

# **Child Care Development Block Grant (CCDBG) COVID-19 Federal Funding Fourth Tranche of New Initiatives Discussion Paper**

## **Background**

On November 2, 2021, the Texas Workforce Commission's (TWC) three-member Commission (Commission) approved several new child care stimulus-funded initiatives in the Fourth Tranche Discussion Paper. One of the initiatives, as outlined in Issue 5, was funding to support Shared Services Alliances. Child Care and Early Learning Division staff are bringing this issue back to the Commission to address some technical corrections that are required in order to clarify the dollar amounts for this initiative.

## **Issue 5 - Shared Services – \$25 million**

A June 2016 brief, [Shared Services as a Strategy to Support Child Care Providers](#), issued by a U.S. Department of Education State TA Center, outlines the Shared Services framework, and includes a quote from Louise Stoney who first introduced this concept:

“At its core, Shared Services is a simple idea: organizations can reduce costs and improve the strength of management and the quality of services by sharing administrative functions with other organizations that provide the same types of services. By joining forces, ECE programs are able to stay small, preserving intimacy important to families, while also able to improve long term financial strength and management capacity and the ability to provide a high-quality service.”

Shared Services Alliances support a partnership of child care providers and aim to strengthen systems and improve efficiency at the provider level by sharing resources to leverage economies of scale. Shared Services Alliances can assist providers in a variety of areas, and each Alliance is customized based upon the needs identified by its member providers. All Alliances share the goal of strengthening business and/or pedagogical leadership across the participating early learning programs by creating structures that enable the sharing of staff, information, and resources.

Each Shared Services Alliance is organized by a local entity/organization. The Alliance's lead organization serves as the coordinator, and assists in helping child care providers identify their common needs, and facilitate the coordination and implementation of the agreed-upon shared services, which may include:

- Joint Purchasing
- Business Software/Back-Office Solutions
- Human Resources
- Shared Administrative Staff
- Staff Recruitment and Substitute Pool
- Janitorial and Maintenance Services
- Prekindergarten Partnership Support
- Professional Development

- Business Management/Program Policies & Procedures
- Recruitment, Marketing, and Student Retention
- Staff Retention Strategies
- Financial Supports and Development

TWC can support Shared Services through the funding of staffed Shared Services Alliances. Organizations that apply as a Shared Services Alliance must:

- be located in the state of Texas; and
- have experience delivering or supporting activities that strengthen families and/or early childhood development.

The local Alliance entity/organization could be a large child care center, an intermediary organization such as a nonprofit that serves early learning programs, or a central administrative office created specifically for the Alliance. Alliance entities/organizations generally are not governmental entities. Alliance entities/organizations are not expected to replicate any services provided by Local Workforce Development Boards, such as quality improvement. Rather, they can provide complimentary services to help meet shared goals.

TWC can fund an estimated 15 new Alliances or the expansion of existing Alliances through May 2024. It typically takes 6-12 months to establish a robust Shared Services Alliance, and an additional 2 years to achieve sustainability. With dedicated funding to support the initial start-up costs and a TWC staff person to serve as a Shared Services expert supporting local Shared Services Alliances throughout the project, we aim to achieve sustainability by the end of FY24.

Funding will support the costs for the staffed Shared Services Alliance coordinator staff, as well as costs for Shared Services implementation. The amount per Alliance will be dependent upon how many child care programs join the Alliance, and the shared services strategies the Alliance will pursue.

The Shared Services Alliance coordinator staff will assist providers with:

- coordination and negotiation of joint purchasing for items such as supplies, material, curriculum, assessment tools and equipment.
- coordination to implement staff retention supports such as group health insurance or other benefits
- development of business management/program policies and procedures, including staff recruitment, strategic planning, identifying key metrics to monitor, and monthly/quarterly dashboards.

The Shared Services implementation funding may support a variety of activities. New Alliances should focus sharing services that impact Iron Triangle<sup>1</sup> metrics, particularly for year 1. Existing

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<sup>1</sup> The Office of Child Care’s Early Childhood Training and Technical Assistance Team website includes an article that addresses the Iron Triangle—maintaining full enrollment, collecting fees in full and on time, and collecting revenues that

Alliances can expand to other pedagogical and business supports, while still maintaining a key focus on Iron Triangle metrics. The specific services to be provided will be agreed upon by the child care Shared Services Alliance members. They may include:

- purchase and training on back-office software, as well as support to migrate from current practices to new practices
- computers, monitors, printers
- internet connectivity to ensure providers can use the software
- outreach and family engagement efforts to support full enrollment
- addressing provider's professional development needs
- staff retention services such as mental health consultants or benefits coordination
- Experts or temporary administrative staff (in addition to the Alliance coordinator staff) to assist with business efficiencies such as reporting, food program management, software implementation, financial management, taxes, human resources, pre-k partnership documentation, grant writing, development of business management/program policies and procedures, or substitute recruitment, training, and billing

TWC can also dedicate funds to secure national experts who can provide enhanced program planning, support and technical assistance throughout the project to assist with implementation and will assist Shared Services Alliances in learning about national best practices. This can help to ensure Alliances are set up for success and sustainability.

Any Alliances funded through this project must include a plan for sustainability beyond these start-up activities funded by TWC. As a key part of sustainability, Alliances will be expected to charge membership fees or identify other funding to maintain services beyond the grant period.

Funds will also be used for program evaluation which will include the identification of implementation challenges and successes, the shared services that were most advantageous to the member child care programs, if provider's efficiency was improved, as well as Shared Services Alliance sustainability.

Program evaluation will include, but is not limited to the following:

- Tracking and documentation of start-up process, challenges and successes, and length of time for project development
- Analysis of Alliance development and any barriers to completion
- Analysis of Alliance impact on child care businesses including Iron Triangle metrics, overall increased revenue, overall cost savings, time spent on various activities, staff retention, and any other goals identified by each Alliance
- Understanding of child care program satisfaction
- Plans for program sustainability
- Plans and recommendations for future success

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fully cover costs (fees and third-party funding if required)—largely define the financial health of child care programs.

[https://childcareta.acf.hhs.gov/sites/default/files/public/delivering\\_quality\\_strengthening\\_the\\_business\\_side\\_of\\_ece.pdf](https://childcareta.acf.hhs.gov/sites/default/files/public/delivering_quality_strengthening_the_business_side_of_ece.pdf)

The author, Louise Stoney, has also published a brief on the Iron Triangle [https://unitedwaymassbay.org/wp-content/uploads/2020/05/OpEx\\_2019\\_IronTriangle.pdf](https://unitedwaymassbay.org/wp-content/uploads/2020/05/OpEx_2019_IronTriangle.pdf)

**Decision Point 4**

Staff seeks the Commission's direction on dedicating \$25 million for Shared Services as follows:

- \$24.1 million dedicated to support Shared Service Alliance. TWC will conduct a procurement to select Local Alliances. Each Local Alliance will employ a Shared Services Coordinator who will oversee the development and implementation of Shared Services collaborations, models and strategies.
- \$450,000 dedicated for national best practices support and technical assistance resources
- \$450,000 dedicated for program evaluation

### Summary of Child Care Stimulus Funding

Funding Source	Obligation & Expenditure Deadlines	Total Appropriated to TWC
CARES	obligated by 9/30/2022; expended by 9/30/2023	\$371,663,374
CRRSA	obligated by 9/30/2022; expended by 9/30/2023	\$1,135,748,591
ARPA Stabilization Grant 10% Supply Building/TA/Admin	obligated by 9/30/2022; expended by 9/30/2023	\$272,436,884
ARPA Stabilization Grant 90% Grants to Providers	obligated by 9/30/2023; expended by 9/30/2024	\$2,451,931,953
ARPA Discretionary	obligated by 9/30/2023; expended by 9/30/2024	\$1,703,369,713
Total		\$5,935,150,515

Project	Date Approved	Funding Level
Essential Worker Child Care ( <i>final</i> )	March 24, 2020	\$52,400,000
Enhanced Reimbursement Rate ( <i>final expenditures as of 8/31/21</i> )	May 19, 2020 July 28, 2020 August 20, 2020 January 12, 2021	\$207,262,329
FY20 Low-Income Child Care ( <i>final</i> )	August 20, 2020	\$17,500,000
FY21 Low-Income Child Care	August 20, 2020	\$33,300,000
First Tranche		
2021 Child Care Relief Funds (up to \$775 million)	May 4, 2021	\$580,000,000
TA/Business Coaches	May 4, 2021	\$15,000,000
Second Tranche		
Service Industry Recovery Child Care	June 28, 2021	\$500,000,000
Texas Rising Star Support	June 28, 2021	\$30,000,000
Texas Rising Star Contracted Slots Pilot	June 28, 2021	\$20,000,000
Early Childhood Apprenticeship Project Development	June 28, 2021	\$3,450,000
TWC Program Administration	June 28, 2021	\$5,678,743
Third Tranche		
2022 Child Care Relief Funds	October 19, 2021	\$2,451,931,953
TWC Program Administration	October 19, 2021	\$42,500,000

<b>Project</b>	<b>Date Approved</b>	<b>Funding Level</b>
Fourth Tranche		
FY22-24 Low Income Child Care	November 2, 2021	\$293,200,000
Matching Grants to Improve Quality	November 2, 2021	\$25,000,000
TWC Prek Partnership Expansion	November 2, 2021	\$26,000,000
Professional Development Scholarship Expansion	November 2, 2021	\$7,000,000
Shared Services	November 2, 2021	\$25,000,000
Studies/Evaluations	November 2, 2021	\$1,602,000
FY22 CCS Provider Enrollment/Growth Support	November 2, 2021	\$287,000,000

<b>Total Funds Approved and Funds Remaining Available</b>		
	Total Approved	\$4,623,755,768
	Remaining Balance	\$1,311,394,747

### Prekindergarten Partnership Expansion Program

The Child Care & Early Learning Division (CC&EL) will oversee a new Prekindergarten (Prek) Partnership Expansion Program in Fiscal Years 22-24. CC&EL will hire 2 state-level staff (a Coordinator and co-Coordinator) and will hire a Program Supervisors to oversee the local Prek Partnership Program Specialists within 5 regions, as outlined below.

<b>5 Regions - 1 Supervisor per Region</b>	<b># of TWC Partnershi p Specialists</b>	<b>Education Service Center Regions</b>	<b>Local Workforce Development Areas (LWDA)</b>	<b># of LEAs in each LWDA</b>
Metroplex	3	10 – Richardson 11 – Fort Worth 12 – Waco (partial)	5 – Tarrant	19
			6 – Dallas	35
			4 – North Central	102
			25 – Texoma	28
				184 total LEAs
West Texas	5	9 – Wichita Falls 14 – Abilene 15 – San Angelo 16 – Amarillo 17 – Lubbock 18 – Midland 19 – El Paso	1 – Panhandle	57
			2 – South Plains	46
			3 – North Texas	32
			9 – West Central	60
			10 – Borderplex	23
			11 – Permian Basin	31
			12 – Concho	19
				268 total LEAs
Central/East Texas	5	5 – Beaumont 6 – Huntsville 7 – Kilgore 8 – Mt Pleasant 12 – Waco 13 - Austin	7 – North East	42
			8 – East Texas	74
			13 – Heart of Texas	47
			14 – Capital Area	15
			15 – Rural Capital	34
			16 – Brazos Valley	25
			17 – Deep East	55
			26 – Central Texas	29
				321 total LEAs
South Texas	4	1 – Edinburg 2 – Corpus Christi 3 – Victoria 20 – San Antonio 4 – Houston (partial)	19 – Golden Crescent	23
			20 – Alamo	66
			22 – Coastal Bend	44
			21 – South Texas	5
			23 – Lower Rio	25
			24 – Cameron	9
			27 – Middle Rio	14
				186 total LEAs
Gulf Coast	3	4 – Houston (partial) 5 – Beaumont	18 – Southeast	19
			28 – Gulf Coast	94
				113 total LEAs

## Child Care Studies/Reports on Child Care Rates

### Federal Regulations

The Child Care and Development Fund (CCDF) [2016 Final Regulations](#) contain requirements in §98.45 regarding data used to establish child care rates as follows:

98.45(c) The Lead Agency shall demonstrate in the Plan that it has developed and conducted, not earlier than two years before the date of the submission of the Plan, either:

- (1) a statistically valid and reliable survey of the market rates for child care services; or,
- (2) an alternative methodology, such as a cost estimation model

98.45(b) The Lead Agency shall provide in the [State] Plan a summary of the data and facts relied on to determine that its payment rates ensure equal access. At a minimum the summary shall include:

- (1) How a choice of the full range of providers is made available....
- (2) How payment rates are adequate and have been established based on the most recent market rate survey or alternative methodology conducted in accordance with paragraph (c) of this section;
- (3) How base payment rates enable providers to meet basic health and safety, quality, and staffing requirements [in accordance with the following]:
  - (f)(1)(ii) The estimated cost of care necessary (including any relevant variation by geographic location, category of provider, or age of child) to support: (A) Child care providers' implementation of the health, safety, quality, and staffing requirements at §§ 98.41 through 98.44 [required health and safety, criminal background checks, required training]; and
  - (f)(2)(ii) With base payment rates established at least at a level sufficient for child care providers to meet health, safety quality, and staffing requirements in accordance with paragraph (f)(1)(ii)(A) of this section

### Market Rate Survey

The Texas Workforce Commission (TWC), in partnership with the University of Texas, has been conducting Market Rate Surveys for many years; these surveys are posted on TWC's [website](#). OCC's National Center on Subsidy and Innovation, published a [brief](#) on Market Rate Surveys, noting that they analyze the price and fees charged by child care providers for services provided in the open market. The brief also provides information on the distinction between "price" and "cost" of child care. Market Rate Surveys examine the price of child care. The brief observes that "A primary reason why providers may



not consider the cost of providing services when setting prices is that the prices generally reflect the amount the local market demands.”

### **Alternative Methodology**

The federal Office of Child Care (OCC) released additional guidance, [CCDF-ACF-PI-2018-01](#), on Alternative Methodologies. OCC notes that prior approval is required only if a state is replacing the Market Rate Survey with an Alternative Methodology. States wishing to conduct an Alternative Methodology review in addition to the Market Rate Survey do not need prior OCC approval. OCC also notes that “The Act and the final rule do not define an alternative methodology but indicate that a cost estimation model is one possible approach. While a market rate survey examines prices charged to parents, a cost estimation model or cost study examines the cost to the provider of delivering services.”

OCC notes that there are two types of alternative methodologies that states may consider, and these are further explained in the Office of Planning and Research (OPRE) [Report 2017-115: Market Rate Surveys and Alternative Methods of Data Collection and Analysis to Inform Subsidy Payment Rates](#).

- Cost Estimation Model – based on a set of assumptions to estimate expected costs. OCC has published a tool in use by many states, the [Provider Cost of Quality Calculator \(PCQC\)](#).
- Cost Study/Survey – collected data from a sample of providers to measure cost of delivering services, which requires collection of extensive, detailed data.

### **Narrow Cost Analysis**

Regardless of whether a state conducts a Market Rate Survey or Alternative Methodology, all states are required to conduct a Narrow Cost Analysis. The [CCDF-ACF-PI-2018-01 Attachment](#) lays out several examples that may be used for the required Narrow Cost Analysis:

- Cost Modeling, using the [PCQC](#) or a similar tool
- Conducting a limited cost survey or study
- Examining cost differentials for higher-quality care

As OCC notes in their guidance, “While a market rate survey examines prices charged to parents, a cost estimation model or cost study examines the cost to the provider of delivering services. The prices that parents pay in many cases do not align with the full cost of delivering child care services, particularly high-quality services, and therefore cost information provides additional facts to inform the setting of payment rates.”