



City and Borough of Juneau
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TO: Deputy Mayor Gladyszewski and Assembly Committee of the Whole
DATE: April 24, 2023
FROM: Robert Barr, Deputy City Manager
RE: CBJ Child Care Programs

CBJ currently partners with Southeast Alaska Association for the Education of Young Children (SEAAEYC) to administer two ongoing grant programs:

- 1) Per Child Stipends – funds delivered monthly to licensed childcare providers to supplement other revenues and increase the probability of fiscal solvency among providers who are not otherwise substantially subsidized.
- 2) Hiring, Educating, and Retaining of Teaching Staff (HEARTS) – twice per year educational incentives awarded directly to childcare providers dependent on their level of education

Each of these programs are included in the FY24 Manager's Budget at their FY23 funding levels, \$625k and \$180k, respectively.

Voters approved an additional \$2.5M of funding over five years in the October 2022 extension of the temporary 1% sales tax. \$400k of this funding will be available in FY24.

Staff have been meeting with AEYC, JEDC, local childcare providers, and have been participating in the National League of Cities "City Inclusive Entrepreneurship" network to receive input and plan for the use of existing and new funding in FY24.

It is worth recalling the stated goals of the Assembly's childcare task force¹ from 2019:

The committee is in agreement that quality of childcare 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 childcare, which accounts for allowing parents to work with peace of mind that their children are in safe and healthy learning environments.

Both goals remain as pressing today as they were at in 2019. Licensed capacity was essentially flat during the pandemic and providers tell us that CBJ funded programs – in combination with federal funding – enabled them to stay open. We saw modest growth in enrollment from 2021 to 2022 (approximately 17% - 234 to 274 slots). For context, local centers were licensed for 429 slots in 2022 – the difference between

¹ <https://juneau.org/assembly/assembly-childcare-committee>

licensed capacity and actual enrollment is attributable to lack of staffing. The closure of Aurora Lights and temporary closure of Gold Creek (now re-opened) are not included in these numbers.

The Assembly has historically funded the per child stipend program at a sufficient amount to account for growth in the sector that we have not yet seen. In FY22 (10/29/21 COW), the staff presented a request and the Assembly agreed to increase stipends in that fiscal year based on the remaining amount available and the licensed capacity of eligible providers.

For FY23, we propose to use the remaining funds for a start-up grant for one – potentially two – new providers. Staff from CBJ, AEYC, and JEDC will solicit competitive proposals from providers and facility owners and select one or two, depending on available funds and funding needs, who commit to long-term provision of services and who are the most likely to succeed based on past experience and business plans. JEDC will serve as the grant administrator. While our first priority for these funds is for new, center-based or large-home based care, we will make a second-round grant available to existing providers seeking to expand or stabilize if funding remains available.

Starting in FY24, additional funds from the temporary 1% sales tax ballot question will become available. Staff, along with our partners, have been participating in the National League of Cities City Inclusive Entrepreneurship network to develop a plan to best utilize this new funding, as well as re-evaluate existing programs. In meeting with other municipal leaders focusing on this work, a major takeaway continues to be that Juneau is relatively alone in the space of significant and direct local funding to the sector. That said, NLC staff have reinforced that our programs make sense in the broader national context and fit the needs that childcare operators face nationwide. We've additionally met with local childcare providers in two recent meetings to listen to their concerns and solicit feedback on existing and potential programs.

After planning and community engagement work, we've concluded that consistency of our existing programs (per child stipends & HEARTS) is important. Local providers broadly voiced support for these programs and note that being able to count on them is a rare element of stability in what is a highly variable business environment. We propose no changes to these programs for FY24 and, likely, FY25, other than potential increases (more below).

With the new funding from the temporary 1% sales tax ballot question, we propose to create a new program for per employee stipends. Employers having the capacity to pay employees well enough to retain them continues to be the most challenging piece of the childcare puzzle. With available funding, we anticipate being able to raise local wages by approximately \$2.5-\$3/hour. It is likely that we will establish a maximum number of employees per operator, based on the mandated staff-child ratios established by the State, for the sake of equity across the sector.

AEYC will add the per-employee application and monthly reporting requirements to the per-child stipend program already in use. In addition to gathering per-employee and per-child data to use for paying stipends to providers, we will collect other operational data to inform a childcare cost estimation model. The State is considering changing from using market-rate surveys (to determine childcare assistance rates) towards a true cost-of-care model. The data we collect through this new program will help us work synergistically with the State, assuming the relevant legislation passes this year. Even if it doesn't, we'll have the data necessary to better understand the true cost of care in Juneau, beyond what the market is able to bear.

In addition to local funding, we have applied for a \$2M grant through *thread* and the State Childcare Program Office (federal pass-through, remaining CARES/CRRSA/ARPA funding) for FY24. If successful, we plan to use this grant to match our existing programs and additionally create a two-year, federally registered, apprenticeship program at AEYC. The goal of the apprenticeship program is to enroll 5 individuals and, through education and direct experience, assist them in gaining the skills and certifications needed to be qualified program administrators.

We won't know the outcome of our grant application until mid to late June. It is probable that we will receive a partial award. In the event of a partial award, our priority is funding to the sector (matching our existing programs). We plan to smooth the funding increase over two years to maintain a consistent environment for our providers and avoid a peak/valley funding scenario.

For context, our FY24-FY28 funding plan without the \$2M grant for childcare broadly looks like this (nb: sales tax growth projections not included):

Revenue Source	FY24	FY25	FY26	FY27	FY28
General Fund	\$805,000	\$805,000	\$805,000	\$805,000	\$805,000
1% Sales Tax	\$400,000	\$500,000	\$500,000	\$500,000	\$500,000
Total	\$1,305,000	\$1,405,000	\$1,405,000	\$1,405,000	\$1,405,000

In our grant application, we've proposed the following for FY24/25, which involves lapsing some FY24 local funds into future years, mostly FY25:

Revenue Source	FY24	FY25	FY26	FY27	FY28
General Fund	\$255,000	\$1,385,000	\$805,000	\$805,000	\$805,000
1% Sales Tax		\$870,000	\$530,000	\$500,000	\$500,000
Fed/State Grant	\$2,000,000				
Total	\$2,225,000	\$2,255,000	\$1,435,000	\$1,405,000	\$1,405,000

Recommendations:

- 1) Discuss whether the Committee supports the approaches outlined in this memo. All local funding described is included in the Manager's proposed FY24 budget and only requires action if the Assembly desires to change funding levels. In the event of a successful grant application, staff will return with a supplemental appropriation ordinance.
- 2) For FY23 changes in expenditure, staff request a motion to re-allocate remaining FY23 per-child stipend funds to create a start-up childcare grant program.