families, the revenue assumptions may be too low.
- Applying this model using the tool, we estimate that increased costs for implementing recommendations for health and safety are approximately \$200-\$900 per child per month.
  - Hypothetical center: assumed 2 infant, 2 toddler and 3 preschool classrooms
    - Scenario 1 applies licensing ratios (all other things equal)
    - Scenario 2 applies group size and ratios based on the [Governor Open Texas Checklist for Child Care Centers recommendations](#)
    - Scenario 3 applies a 10 person limit in each room based on national best practices to reduce the spread of COVID-19
- None of the scenarios include assumptions of increased cost of supplies (health, safety, and cleaning) or increased wages (hazard pay) for staff due to COVID-19.
- Full detailed calculation spreadsheets are available.

**The child care stabilization grant recommendation aligns with estimates based on comparable action in other states:**

- Hunt Institute <http://www.hunt-institute.org/covid-19-resources/state-child-care-actions-covid-19/>
- Alabama: \$300 per child
- Alaska: Funding per child: \$100/infant, \$75/toddler, \$50/preschool, \$25/school age
- Georgia: Funding per-child rate based on subsidy rate
- Illinois: <https://www.ilgateways.com/docman-docs/financial-opportunities/covid-19-relief/1971-child-care-restoration-grant-info-page/file> Child Care Restoration Grants – funding TBD based on “intent to apply”
- Minnesota: Fixed: Family Child Care = \$1,200/ month; licensed centers \$8,500/ month

**For more detailed information on the business case for increased support for high quality early care and education, refer to:**

- US Chamber of Commerce Foundation: [Untapped Potential: Economic Impact of Child Care Breakdowns on US States](#)
- Ready Nation: [Want to Grow the Economy? Fix the Child Care Crisis](#)
- US Chamber of Commerce Foundation: [Workforce of Today, Workforce of Tomorrow](#)