

INVESTMENT & INNOVATION

INCREASING ACCESS TO QUALITY,
AFFORDABLE CHILD CARE BEFORE
AND DURING A CRISIS



Acknowledgements

This report has been generously supported by the W.K. Kellogg Foundation. We appreciate their continued commitment to CHILDREN AT RISK and our mission to improve the quality of early childhood education in Texas.

This report includes data retrieved from the Texas Workforce Commission and Texas Health and Human Services. We thank these agencies for making the data accessible. Additionally, CHILDREN AT RISK thanks the Local Workforce Development Boards, their contractors, and child care providers for participating in the interviews and focus groups used for this report.

We are grateful to the many organizations that provided feedback and assisted with verifying the facts. The interpretations and policy recommendations included in this report are those of CHILDREN AT RISK and do not reflect the views of the funders or state agencies mentioned in this report. A special thanks to our summer 2020 early education interns, Lauren Harpold and Sara Stephens, the Texas Workforce Commission, and Texas Association for the Education of Young Children. Their time and feedback were essential to the success of this work.

Authors

Nneka Ibekwe-Okafor, PhD – Director of Early Education Research and Policy

Mandi Sheridan Kimball, MSW – Vice President & Director of Public Policy and Government Affairs

Kaeleigh Hernandez, MSW – Assistant Director of Early Education Policy

Briauna Derry, AmeriCorps VISTA – Education and Community Outreach

Editing & Design by

Julie Morris, MPA – Director of Media Activism

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Glossary of Terms

Assessors for Texas Rising Star Measure whether child care providers meet Texas Rising Star quality standards. They are typically employees of Local Workforce Development Boards or their contractors.

Child Care Desert A zip code is a “child care desert” if the number of children under the age 6 with working parents is three times greater than the licensed capacity of child care providers in the area.

Child Care and Development Block Grant (CCDBG) The federal funding source for subsidized child care and Texas Rising Star, which is managed by the Texas Workforce Commission. This also pays for child care administration and direct care costs in states. In its March 2018 omnibus appropriations bill, Congress increased CCDBG funding by \$2.3 billion, bringing Texas’s annual funding total to over \$740 million.

Child Care Provider (sometimes referred to as “provider”) Texas has over 15,000 child care providers, also known colloquially as “day cares.” They are often small businesses, nonprofit organizations, or churches and can operate in a variety of settings including homes and centers. A child care center often has a director, who is in charge of day-to-day operations such as managing staff, which can include lead educators, assistant educators, cooks, curriculum development leads, and more. A director can also be the owner of the facility.

Contractor Some Local Boards—especially the larger ones—contract with entities to carry out various aspects of their child care work, such as helping parents locate child care or managing the Texas Rising Star mentor or assessor programs.

Cost of Quality Study A cost of quality study seeks to determine the true cost of operating high-quality child care, by estimating factors that contribute to high-quality standards. Child care market rates measure the price that parents are paying for child care. Yet market rates are often used as a proxy for cost of programming. Quality child care is expensive to provide, and market prices typically represent what parents can afford to pay.

Early Childhood Education (ECE) ECE refers to all birth to age 8 education programs, but this report focuses on birth to age 5 (before all children are eligible for a full day of care and education in the public school system) including child care, Early Head Start, Head Start, and public school Pre-K.

Local Workforce Development Boards (also referred to as LWDBs or Local Boards) The Texas Workforce Commission (TWC) oversees 28 Local Boards; each varies in terms of size and geography. As the operating entities for both the subsidized child care program and Texas Rising Star, Local Boards have significant local control over the day-to-day functions of the programs. Local Boards also exercise independent policy authority in key areas—within modest state parameters— and implement all programs for which they are responsible. Each Local Board has its own executive leadership staff including a chief elected official, Board members, and an Executive Director.

Low-Income The income status of individuals and families with annual household earnings below 200% of the Federal Poverty Level (FPL). For a family of 3 in 2019, this equals an annual income of \$39, 498.

Market Rate Percentiles In the market rate survey, child care prices are reported according to percentiles. For example, the 75th percentile market rate in a local area indicates that 75% of all child care providers in that region charge less than that rate and 25% charge more. The federal government recommends that states reimburse child care providers at the 75th percentile market rate or higher to ensure that subsidy families have equal access to the same quality of care as other families.

Market Rate Survey Child care market rates reflect the prices families pay for child care. Every 1-2 years, TWC commissions a market rate survey of child care providers around the state to measure regional prices in each Local Board area.

Mentors for Texas Rising Star Mentors work with child care providers to help them achieve, improve, and maintain Texas Rising Star certifications. They are typically employees of Local Boards or their contractors.

Public School Pre-Kindergarten (Pre-K) State-funded ECE program offered to eligible 3- and 4-year-olds by public school districts. Texas requires that districts offer full-day Pre-K programs for all eligible 4-year-olds in their areas and also open programs up to 3-year-olds once all interested, eligible 4-year-olds have been enrolled. Examples of eligibility requirements include being economically disadvantaged or an English Language Learner. Participation by eligible families is optional. Districts are also encouraged to expand Pre-K opportunities through partnership with private agencies, known as the Public-Private Partnerships (PPP), model.

Quality Rating and Improvement System (QRIS) Systematic framework used to measure, improve, and communicate the quality of ECE providers across a range of indicators. Most states have a QRIS, and each one is different. A state can spend their CCDBG funding on building and maintaining their QRIS. A QRIS typically covers topics such as curriculum, staff/educator qualifications, nutrition, and a program's physical space. Participation in a state's QRIS can be mandatory or voluntary, or some combination depending on program characteristics. Texas's QRIS is called Texas Rising Star (TRS).

Reimbursement Rates The amounts Local Boards pay to child care providers participating in the child care subsidy program for the care they provide to children receiving subsidies. Reimbursement rates vary by Local Board area, based on local market rates and other factors. Texas reimburses providers at four levels, based on their Texas Rising Star (TRS) certification level: TRS 4-Star providers receive the 75th percentile market rate in their region; TRS 3-Star providers receive 90% of the TRS 4-Star rate; TRS 2-Star providers receive 90% of the TRS 3-Star rate; and all non-TRS providers receive the base reimbursement rate.

Subsidized Child Care Program (also referred to as “subsidies” or “subsidy program”) Financial assistance to low-income parents who are either working or in school and cannot afford child care. The program is targeted to serve approximately 150,000 children in Texas each day (as of September 2019). TWC oversees the program, and it is primarily funded by federal CCDBG money. Less than half of the state’s 17,000 child care providers participate in the subsidy program.

Texas Education Agency (TEA) The state agency that manages the public education system in Texas, from Pre-K through 12th grade.

Texas Health and Human Services Commission (HHS) Delivers health and human services to qualified Texans and oversees regulatory functions, including licensing child care providers through the Child Care Licensing division.

Texas Rising Star (TRS) Texas’s QRIS. It is the state’s only quality rating system for any ECE program, and it is only open to child care providers who accept families receiving child care subsidy assistance. Participation is voluntary. TRS assesses child care programs across 5 categories covering a range of criteria, including staff qualifications, educator-student interactions, curriculum, nutrition, and physical space. Participating providers can be quality certified at three levels: 2-, 3-, and 4-Star by meeting progressively rigorous benchmarks.

Texas Workforce Commission (TWC) The state agency that supports the development of the Texas workforce. Half of their budget is dedicated to the operation and management of the child care subsidy program and Texas Rising Star.

Executive Summary

Exposure to high-quality early childhood education (ECE) is the foundation for future academic success, especially for children from low-income families. Increasing access to subsidized child care is one of the many pathways that Texas is utilizing to provide affordable early educational supports for children from low-income families. Governor Greg Abbott and the Texas Workforce Commission recognize that focusing on quality early care and education provides a promising path forward for our children's educational and economic success and our state's economic competitiveness.

However, increasing access alone is not enough. The quality of these programs is the key to building a child's brain that is primed for future learning. Investing in children from low-income working families is the cornerstone of the Child Care Development Block Grant (CCDBG). CCDBG is the primary federal funding mechanism, intended to support a system of high-quality child care, focusing on meeting the needs of low-income children and families. In 2018, Texas received an historic amount of funding — \$230 million, a 45% increase in funding.

Among many initiatives, the 2018 CCDBG funding was used to raise reimbursement rates, increase access to quality child care, and invest in innovative solutions to care. While many of these efforts accelerated Texas' path towards quality, the destruction of Coronavirus (COVID-19) on the child care industry is likely to diminish such progress if targeted actions and policies are postponed or abandoned.

In this report, CHILDREN AT RISK examines the utilization of CCDBG before and during COVID-19, specifically by focusing on the disbursement of the 2018 funding and the \$371,663,374 in supplemental CCDBG funding through the Coronavirus Aid, Relief and the Economic Security (CARES) Act. The report also describes how CCDBG funding was used to increase reimbursement rates and access to quality child care. In addition, the report explores investment in initiatives such as: shared services, public-private partnerships, contract agreements, an infant toddler network, and the workforce as innovative solutions to stabilize the child care industry. Within each section, we offer policy recommendations essential to improving the quality of affordable child care.



Raising reimbursement rates for child care providers

POLICY RECOMMENDATIONS

GOAL 1

- **Reimburse at higher rates than providers' published prices.**

Many providers publish their rates based on what they think families can afford rather than the cost of quality. Higher reimbursements would allow more providers to expand access to high-quality child care and encourage more child care providers to become TRS-4 certified.

- **Increase reimbursement rates for infant and toddler providers.**

Providing high-quality care for infants and toddlers is expensive and the current rates do not adequately compensate the additional resources, training, and educator to child ratio needed to provide quality care for infants and toddlers.

GOAL 2

Increasing access to quality child care

POLICY RECOMMENDATION

- **Mandate participation of subsidy providers in TRS with a clear timeline for phase-in of the requirements and supports needed.**

Mandating participation increases access to quality programs and provides greater accountability for government dollars.

GOAL 3

Investing in innovative sustainability initiatives

POLICY RECOMMENDATIONS

- **Evaluate the impact of Shared Services funding and adjust future allocations to enhance and expand efforts.**

Shared Services is an operational approach that allows small child care providers to share resources in order to operate more efficiently, reduces costs and leaves more financial resources available to invest in quality.

- **Continue to invest in partnerships and alleviate the barriers that prevent public-private partnerships.**

Pre-K Partnerships are an opportunity to maximize government dollars and expand access to quality early education.

- **Develop contract agreement strategies to stabilize the supply of and access to quality care.**

Contract agreements with quality providers stabilizes the supply of and access to quality care in areas of great need by guaranteeing the availability of quality seats.

- **Increase the number of infants and toddlers served by subsidy providers, raise reimbursement rates for infants and toddlers, and ensure that quality funds are strategically used to meet these goals.**

Many providers across Texas struggle to acquire the appropriate staff and financial resources needed to offer high-quality care for infants and toddlers, which limits the availability of high-quality affordable slots for infants and toddlers.

- **Develop a statewide plan to strengthen the child care workforce and establish statewide goals for helping educators achieve credentials and degrees, meet living wages and utilize the Texas Early Childhood Professional Development System (TECPDS) Workforce Registry (WFR) to assist educators with professional development.**

When educators are prepared to teach, compensated adequately, and supported professionally, they are better prepared to contribute to a thriving early childhood workforce by contributing to the quality of care children receive.

SECTION 1

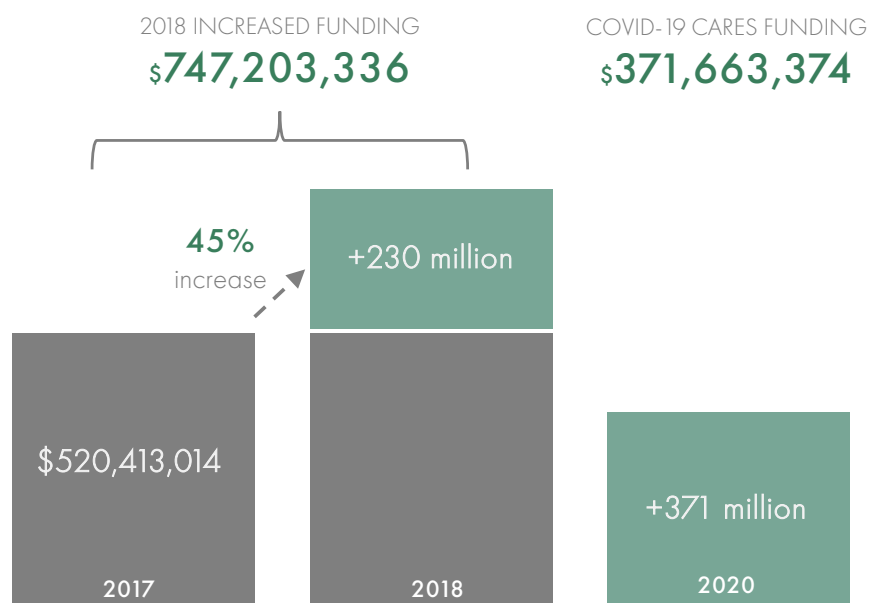
Investing in Quality Affordable Child Care

Exposure to high-quality early childhood education (ECE) is the foundation to future academic success, especially for children from low-income backgrounds.¹ In the early stages of development, a child's brain is malleable and the elasticity of how the brain develops in these early years makes early engagement a strategy for success. This is especially true for children living in poverty who have the socio-economic odds stacked against them. For many of these children, ECE can buffer the negative effects associated with poverty and later academic achievement. Increasingly, ECE is seen as a promising mechanism for promoting positive literacy, numeracy, social-emotional and cognitive skills.² Additionally, children participating in ECE prior to kindergarten, on average, have higher high-school graduation rates, lower enrollment in special education programs, and lower rates of behavioral issues later in life.³ Vast amount of research supporting the positive effects of high-quality ECE is further evidence that access to high-quality ECE prior to kindergarten, is essential for our most vulnerable populations.

In the early stages of development, a child's brain is malleable and the elasticity of how the brain develops in these early years makes early engagement a strategy for success.

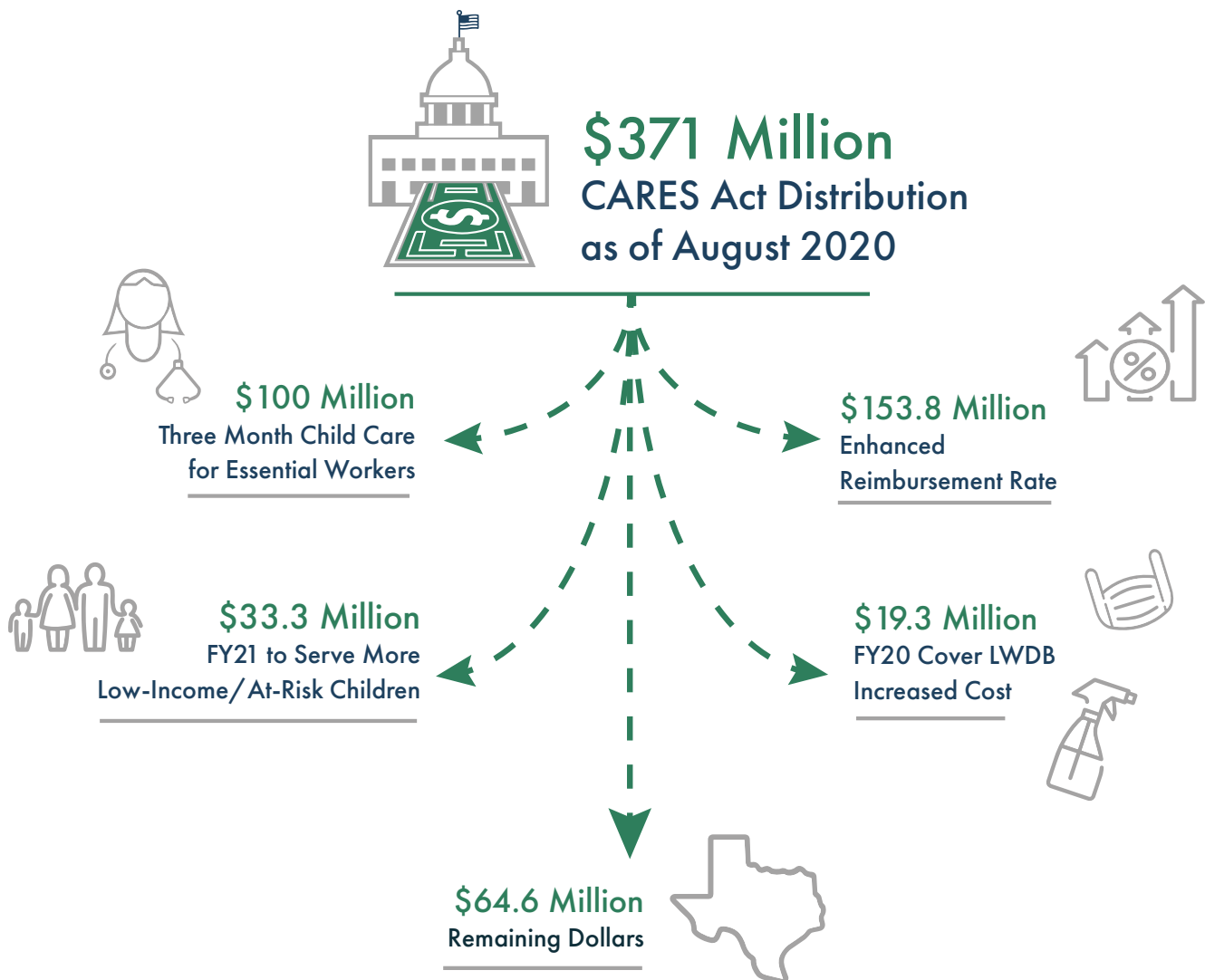
Investing in children from low-income working families is the cornerstone of the Child Care Development Block Grant (CCDBG). CCDBG is the primary federal funding mechanism intended to support a system of high-quality child care. It focuses on meeting the needs of low-income children and families.⁴ CCDBG is administered by the Office of Child Care, an office of the Administration for Children and Families of the U.S. Department of Health and Human Services. Since its origination in 1990, and continuing through updates in 1996 and 2014, CCDBG contributed greatly to the improvement and accessibility of quality child care.

Figure 1. CCDBG Funding Before and During COVID-19



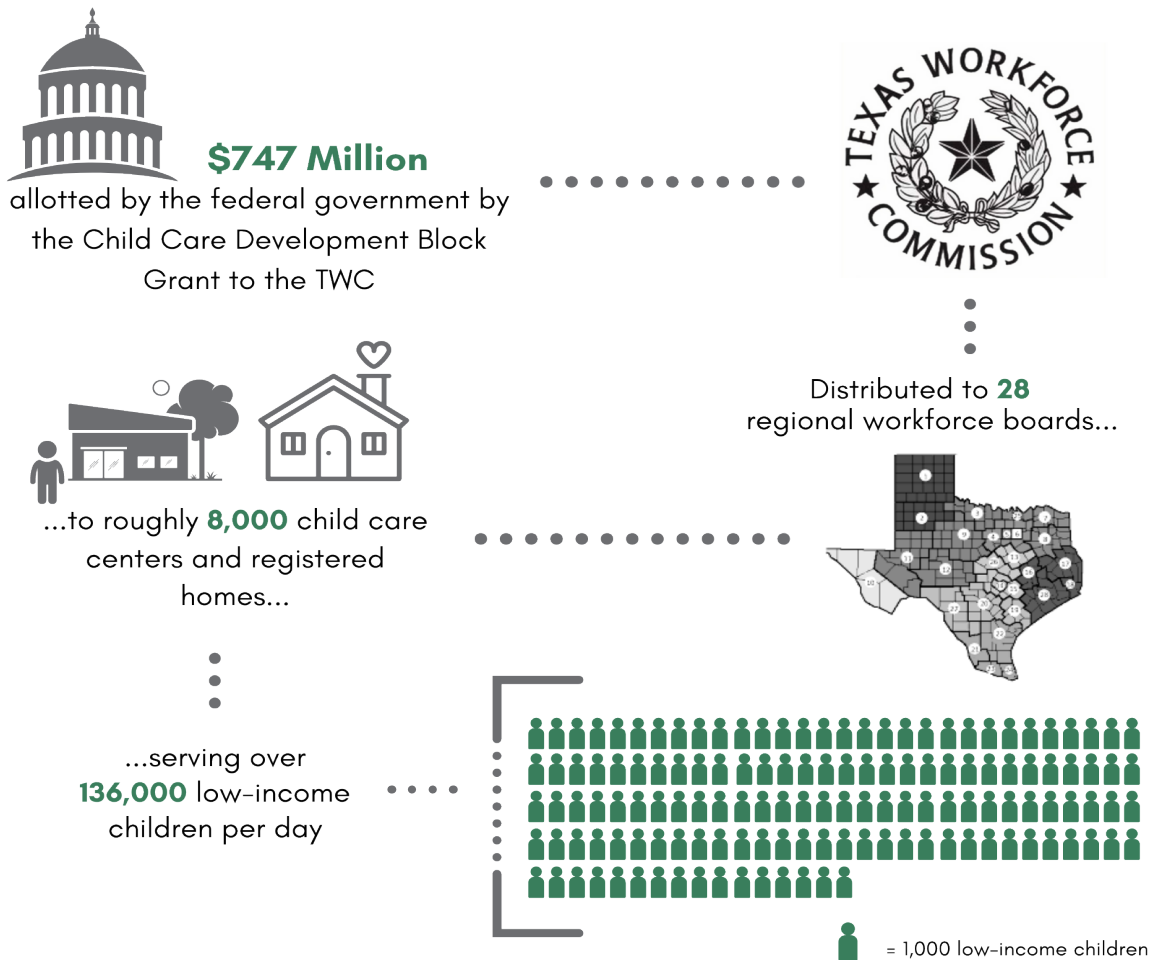
While the funding disbursed from the federal government to each state has increased in recent years, studies show that only one out of every six children who are eligible for assistance under CCDBG are being served and, the quality of these programs vary greatly across communities. To address the shortage of children being served and to increase the quality of child care and support services for providers, Congress took action to better support the program in 2018, which led to a 45% increase in child care funding for the state of Texas. This amounted to roughly an additional \$230 million per year in additional funding. During COVID-19, Texas received \$371,663,374 in supplemental CCDBG funding through the Coronavirus Aid, Relief and the Economic Security (CARES) Act. See Figure 1 on the previous page, and Figure 2 below.

Figure 2. CARES Act Distribution as of August 2020



As shown in Figure 3, the Texas Workforce Commission (TWC) is the lead agency distributing CCDBG funding to the 28 Local Workforce Development Boards (LWDB). CCDBG in Texas is the main source of funding that serves the dual purpose of supporting children through the provision of quality child care services and by supporting low-income working parents.

Figure 3. Distribution of CCDBG in Texas



Still, over **123,000** low-income children with working parents lack access to subsidized childcare in Texas



SECTION 2

Investing in the Reimbursement Rates of Subsidy Providers

TWC and Governor Greg Abbott recognized that focusing on quality early care and education provides a promising path forward for both our children's educational and economic success as well as our state's economic competitiveness. The utilization of the 2018 CCDBG dollars accelerated this work by investing in initiatives such as increasing reimbursement rates for subsidy providers. TRS 4-Star providers' maximum reimbursement rate now equals the 75th percentile of the 2019 Market Rate Survey. TRS 3-Star providers moved to the 90% of 4-Star, and TRS 2-Star providers increased to the 90% of the 3-Star rate.

Historically, reimbursement rates have been lower than what a parent outside the subsidy program would pay. Low reimbursement rates create barriers for families receiving subsidy care because their child care options are limited by the reimbursement amount providers receive. Providers may not want to participate in the subsidy program due to the low rates, or low reimbursement rates may limit the number of subsidized children that they allow to enroll. Increasing child care reimbursement rates is critical to expanding access to high-quality affordable child care.

Providers may not want to participate in the subsidy program due to the low rates, or low reimbursement rates may limit the number of subsidized children that they allow to enroll.

In Texas, providers are reimbursed according to their Texas Rising Star (TRS) quality rating which is measured by the state's Quality Rating and Improvement System. It is a voluntary system for providers in the subsidy program. Participating providers can be quality certified at three levels: 2-, 3-, and 4-Star by meeting progressively rigorous benchmarks. Providers without a TRS rating are reimbursed at what is known as the "base rate," while TRS 2-Star, 3-Star, and 4-Star providers are reimbursed at progressively higher amounts than non-TRS providers.

When comparing the new reimbursement rates to old rates, many LWDBs and providers experienced significant gains. Across the state, the reimbursement rates for LWDBs with TRS 4-Stars, increased on average by 13% for infants and 19% for toddlers. For example, the TRS 4-Star toddler reimbursement rate for centers in Cameron County providers increased by 46%. LWDBs that already had high TRS-4 reimbursement rates experienced only slight gains, particularly for

infants, who tend to have the highest reimbursement rates relative to market rates (prior to the increase). For instance, the TRS 4-Star infant reimbursement rate for centers in Alamo, increased by only 2% - a difference of only 74 cents per day. See Table 1 for a comparison of each LWDB daily reimbursement rates for centers and Table 2 for home-based providers. Figure 3 and 4 illustrate the state averages for TRS 4-Star infants and toddlers before and after the 2018 increase, compared to the base rate.

Table 1. Infant and Toddler Daily Reimbursement Rate for Centers after the 2018 CCDBG Increase³¹

WORKFORCE BOARD	INFANT BASE RATE		TODDLER BASE RATE		INFANT TRS 4 RATE		TODDLER TRS 4 RATE	
	PREVIOUS	2018	PREVIOUS	2018	PREVIOUS	2018	PREVIOUS	2018
Alamo	\$34.25	\$34.94	\$24.03	\$24.52	\$37.35	\$38.09	\$26.24	\$32.66
Borderplex	\$19.66	\$20.06	\$18.23	\$18.60	\$22.22	\$28.55	\$20.60	\$26.48
Brazos Valley	\$24.57	\$25.07	\$21.71	\$22.15	\$26.80	\$33.94	\$23.68	\$31.54
Cameron County	\$19.03	\$19.42	\$14.19	\$14.48	\$21.52	\$25.25	\$16.05	\$23.48
Capital Area	\$35.67	\$36.39	\$28.05	\$28.62	\$38.90	\$41.41	\$30.60	\$38.76
Central Texas	\$19.83	\$20.23	\$17.77	\$18.13	\$21.63	\$25.00	\$19.38	\$23.64
Coastal Bend	\$24.57	\$25.07	\$21.84	\$22.28	\$27.29	\$32.12	\$24.25	\$29.70
Concho Valley	\$24.70	\$25.20	\$19.95	\$20.35	\$28.40	\$28.40	\$22.95	\$24.40
Dallas	\$26.15	\$26.68	\$24.00	\$24.48	\$31.50	\$37.00	\$28.50	\$34.29
Deep East Texas	\$20.11	\$20.52	\$18.59	\$18.97	\$21.95	\$25.23	\$20.30	\$23.64
East Texas	\$23.73	\$24.21	\$21.56	\$22.00	\$25.93	\$26.41	\$23.57	\$23.98
Golden Crescent	\$19.42	\$19.81	\$18.55	\$18.93	\$21.18	\$26.57	\$20.24	\$25.15
Gulf Coast	\$32.91	\$33.57	\$28.31	\$28.88	\$35.97	\$37.62	\$30.94	\$34.97
Heart of Texas	\$21.27	\$21.70	\$18.24	\$18.61	\$24.76	\$24.76	\$21.66	\$23.02
Lower Rio Grande	\$18.25	\$18.62	\$16.75	\$17.09	\$21.90	\$25.88	\$20.10	\$23.97
Middle Rio Grande	\$19.43	\$19.82	\$17.63	\$17.99	\$22.34	\$24.59	\$20.27	\$22.95
North Central	\$30.00	\$30.60	\$27.50	\$28.05	\$32.70	\$41.32	\$29.98	\$38.72
North East	\$21.01	\$21.44	\$19.64	\$20.04	\$24.16	\$24.16	\$22.59	\$22.68
North Texas	\$20.49	\$20.90	\$19.11	\$19.50	\$22.78	\$24.81	\$21.25	\$23.27
Panhandle	\$22.00	\$22.44	\$20.50	\$20.91	\$24.64	\$27.14	\$22.96	\$25.66
Permian Basin	\$19.25	\$19.64	\$18.60	\$18.98	\$21.57	\$27.82	\$20.29	\$26.33
Rural Capital	\$28.97	\$29.55	\$26.72	\$27.26	\$33.89	\$42.34	\$31.26	\$39.48
South Plains	\$21.70	\$22.14	\$19.72	\$20.12	\$24.51	\$28.14	\$21.51	\$26.45
South Texas	\$18.64	\$19.02	\$17.85	\$18.21	\$20.73	\$26.67	\$19.82	\$25.03
Southeast Texas	\$19.57	\$19.97	\$17.81	\$18.17	\$21.92	\$26.06	\$19.95	\$24.45
Tarrant County	\$29.50	\$30.09	\$28.50	\$29.07	\$33.34	\$38.33	\$32.21	\$35.90
Texoma	\$26.72	\$27.26	\$24.61	\$25.11	\$29.40	\$29.73	\$27.08	\$27.39
West Central	\$21.47	\$21.90	\$17.56	\$17.92	\$23.41	\$25.57	\$19.16	\$23.90

Table 2. Infant and Toddler Daily Reimbursement Rate for Homes after the 2018 CCDBG Increase³¹

WORKFORCE BOARD	INFANT BASE RATE		TODDLER BASE RATE		INFANT TRS 4 RATE		TODDLER TRS 4 RATE	
	PREVIOUS	2018	PREVIOUS	2018	PREVIOUS	2018	PREVIOUS	2018
Alamo	\$30.00	\$30.60	\$18.57	\$24.70	\$32.70	\$33.37	\$20.24	\$29.29
Borderplex	\$17.03	\$17.38	\$16.36	\$16.69	\$18.90	\$25.30	\$18.16	\$23.45
Brazos Valley	\$18.67	\$19.05	\$18.37	\$18.74	\$20.35	\$30.18	\$20.02	\$28.03
Cameron County	\$16.00	\$16.32	\$13.71	\$13.99	\$18.08	\$22.48	\$15.49	\$20.88
Capital Area	\$29.36	\$29.95	\$22.20	\$22.65	\$32.00	\$37.26	\$24.20	\$34.87
Central Texas	\$16.95	\$17.29	\$16.14	\$16.47	\$18.48	\$22.87	\$17.60	\$21.64
Coastal Bend	\$19.75	\$25.15	\$18.99	\$19.37	\$21.93	\$28.32	\$21.08	\$26.16
Concho Valley	\$22.45	\$25.20	\$16.70	\$18.74	\$24.71	\$28.40	\$18.38	\$22.51
Dallas	\$23.00	\$23.46	\$21.00	\$21.42	\$25.07	\$32.76	\$22.89	\$30.33
Deep East Texas	\$18.06	\$18.43	\$15.74	\$16.06	\$19.70	\$22.74	\$17.18	\$21.31
East Texas	\$19.73	\$20.73	\$19.04	\$20.01	\$21.51	\$22.85	\$20.75	\$21.84
Golden Crescent	\$17.43	\$17.78	\$17.32	\$17.67	\$19.01	\$24.34	\$19.60	\$23.05
Gulf Coast	\$26.13	\$26.66	\$24.91	\$25.41	\$28.56	\$33.46	\$27.23	\$31.08
Heart of Texas	\$16.69	\$17.03	\$15.92	\$16.24	\$19.69	\$22.22	\$18.92	\$20.95
Lower Rio Grande	\$16.35	\$16.68	\$15.00	\$15.30	\$19.85	\$22.90	\$17.23	\$21.19
Middle Rio Grande	\$12.89	\$13.15	\$12.89	\$13.15	\$14.82	\$22.03	\$14.82	\$20.05
North Central	\$27.00	\$27.54	\$25.50	\$26.01	\$29.43	\$37.25	\$27.80	\$34.90
North East	\$18.09	\$18.46	\$17.45	\$17.80	\$19.72	\$21.93	\$19.02	\$20.73
North Texas	\$15.73	\$16.05	\$15.17	\$15.48	\$17.31	\$22.39	\$16.70	\$20.99
Panhandle	\$18.60	\$18.98	\$17.50	\$17.85	\$20.46	\$24.82	\$19.25	\$23.47
Permian Basin	\$16.70	\$17.04	\$16.65	\$16.99	\$18.75	\$25.47	\$18.16	\$24.11
Rural Capital	\$24.66	\$25.16	\$23.37	\$23.84	\$28.26	\$37.86	\$27.34	\$35.29
South Plains	\$16.30	\$16.63	\$15.40	\$15.71	\$18.35	\$25.49	\$16.79	\$23.95
South Texas	\$15.12	\$16.50	\$15.12	\$15.43	\$16.78	\$24.10	\$16.78	\$22.61
Southeast Texas	\$17.20	\$17.55	\$14.79	\$15.09	\$18.79	\$23.54	\$16.14	\$22.09
Tarrant County	\$27.00	\$27.54	\$25.50	\$26.01	\$29.58	\$34.51	\$28.02	\$32.31
Texoma	\$25.82	\$26.34	\$23.41	\$23.88	\$28.40	\$28.72	\$25.76	\$26.04
West Central	\$21.47	\$18.72	\$17.56	\$15.83	\$18.01	\$22.95	\$16.91	\$21.44

Figure 3. 2018 State Average Daily Reimbursement Rate for Infants

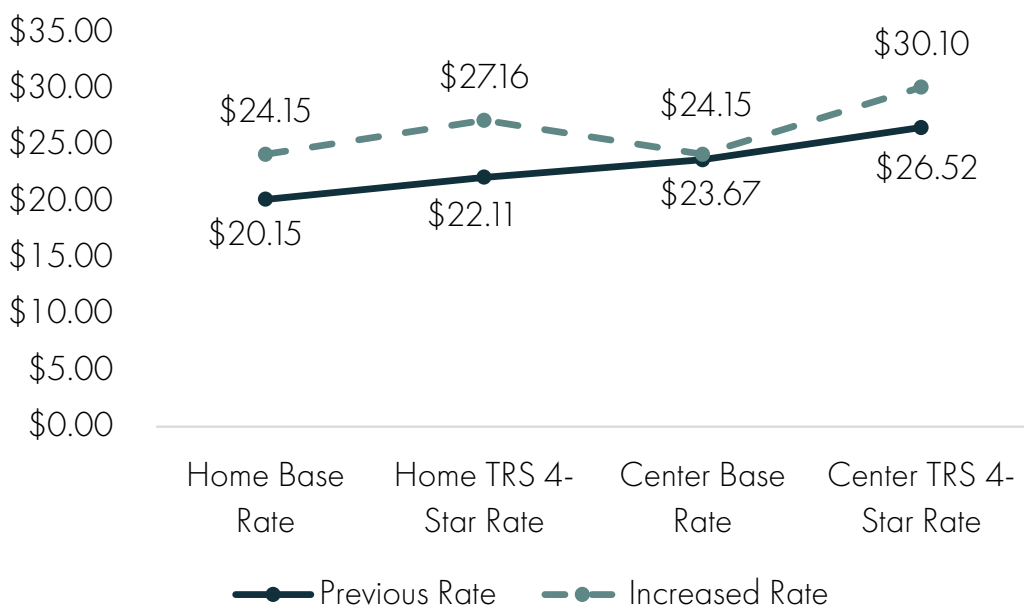
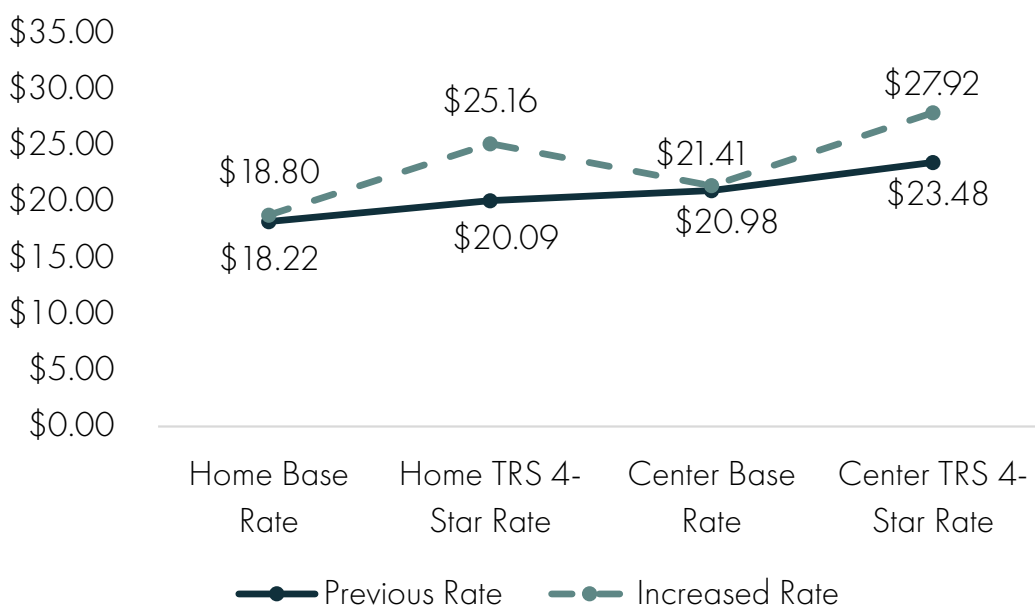


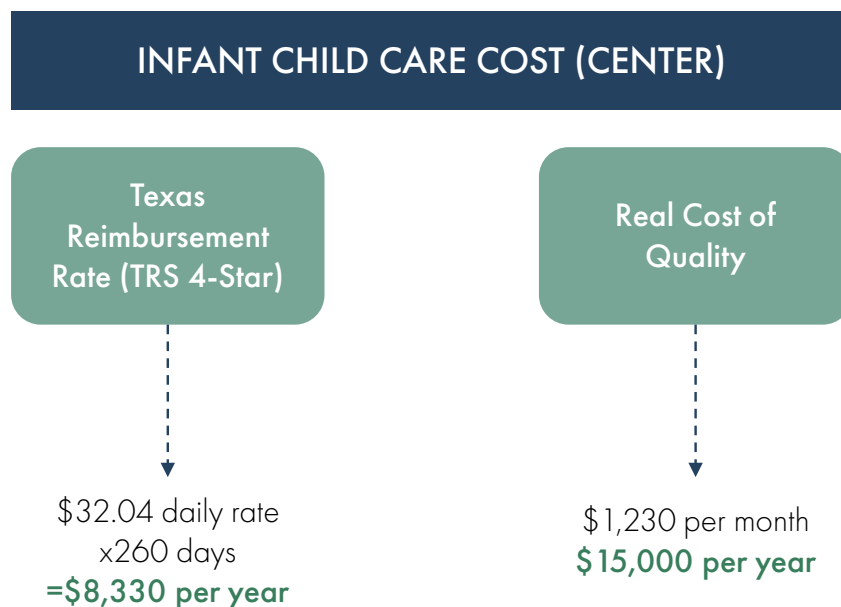
Figure 4. 2018 State Average Daily Reimbursement Rate for Toddlers



INSUFFICIENT REIMBURSEMENT RATES

It is important to note that since 2018, the state raised reimbursement rates once more in October 2019. See Appendix A. The changes to the TRS reimbursement rates provide evidence that Texas has chosen to prioritize and invest in quality ECE by encouraging more providers to become TRS-certified and to inspire those who are rated 2- or 3-Stars to increase to 4-Stars. While this is an impressive increase, it is still a fraction of what it costs to provide quality care to infants and toddlers. For instance, for infants in the United States, the average cost is \$1,230 per month, or \$15,000 per year, for child care centers (see Figure 5).⁵

Figure 5. *Real Cost of Quality for Infants*



Note. Real cost of quality estimate comes from the Center for American Progress⁶

During the interviews conducted with several LWDBs prior to COVID-19, many explained that the increases were insufficient to compensate for the cost of providing quality subsidize child care. For instance, one TRS 4-Star provider stated, “The increase is nice, but it still is nowhere close to enough to provide quality care if we were to only accept children on subsidy assistance.” As shown in Figure 5, persistently low reimbursement rates make it difficult for providers to accept additional children receiving subsidy assistance. This became even more evident during COVID-19 when child care businesses struggled to remain profitable. To help address higher operating costs during COVID-19, TWC allocated \$100 million of the CARES Act funds to enhanced reimbursement rates by 25% in April, as one initiative to help providers remain open during the pandemic. The enhanced reimbursement rates were offered to all open providers that provided subsidized care.⁷ On August 20, 2020 TWC approved the use of an additional \$53.8 million of the CARES Act to continue the enhanced reimbursement rates through December 2020.⁸

BEYOND THE PUBLISHED PRIVATE RATE

Increasing reimbursement rates especially during a crisis is critical to the sustainability of the child care industry. The additional cost associated with COVID-19 such as increased sanitation expenses and the adjusted group ratios make increased reimbursement rates an essential component to allowing providers to comply with public health safety. As we look to rebuild a strong industry, the state should consider a change to the state policy that prohibits LWDBs from reimbursing providers above the rates they charge private pay families. More than ever, paying providers adequately is essential, especially when it is well known (through interviews with LWDBs), that child care providers often artificially deflate their prices to better meet families’ needs. Thus, it is possible that these lowered prices may not accurately reflect the true costs associated with providing

“The increase is nice, but it still is nowhere close to enough to provide quality care if we were to only accept children on subsidy assistance.”

quality care. As a result, TRS 4-Star providers may not receive the full benefits of the reimbursement rate increases. According to the TWC's Child Care Services Guide:

"The actual reimbursement rate that the Workforce Development (Boards) or the Board's child care contractor pays to the provider must be the Board's maximum daily rate or the providers published daily rate, whichever is lower."⁹

The additional cost associated with COVID-19 such as increased sanitation expenses and the adjusted group ratios make increased reimbursement rates an essential component to allowing providers to comply with public health safety.

This Texas policy is not required by the federal government. In fact, in the 2016 Child Care and Development Fund (CCDF) Final Rule, the Administration for Children and Families (ACF), a division of the Department of Health and Human Services, specifically addressed this issue. ACF clarified that states may reimburse providers above their published prices to support quality, if local market conditions do not support the provision of quality services. Particularly, as part of a tiered reimbursement rate system tied to a state's QRIS, similar to what Texas does for TRS providers. According to ACF:

"Recognizing that private pay rates are often not sufficient to support high-quality, many Lead Agencies have already implemented tiered subsidy payments that support quality... Payments may exceed private pay rates if they are designed to pay providers for additional costs associated with offering higher-quality care."¹⁰

The additional funding that TWC allocated to support the state's highest quality providers (TRS 4-Star) alleviated many financial challenges previously faced by providers. Providing high-quality child care requires considerable resources. Inadequately compensating providers who serve children receiving subsidy assistance results in fewer subsidized children being served, as well as the potential of providers having little choice but to compromise on the quality of care they can provide.



POLICY RECOMMENDATION

INCREASE REIMBURSEMENT RATES ABOVE PROVIDER PUBLISHED RATES

Since the federal government specifically allows agencies like TWC to support quality by reimbursing at higher rates than providers' published private prices, TWC should consider amending its rule prohibiting this practice. Doing so would allow more providers to benefit from recent reimbursement rate increases, expand access to high-quality child care, and encourage more child care providers to become TRS-4 certified. If the ultimate goal is for providers to provide quality subsidized child care, it is essential that the state equip them with the financial resources they need to be successful.

SECTION 3

Increasing Access to Quality Child Care

In Texas, there are more than 2 million children under the age of 5, half of whom are living in low-income households.¹¹ Prior to COVID-19, roughly 1-in-10 low-income children (0-5) in Texas, lived in a child care desert. Around 90,000 low-income children under age 6 with working parents lived in zip codes where the supply of subsidized child care meets less than a third of the demand.¹² As a result of COVID-19, the number of child care deserts is growing exponentially as child care operations struggle to remain profitable. As of July 2020, roughly 61% of centers, 39% of homes, and 37% of subsidy child care providers (both home and centers) are currently operating, many of which are not operating at full capacity.¹³

Prior to COVID-19, Texas was on a path towards quality and made deliberate efforts to increase access to subsidized child care as an effort to provide affordable early educational supports for children from low-income families. A portion of the \$189 million dollars of the 2018 CCDBG funding was allocated to support initiatives that would expand access to high quality child care programs. This funding increased the total children served in 2017 from roughly 100,000 to more than 130,000 in 2018. According to the 19 LWDBs interviewed, 16 confirmed that this initiative reduced the waiting list by more than half, and 8 stated that their waiting list reduced entirely across their region. However, the effects of COVID-19 are likely to minimize these gains if deliberate efforts during the pandemic do not focus on increasing access to affordable child care for low-income working families.

During COVID-19, TWC allocated \$200 million of the \$371,663,374 in supplemental CCDBG funding through the CARES Act to subsidize three months of child care for essential workers and to provide additional financial support associated with the increased cost of providing care during COVID-19.¹⁴ In efforts to expand care to essential workers, TWC implemented a simplified income test for essential workers, based on self-attestation to determine if they meet the income limit of 150% of the State's Median Income. Essential workers were also given a relief from the 12-month eligibility period that is required to qualify for subsidy care. The Essential Worker Child Care Application became available immediately in March but ended in May once Executive Order GA 23 allowed licensed or regulated child care services to operate with accompanying guidelines for parents and caregivers. During the open period, roughly 29,000 children were served under the Essential Worker Child Care Application (Texas Workforce Commission, personal communication, July 13, 2020).

It is important to note that increasing access alone is not enough. Access to child care does not equate to access to quality child care.

It is important to note that increasing access alone is not enough. Access to child care does not equate to access to quality child care. As the state works to increase access, we must also work to increase the quality of these child care programs, especially those who are serving low-income children through the subsidy program. In doing so, we can better assure that the funding allocated to support our most vulnerable children is being used effectively because the quality of these programs are key to building a child's brain that is primed for future learning.¹⁵

One systematic way to understand the quality of ECE prior to kindergarten is through the state's Quality Rating and Improvement System (QRIS). QRIS is a systematic framework used to measure, improve, and communicate the quality of ECE providers across a range of indicators. Most states have a QRIS, and each one is different. A QRIS typically covers topics such as curriculum, staff/educator qualifications, nutrition, and a program's physical space. Participation in a state's QRIS can be mandatory or voluntary, or some combination depending on program characteristics. In Texas, our state's QRIS system is known as Texas Rising Star (TRS).

TRS is the state's only quality rating system for any ECE program, and it is only open to child care providers who accept families receiving child care subsidy assistance and participation is voluntary. TRS assesses child care programs across 5 categories covering a range of criteria, including staff qualifications, educator-student interactions, curriculum, nutrition, and physical space. Participating providers can be quality certified at three levels: 2-, 3-, and 4-Star by meeting progressively rigorous benchmarks.

However, before COVID-19, TRS reached only a fraction of low-income children and the child care providers who serve them. There were roughly 17,000 child care providers (center and home child care) in Texas,¹⁶ but only 46% of providers participate in the subsidy program and roughly 22% of subsidy providers participate in the TRS system. See Table 3.

Figure 6. September 2019 Participation in the Subsidy and TRS System

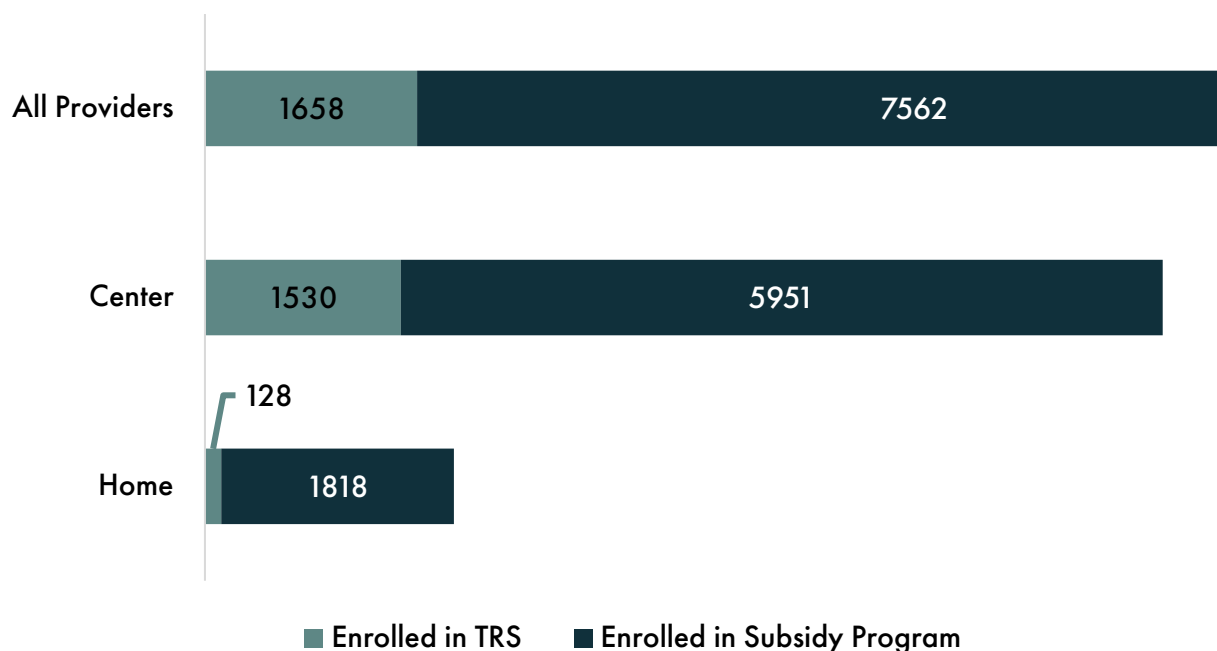


Table 3. September 2019 Participation in the Subsidy and TRS System by LWDB³⁰

WORKFORCE BOARD	TRS 2-STAR	TRS 3-STAR	TRS 4-STAR	TOTAL TRS	TOTAL SUBSIDY PROVIDERS	% OF SUBSIDY PROVIDERS THAT ARE TRS
Alamo	16	27	59	102	530	19%
Borderplex	10	4	66	80	331	24%
Brazos Valley	8	8	8	24	101	24%
Cameron County	5	11	29	45	165	27%
Capital Area	13	24	74	111	390	28%
Central Texas	3	5	46	54	250	22%
Coastal Bend	3	10	10	23	157	15%
Concho Valley	0	2	6	8	55	15%
Deep East Texas	4	5	17	26	84	31%
East Texas	8	34	35	77	191	40%
Golden Crescent	1	7	1	9	63	14%
Greater Dallas	2	15	106	123	614	20%
Gulf Coast	75	101	171	347	1732	20%
Heart of Texas	19	7	15	41	134	31%
Lower Rio Grande	6	4	49	59	415	14%
Middle Rio Grande	5	4	9	18	52	35%
North Central Texas	6	18	49	73	620	12%
North East Texas	2	6	17	25	66	38%
North Texas	5	8	16	29	81	36%
Panhandle	3	12	12	27	97	28%
Permian Basin	1	2	7	10	114	9%
Rural Capital	6	25	35	66	288	23%
South Plains	6	11	5	22	133	17%
South Texas	1	9	13	23	111	21%
Southeast Texas	6	5	17	28	93	30%
Tarrant County	23	53	91	167	540	31%
Texoma	1	0	9	10	65	15%
West Central Texas	17	4	10	31	90	34%
State Total	255	421	982	1,658	7,562	22%

As shown in Table 3, across the state, only 1,658 (9.7%) providers are enrolled in the TRS system – estimating to roughly 56,000 children served daily by a statewide quality rated program. The average daily number was calculated by TWC during the period from January 2019 to March 2020.¹⁷ The lack of participation from subsidy providers in TRS significantly limits the number of quality rated subsidy providers that low-income families are able to choose from. The current subsidy system serves roughly over 136,000 children from low-income working families daily, only 10% of eligible children.¹⁸ As of July 15, 2020, roughly 39% of providers across the state that accept subsidy were operating and many of them are operating at limited capacity as a result of ratio requirements and low enrollment rates.¹⁹ See Table 4.

Table 4. July 2020 COVID-19 Percentages of Open Providers

TOTAL PROVIDERS IN THE PORTAL	CLOSED PROVIDERS	OPEN PROVIDERS	%PROVIDERS CENTER AND HOME OPEN	% OF CENTERS OPEN	% OF HOMES OPEN	% OF SUBSIDY PROVIDERS OPEN
14,419	3,933	10,476	73%	61%	39%	37%

In the state of Texas, the majority of public funding for child care providers are federal dollars. COVID-19 exposed the weak financial structure our child care industry depends on the over reliance on payments from families and the modest assistance available to providers willing to participate in the subsidy program. With the \$371,663,374 in supplemental CCDBG, TWC invested \$200 million, as of July 2020, on the providers in the subsidy program, seeking to sustain these providers by paying them based on subsidy enrollment rather than attendance, covering the parent share of cost (see Appendix A for 6-month average per LWDB), and providing stabilization grants (see Appendix A for the projected distribution by LWDB) to providers with a 5% enhancement for TRS providers. TWC continued its focus on the portion of the child care industry that attends to the needs of low-income children in subsidy—roughly 46% of our industry (see Table 3).



POLICY RECOMMENDATION

MANDATE PARTICIPATION OF SUBSIDY PROVIDERS IN TRS AND DEVELOP STRATEGIES TO SUPPORT QUALITY DURING A CRISIS

To ensure that low-income children in publicly funded programs are getting the quality supports that benefit them, mandating subsidy providers to become TRS certified will create transparency and accountability of government dollars, while simultaneously prioritizing quality. Exposure to high-quality child care during the most malleable time in a child's brain can buffer the negative associations between poverty and later academic achievement by promoting growth across several developmental domains. The current voluntary approach to participating in TRS is simply not adequate to meet the needs of working families and their children. Requiring participation of subsidy providers will significantly increase the number of children accessing quality rated ECE. We recommend a phasing-in approach for the subsidy providers currently not participating in TRS. This will ensure that support systems are in place by TWC to assist providers and will assist providers in a smooth transition. Additionally, during a crisis, initiatives should deliberately prioritize supports for providers offering quality as they form the backbone for future optimal developmental outcomes.

SECTION 4

Investing in Innovative Sustainability Initiatives

In this section, we consider new and existing strategies (i.e. shared services, public-private partnerships, contracted agreements, developing an infant toddler specialist network, investing in our ECE workforce) that have the potential to build a sustainable child care industry now and after COVID-19. For each strategy, we provide an overview of the initiative and conclude with policy recommendations to push this work forward.

SHARED SERVICES

Shared Services refers to an operational approach in which smaller organizations form an alliance to share resources in order to operate more efficiently. This alliance is typically formed around a larger hub agency. The hub agency is the coordinating agency that provides services (i.e. accounting, clerical duties, professional development etc.) for the smaller agencies to share, and thus assists in reducing cost for those services. The model of Shared Services expands the capacity of an ECE program by minimizing the burden of administrative tasks.

The coordination of efforts, particularly administrative tasks, can alleviate the burdens placed on child care center directors by allowing them to better focus on improving the quality of their services. In practical terms, Shared Services can include multiple child care centers coming together to share a building space that cuts down on their utility and rental costs, leaving more financial resources available to invest in their students. The ability to outsource business matters to the hub agency allows staff to invest more time in the pedagogical focus of their child care center.

A Shared Services framework that strengthens systems at the provider level is a promising concept, because it focuses on sharing skilled staff and resources to provide business and pedagogical leadership among a network of center and/or home-based providers. Specifically, the coordination of a shared software license is essential in helping child care agencies operate more effectively.

Figure 7. *Shared Services*



In efforts to build on this innovative practice, TWC funded a \$750,000 initiative for TRS providers to use towards Shared Services and/or back-office solutions. This amounted to a minimum of \$7,500 for each LWDB. Additional funding was allocated based on LWDB's percentage of TRS providers. See Table 5 on the next page.

Table 5. 2019 Shared Services Funding Distribution³⁰

WORKFORCE BOARD	TOTAL TRS PROVIDERS	TRS PROVIDERS AS A % OF TOTAL STATEWIDE	BASE RATE	FUNDING AS A % OF STATEWIDE	TOTAL FUNDING
Alamo	92	6.38%	\$7,500	\$34,428	\$41,928
Borderplex	62	4.30%	\$7,500	\$23,202	\$30,702
Brazos Valley	22	1.52%	\$7,500	\$8,233	\$15,733
Cameron County	42	2.91%	\$7,500	\$15,717	\$23,217
Capital Area	103	7.14%	\$7,500	\$38,545	\$46,045
Central Texas	63	4.37%	\$7,500	\$23,576	\$31,076
Coastal Bend	25	1.73%	\$7,500	\$9,356	\$16,856
Concho Valley	6	0.42%	\$7,500	\$2,245	\$9,745
Dallas	119	8.25%	\$7,500	\$44,532	\$52,032
Deep East Texas	20	1.39%	\$7,500	\$7,484	\$14,984
East Texas	77	5.34%	\$7,500	\$28,815	\$36,315
Golden Crescent	10	0.69%	\$7,500	\$3,742	\$11,242
Gulf Coast	288	19.96%	\$7,500	\$107,775	\$115,275
Heart of Texas	27	1.87%	\$7,500	\$10,104	\$17,604
Lower Rio Grande	47	3.26%	\$7,500	\$17,588	\$25,088
Middle Rio Grande	16	1.11%	\$7,500	\$5,988	\$13,488
North Central	66	4.57%	\$7,500	\$24,699	\$32,199
North East	27	1.87%	\$7,500	\$10,104	\$17,604
North Texas	23	1.59%	\$7,500	\$8,607	\$16,107
Panhandle	23	1.59%	\$7,500	\$8,607	\$16,107
Permian Basin	10	0.69%	\$7,500	\$3,742	\$11,242
Rural Capital	60	4.16%	\$7,500	\$22,453	\$29,953
South Plains	20	1.39%	\$7,500	\$7,484	\$14,984
South Texas	16	1.11%	\$7,500	\$5,988	\$13,488
Southeast Texas	11	0.76%	\$7,500	\$4,116	\$11,616
Tarrant County	135	9.36%	\$7,500	\$50,520	\$58,020
Texoma	7	0.49%	\$7,500	\$2,620	\$10,120
West Central	26	1.80%	\$7,500	\$9,730	\$17,230
Total	1,443	100.00%	\$210,000	\$540,000	\$750,000

TWC required that all funding be used for software licenses for a child care management system that promote efficient business practices and/or technical assistance to help with the implementation of Shared Services. As of the April 2020 deadline, 23 of the 28 LWDBs utilized the allocated funding. Prior to COVID-19, four alliances were established across the state (Amarillo, Central Texas, Dallas, and San Antonio).

With the added impact of COVID-19 on the child care industry, providers more than ever would benefit from a business model that allows them to share services and save on cost. COVID-19 is highlighting the need for innovative solutions such as Shared Services as a business model to help child care providers sustain quality and build financial sustainability and capacity. This model is especially viable during COVID-19 when the child care industry is more unstable than ever.



POLICY RECOMMENDATION

PROVIDE ADDITIONAL FUNDING AND TECHNICAL SUPPORTS

The intentional funding set aside to support Shared Services is promising but the limited number of LWDBs that utilized the funding is concerning because COVID-19 is highlighting the need to equip providers with a business model that stabilizes their business. Thus, we recommend that TWC evaluate the impact of their funding and adjust future allocations accordingly, accounting for the impact of COVID-19 on the industry. If funded adequately, utilizing Shared Services saves time on administrative tasks and financial expenses, and allows child care providers to focus their time and financial resources on improving the quality of multiple child care centers simultaneously.

PRE-KINDERGARTEN PARTNERSHIPS

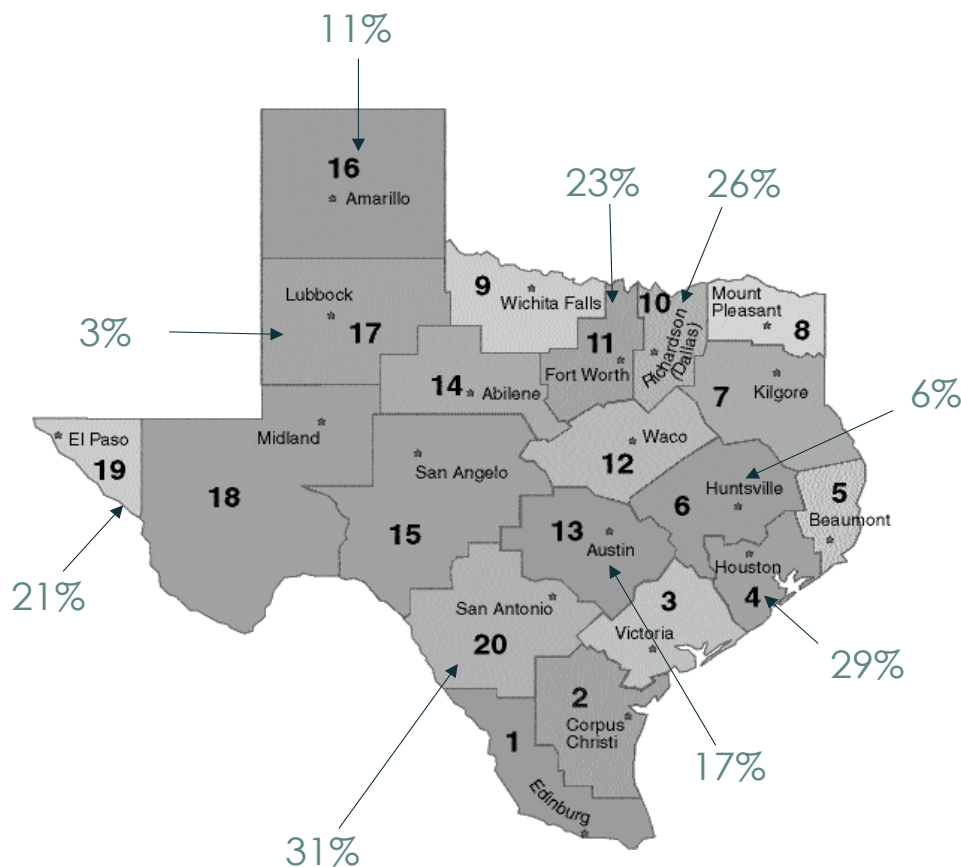
Pre-Kindergarten Partnerships (Pre-K Partnerships), are collaborative efforts between the public and private sector to minimize or eliminate gaps in the quality of child care provided to early learners. Within a Pre-K Partnership, a privately funded child care center contracts with a public institution to provide additional seats for Pre-K children. This innovative solution not only allocates funding to the private child care center, but also moves towards the state's goal of providing full day Pre-K opportunities to low-income children. In essence, both the public and private sectors benefit. The private child care centers have the potential to receive more funding based on the increased enrollment, which supports the retention of qualified educators and higher percentages of kindergarten readiness. This provides an opportunity to strengthen the ECE system and kindergarten readiness without having to invest in new buildings.

Since the children eligible for public Pre-K are often eligible for subsidized child care assistance provided by TWC, these Pre-K Partnerships allow districts and child care providers to access combined funding that is mutually beneficial. However, only about one-third of the LWDB members interviewed stated that they were aware of Pre-K Partnerships in their areas, and very few of them were actively involved in establishing those relationships. To address this, TWC has made a concerted effort to focus on Pre-K Partnership expansion by allocating \$10 million dollars towards this initiative.

In the 86th Legislative Session, the Texas Legislature passed House Bill 3 (HB3), which, among other things, provided funding for full-day public Pre-K for all eligible 4-year-old children in the state. In the past, the state funded and required only half-day programs, and any school district wishing to offer full-day Pre-K had to devote additional resources to provide this service. HB3 was a great victory for children, ECE advocates, and many others because full-day Pre-K is an invaluable resource for children from low-income families. However, many child care providers feared that this Pre-K Partnership would drive them out of business. Often, child care providers use the income they make from the 4-year-old children to offset the losses it takes to provide care for infants and toddlers due to the lower number of children cared for by one educator in the younger age groups.²⁰ Removing 4-year-old children from child care settings removes this critical source of income.

Fortunately, Texas legislators considered the potential harm Pre-K expansion might have on child care providers. HB3 requires school districts to explore partnering with high-quality (i.e., TRS-certified, nationally accredited, Head Start, or Texas School Ready) child care providers to offer Pre-K programming before constructing a new classroom space or submitting a waiver.²¹ These Pre-K Partnerships can take different forms and involve coordination among child care providers and school districts to provide Pre-K in a child care center or in a public school building. Between January 2020 and June 2020, the state granted 192 waivers from school districts. See Figure 8 below and Table 6 on the next page.

Figure 8. Percentage of School Districts that Received Waiver Exemptions



**Note. The bold black number refers to the regional location listed in Table 6. The percentages displayed are examples of a select few regions. To see percentages for all regions, refer to Table 6.*

Table 6. Waiver Exemptions by Region

	TOTAL WAIV-ERS	NUMBER OF DISTRICTS	% OF TOTAL WAIVERS	% OF 1YR WAIVERS	% OF 2YR WAIVERS	% OF 3YR WAIERS
Region 1	11	46	24%	7%	2%	15%
Region 2	8	45	18%	4%	2%	11%
Region 3	6	39	15%	10%	0%	5%
Region 4	26	90	29%	17%	1%	11%
Region 5	3	37	8%	3%	0%	5%
Region 6	4	62	6%	3%	0%	3%
Region 7	6	102	6%	1%	2%	3%
Region 8	5	46	11%	0%	2%	9%
Region 9	7	37	19%	11%	5%	3%
Region 10	30	116	26%	12%	4%	9%
Region 11	22	94	23%	9%	1%	14%
Region 12	6	81	7%	5%	0%	2%
Region 13	13	75	17%	11%	0%	7%
Region 14	5	43	12%	9%	0%	2%
Region 15	10	43	23%	12%	0%	12%
Region 16	7	62	11%	3%	2%	6%
Region 17	2	61	3%	0%	0%	3%
Region 18	6	36	17%	8%	0%	8%
Region 19	4	19	21%	11%	0%	11%
Region 20	11	36	31%	14%	3%	14%
Statewide	192	1170	16%	7%	1%	8%



POLICY RECOMMENDATION INCENTIVES, COLLECT DATA, AND DEVELOP ALTERNATIVE SOLUTIONS

The TWC and TEA have begun to collaborate in effort to provide guidance about how to establish these Pre-K Partnerships to ensure that they can be beneficial to school districts and child care providers. We recommend that, in addition to continued collaboration, the state 1) provide incentives to districts that partner with child care providers, 2) collect appropriate data to understand how many partnerships are established and understand the landscape of Pre-K Partnerships and progress being made, and 3) offer alternative paths for high-quality child care providers to offer public school Pre-K. Pre-K Partnerships are a critical innovative solution to improving the quality of ECE for low-income children because they focus on creating access to additional quality seats through the partnership with TRS providers.

CONTRACT AGREEMENTS

In the Child Care and Development Block Grant, Congress emphasizes the need to increase the participation of children from low-income families in high-quality child care. Contract agreements are an effective and proven strategy to build the supply and stabilize high quality care for children from low-income families. Contracts, coupled with the subsidy program, enhance parent choice by expanding options. In 2019, the Texas 86th Legislature passed HB 680 which approves the use of contract agreements by Local Workforce Development Boards (LWDB) with quality providers in the state's child care subsidy program.

The legislation authorizes child care contracts between the LWDBs and child care subsidy providers participating in the Texas Rising Star (TRS) system. LWDBs can identify quality child care shortages in their regional area and enter into agreements with TRS providers to address the gaps in services. Specifically, contracts provide financial incentives to providers to offer care for special populations, require higher quality standards, and guarantee certain numbers of slots to be available for low-income children eligible for subsidized care.²² The agreement is designed to be with the provider directly and does not follow the child or family if they transition out of care or to a different provider.

Under HB 680, LWDBs can contract with quality providers (TRS providers at 3-Star or higher) in the subsidy child care program. Additionally, a provider must meet one of the following priorities (in no particular order) established by the Texas Workforce Commission:

1. **Quality Child Care Desert** - located in an area where children under the age of six are three times greater than the licensed capacity or an area determined by TWC as underserved,
2. **Pre-kindergarten Expansion** - have a partnership with a school district to provide prekindergarten program,
3. **Early Head Start and Head Start** - have a partnership with Early Head Start or Head Start,
4. **Infants and Toddlers** - a focus on increasing access for infants and toddlers, or
5. **Other** - satisfy a requirement in the LWDBs strategic plan.

During COVID-19 when many providers are struggling to remain profitable because of unpredictable supply and demand, establishing contract agreements with quality providers stabilizes the supply of and access to quality care. The contracts build stable, quality supply by guaranteeing the availability of quality seats in areas of great need (i.e. child care deserts, underserved areas, or an area with a shortage of quality child care). Contracts can also be used as an incentive to increase provider participation in TRS. Contracted agreements during COVID-19 would have allowed more providers to stay open and LWDBs to be strategically support providers in communities of great need.

Contract agreements are an effective and proven strategy to build the supply and stabilize high quality care for children from low-income families.



POLICY RECOMMENDATION REQUIRE LWDBS TO DEVELOP CONTRACT AGREEMENT STRATEGIES

The passing of HB 680 is promising, but it is not a guaranteed solution because it is not required for LWDBs to implement. We recommend that TWC become active agents that work with LWDBs to develop contract strategies, provide guidelines, and best practices to assist LWDBs in developing policies for their local communities. Establishing contract agreements with quality providers stabilizes the supply of and access to quality care. Contracts build stable, quality supply by guaranteeing the availability of quality seats in areas of great need (i.e. child care deserts, underserved areas, or an area with a shortage of quality child care). Contracts can also be used as an incentive to increase provider participation in TRS.

DEVELOPING AN INFANT TODDLER SPECIALIST NETWORK

The quality of infant and toddler care is critical to the future academic potential of children in later life. However, the quality of services for infant and toddlers is often poor due to the specialized needs required to support this growing population.²³ TWC recognized this and allocated \$3.5 million dollars in FY2019 across the 28 LWDBs for quality improvement activities for infants and toddlers. The funding was designated to be used for a variety of programs, including directing funds to support child care providers serving infants and toddlers in high-needs areas. Additionally, TWC dedicated \$3 million in FY2019 and an additional \$2 million in FY2021 to create and support an Infant Toddler Specialist Network, a state-wide network that coordinates the work of infant toddler specialists.²⁴ The goals of the Infant Toddler Specialist Network are to improve teacher practices and increase the quality of each infant and toddler's developmental experience. CHILDREN AT RISK applauds this promising innovative solution to improving the quality of infant and toddler care.

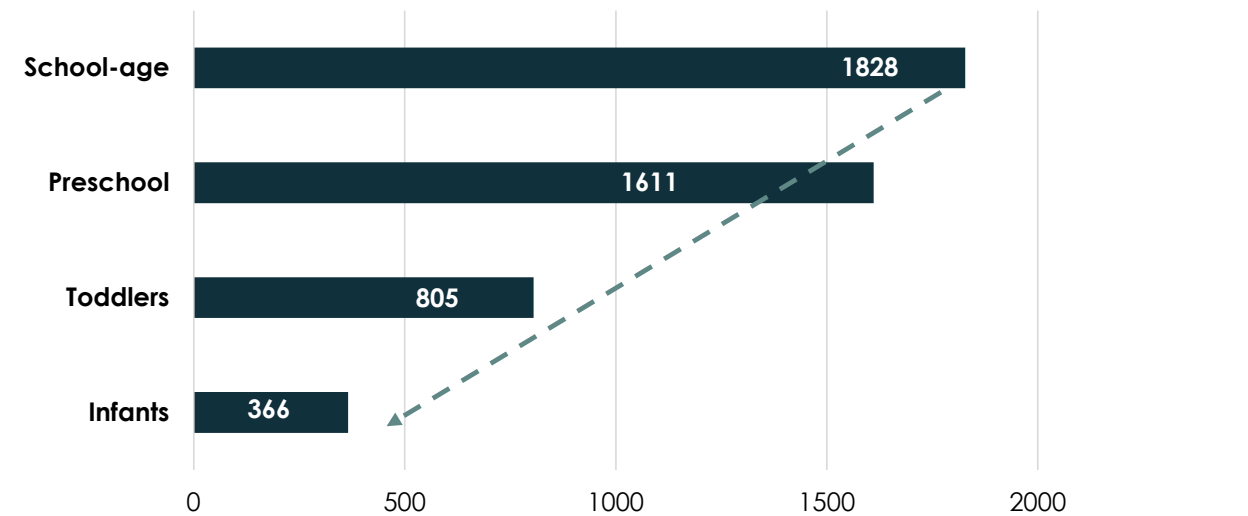
However, despite the emphasis from TWC on providing higher quality services to children in these critical age groups, several LWDBs do not have specific programs targeting infants and toddlers. While a few of the LWDBs that participated in the interviews had specific infant and toddler programs, most did not. The most common program was providing resources to child care providers to help them expand or adapt their space to accommodate serving more infants and toddlers. When developing an Infant and Toddler Specialist Network there needs to be intentional efforts that focus on both improving the quality of care and expanding access.

Additionally, CHILDREN AT RISK conducted a statewide survey during COVID-19 to assess the availability of providers to take on children of essential workers. The data gathered, indicated that many providers were more willing and able to care for preschool and school-age children. See Figure 9. Digging deeper into this data,

**The goals of the
Infant Toddler
Specialist Network
are to improve
teacher practices
and increase the
quality of each
infant and toddler's
developmental
experience.**

we found through anecdotal evidence that providers were more interested in serving the older age children because of profitability and the sustainability of their business.

Figure 9. March 2020 COVID-19 Statewide Provider Availability Survey



POLICY RECOMMENDATION
INCREASE THE QUALITY OF INFANT AND TODDLER ECE

Before COVID-19, the cost of providing quality care for infants and toddlers have always presented issues. Therefore, it would be beneficial if TWC considered working with LWDBs to ensure that they are strategically using funds that were set aside for infants and toddlers. Specifically, TWC may consider encouraging LWDBs to use funding to increase the number of infant and toddler child care providers that participate in TRS. Increasing participation in TRS establishes standards that are of higher quality than the minimum licensing standards. Additionally, the funds should focus on increasing the number of infant and toddlers receiving subsidy care in order to increase the amount of low-income children accessing quality care. Finally, the funding should also focus on increasing the reimbursement rates for TRS certified infant and toddler child care providers. In doing so, this would attract and retain high-quality child care providers. We recommend that TWC continue to develop this network with a focus on 1) increasing number of infants and toddlers served, 2) raising the reimbursements for infant and toddler educators, and 3) ensuring the funds are strategically used to meet these goals.

INVESTING IN THE ECE WORKFORCE

Child care educators are one of the most important factors contributing to quality ECE. Educators play a critical role in shaping the developmental outcomes a child gets from quality child care. As highlighted by

COVID-19, educators are also critical in helping to enforce health and safety protocols to help prevent the spread of the virus. Unfortunately, educators face challenges that prevent them from providing the highest quality of care. They receive persistently low wages—often so low that roughly 56% qualify for at least one form of public benefit programs such as Medicaid and Supplemental Nutrition Assistance Program benefits and have limited career advancement opportunities.²⁵ As a result, we see high turnover rates among educators.²⁶ Moreover, as a result of COVID-19 44% of Texas programs have been forced to furlough, reduce wages, or layoff their educators to help manage expenses.²⁷

Current child care educator salaries, especially those in programs accepting subsidy payments, do not reflect the complexity of their work. This inadequacy was made more complex by COVID-19 as educators are working to adjust and adapt to additional requirements without being compensated accordingly. In addition, earnings do not meaningfully increase as educators earn higher degrees and progress within their careers. In Texas, the average child care educator earns about \$19,000 per year, with an average hourly wage of \$9/hour.²⁸ Child care educators with a bachelor's degree or higher earn less than \$22,000 per year on average.²⁹ On average, an educator working in child care with a bachelor's degree makes 50% less than their counterpart in the public school with the same degree.

In Texas, the average child care educator earns about \$19,000 per year, with an average hourly wage of \$9/hour.

To address the low wages, a few LWDBs offer modest but important programs such as wage supplements for educators who earn credentials or degrees, and retention bonuses for educators who remain with their current employers for a certain minimum length of time. These efforts are known as “salary retention strategies,” which aim to encourage providers to pursue higher education, to reward those who do, and to cut down on staff turnover. However, these crucial supports vary widely across Texas.

During COVID-19 improved compensation is more important than ever. When Texas established the essential worker definition and included child care providers, this indicated that educators were going to encounter a higher risk of transmission and its consequences. Low wages mean less access to health care which could exacerbate COVID-19 risk factors if they become ill.

On average, an educator working in child care with a bachelor's degree makes 50% less than their counterpart in the public school with the same degree.

However, less than half of the LWDBs CHILDREN AT RISK interviewed prior to COVID-19 offered either wage supplements or retention strategies. Two LWDBs indicated that while they do not offer these opportunities, several of the providers in their areas offer them internally. Since child care providers operate on small margins most do not have the resources to offer salary retention incentives. Without these supports, child care educators across the state lack the incentive or ability to pursue opportunities to progress within their profession.

Additionally, every LWDB CHILDREN AT RISK interviewed stated that they offer some form of scholarship for child care educators to further their education. While all of LWDB offered scholarships for educators to earn their Child Development Associate (CDA) credential, only half

offer scholarships for associate's degrees and only a handful offer assistance for child care educators to earn a bachelor's degree. Many LWDBs offer their own scholarships or in-house CDA programs despite the one CDA program (Frogstreets) offered free of charge from the state, which comes to an end August 2020. Only a few indicated that they took advantages of these opportunities, while others expressed frustration with the free option.



POLICY RECOMMENDATION

INCREASE EDUCATOR PAY AND EDUCATIONAL OPPORTUNITIES

Paying educators' equitable wages reduces turnover and provides stability for both child care providers and families seeking quality care. We recommend that TWC create a statewide plan to strengthen the child care workforce and set statewide goals to help educators meet living wages. Specifically, by strengthening the scholarship offerings and improving systems (i.e. technology support, child care support, higher bonuses, established pathway towards a CDAs etc.) that help educators go back to school and complete certificates and/or degrees. Furthermore, the state should provide incentives to LWDBs to encourage their participation in wage supplement programs. Additionally, we recommend that TWC encourage the utilization of the Texas Early Childhood Professional Development System (TECPDS) Workforce Registry (WFR) to assist educators with professional development and career growth. When educators are prepared to teach, compensated adequately, and supported professionally, they are better prepared to contribute to a thriving early childhood workforce by contributing to the quality of care children receive.

Paying educators' equitable wages reduces turnover and provides stability for both child care providers and families seeking quality care.

SECTION 5

Conclusion - Moving Toward Quality

The COVID-19 pandemic exposed a long-standing truth that the child care industry is essential to the viability of our economy. Prior to COVID-19, the child care industry in Texas provided over \$3.64 billion in revenue. As a result of COVID-19, nearly 30% of Texas child care providers have closed as the pandemic spreads, leaving working families without child care and child care operations vulnerable to permanent closure – a direct threat to our economy. Additionally, the effects of COVID-19 exacerbate existing inequalities in our system as they relate to access to high-quality affordable child care and access to equitable wages for educators.

Fortunately, prior to COVID-19, Texas made significant commitments towards quality improvement by investing the 2018 CCDBG funding on initiatives such as: increasing access to quality care, raising provider reimbursement rates, and investing in innovative solutions to expand access to quality providers. These efforts are helping Texas move towards high-quality subsidized child care for low-income children and families.

TWC and Governor Greg Abbott took advantage of a substantial federal increase in funding to support critical issues. We applaud them and many LWDBs and their child care providers for moving swiftly and effectively to maximize the benefits of the 2018 CCDBG increase. We also believe that opportunities to build and strengthen these initiatives exist, as noted in our policy recommendations listed below:

1. Increase reimbursement rates above provider published rates
2. Mandate participation of subsidy providers in TRS and develop strategies to support quality during a crisis
3. Provide additional funding and technical supports for Shared Services
4. Align requirements and incentives to partner for public-private partnerships
5. Require LWDBs to develop contract agreement strategies
6. Increase the quality of infant and toddler early education
7. Increase educator pay and educational opportunities

More than ever, these policy recommendations are critical to rebuilding a sustainable child care industry and ensuring that the future academic and economic success of our most vulnerable children is protected. Investing in high-quality subsidized child care is an investment in the academic and economic well-being of children from low-income families, and to the whole of Texas. The CCDBG is a great opportunity to direct funding towards improving the quality of ECE.

The effects of COVID-19 exacerbate existing inequalities in our system as they relate to access to high-quality affordable child care and access to equitable wages for educators.

During COVID-19, the state is receiving additional funding through CCDBG. This is an opportune time for TWC and Governor Greg Abbott to capitalize on their work and make further progress towards ensuring that vulnerable children are given an equitable chance to succeed and contribute to the economic well-being of Texas, especially during a crisis. Texas must not solely rely on federal funds to support the child care industry. Texas dollars should be invested in the child care industry, because early investment yields greater returns, both academically and economically. Regardless of a child's economic background, every child should have access to high-quality education starting at birth, and the notion of quality affordable care should not be forgotten during COVID-19. The moment is now, and we as a state are well positioned to take on this charge.

Every child should have access to high-quality education starting at birth, and the notion of quality affordable care should not be forgotten during COVID-19.

APPENDIX A

SIX MONTH AVERAGE PARENT SHARE OF COST BY LWDB³⁰

WORKFORCE BOARD	6-MONTH AVERAGE PSOC
Alamo	\$67.47
Borderplex	\$76.78
Brazos Valley	\$70.86
Cameron County	\$73.05
Capital Area	\$91.62
Central Texas	\$99.19
Coastal Bend	\$89.44
Concho Valley	\$108.25
Dallas	\$95.76
Deep East Texas	\$69.31
East Texas	\$85.22
Golden Crescent	\$74.35
Gulf Coast	\$91.06
Heart of Texas	\$75.04
Lower Rio Grande	\$80.09
Middle Rio Grande	\$85.11
North Central	\$106.92
North East	\$69.01
North Texas	\$88.71
Panhandle	\$82.91
Permian Basin	\$59.94
Rural Capital	\$105.37
South Plains	\$74.30
South Texas	\$82.84
Southeast Texas	\$42.43
Tarrant County	\$102.88
Texoma	\$72.83
West Central	\$75.35

APPENDIX B

PROJECTED MONTHLY ESTIMATE OF STABILIZATION GRANTS BY LWDB³⁰

WORKFORCE BOARD	9% OF 75TH PERCENTILE MRS BY PROVIDER TYPE AND LICENSED CAPACITY (+5% FOR TRS)
Alamo	\$664,497.56
Borderplex	\$265,655.17
Brazos Valley	\$149,454.91
Cameron County	\$102,606.77
Capital Area	\$969,806.63
Central Texas	\$256,306.10
Coastal Bend	\$236,107.19
Concho Valley	\$97,702.98
Dallas	\$1,002,137.96
Deep East Texas	\$128,386.26
East Texas	\$129,491.78
Golden Crescent	\$2,432.31
Gulf Coast	\$2,368,001.04
Heart of Texas	\$256,395.37
Lower Rio Grande	\$401,957.47
Middle Rio Grande	\$70,674.98
North Central	\$1,415,170.72
North East	\$66,278.95
North Texas	\$61,169.69
Panhandle	\$153,361.70
Permian Basin	\$140,146.73
Rural Capital	\$962,228.58
South Plains	\$180,706.43
South Texas	\$184,505.84
Southeast Texas	\$212,277.11
Tarrant County	\$816,764.55
Texoma	\$94,440.54
West Central	\$130,506.85
Statewide	\$11,003,673.06

*Note. 162 applications submitted, 38% were awarded grants while 7% withdrew and 55% were denied. Of those that were denied, many did not meet the qualifications (i.e. being closed, enrolled in

subsidy program or did not receive a loan through the Paycheck Protection Program).

APPENDIX C

REIMBURSEMENT RATE INCREASE FROM 2018 TO 2019 CENTERS³¹

Centers

WORKFORCE BOARD	INFANT BASE RATE		TODDLER BASE RATE		INFANT TRS 4 RATE		TODDLER TRS 4 RATE	
	2018	2019	2018	2019	2018	2019	2018	2019
Alamo	\$34.94	\$34.94	\$24.52	\$27.26	\$38.09	\$38.51	\$32.66	\$35.87
Borderplex	\$20.06	\$22.15	\$18.60	\$20.24	\$28.55	\$29.62	\$26.48	\$27.40
Brazos Valley	\$25.07	\$27.80	\$22.15	\$25.39	\$33.94	\$37.21	\$31.54	\$34.42
Cameron County	\$19.42	\$21.68	\$14.48	\$19.68	\$25.25	\$29.55	\$23.48	\$27.21
Capital Area	\$36.39	\$36.39	\$28.62	\$32.35	\$41.41	\$47.35	\$38.76	\$43.81
Central Texas	\$20.23	\$23.30	\$18.13	\$21.34	\$25.00	\$30.95	\$23.64	\$28.68
Coastal Bend	\$25.07	\$26.86	\$22.28	\$24.40	\$32.12	\$36.52	\$29.70	\$33.65
Concho Valley	\$25.20	\$25.20	\$20.35	\$20.61	\$28.40	\$28.40	\$24.40	\$24.99
Dallas	\$26.68	\$30.93	\$24.48	\$27.83	\$37.00	\$43.22	\$34.29	\$39.55
Deep East Texas	\$20.52	\$21.56	\$18.97	\$19.57	\$25.23	\$29.42	\$23.64	\$27.08
East Texas	\$24.21	\$24.21	\$22.00	\$22.00	\$26.41	\$28.62	\$23.98	\$26.75
Golden Crescent	\$19.81	\$23.67	\$18.93	\$21.70	\$26.57	\$31.33	\$25.15	\$29.06
Gulf Coast	\$33.57	\$33.57	\$28.88	\$28.88	\$37.62	\$41.64	\$34.97	\$38.31
Heart of Texas	\$21.70	\$21.70	\$18.61	\$19.98	\$24.76	\$28.29	\$23.02	\$26.34
Lower Rio Grande	\$18.62	\$22.50	\$17.09	\$20.40	\$25.88	\$30.76	\$23.97	\$28.30
Middle Rio Grande	\$19.82	\$19.82	\$17.99	\$17.99	\$24.59	\$25.13	\$22.95	\$23.46
North Central	\$30.60	\$31.59	\$28.05	\$28.72	\$41.32	\$42.87	\$38.72	\$39.51
North East	\$21.44	\$21.44	\$20.04	\$20.04	\$24.16	\$27.91	\$22.68	\$25.97
North Texas	\$20.90	\$22.16	\$19.50	\$20.22	\$24.81	\$29.77	\$23.27	\$27.51
Panhandle	\$22.44	\$24.89	\$20.91	\$22.67	\$27.14	\$33.56	\$25.66	\$30.99
Permian Basin	\$19.64	\$26.73	\$18.98	\$24.12	\$27.82	\$37.07	\$26.33	\$33.98
Rural Capital	\$29.55	\$31.68	\$27.26	\$28.94	\$42.34	\$42.40	\$39.48	\$39.48
South Plains	\$22.14	\$23.54	\$20.12	\$21.69	\$28.14	\$30.72	\$26.45	\$28.60
South Texas	\$19.02	\$23.07	\$18.21	\$21.10	\$26.67	\$30.76	\$25.03	\$28.48
Southeast Texas	\$19.97	\$23.54	\$18.17	\$21.61	\$26.06	\$31.05	\$24.45	\$28.83
Tarrant County	\$30.09	\$32.67	\$29.07	\$29.94	\$38.33	\$43.34	\$35.90	\$40.18
Texoma	\$27.26	\$27.26	\$25.11	\$25.11	\$29.73	\$33.97	\$27.39	\$31.50
West Central	\$21.90	\$21.91	\$17.92	\$19.65	\$25.57	\$30.90	\$23.90	\$28.21

Homes

WORKFORCE BOARD	INFANT BASE RATE		TODDLER BASE RATE		INFANT TRS 4 RATE		TODDLER TRS 4 RATE	
	2018	2019	2018	2019	2018	2019	2018	2019
Alamo	\$30.60	\$30.60	\$24.70	\$24.80	\$33.37	\$34.48	\$29.29	\$33.04
Borderplex	\$17.38	\$19.24	\$16.69	\$18.21	\$25.30	\$26.24	\$23.45	\$25.04
Brazos Valley	\$19.05	\$24.13	\$18.74	\$22.84	\$30.18	\$32.95	\$28.03	\$31.44
Cameron County	\$16.32	\$18.64	\$13.99	\$17.56	\$22.48	\$25.98	\$20.88	\$24.71
Capital Area	\$29.95	\$30.75	\$22.65	\$29.11	\$37.26	\$41.95	\$34.87	\$40.02
Central Texas	\$17.29	\$20.31	\$16.47	\$19.26	\$22.87	\$27.49	\$21.64	\$26.26
Coastal Bend	\$25.15	\$23.12	\$19.37	\$21.81	\$28.32	\$32.14	\$26.16	\$30.59
Concho Valley	\$25.20	\$25.20	\$18.74	\$19.32	\$28.40	\$28.40	\$22.51	\$23.57
Dallas	\$23.46	\$26.23	\$21.42	\$24.58	\$32.76	\$37.63	\$30.33	\$35.65
Deep East Texas	\$18.43	\$18.53	\$16.06	\$17.46	\$22.74	\$25.86	\$21.31	\$24.59
East Texas	\$20.73	\$20.73	\$20.01	\$20.01	\$22.85	\$25.76	\$21.84	\$24.74
Golden Crescent	\$17.78	\$20.67	\$17.67	\$19.61	\$24.34	\$27.87	\$23.05	\$26.64
Gulf Coast	\$26.66	\$26.66	\$25.41	\$25.41	\$33.46	\$36.57	\$31.08	\$34.77
Heart of Texas	\$17.03	\$19.09	\$16.24	\$18.17	\$22.22	\$25.31	\$20.95	\$24.25
Lower Rio Grande	\$16.68	\$19.31	\$15.30	\$18.18	\$22.90	\$27.01	\$21.19	\$25.68
Middle Rio Grande	\$13.15	\$17.20	\$13.15	\$16.40	\$22.03	\$22.57	\$20.05	\$21.66
North Central	\$27.54	\$27.54	\$26.01	\$26.01	\$37.25	\$37.76	\$34.90	\$35.94
North East	\$18.46	\$18.75	\$17.80	\$17.83	\$21.93	\$24.95	\$20.73	\$23.89
North Texas	\$16.05	\$19.21	\$15.48	\$18.17	\$22.39	\$26.33	\$20.99	\$25.10
Panhandle	\$18.98	\$21.52	\$17.85	\$20.33	\$24.82	\$29.63	\$23.47	\$28.24
Permian Basin	\$17.04	\$22.76	\$16.99	\$21.37	\$25.47	\$32.37	\$24.11	\$30.70
Rural Capital	\$25.16	\$27.51	\$23.84	\$26.03	\$37.86	\$37.86	\$35.29	\$35.83
South Plains	\$16.63	\$20.72	\$15.71	\$19.71	\$25.49	\$27.48	\$23.95	\$26.33
South Texas	\$16.50	\$20.07	\$15.43	\$19.02	\$24.10	\$27.28	\$22.61	\$26.04
Southeast Texas	\$17.55	\$20.60	\$15.09	\$19.56	\$23.54	\$27.66	\$22.09	\$26.45
Tarrant County	\$27.54	\$28.51	\$26.01	\$27.03	\$34.51	\$38.52	\$32.31	\$36.80
Texoma	\$26.34	\$26.34	\$23.88	\$23.88	\$28.72	\$30.21	\$26.04	\$28.87
West Central	\$18.72	\$18.72	\$15.83	\$17.28	\$22.95	\$26.80	\$21.44	\$25.36

APPENDIX D

DATA SOURCES

Data for this report derive from multiple sources such as personal communications, interviews, public information request, and a survey.

INTERVIEWS

Prior to COVID-19, CHILDREN AT RISK conducted interviews with 19 of the 28 Local Workforce Development Boards (LWDB) in April and May 2019 to assess how the CCDBG funding impacted the quality of care in various regions. For many LWDBs, we conducted multiple interviews, especially if the LWDB contracted with outside organizations to provide quality improvement efforts such as Texas Rising Star mentor or assessor programs. LWDB representatives included child care subsidy administrators and Texas Rising Star mentors and assessors. Interviews lasted roughly an hour each, and CHILDREN AT RISK followed up with representatives for clarification and additional information. All interviews were coded using thematic coding in NVivo.

PUBLICLY AVAILABLE DATA

CHILDREN AT RISK utilized publicly available data from the Texas Workforce Commission, Texas Health and Human Services Commission, Texas Institute for Child and Family Wellbeing, and the United States Census Bureau to assess the correlation between the availability of affordable high-quality child care and the number of children living with low-income working parents. These data also allowed us to compare the cost of child care to the local market conditions.

During COVID-19, CHILDREN AT RISK collected publicly available data from nationally recognized organizations, the Texas Frontline Child Care portal, and held several personal conversations with leaders at the Texas Workforce Commission and Texas Health and Human Services Commission to examine how COVID-19 related CCDBG dollars were allocated and to assess how quality and subsidized child care deserts may be expanding across the state.

ONLINE SURVEY

CHILDREN AT RISK survey approximately 300 providers on their willingness and ability to provide child care for essential workers in late March and early April of 2020. We received responses from approximately 120 providers. The data collected was also used to examine resources providers needed to continue services. All raw data used, were analyzed in Stata 16.

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For 30 years, CHILDREN AT RISK has worked to serve as a catalyst for change to improve the quality of life for children through strategic research, public policy analysis, education, collaboration, and advocacy. CHILDREN AT RISK's early childhood education team works to expand access to quality, affordable early learning opportunities for all Texans.

For more on our early childhood education work, please see our recent research at childrenatrisk.org/ECE/

RESEARCH AND PRODUCTION TEAM

Nneka Ibekwe-Okafor, PhD
Director, Early Education Research and Policy

Mandi Sheridan Kimball, MSW
Vice President & Director, Public Policy and Government Affairs

Kaeleigh Hernandez, MSW
Assistant Director, Early Education Policy

Briauna Derry, AmeriCorps VISTA
Education and Community Outreach

Julie Morris, MPA
Director of Media Activism

SUGGESTED REFERENCE

Ibekwe-Okafor, N., Kimball, M., Hernandez, K., Derry, B., Morris, J. (2020). *Increasing Access to Quality Affordable Child Care Before and During a Crisis*. W. K. Kellogg Foundation Project. Children at Risk, Houston, Texas