



Committee: Joint
Committee Review: At a future date
Staff: Vivian Yao, Legislative Analyst
Purpose: To introduce agenda item – no vote expected
Keywords: #COVID-19, #child care

AGENDA ITEM #3K
June 9, 2020
Introduction

SUBJECT

Special appropriation to the County Government's FY20 Operating Budget, Early Care and Education Non-Departmental Account (NDA), COVID-19 Early Care and Education Initiative (ECEI) Recovery Fund, \$10,000,000 (Source of Funds: General Fund Reserves)

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

- Introduction. HHS and E&C Committee review is scheduled for June 11, 2020. Public hearing and action are scheduled for June 16, 2020.

DESCRIPTION/ISSUE

The COVID-19 public health crisis has put the child care industry in a precarious financial situation. Revenue loss resulting from efforts to contain the spread of the disease and the stringent requirements for reopening put the viability of child care businesses in jeopardy. Child care is an essential service to support families as they return to work and is critical to the County's economic recovery. Without public investment and support, licensed, quality child care in Montgomery County is not sustainable under the current recovery requirements.

This special appropriation is needed to provide reopening expenses for licensed child care center programs, registered family child care homes, and letter of compliance programs including one month of expenses to support operations until tuition payments are collected and compensation for significant financial loss caused directly or indirectly by COVID-19 restrictions.

SUMMARY OF KEY DISCUSSION POINTS

- Funding in the appropriation will be targeted as follows: \$6,500,000 to support licensed child care centers and letter of compliance programs and \$3,500,000 to support registered family child care homes.
- The maximum grant amounts are \$75,000 for a single site, \$150,000 for two to three sites, and \$300,000 for four or more sites.
- The child care site(s) to be supported by the grant must be located in the County, and 60% of the children served at each site must be Montgomery County residents.
- To be an eligible grantee for funding supported by this appropriation, applicants must:

- Have licensed child care center, a registered family child care or large family child care home, or a letter of compliance program located in the County;
 - Provide child care to children from the age of birth to five years old;
 - Be in good standing with the State of Maryland; and
 - Be able to reopen by August 31, 2020.
- Priority must be given to programs (1) serving low-income families and children with special needs; (2)) providing child care in the following target zip codes with lower levels of child care availability and higher concentrations of low-income families: 20877, 20886, 20902, 20866, and 20906; and/or (3) participating in the Maryland EXCELS program.

This report contains:

Proposed Resolution

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Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsors: Councilmember Navarro, Councilmember Riemer,
and Councilmember Friedson

SUBJECT: Special Appropriation to the Fiscal Year 2020 Operating Budget
Montgomery County Government
Early Care and Education Non-Departmental Account
COVID-19 Early Care and Education Initiative (ECEI) Recovery Fund
\$10,000,000 (Source of Funds: General Fund Reserves)

Background

1. Section 308 of the County Charter provides that a special appropriation is an appropriation which states that it is necessary to meet an unforeseen disaster or other emergency, or to act without delay in the public interest. Each special appropriation shall be approved by not less than six Councilmembers. The Council may approve a special appropriation at any time after public notice by news release. Each special appropriation shall specify the source of funds to finance it.
2. On March 11, 2020 the World Health Organization declared coronavirus COVID-19 a pandemic, and it has spread rapidly throughout the world. As of June 2, 2020, there were 11,731 confirmed cases in Montgomery County. There were 584 confirmed deaths and 40 probable deaths in Montgomery County.
3. To slow the spread of the disease, Maryland Governor Hogan declared a State of Emergency on March 5, 2020 and issued several Executive Orders that closed schools, closed non-essential business, and required Maryland residents to shelter at home. The Governor also closed all child care programs in Maryland on March 27, 2020 and invited providers to reopen as Essential Personnel Child Care (EPCC) sites serving those fighting the pandemic on the front line. EPCC and Essential Persons School Age programs began operating on March 30, 2020.
4. Revenue loss resulting from efforts to contain the spread of the disease and the stringent requirements for reopening put the viability of child care businesses in jeopardy. Prior to COVID restrictions, the child care industry struggled with sustainability challenges. Cost of care studies showed the typical child care program operating at a deficit or at best, a

break-even situation.

5. Many child care programs did not qualify for the initial funds appropriated to the Public Health Emergency Grant (PHEG) program made available to local businesses that demonstrated significant financial loss caused directly or indirectly by a public health emergency. No PHEG funds were targeted specifically for the child care industry, and the application for PHEG funding required proof of revenue loss in March 2020. Because the State did not mandate child care closures until March 27, 2020, losses for most child care programs began in April 2020.
6. The State's requirements for reopening child care include smaller group sizes and strictly established health standards necessary to prevent the spread of COVID-19. The smaller group sizes significantly reduce tuition payments to be collected by providers, while they must continue to maintain the staffing levels and other fixed costs and increase spending for personal protective equipment, cleaning supplies, and other materials needed for the safe delivery of services.
7. Child care is an essential service to support families as they return to work and is critical to the County's economic recovery. Without public investment and support, licensed, quality child care in Montgomery County is not sustainable under the current recovery requirements.
8. This special appropriation is needed to provide reopening expenses for licensed child care center programs, registered family child care homes, and letter of compliance programs including one month of expenses to support operations until tuition payments are collected and compensation for significant financial loss caused directly or indirectly by COVID-19 restrictions.
9. The funds appropriated must be distributed through a single application process that solicits requests for reopening operating expenses and/or compensation of lost revenue. Funding in the appropriation will be targeted as follows: \$6,500,000 to support licensed child care centers and letter of compliance programs and \$3,500,000 to support registered family child care homes. The maximum grant amounts are \$75,000 for a single site, \$150,000 for two to three sites, and \$300,000 for four or more sites. The child care site(s) to be supported by the grant must be located in the County, and 60% of the children served at each site must be Montgomery County residents. The Source of Funds is General Fund Reserves.
10. To be an eligible grantee for funding supported by this appropriation, applicants must:
 - Have licensed a child care center, a registered family child care or large family child care home, or a letter of compliance program located in the County;
 - Provide child care to children from the age of birth to five years old;
 - Be in good standing with the State of Maryland; and
 - Be able to reopen by August 31, 2020.
11. In calculating the one month of operating costs to be supported by the grant funds, the

applicant must fill out a budget template specifying the additional costs needed to comply with the COVID-19 health standards, i.e., training staff on cleaning procedures and health and safety requirements, cleaning and disinfecting facilities, reconfiguring space to accommodate new group sizes, personal protective equipment and cleaning supplies, and additional classroom materials. The grant amount for operating expenses will be calculated by (1) multiplying the licensed capacity of the program by the average cost of care (market rate) for child care centers and family child care homes as reported in the most recent Montgomery County Child Care Demographic Report published by Maryland Family Network and (2) adding the reasonable costs to comply with the COVID-19 health standards up to a maximum of \$10,000.

12. To be eligible to receive compensation for the portion of the grant targeting significant financial loss caused directly or indirectly by COVID-19 restrictions, the child care business must have incurred revenue loss between April 1, 2020 and April 30 and/or May 1 through May 31, 2020 attributable to a 50% or more reduction in the number of children enrolled in the program as of February 1, 2020. Potential losses to be reimbursed for each month will be calculated based on the reduced number of children served during those periods multiplied by the average cost of care (market rate) referenced in paragraph 11. Tuition for any child for which the provider received or is eligible to receive a local or State child care subsidy for that period may not be included in the calculation of potential losses to be reimbursed. In addition, if the child care business received financial assistance from Federal, State or County sources for expenses related to the COVID-19 health crisis, then the potential grant award must be reduced by the amount of the COVID-19 assistance previously received.
13. Priority must be given to programs (1) serving low-income families and children with special needs; (2) providing child care in the following target zip codes with lower levels of child care availability and higher concentrations of low-income families: 20877, 20886, 20902, 20866, and 20906; and/or (3) participating in the Maryland EXCELS program.
14. Notice of public hearing was given and a public hearing was held.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

A special appropriation to the FY20 Operating Budget of the Early Care and Education NDA is approved as follows:

<u>Personnel Expense</u>	<u>Operating Expense</u>	<u>Capital Outlay</u>	<u>TOTAL</u>	<u>Source of Funds</u>
\$0	\$10,000,000		\$10,000,000	Federal Cares Act Funds

This special appropriation must only be used to implement the program using the guidelines described in paragraphs 9, 10, 11, 12, and 13.

The Executive must make updated information on implementation of the grant program available on a weekly basis to the County Council beginning on June 22, 2020 with a final report by August 31, 2020 about the use of these funds that includes: 1) information about the total number of applications; 2) basic information about the number and reason(s) that applicants did not qualify; and 3) names of businesses and total award amount for any business that receives assistance under this grant program.

The Executive must designate an employee to lead an effort to notify childcare businesses throughout the County about the programs supported by this appropriation and other available government programs that may help with an economic recovery. Also, consistent with our Racial Equity and Social Justice law, outreach should emphasize childcare businesses located in significantly impacted communities and assist businesses on how to apply.

The funds appropriated in this special appropriation must be placed in the General Fund account associated with the Early Care and Education NDA, in which any unspent funds will be re-appropriated in FY2021.

This appropriation is needed to address a public health emergency and to act without delay in the public interest.

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council