



ARIZONA'S COVID-19 CHILD CARE CRISIS

How lack of child care threatens Arizona's COVID-19
recovery and public policy solutions to consider.

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EXPLORING THE ISSUE

Child care has always been linked to Arizona’s economic health – today’s employees need child care in order to work, and early learning programs provide the education that children need to be successful in school and become the workforce of tomorrow. The COVID-19 pandemic has dramatically altered the lives of children, families, child care providers and early childhood programs in Arizona. Arizona’s working parents were forced to find quick solutions for care when both schools and child care programs rapidly closed in response to the pandemic. The unplanned disenrollment of children, sustained closures, and lack of essential materials may lead to the biggest child care crisis in modern history.

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As the outbreak continues its widespread effect in the state, Arizona leaders are learning how important child care is – not just to

“essential” workers – but to Arizona’s economic future.

Throughout the public health crisis, child care businesses were faced with many difficult decisions; the biggest one being whether to remain open. Providers had to weigh many factors, including, but not limited to: the health and safety of their students and staff; supporting the working families who needed care for their children throughout the pandemic; and their operating expenses that were drastically impacted as a result of disenrollment of children. Various data sources suggest that between one-third and two-third of centers remained closed at the beginning of July 2020, and a survey of providers revealed many programs would not be able to remain open or reopen without financial assistance. Weekly data collected from a subset of providers – those participating in a quality improvement initiative through First Things First – shows the fragility of early learning programs overall; although half of participating providers generally have remained open, providers are temporarily closing and re-opening on a weekly basis (Figure 1).



STATUS OF QUALITY FIRST PROVIDERS REOPENING – FIRST THINGS FIRST

Week Prior To	Percent Open	Percent Closed	Newly Re-Opened	Temporarily Closed
March 16 – Schools Ordered to Close				
3/27 <small>*Based on 91% of programs reporting</small>	46%	54%		
March 30 – Statewide Stay at Home Order				
4/3	47%	53%	7	
April 6 – Enrichment Centers Launched				
4/10	47%	53%	5	
4/17	47.5%	52.5%	7	6
4/24	48%	52%	7	5
5/1	48%	52%	0	0
5/8	48%	52%	13	6
May 15 – Phase 1 Statewide Re-Opening Begins				
5/15	49%	51%	4	0
5/22	50%	50%	14	1
5/29	50%	50%	0	2
6/5	51%	49%	12	2
6/12	53%	47%	18	3
6/19	53%	47%	9	2
6/26	55%	45%	18	7
June 29 – Re-opening Paused Due to Surge in New Cases				
7/6	54%	46%	6	17
7/10	53%	47%	2	4
7/17	54%	46%	9	6

FIGURE 1

These swift and unexpected closures are not only tough on providers and their staff, but also extremely challenging for the families and children in these programs. Child or staff illnesses, lack of access to personal protective equipment or cleaning supplies, and unpredictable financial resources are among the main causes of temporary closures. As a result, families are left in a scramble to find

alternative care arrangements when their program unexpectedly closes and children go from caregiver to caregiver, disrupting their education and their sense of stability. Many parents are heading back to their physical work environment unsure of what school and child care options they will have in the near future, and instability in Arizona’s child care



infrastructure means both children and families will suffer.

At the request of the early childhood partners, Arizona Child Care Resource and Referral conducted a survey in May/June 2020 of licensed child care providers across Arizona to better understand how COVID-19 has

providers in our state), approximately 1 out of 3 providers remained closed as of June 2020.

Out of the programs that are closed, 69 percent reported that the largest challenge to opening was that “parents were unable/unwilling to bring children to the program” (Figure 2).

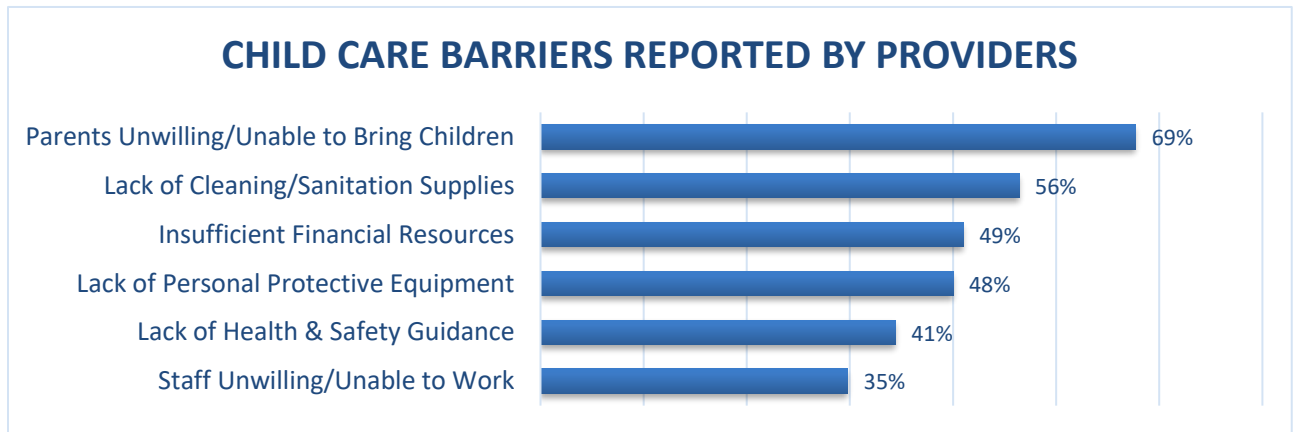


FIGURE 2

impacted their business, their staff and their ability to serve children and families. The intent of this survey was to gather data to help inform policymakers’ decisions around the \$88 million that was appropriated to the state from the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act through the Child Care Development Block Grant (CCDBG) earmarked for child care relief. According to this survey, responded to by more than 800 licensed child care providers across Arizona (a portion of roughly 2,800 licensed child care

The Child Care Resource and Referral survey also included some devastating data surrounding child enrollment – the number of children served by programs has been cut by almost two-thirds, going from an average of 86 per provider pre-pandemic to about 32 for the providers who remained open.



This significant and unexpected drop in enrollment devastated many child care business operators, who had to make

for just 83 percent of their pre-Coronavirus capacity (Figure 3).

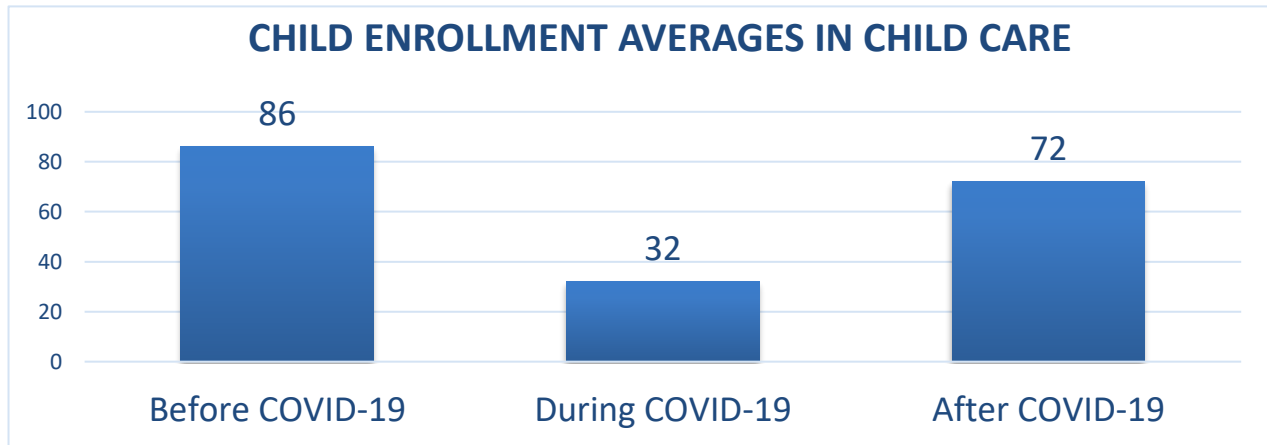


FIGURE 3

challenging decisions to keep their business afloat. This includes nearly 40 percent of responding providers who had to lay off or furlough staff. If and when Arizona child care businesses reopen, their return to “business as usual” may not be immediate or the same as before the pandemic. Hiring and training of new staff can take several months considering the need for background checks and fingerprint clearance. And data suggests that even if they open at full capacity, given the new guidelines of group sizes, they still may not be able to serve the number of children they served before the pandemic. Providers anticipate a permanent drop in enrollment when business resumes “as usual”, planning

Agency-level policy changes have been a tremendous help to the child care programs, although there is still much to be done to support and preserve the child care

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infrastructure. Child care business owners are having difficulty balancing their business requirements and budgets as they work to adhere to the Center for Disease Control and Prevention (CDC) guidelines of social distancing and reduced class sizes, address the



increases to sanitation measures, don't have enough staff comfortable returning to classrooms, lack consistency of families bringing in their children, and experience that families may have been financially devastated by the crisis as well and unable to pay their tuition costs.

In addition, those policy changes have not made a difference for providers who operate a primarily private-pay business model (meaning providers not receiving DES child care assistance, operating as an Enrichment

Center, receiving FTF Quality First Scholarships, and/or participating in other supported programs such as Head Start and school-based operations). These private pay providers have yet to receive any state support to help them through these difficult times even though many have seen a steep dip in their enrollment as a result of parents pulling their children from care, leading many of them to close, or remain open with negative profit margins. These private pay providers serve thousands of Arizona's families and children.

ACTIONS TAKEN THUS FAR

COVID-19 rapidly impacted child care providers across Arizona, and many state agencies acted quickly to make critical decisions to support the industry through this crisis. To highlight:

- ❖ **Governor Doug Ducey and Superintendent of Public Instruction Kathy Hoffman** partnered with the child care community to develop a program to ensure first responders and critical personnel have access to safe and reliable child care through the crisis. The establishment of the Enrichment Centers was a highly praised program that supported families and many child care providers. Child care providers across Arizona were able to opt-into this program to become an Enrichment Center to serve families, with a prioritization on first responders and essential personnel. This program allowed child care operators to attempt to increase their enrollment of children through the COVID-19 pandemic and compensate for the loss in their regular attending children. Essential workers earning less



than \$60,000 a year who enrolled children at Family Enrichment Centers also qualified for scholarship reimbursed at 75 percent of the market rate (typical DES child care assistance reimbursement is just over 30 percent the market rate). This has allowed many providers to remain open and continue to pay their staff since the beginning of the pandemic. The Arizona Department of Administration played an important role in distributing supplies to these Enrichment Center providers when materials were extremely scarce.

- ❖ **The Department of Economic Security (DES)** made agency-level policy changes to allow child care programs serving children on child care assistance to be paid based on their January billing numbers regardless of whether they remained open or were temporarily closed. This was a tremendous help to stabilize child care providers whose attendance numbers dropped significantly in March because of unplanned disenrollment of children as a result of the unknowns of the pandemic. In addition to this action, DES opted to reimburse all providers for all children at the [full-day rate](#), which provided even more stability to the industry. This decision made by DES provided immediate relief to hundreds of business owners who were panicked that the unplanned disenrollment and limited attendance would devastate their business. This allowed many providers to remain open and continue to pay their staff since the beginning of the pandemic.
- ❖ **First Things First (FTF)** – Arizona’s early childhood program and operator of the state’s early learning improvement initiative, Quality First – pledged to pay child care providers, who receive FTF scholarships for children from low-income families to attend quality settings, based on reimbursements amounts from February 2020, regardless if they remained open or were temporarily closed. This action – consistent with the steps taken by DES – has allowed child care centers more consistency in payments through this uncertain time and the ability to utilize dollars for operating expenses (staffing, rent, utilities, etc.) to remain open and/or continue their quality operation when this crisis ends.
- ❖ In the initial days of the pandemic, **dozens of partners, spanning from state agencies to advocacy groups and nonprofits**, banded together to develop a system of distribution for essential child care operational materials, including toilet paper, cleaning supplies, and milk.



This allowed child care providers to continue to operate and focus on what they do best: serving children and families.

IMMEDIATE OPPORTUNITIES TO SUPPORT CHILD CARE

The federal CARES Act appropriated \$88 million dollars to the State of Arizona through the Child Care Development Block Grant. DES is the administrator of this funding and has been working collaboratively with the child care community to determine the best way to utilize this money to support those that



remain open, and support those in their reopening. DES plans to utilize a large portion of this federal child care relief funding to develop a grant program for eligible child care providers. This grant will support providers in their efforts to remain open (subsidize those who may no longer be able to operate a cash-positive program because of the unplanned low attendance, but the infrastructure is critical to be intact when families are heading back to work.) and re-open (such as procuring supplies, paying rent and staff). The application for this relief program was expected to open in early July, with an initial goal to get the funding out to eligible applicants by early August, although this has been delayed. The deep need for this child care relief funding is now. The child care community has continued to advocate for this critical grant funding to be distributed soon to provide some much-needed relief to the struggling child care programs.

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This DES Grant Program for eligible child care programs should be a tremendous help to many child care providers across Arizona. But terminating the Enrichment Center and the DES reimbursement policy



changes too quickly could undo all the great work that was put in place to preserve the system. Many child care businesses may no longer be profitable, leading to the closure of essential child care businesses and the loss of thousands of child care slots. This will be felt by families across Arizona, as well as businesses, small and large. Parents may be faced with the decision of providing for their families by going to work or having safe and reliable care for their children by staying home.

There are several public policy actions that can help thousands of child care small business owners, Arizona's working families, and young learners at the same time. They include:

- 1) Grant DES legislative spending authority of the \$88 million from the CARES Act from the Child Care Development Block Grant with maximum flexibility to allow DES to be responsive to the evolving needs of the child care programs throughout the ongoing crisis.*
- 2) Open the DES child care grant application today and revisit the successes of the DES Grant Program in the coming months to determine if another round of targeted relief pay is needed.*
- 3) Continue the Enrichment Center and Scholarship Program through the remainder of 2020.*
- 4) Continue to reimburse DES child care assistance providers at the January rate through the remainder of 2020.*
- 5) Increase the reimbursement rate of providers accepting DES child care assistance to at least 50th percentile of the most recent market rate survey, with a clear plan to achieve the federally mandated 75th percentile in the next few years.*
- 6) Waive the payment of the child care licensing renewal fees for every licensed child care renewal for the next three years.*
- 7) Ensure additional state and federal funding is appropriated to address the evolving early care and education needs of young children and their families during Arizona's COVID-19 recovery.*

These policy recommendations will allow continued financial consistency for child care providers until the pandemic subsides, ensuring the child care infrastructure remains intact once all of Arizona's parents are ready to place their children back into organized child care.



CONCLUSION

The quick actions of Arizona’s leaders and state agencies has allowed Arizona to temporarily stave off the biggest child care crisis in modern history. But, as the pandemic continues to linger across our state, and many parents not ready to place their children back into organized care, child care businesses will continue to struggle and might close completely. This cannot happen. When Arizona emerges from this pandemic, there may not be enough child care providers to serve them. In order to preserve this essential pillar of Arizona’s economic success, the policy recommendations outlined in this report are not only necessary; they are critical.