

Strategies for Local Investment in Early Child Care

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Children's Funding Project Work Group*

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Agenda

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About the Children's Funding Project Cohort

- CFP is a national nonprofit that helps communities expand equitable opportunities for children and youth through strategic public financing.
- 17+ months in a cohort of municipalities nation-wide
- Austin Work Group comprises members of City and County agencies, elected officials and their staff, WFS Capital Area, United Way for Greater Austin, and additional child care stakeholders

Additional Background

- **35+ years of community engagement**

Success by 6 Coalition, Austin Early Childhood Council

- **Lessons learned from the pandemic and ARPA investments**
- **Urban Institute study on nontraditional hour care and subsequent pilot**
- **CFP Cost Modeling**

The Case for a Significant Investment in Child Care

- Workforce
- Affordability
- Accessibility
- School Readiness
- Market Failure
- Equity
- Social Returns

“The business model for child care, which is a market-based system, is broken.[...] Bottom line – it is almost impossible to deliver sustainable, high-quality, full-day, year-round child care for infants and toddlers at a price that families can afford or are willing to pay.”

- “Child Care and Economic Development,” TXP, Inc. (Dec 2023)

Recommended Investment Strategies

We propose four strategies to stabilize the industry and increase access to affordable, high quality child care for families in our community:

1. Subsidize birth through age 3 contracted slots
2. Expand nontraditional hour care
3. Build quality and capacity
4. Create a business-government alliance

Strategy One: Subsidize Birth through 3 Contracted Slots⁶

- What are contracted slots? *Guaranteed capacity*
- Pay for the true cost of quality care. *\$20/hr minimum wage, full benefits*
- Why focus on 0 through 3? *Best for brain development, most underserved, biggest market failure, worsening situation*

Strategy Two: Expand Nontraditional Hour Care

- NTH care is provided during early mornings and evenings, overnight, or during weekends when standard child care programs are closed
- Austin's supply of NTH care serves only 25% of need
- NTH care would benefit children of all age groups from families of all income levels

Strategy Three: Build Quality and Capacity

Four tactics:

1. **Shared services** (“hubs”) – *expand current ARPA-funded efforts*
2. **Child care workforce capacity building** – *expand current efforts*
3. **Training and quality for family -based programs** – *expand current efforts & adopt innovative new programs*
4. **“Gap funding”** & the importance of working with, not against, WFS – *make WFS rates more competitive*

Strategy Four: Create a Business-Government Alliance

- Incentivize businesses to contribute to the cost of child care for employees by matching public funds to employer contributions, up to 50% tuition cost
- Adapt Michigan and Kentucky models and Proposed Texas HB 3771 models

Cost of Implementation

We recommend holding a Tax Ratification Election (TRE) in November of 2024 to fund our proposed strategies

Strategy	Estimated Cost (\$Millions) City / County
Birth Through Three Contracted Slots Scholarship/Subsidies	25 / 34.8
Expand Nontraditional Hour Care	5.8 / 6.4
Build Quality and Capacity	6.4 / 8.3
Create a Business-Government Alliance	4.2 / 4.9
Governance, Administration, and Evaluation	5 / 6.5
Total	46.4 / 60.9

TRE Projections for FY25 (City / County)

These projections are estimates based on numbers provided by City and County staff to date

FY25 Property Tax Rate Increase	Projected FY25 Property Tax Revenue (\$ millions)	Projected FY25 Typical Homeowner Annual Impact (\$)	Projected FY25 Typical Homeowner Monthly Impact (\$)
0.02	49.4 / 61.4	87.92 / 97.91	7.33 / 8.16
0.03	74.1 / 92.1	131.87 / 146.86	10.99 / 12.24

Preliminary - subject to community input, refined budgets

Significant Local Impact if Passed

- **Job creation and economic development** (3551 City, 4559 County)
- **Improved quality of life** (income uplift; over 40K families impacted over 12 years)
- **Stronger businesses** (reduced turnover and absenteeism)
- **Long -term social returns**

Administration and Governance

- **Administering body** to distribute funds and implement programs (e.g. HHS)
- **Oversight body** empowered with accountability and quality assurance tools (e.g. Commissioner's Court)
- **Advisory board** composed of local experts, providers, and parents
- Regular **independent evaluations** and a timeline for reauthorization
- A 10% cap on administrative costs

Discussion