

Rebuild Santa Barbara County's Economy by Investing ARPA Funds in Child Care

Overview

Child care is critical to Santa Barbara County's economic recovery from the pandemic. The Santa Barbara County Emergency Child Care Initiative (ECCI) presented this topic to the Board of Supervisors in June, 2021 and was asked to return with specific recommendations regarding American Recovery Plan Act (ARPA) investment in child care. ECCI recommends that the County of Santa Barbara contribute \$2 Million to child care recovery using ARPA funds for fiscal years 2021-2024. In addition to this amount, cities are being asked to contribute an additional collective \$500,000. ECCI, a public-private collaborative effort has been able to support the local child care sector to this point of the pandemic, resulting in far fewer closures than other counties. It is now imperative that local governments join this relief and recovery work by allocating ARPA funds to child care relief and recovery so children have safe, stable, and equitable environments to learn and grow, and so parents can return to work.

Recommended Actions by the Board of Supervisors

1. Allocate **\$2 Million** to provide immediate relief to private child care programs that are facing financial hardship in order to sustain operations. This critical funding will provide relief grants in the first year and recovery support in years 1-3 to help programs establish sustainable operations and safely adapt to continued pandemic conditions.
2. Partner with ECCI to encourage cities in Santa Barbara County to collectively contribute an additional \$500,000 towards recovery grants, approximately .5% of each city's ARPA allocation. Presentations have been made at local city council meetings to harness this investment. Interest from Santa Barbara City, Goleta, Santa Maria, and Guadalupe has been expressed. Most cities are in the process of developing a distribution plan and have not yet allocated their ARPA funds. Following the Board of Supervisors' determination, an updated recommendation will be submitted to each city.

Strategies

The recommended strategies focus on the most critical needs that are: 1) unmet or insufficiently funded by the State or Federal government, 2) can generate the highest impact within the designated three year timeframe (FY 2021-2024), and 3) directly address the ARPA guidelines and priorities.

- Year 1: Child care relief grants for private child care providers.
- Year 1-3: Child care recovery building through technical assistance, continued ECCI coordination and information dissemination to mitigate the impacts of COVID-19, specialized business support, and data evaluation to track the impact of funding and program capacities.

Performance Measures

1. Stabilization of the child care sector. ARPA funds will help reduce the revenue gap experienced by child care programs to ensure continued operations and avoidance of further closures.
2. An enhanced infrastructure system will be available to support the child care sector in recovery efforts through technical assistance, pandemic health and safety information dissemination and coordination, and specialized business support.

It is recommended that funding remains flexible enough to be responsive to state and federal fund allocation as well as the changing needs of the pandemic.

Preliminary Budget

Strategies	Year 1	Year 2	Year 3	Estimated 3-year Cost
Child care relief grant program	\$1,000,000			\$1,000,000
Child care recovery building	\$300,000	\$215,000	\$200,000	\$715,000
Project management / administration	\$216,035	\$35,729	\$33,236	\$285,000
		Estimated Total		\$2,000,000

Child Care, the Community, and the Economy

The pandemic exacerbated the pre-existing local shortage of needed child care which paralyzes parents' ability to return to work and impedes on Santa Barbara County's economic recovery. Without access to high quality, reliable child care, substantial portions of the workforce will continue to remain unemployed, reduce their hours, and leave the labor force entirely, which will further diminish the pool of potential workers in the region, decrease household incomes, and lower the economic appetite for regional spending. The viability and recovery of other business sectors is dependent on parents, especially mothers, being able to access child care so they can return to work.

The recommended child care relief and recovery strategies are fundamental in the multi-layered federal, state, and local approach to restoring Santa Barbara County's economic sustainability for the following key reasons:

1. **The child care sector has been devastated by the pandemic.** Even with intensive support from ECCL, programs have struggled to maintain operations with decreased revenue due to health and safety enrollment restrictions, increased pandemic costs, and are now faced with a limited workforce. The average lost revenue for private Santa Barbara County child care centers is **\$67,826**, and the average lost revenue for home-based, licensed family child care programs is **\$13,867**ⁱ. Local private child care programs need substantial support to regain fiscal solvency.
2. **The economy cannot recover without women's ability to work.** The impact COVID-19 has had on the inequalities women face at work and at home cannot be ignored. Gender inequities have created a mass exodus of women from the nation's workforce due to the demands of child care. Women account for 80% of the total population who exited the workforce since February 2020.ⁱⁱ Despite the recent upward trend in employment rates, women will need more than nine straight months of job gains in order to recover the nearly 3.8 million net jobs women have lost since February 2020.ⁱⁱⁱ Seventy-five percent of local parents who took on additional child care duties during the pandemic are women.^{iv} Additionally, the child care sector is owned and operated by women. Female small business owners, and especially women of color, are more likely to be declined for loans and pay higher interest rates.^v In 2020, less than 1% (approximately only 43,000 child care providers) of the total \$525 billion in lending through the Paycheck Protection Program was distributed to child care providers across the country.^{vi} Our economy cannot fully recover from the pandemic unless women fully participate in the workforce.
3. **Children's lives have been negatively impacted by the pandemic and economic crises and high quality child care can help.** Researchers expect a tidal wave of behavioral health needs, especially from children of vulnerable and marginalized communities. Research shows that high-quality child care provides a 13% return on investment per year per child through improved education, health,

and economic outcomes.^{vii} High-quality child care provides a powerful two-generation approach, by laying the crucial groundwork for tomorrow's workforce and promoting a strong workforce today.^{viii}

4. **The expected state and federal funding allocated to Santa Barbara County will not be sufficient for child care recovery.** Local investment of ARPA funds is critically needed. California will use the Child Care Stabilization Funds along with other state funds to provide support to child care through the 2021-22 budget, including strong financial support for subsidized child care programs and family tuition subsidies for low income and essential workers. However, very little of the state budget is invested in financial relief and support to private programs (non-subsidized). The limited amount allocated will not address the deep financial losses Santa Barbara County's private providers have sustained. The federal American Rescue and American Jobs plans may include funding for components of the child care system but are still early in the budget process. Any funds available to Santa Barbara County will not likely be available until further in the future. Providers need support now so that they can reopen and remain open. ECCI will continue to monitor the state and federal budgets for additional funding to support child care recovery.
5. **The proposed child care relief and recovery strategies clearly align with ARPA intended use.** ARPA funding objectives include immediate economic stabilization for businesses and support to decrease spread of the virus. Examples of approved ARPA uses include: supporting small businesses with loans and grants, speeding the recovery of impacted industries; providing premium pay to essential workers; prioritizing low-and moderate-income workers. Child care is identified as a key sector to receive ARPA funds.
6. **Counties and cities are investing ARPA funds in comparable child care strategies.** Across California, counties and cities have invested, or will be investing, recovery funds in child care. Funded strategies include grants to providers, workforce retention, tuition stipends for families, and facility retrofits and startups. Many cities and counties are still considering investments. Examples of approved or in process child care allocation include:
 - Monterey County Board of Supervisors approved \$1,545,000 of ARPA.
 - City of Santa Rosa CARES Act with First 5 Sonoma and Sonoma Community Foundation approved \$1.1M.
 - San Luis Obispo County approved \$9M child care and business economic development grants through ARPA. Cities are being asked for a 5% ARPA contribution.
 - San Diego County and San Diego City approved \$10M CARES Act and \$16M through ARPA.
 - Los Angeles County approved \$5M CARES in child care, plans for ARPA along with City of LA.

Leadership and Partnership

A collaborative private-public partnership has been established for the County to contribute ARPA funds to this critical need, and can be built upon to include new partners and funding. ECCI is a public-private partnership of local philanthropic partners, county departments, and early care and education supporting agencies that was established in April 2020 in response to the critical needs of the pandemic. The consortium of local philanthropic partners includes The Natalie Orfalea Foundation and Lou Buglioli, Jane and Paul Orfalea/the Audacious Foundation, Linked Foundation, James S. Bower. Foundation, Ann Jackson Foundation, Zegar Family Foundation, Henry and Lola Monroe Foundation, Santa Barbara Foundation, and United Way of Santa Barbara County, as well as local early childhood education support organizations including Children's Resource & Referral, First 5 Santa Barbara County, and the Santa Barbara County Child Care Planning Council. The group funded and supported the establishment of emergency child care for health care providers and essential employees for the first five months of the pandemic. ECCI led a comprehensive, coordinated response to the ever-changing needs of the pandemic, which included the distribution of funding and critical supplies, intensive technical support and resources, an in-depth website and guidebook, weekly live update and support sessions with

providers, as well as advocacy and policy change. ECCI became, and remains, a trusted clearinghouse of key health and safety information for child care programs, government departments, and the community. Santa Barbara Foundation and First 5 Santa Barbara County have provided funding to support the leadership, critical convening, and mobilization of these essential activities. For more information about ECCI see the website: <https://www.sbcemergencychildcare.org>.

Leadership is in Place to Implement Recommended Strategies. The ARPA relief and recovery grants will be managed by a multi-organization Emergency Child Care Initiative effort with Santa Barbara Foundation taking a leadership role as the fiscal agent, First 5 of Santa Barbara County and United Way of Santa Barbara County serving in key support roles, and Children’s Resource and Referral and the Child Care Planning Council providing implementation of direct relief to local child care programs.

This proposal has been endorsed by: Emergency Child Care Initiative partners, Audacious Foundation, Santa Barbara South Coast Chamber of Commerce, Legacy Works Group, Holly Goldberg Consulting, and Eileen Monahan Consulting.

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ⁱ Based on August 2021 child care survey response rate of 23% for private centers and 28% of home-based family child care programs.

ⁱⁱ <https://www.bls.gov/news.release/empsit.t01.htm>

ⁱⁱⁱ Fact Sheet (July 2021). National Women’s Law Center. Retrieved from: <https://nwlc.org/wp-content/uploads/2021/07/June-Jobs-Day.pdf>

^{iv} The Santa Barbara County Workforce Development Board and the Santa Barbara Foundation (2021). Santa Barbara County COVID-19 Impact Report. Retrieved https://www.sbfoundation.org/wp-content/uploads/2021/06/Final-PDF_COVID19-County-Report.pdf

^v <https://www.forbes.com/sites/forbesfinancecouncil/2018/01/22/why-minorities-have-so-much-trouble-accessing-small-business-loans/?sh=5ac4a78c55c4>

^{vi} <https://bipartisanpolicy.org/blog/child-care-essential-to-economic-recovery-received-just-2-3-billion-in-ppp-funds/>

^{vii} Heckman, James, et al. (June 2017). Quantifying the Life-cycle Benefits of a Prototypical Early Childhood Program. Retrieved from: <https://heckmanequation.org/>.

^{viii} Stevens, Katharine B. (June 2017). Workforce of Today, Workforce of Tomorrow: The Business Case for High-Quality Childcare. Retrieved from: <https://www.uschamberfoundation.org/reports/workforce-today-workforce-tomorrow>