

COVID-19 Child Care Stabilization Grants for Closed Providers Discussion Paper

1 Background

2 The Texas Workforce Commission's (TWC) three-member Commission (Commission) has
3 implemented several policies to address COVID-19 impacts on child care, including payments to
4 providers who have temporarily closed¹. This action aligns with the Coronavirus Aid, Relief, and
5 Economic Security (CARES) Act, enacted on March 27, 2020. Texas received \$371,663,374 in
6 Child Care Development Block Grant funds, and one of the allowable uses of these funds are for
7 continued payments and assistance to child care providers in the case of decreased enrollment or
8 closures, and to assure the providers can remain open or reopen.

9 TWC's actions to continue paying closed child care providers were intended to address the
10 economic hardship that many providers could face as a result of COVID-19. TWC structured
11 these continued payments based on the number of active referrals in place at the time the
12 provider closed. TWC's approval noted that TWC would continue to monitor this and would
13 make future determinations on the absence policy.

14 The current referral-based payments to closed providers are charged against the agency's regular
15 formula allocation. The Administration for Children and Families' [Information Memorandum
16 2017-02, entitled "Flexibility in Spending CCDF Funds in Response to Federal or State Declared
17 Emergency Situations"](#) also allows states to use their regular CCDF dollars to fund supply-
18 building grants in response to emergencies.

19 Issue

20 As of April 28, 2020, TWC was providing funding to 1,685 temporarily closed child care
21 providers, of which 485 are Texas Rising Star certified. There were 28,195 active child care
22 referrals in effect at these closed providers, which is estimated to cost \$5.3 million per week, or
23 between \$23-24 million per month. Providers who were previously serving a larger proportion of
24 subsidized children receive more than providers with smaller proportions. This structure, while
25 expedient in implementation, did not create an equitable framework. Additionally, providers
26 receiving these funds did not have to commit to reopening following the disaster.

27 TWC can establish an updated framework to support temporarily closed child care providers
28 through the establishment of a Child Care Stabilization Grant. This Stabilization Grant would
29 replace TWC's current policy of paying closed child care providers based on the number of
30 referrals. The Stabilization Grant is intended to help defray a child care provider's fixed facility
31 costs. The Stabilization Grants are not intended to cover other personnel or administrative costs.

32 TWC can continue to leverage the regular CCDF formula funds to support these closed
33 providers. The Stabilization Grants can be applied towards the state's quality set-aside.

¹ March 17, 2020 Commission Meeting <https://www.twc.texas.gov/materials-march-17-2020-900-amtexas-workforce-commission-meeting>

1 **Decision Points**

2 Staff seeks direction on:

- 3 • Ceasing payments to closed providers on June 1st that are based on the number of active
- 4 referrals in place at the time the provider closed
- 5 • How long child care stabilization grants will be paid.

6 The Commission authorized Stabilization Grants for eligible providers every month they

7 cannot open, for a period to be evaluated by the Commission.

- 8 • Authorizing the following grant parameters:
 - 9 ○ Eligible providers are those that were previously serving subsidized children who
 - 10 are temporarily closed
 - 11 ○ Providers must attest that they will re-open following the pandemic; the re-
 - 12 opening must occur no later than when their zoned public school district re-opens
 - 13 physical campuses, and must consider re-opening sooner, based on additional
 - 14 guidance from the Governor’s Strikeforce
 - 15 ○ Providers must commit to continuing to serve subsidized children
 - 16 ○ Providers will receive a grant amount from their managing local workforce
 - 17 development board (Board), as determined by TWC (Attachment 1) that is based
 - 18 upon their provider type and licensed capacity
 - 19 ○ Texas Rising Star certified programs will receive a 5 percent enhanced grant
 - 20 amount
 - 21 ○ Stabilization grants, prior to the TRS enhanced grant amount, shall not exceed
 - 22 \$10,000
 - 23 ○ Providers who do not have ongoing fixed costs, including those who operate on
 - 24 school campuses to provide afterschool care (in donated space), are not eligible
 - 25 for Stabilization Grants
 - 26 ○ Providers are required to apply for the Small Business Administration’s (SBA)
 - 27 Payroll Protection Program (PPP) loans; any provider that receives a PPP loan is
 - 28 ineligible to receive a Stabilization Grant
 - 29 ○ Providers must report their correct operational status, whether open or closed, to
 - 30 Child Care Regulation (CCR). Providers must also report to CCR the date that
 - 31 they reopen. Any provider who receives a Stabilization Grant while open must
 - 32 immediately notify their managing Board and will be required to return those
 - 33 funds. Child Care providers are expected to follow CCR guidelines which require
 - 34 them to report their open/closed status to CCR
 - 35 ○ Providers will be liable for any grant funds received for which they are ultimately
 - 36 determined not eligible, based on the parameters noted above. These improper
 - 37 grant award funds will be a debt to the state, which TWC is obligated to
 - 38 collect. TWC will use all resources at its disposal, including Comptroller warrant
 - 39 hold offset of state funds owed to the grantee and, ultimately, referral to the
 - 40 Bankruptcy and Collections Unit of the Office of the Attorney General for legal
 - 41 action

Stabilization Grant Calculations

1 Stabilization grant amounts are intended to defray a child care program’s fixed facility costs. The
 2 Center for Law and Social Policy (CLASP) and the National Women’s Law Center (NWLC)
 3 recently issued a report, “Child Care is Key to Our Economic Recovery”, which includes an
 4 analysis of typical costs incurred by child care providers’ under normal circumstances². The
 5 report estimates certain fixed facility costs at 9 percent of the average program’s operating costs.

6 TWC reviewed the most recent Market Rate Survey to determine each Board’s market rates by
 7 provider type. Using the 75th percentile of the local market rates, and 9 percent for estimated
 8 fixed costs, staff calculated an average Stabilization Grant amount per child and scaled the
 9 Stabilization Grants based on providers’ licensed capacity. The Stabilization Grants will also
 10 provide additional support to Texas Rising Star certified programs through a 5 percent enhanced
 11 grant amount. Based on this, TWC will calculate the Stabilization Grant amounts, by provider
 12 type, capacity, and Texas Rising Star status for each of the 28 Boards.

13 Based on the number of child care providers reported as temporarily closed, TWC estimates that
 14 Stabilization Grants will cost approximately \$11 million per month (this estimate does not
 15 exclude providers that may be ineligible such as those operating in donated space nor providers
 16 that have received an SBA PPP loan).

17 **Stabilization Grants by Board – Monthly Estimate**

Board	Closed Providers by Board	9% of 75th percentile MRS by Provider Type and Licensed Capacity (+5% for TRS)
Alamo	99	\$664,497.56
Borderplex	58	\$265,655.17
Brazos Valley	26	\$149,454.91
Cameron County	25	\$102,606.77
Capital Area	131	\$969,806.63
Central Texas	50	\$256,306.10
Coastal Bend	43	\$236,107.19
Concho Valley	28	\$97,702.98
Dallas	136	\$1,002,137.96
Deep East Texas	30	\$128,386.26
East Texas	29	\$129,491.78
Golden Crescent	1	\$2,432.31
Gulf Coast	296	\$2,368,001.04
Heart of Texas	58	\$256,395.37
Lower Rio Grande Valley	114	\$401,957.47
Middle Rio Grande	20	\$70,674.98
North Central	144	\$1,415,170.72
North East Texas	12	\$66,278.95

² <https://www.clasp.org/sites/default/files/AppendCCKeytoRecovCLASP.pdf> (page 8)

Board	Closed Providers by Board	9% of 75th percentile MRS by Provider Type and Licensed Capacity (+5% for TRS)
North Texas	9	\$61,169.69
Panhandle	30	\$153,361.70
Permian Basin	24	\$140,146.73
Rural Capital	125	\$962,228.58
South Plains	48	\$180,706.43
South Texas	58	\$184,505.84
Southeast Texas	38	\$212,277.11
Tarrant	108	\$816,764.55
Texoma	14	\$94,440.54
West Central	27	\$130,506.85
Statewide	1676	\$11,003,673.06

Examples of Monthly Grant by Board Area and Licensed Capacity

Board Name	Licensed Center		Licensed Home	Registered Home
	50	100	12	6
Alamo	\$3,344.60	\$6,689.20	\$737.47	\$352.37
Borderplex	\$2,544.74	\$5,089.48	\$556.26	\$264.45
Brazos Valley	\$3,194.57	\$6,389.13	\$698.19	\$332.02
Cameron County	\$2,518.44	\$5,036.87	\$547.14	\$259.31
Capital Area	\$4,067.49	\$8,134.99	\$889.22	\$422.86
Central Texas	\$2,665.55	\$5,331.10	\$584.08	\$278.13
Coastal Bend	\$3,115.65	\$6,231.30	\$677.61	\$321.27
Concho Valley	\$2,359.63	\$4,719.27	\$533.34	\$258.37
Dallas	\$3,645.64	\$7,291.29	\$785.87	\$370.60
Deep East Texas	\$2,505.77	\$5,011.54	\$544.33	\$257.90
East Texas	\$2,499.93	\$4,999.85	\$553.69	\$265.15
Golden Crescent	\$2,702.57	\$5,405.14	\$592.73	\$282.45
Gulf Coast	\$3,544.32	\$7,088.64	\$769.27	\$364.29
Heart of Texas	\$2,455.11	\$4,910.22	\$541.06	\$258.49
Lower Rio Grande Valley	\$2,617.81	\$5,235.62	\$568.18	\$269.13
Middle Rio Grande	\$2,190.11	\$4,380.23	\$484.01	\$231.60
North Central	\$3,660.26	\$7,320.51	\$796.39	\$377.62
North East Texas	\$2,419.06	\$4,838.13	\$532.88	\$254.40
North Texas	\$2,552.54	\$5,105.07	\$557.19	\$264.80
Panhandle	\$2,873.06	\$5,746.13	\$626.40	\$297.42
Permian Basin	\$3,136.11	\$6,272.22	\$677.61	\$320.10
Rural Capital	\$3,640.77	\$7,281.54	\$795.92	\$378.32
South Plains	\$2,665.55	\$5,331.10	\$587.36	\$280.58
South Texas	\$2,645.09	\$5,290.18	\$578.94	\$275.44
Southeast Texas	\$2,682.11	\$5,364.22	\$589.23	\$280.82
Tarrant	\$3,735.27	\$7,470.55	\$818.84	\$390.01
Texoma	\$2,929.57	\$5,859.14	\$642.54	\$306.07
West Central	\$2,596.38	\$5,192.75	\$557.89	\$262.70

Calculated based on 9% of the average cost of care, at the 75th percentile of the 2019 Market Rate Survey, by provider type, and based on provider capacity