

Assembly Child Care Committee

Final Report

April 19, 2019

The Mayor has charged this committee with the following:

“The purpose of the committee shall be to accomplish the following tasks:

- a) Provide, to the Assembly, a framework of options for addressing the two key questions:
 - a. Should childcare be part of the core municipal funded activities? and
 - b. To what extent, if any, should education be part of child care?”

In addition the charge stated:

“If either or both of the questions in #1 above are recommended in the affirmative, the committee is requested to provide analysis and recommendation of alternative implementing approaches. The Best Starts proposal is one approach, the "do nothing option" is a second approach. The committee is requested to develop and consider other options with other financial costs.” As a result of many meetings since December 2018 the Committee has looked at the current issues in Juneau. Providers and the Best Starts group have given testimony, presentations, and panel discussions to aid the committee.

The committee, in the draft problem statement found:

Juneau’s child care issue is not a single problem. The problem covers a range of issues from capacity, to costs, to quality, and access to a sustainable level of funding. Traditionally in Juneau the role of setting standards and subsidies has been a State of Alaska responsibility and to some extent a Federal Government as employer issue.

Juneau currently has a true lack of affordable, high quality preschool and child care. We lack the capacity to meet the demand. This was recognized in the Juneau Economic Development Plan. Under the Initiative: “Attract and Prepare the Next Generation Workforce” was Objective 2. “Increase availability of child care year round, with an emphasis on Kindergarten readiness.”

There are approximately 2400 pre-K children in Juneau, 1300 of whom participate in a child care program. Approximately 486 do not receive child care services for pre-K children due to cost, quality, or availability issues¹. Over 550 households report restricted employment opportunities due to inadequate access to child care services for pre-K children.²

The business model for childcare in Juneau appears to be unsustainable and/or insufficient (due to the significant unmet need) without direct (monetary) or indirect (typically building expenses) subsidies provided outside of revenues generated from

¹ McDowell Group. [Alaska’s Early Care and Learning Dashboard](#) – accessed 15 April 2019

² McDowell Group. [Best Starts Economic Analysis](#) – 25 May 2017

fees³. Additionally, in Juneau, child care costs for infant, toddler, and pre-school aged children exceeded State subsidies for low income households⁴.

Early on in this process the committee discussed the issues of capacity and quality and how they relate to any recommendations brought forward. The committee adopted the following definition:

“Child care: the care of children age birth through 5 outside of their home in a setting that strongly supports the child’s learning and enables parents to go to work with peace of mind.”

The committee is in agreement that quality of child care is important and all recommendations should understand that quality care is the ultimate goal for any contribution by the City and Borough.

The committee has identified capacity (the number of licensed childcare slots) as the most immediate and pressing issue for working families. Our recommendations are made with the realization that capacity building efforts must also consider quality assurance in order to meet our definition of child care; which accounts for allowing parents to work with peace of mind that their children are in safe and healthy learning environments.

Based on our work the committee makes the following recommendations. The committee defines short term as within one year and long term as more than one year. The committee presents these recommendations as a set of recommendations that can be enacted individually or in whole, with no prioritization.

Recommendation #1 – short term. The CBJ needs to identify what, if any, public facilities might be used to provide child care.

Public facilities could be school facilities and any other suitable publically owned facility. We understand the Mayor has asked the Joint Assembly and School Board facilities committee to begin this review of school facilities. CBJ staff should additionally work to identify opportunities in public facilities that may exist outside of the school district.

The committee understands that each building needs to be evaluated on its current use and whether it or any portion of it may be made suitable for childcare for children of varying ages, including infants and toddlers.

Once facilities have been identified the CBJ needs to review and prioritize these facilities based on:

- Immediate use
- Appropriateness for age group of targeted children
- Overall capacity

Use of public facilities would allow for an operator to have low to no cost facility expenses.

³ Bright Horizons. [Child Care Center Cost Estimates](#) – January 2014

⁴ State of Alaska, DHSS. [Alaska Child Care Market Price Survey Report](#) – 2017

Public facilities may also allow for large or magnet centers to develop that could take advantage of economies of scale and allow for central care for all age ranges.

The committee envisions a process (under guiding CBJ ordinances and regulations) to lease out these facilities or parts of the facilities to licensed childcare operators at below market value. The committee envisions a competitive bid process for these facility spaces.

Capacity Impact: Dependent on the facility identified. To optimize operational efficiencies, high capacity facilities should be prioritized before those which limit capacity.

Cost: A potentially lower cost option dependent on facility expenses and facility modifications necessary for licensing. This would also be dependent on the process used for below market leases and what cost would be borne by the CBJ.

Evaluation: Increased capacity in licensed slots. Dependent on the facility selected and RFP process.

Recommendation #2 – short term. Establish a revolving loan fund for use in start-up and on-going programs.

A major issue for expansion of the number of spaces available for child care is the initial cost of setting up a facility. This cost involves a potentially lengthy licensing process. Businesses need to ensure they can cover significant upfront costs well before the revenue generating activity of the business begins.

The committee also recommends that existing programs be permitted to apply for loans for needed modifications, major renovations and expansion. Dependent on level of funding and the size of the loan funds these loans to existing programs would be a lower priority than loans for start-up programs, unless the existing program(s) were demonstrating increasing capacity through their loans.

Both grants and loans were discussed. Loans were a preference to ensure accountability of the provider to work towards opening and to maintain sufficient income to repay the loans. Loans should be at non-competitive low to zero interest rates. The committee recommends that a process for loan forgiveness be considered that will assist in maintaining quality childcare.

Capacity Impact: Increased capacity in licensed slots by 30 – 75 slots per loan. Reduced the time for a program to open their doors. May directly incentivize business growth.

Cost: Dependent on Assembly appropriation. The committee recommends loans up to \$50,000, with initial capital investment equally to no less than loan amount multiplied by 4. Capital investment may be from either the owner/operator or in-kind from a facility sponsor. The committee recommends the initial CBJ contribution to the loan fund be \$150,000. Child care centers are currently eligible for start-up business loans through JEDC. The committee recommends the additional \$150,000 be added to JEDC's loan fund and that this additional money be loaned in accordance with committee recommendations regarding interest rates and terms. Given the forgiveness element of this recommendation, periodic re-capitalization of this fund would be necessary.

Evaluation: Number of loans secured, default rate. Number of new child care slots licensed in Juneau.

Recommendation #3 – short term. In FY20 the CBJ fund existing child care and early education programs.

The CBJ currently contributes resources for child care and early education programs. These include the Kinder Ready programs in the Juneau Schools and the Hearts initiative operated by AEYC. The committee does not want to diminish support to those programs despite the possible budget issues arising from the proposed State operating budget.

As part of that desire we should look to expand the Hearts Initiative. This initiative is clearly targeting workforce development issues such of training, retention and skill enhancement for those working in childcare programs in Juneau. This must be an ongoing process to assure that as capacity expands there is a qualified and stable workforce available to licensed operators.

A separate recommendation is that, in the FY20 budget process, the Assembly maintain the level of funding to the Juneau School District for PreK/Kinder Ready at the current level. The committee feels that making this part of the ongoing funding to the Juneau School District is important, should be maintained, and increased if funding is available.

Capacity Impact: Indirect via employee turnover rates. Child care business operators have cited staff turnover as their most significant challenge for maintaining the current capacities.

Cost: FY 19 = \$90,200 for Hearts. FY 20 Hearts proposal is \$180,000.

Evaluation:

- Turnover rate for Hearts Award Recipients (2014, 38%, 2015, 26%, 2016, 9%), with an annual target of 0 to 20%.
- Total Hearts Award Recipients (Dec 2018, 32, anticipated 19 additional in FY 20), which is indicative of building capacity in the workforce.
- Movement towards Tiers 2 and 3 in the award levels (in FY19: 9 @ Tier 1, 4 @ Tier 2, 8 @ Tier 3). More Hearts Award Recipients at Tiers 2 and 3 is indicative of higher wages.

Recommendation #4 – long term. The Best Starts model be funded with some structural changes to clearly delineate how the program would prioritize increasing capacity until child care demands are fulfilled. (FY21)

The delay in funding would allow the CBJ to do the inventory of public facilities and to manage renovations, changes and/or issuing RFP's for operators of the centers. It would also allow for the CBJ to understand the possible budget implications from the State for the school district and for other services that support the childcare programs. Funding provided under this recommendation is contingent on supporting the immediate goal of increasing capacity.

Modifications to the Best Starts model could consist of:

1. Per-child funding for all child care businesses that are enrolled in the Learn and Grow program with a commitment to continuous quality improvement. Graduated levels of funding based on quality measures will be designed by Best Starts prior to implementation.
2. Leading up to program implementation, determine the fiscal and policy agents. Potential agents include the Juneau School District, the CBJ, and/or AEYC/thread. Ensure AEYC/thread plays a collaborative role with the policy agent if it is not the policy agent itself. During FY19, the City Manager will need to determine the level and location of policy support needed for this program.
3. Determine levels of funding under Best Starts based on criteria established at the on-set of the program. Criteria such as increased capacity, licensure, involvement with Learn and Grow, assistance for in-home care providers as well as large childcare centers and how those might be apportioned, etc. (see notes under cost?)

Capacity Impact: Per-child funding to providers would increase capacity by providing a stable foundation upon which businesses can maintain quality child care environments and pay higher wages to improve employee retention rates.

Cost: The committee recommends that after identification of the fiscal policy and after evaluation of short-term recommendations the Assembly appropriate in FY21 \$800,000 for Year 1. This amount is the committee's best estimate based on the current available information and policy direction. The committee recommends that in implementing this program staff analyze the impact of funding all programs enrolled in Learn & Grow. This could result in scaling of per-child costs related to level of care within the Learn & Grow framework. The committee also recommends the Assembly commits to annual increases over a five year period if the capacity of quality child care is increased under the model developed.

Evaluation: Increase in number of quality licensed child care slots by 20% for ages 0-5 (current licensed capacity is approximately 412). Understanding that costs are higher, the committee desires that a focus on infants and toddler care be emphasized.

Recommendation #5 – long term. With the FY21 budget to the Assembly, the CBJ Administration present an implementation plan for Recommendation #4.

If the first three recommendations have been accomplished, then the committee recommends the CBJ look at the level of funding for Best Starts as in Recommendation #4. To that end the CBJ Administration would need to identify the level of funding and the actual program to be implemented.

In addition, policy support is required to identify the structure of that support and cost for that support. This should be included in the FY21 budget documents.

Cost: The committee recommends the Assembly direct the City Manager to make a budget request in FY20 to develop the FY21 implementation plan.

Terminology and References

SEA-AEYC – Southeast Alaska Association for the Education of Young Children. Often referred to as “AEYC.” This association serves as an umbrella organization for educators, families, and community members interested in the association’s mission of, “promoting high-quality learning for all children, birth through age 8, by supporting all who care for, educate, and work on behalf of young children.” SEA-AEYC is part of the thread Network in Alaska. SEA-AEYC is an affiliate association of the National Association for the Education of Young Children (NAEYC).

Hearts Initiative – This is a program of SEA-AEYC that was initially funded by the CBJ Assembly in 2012 and annually thereafter. It seeks to build a stronger workforce in licensed child care programs through recruitment and retention of qualified early childhood educators. It does so primarily through financial awards to early childhood educators working in licensed child care programs on a tiered system based on their individual level of training and education.

thread Network – The thread Network is composed of three organizations, SEA-AEYC (for Southeast Alaska), Thrivalaska (for Fairbanks and the Northern Interior region) and thread (for all other regions and Statewide coordination). This network and these organizations provide referral services between families and child care providers. They partner with the State of Alaska’s Child Care Program Office to connect families who qualify with child care assistance benefits which are primarily funded by the federal child care and development block grant.

Alaska’s Early Care and Learning Dashboard – Footnote 1. A web-based resource authored by the McDowell group and sponsored by the thread Network. Includes statewide information by census / borough area on 1) supply and demand for early care and learning services, 2) cost of licensed early care and learning services, 3) school readiness. Data is based on children ages birth through six.

https://public.tableau.com/profile/dan.lesh#!/vizhome/thread_1_2/AlaskasEarlyCareandLearningDataDashboard

Best Starts Economic Analysis – Footnote 2. A memo authored by the McDowell Group and sponsored by the Best Starts group to provide a Juneau specific economic analysis of the broader economic impact of implementation of the Best Starts proposal. This analysis found that investment in early care and learning would, dependent on the size of the investment, show returns in annual disposable household income, additional family spending on early care and learning services, additional local jobs, and new labor income.

<https://3tb2gc2mxpvu3uwt0l20tbhq-wpengine.netdna-ssl.com/wp-content/uploads/2018/11/2017-05-25-Best-Starts-Economic-Analysis.pdf>

Child Care Center Cost Estimates, Bright Horizons – Footnote 3. A cost estimate presented to SEA-AEYC by Bright Horizons, a national child care provider in 2014.

<https://3tb2gc2mxpvu3uwt0l20tbhq-wpengine.netdna-ssl.com/wp-content/uploads/2018/11/2014-01-29-AEYC-Southeast-Alaska-Center-Cost-Estimate.pdf>

Alaska Child Care Market Price Survey Report – A report authored by the State of Alaska, Department of Health and Social Services, Child Care Program Office in 2017. This report collects current provider prices for child care to evaluate the child care assistance rates provided by the State, through the federal block grant funding. This report also assists in understanding the child care markets throughout the State. A 2019 update is in process.

<https://3tb2gc2mxpvu3uwt0l20tbhq-wpengine.netdna-ssl.com/wp-content/uploads/2018/11/2017-Alaska-Child-Care-Market-Price-Survey-Report.pdf>

These and additional related resources are also available at:

<https://beta.juneau.org/assembly/assembly-childcare-committee>