

Form 2: Operating Budget Enhancement Requests

FY 2022 Agency Budget Submission

Complete a separate Form 2 for each enhancement request in your submission.



SECTION I. OVERVIEW Required for ALL requests

ENHANCEMENT TITLE* **Child Care Subsidy** ENHANCEMENT PRIORITY* **2** OUT OF **3**

AGENCY* **OSSE** AGENCY CODE* **GDO**

AGENCY POINT OF CONTACT* **Sara Meyers** POINT OF CONTACT EMAIL* **Sara.meyers@dc.gov**

REQUEST TYPE*
Mark the one request type that best describes this enhancement. No type is preferred over any other, but the questions in Section II: Rationale differ by type.

A. Restore previous budget reduction/one-time funding } For these request types, complete Sections I and II only
 B. Increased cost to maintain existing program/activity
 C. Operational improvement with strong business case

 D. Expand high-performing existing program/activity } For these request types, complete Sections I through V
 E. Completely new program/activity with highly likely or proven positive outcomes for District residents

FUNDING REQUEST*
Enter amount of Local Funds requested and indicate whether funds are one-time or recurring.

FY 2022 PERSONAL SERVICES (PS)	FY 2022 NON-PERSONAL SERVICES (NPS)	FY 2022 TOTAL REQUEST AMOUNT
\$0	\$10,000,000	\$10,000,000

ONE-TIME PARTIALLY RECURRING RECURRING

FUTURE COSTS*
If recurring, enter estimated costs over the life of the Financial Plan.

TOTAL FY 2023	TOTAL FY 2024	TOTAL FY 2025
\$10,000,000	\$10,000,000	\$10,000,000

ENHANCEMENT SUMMARY*
In one sentence, tell us what this enhancement is.

The enhancement would enable OSSE to increase payments to child care providers to sustain the supply of affordable child care through the duration of the public health emergency and ensure a sufficient supply of affordable, quality child care to support the District's economic recovery once the District enters Phase Four of the public health emergency.

ENHANCEMENT IMPACT*
In one sentence, tell us what the expected positive impact is on District residents

Funds will support the District's economic recovery from the impacts of the COVID-19 pandemic by enabling child care providers remain in business and working parents to access child care until a vaccine is widely available and making it possible for families to access affordable child care to return to work as the District moves through the recovery phases and in Phase 4.

AGENCIES: Please use Form 2 to provide additional details about enhancement requests in your FY 2022 budget submission. This information is an important part of the decision-making process. Well thought-out and reasoned requests are much more likely to receive favorable consideration.

FY 2022 Enhancements

As always, we eagerly invite fresh, innovative, evidence-based ideas for improving the quality or efficiency of city services. This is especially true as we face unprecedented challenges resulting from the COVID-19 pandemic.

At the same time, we face significant resource constraints that will drastically limit our ability to fund new initiatives in the FY 2022 budget. Therefore, we are seeking your help in identifying thoughtful, viable cost-saving measures that will afford us the opportunity to continue improving the services we provide to our community.

Enhancement requests to expand existing programs or activities, or to start completely new programs or activities should include in Section III a budget reduction that offsets the amount of the request in whole or in significant part. Offsetting reductions should be in addition to reductions to meet the agency's MARC. Requests accompanied by viable cost-saving options are much more likely to receive favorable consideration.

- REQUIRED SECTIONS**
- Sections I and II are required for ALL requests.
 - Sections I-V are required for Type D and Type E requests.

Please remember to submit the Form 2 Summary spreadsheet along with the separate Form 2s for each enhancement by your agency's submission deadline.

Form 2: Operating Budget Enhancement Requests
FY 2022 Agency Budget Submission



or government
operations.

SECTION II. RATIONALE

Required for ALL requests

What problem for the District are you aiming to address?*

Supply, Quality, and Affordability of child care slots are problems that the District is continually working to improve. Over the past five years, the District has made substantial investments to grow the supply of quality child care, particularly for infants and toddlers, and make high-quality slots affordable for low-income and working families.

The coronavirus (COVID-19) pandemic has placed this progress in jeopardy. Since March, child care facilities have experienced significant declines in revenues even as their costs to operate have risen. Although over 60 percent of child care providers (and 57% of subsidy providers) are now open, most are operating at dramatically reduced capacity in order to comply with COVID health and safety guidance. As the District moves into Phase 3 and 4 of the public health emergency, providers will eventually be able to shift to a “new normal,” but will continue to face reduced revenues and increased costs until a vaccine is widespread—likely not until at least mid FY2022. Without funding to help cover increased costs and make up for revenue declines, the District could lose a significant percentage of its child care supply—the Center for American Progress estimates that 20% of childcare slots could be lost.

Without additional funding, a lack of affordable child care risks slowing the District’s economic recovery once the pandemic ends. From January-July of 2020 the District lost more than 57,000 private sector jobs, unemployment claims increased more than tenfold, and national data suggests that many women with young or school-aged children are leaving the workforce altogether. Getting parents who are unemployed or have left the workforce back into jobs will be essential for economic recovery, and requires child care. Further, parents who are returning to the workforce or have lost income during the pandemic may need financial assistance to afford care, and an increase in subsidy eligible families could increase subsidy costs. To ensure a supply of affordable care for these families, child care subsidy rates must be attractive for providers and cover the actual costs to deliver care. But current subsidy rates, set at the beginning of FY2019, do not account for changes in cost drivers over the past two years, and updating them to reflect these factors will require additional funding.

This enhancement is needed to prevent reductions in supply of affordable child care during the pandemic; provide subsidy for newly eligible families; and support the District’s economic recovery. Without additional funds, there is a risk that lack of access to affordable child care will impede the District’s economic recovery from the impacts of the pandemic, and that the District will lose the benefits of its investments over the past decade to increase the supply, affordability, and quality of child care.

What are the reasons why this problem exists?*

The coronavirus (COVID-19) pandemic has had substantial negative impacts on child care providers in the District and nationally. In March, when the Mayor’s stay-at-home order went into effect, most child care facilities closed. Although the District continued to pay subsidy providers at average payment rates through October 2021, both non-subsidy providers and the many subsidy providers who serve a mix of subsidy and private pay children experienced significant revenue losses. Since the District entered Phase 2 of the public health emergency in June 2020, child care providers have begun to reopen, but health and safety guidelines to prevent the spread of COVID limit the number of children served well below typical group or class sizes for most age ranges. This reduces the supply of care for families and means that open child care providers continue to experience substantially decreased revenues even as they incur additional costs for cleaning staff and supplies, PPE, and equipment. According to the District of Columbia’s Cost Estimation Model, payments to child care facilities would need to rise by 54-66% per child served to cover the increased costs of delivering care in the public health emergency. Without funding to help cover these increased operating costs, a substantial percentage of the District’s child care facilities may go out of business, reducing the supply of child care available in the future and negating the impact of

Form 2: Operating Budget Enhancement Requests

FY 2022 Agency Budget Submission



the District's recent investments in quality infant and toddler supply. The Center for American Progress estimates that, without additional support, the District of Columbia could lose 20% of its child care supply.

One of the reasons that child care providers were so vulnerable to the economic effects of the pandemic is that their business models were fragile even before COVID. In 2018, the District developed a cost of child care model to inform development of subsidy rates in order to support a supply of high-quality, affordable child care. Although the District made historic investments in FY2019 to bring rates closer to the true costs of care, the cost model showed that many subsidy providers would still operate at very thin margins or below break even. Even apart from the pandemic, changes like the implementation of a \$15 District-wide minimum wage in July 2020 have increased key drivers of child care costs since 2019. In order to ensure a supply of childcare to fuel the District's economic recovery, it will be necessary to update the District's cost model, and accordingly subsidy rates, to reflect these increased costs in FY2022 and beyond.

How does this enhancement address this problem and its underlying causes?*

This enhancement will enable the District to increase subsidy payments and/or provide additional financial relief to child care providers as the public health emergency and its economic sequelae continue into FY2022, enabling providers to stay in business while enrollment is down and the cost of care has increased. Analysis using the District's cost model and average effects of health and safety guidelines on childcare capacity suggests that a combination of requested enhancement funds and reduced subsidy attendance will allow the District to help subsidy providers cover increased costs during the public health emergency.

Once the District moves to Phase 4 and the focus shifts from preventing the spread of COVID to fueling the District's economic recovery, these funds can also shift provide subsidies to families who have lost income during the pandemic and need financial assistance to afford care. As the economy continues to recover, continuation of the enhanced funds will enable the District to match subsidy rates to the levels that the District's cost model indicates are needed to pay the costs of care given changes in minimum wages and other key cost drivers. Preliminary analysis suggests that these changes will likely increase the cost of care by 12-16% above current subsidy levels; a sustained \$10 million enhancement would allow the District to sustain a roughly 13% increase in local subsidy funding above FY21 levels in order to meet these costs.

Will legislative support be required?*

YES NO

If yes, please submit a proposed BSA subtitle using Attachment D.

FY 2022 POLICY PRIORITIES*

Use the appropriate dropdown menu below to select which one of your cluster's policy priorities for FY 2022 this enhancement would address and explain below how it would do so. If this enhancement addresses multiple priorities, or priorities in other clusters, select the main one and explain any others below. If this enhancement does not address any of your cluster's FY 2022 policy priorities, please explain any other District priorities it addresses.

PLANNING & ECONOMIC DEV.	Choose an item.
PUBLIC SAFETY & JUSTICE	Choose an item.
OPERATIONS & INFRASTRUCTURE	Choose an item.
HEALTH & HUMAN SERVICES	Choose an item.
EDUCATION	Ready for School
INTERNAL SERVICES	Choose an item.

Form 2: Operating Budget Enhancement Requests

FY 2022 Agency Budget Submission



How does this enhancement support the policy priority or priorities identified above?*

Quality child care environments prepare the District's youngest learners for school, and supports family economic well-being and the District's overall economy by enabling parents to work. Continuing to invest in sustaining the child care industry will ensure the quality and supply of child care providers for the District's youngest and most vulnerable learners and support the District's economic recovery.

SECTION II. RATIONALE (continued)

Required for ALL requests

QUESTIONS SPECIFIC TO ENHANCEMENT TYPE*

Mark the appropriate enhancement type and use the space below the table to answer the questions for that enhancement type.

IF YOUR ENHANCEMENT TYPE IS...	THEN ANSWER THESE QUESTIONS...
<input type="checkbox"/> A. Restore previous budget reduction/one-time funding	Why is the restoration of this reduction critical for the District at this time? What negative impact will result if this reduction is not restored?
<input checked="" type="checkbox"/> B. Increased cost to <u>maintain</u> existing program/activity	Why are costs increasing to maintain existing levels of service? What are the main cost drivers and what options has the agency already implemented or considered implementing to lower these costs?
<input type="checkbox"/> C. Operational improvement with a strong business case	How will this enhancement help the District save money in this or future fiscal years? How much will it save?
<input type="checkbox"/> D. Expand high-performing existing program/activity	Why is this program or activity considered to be high performing? How do the outputs or outcomes compare to those of similar programs within or outside of District government?
<input type="checkbox"/> E. Completely new program or initiative with highly likely or proven positive outcomes for District residents	What will be the District’s return on this investment, as measured by how many and/or which District residents are served, and/or relative social benefit?

Responses to Questions*

COVID-19 has dramatically increased child care providers’ costs to deliver child care. In order to comply with health and safety guidance to prevent the spread of COVID, child care providers must operate with smaller groups sizes (which increases per child costs), and incur additional costs for cleaning staff and supplies, PPE, and equipment. Analysis and data from child care providers and national experts suggests that these added expenses increase the per-child cost to deliver care by 54-66%. Current subsidy rates, which were informed by analysis of the pre-COVID costs of care, are not sufficient to cover these costs. OSSE has taken a number of steps to support child care providers in adapting their business models in order to improve financial viability in the current context, including granting licensure waivers and expediting licensing changes that allow providers to serve more children or reduce their operating costs; providing PPE and supplies; providing business coaching and technical assistance through OSSE grantees; and working with Child Care Connections (The District’s Child Care Resource and Referral Agency) to connect families seeking care with vacant space in open providers. Effective November 1, 2020, OSSE is also discontinuing subsidy payments to currently closed providers, in order to concentrate resources on providers who are open and serving children. While these efforts make a difference on the margin, they cannot fully counteract the fundamental challenges that the pandemic, and health and safety guidelines intended to limit its spread, create for child care provider business models. Without additional funding, subsidy child care providers may close their doors in order to avoid operating at a loss, or exit the subsidy system in order to charge higher rates to tuition-paying parents.

STOP HERE for enhancement types A, B, or C.
CONTINUE to Section III for enhancements types D or E.

SECTION IV. EVALUATION & PERFORMANCE

Required for Type D and E requests

Required for all enhancement requests to expand existing programs or activities or launch completely new programs or activities. Incomplete submissions will be returned.

What evidence supports the likelihood that this enhancement will achieve the desired outcome?*

Please describe outcomes from similar efforts that have been undertaken before in the District or in other cities. If possible, include formal evaluation studies and lessons learned from both successes and failures in any similar attempts. Provide links to cite your sources.

[Click or tap here to enter text.](#)

Is your enhancement identical to the model the evidence comes from?*

- YES.** The enhancement is identical to the model the evidence comes from and the population served is similar. Indicate below how you will ensure your agency implements the model fully.
- NO.** The enhancement differs from the model the evidence comes from, is just a part of that model, serves a different population, etc. Below, describe how it differs and why.

[Click or tap here to enter text.](#)

If the enhancement is granted, is your agency willing to evaluate whether the enhancement achieves the desired outcome? This could involve piloting the enhancement with District residents or neighborhoods. (The Lab @ DC is able to provide guidance on how to do this.)*

- YES** **NO**

List any agency key performance indicators (KPIs) impacted by this enhancement.*

List KPIs from most significant to least. If you are proposing a new KPI, write "NEW" in the columns for FY 2019-FY 2021.

KEY PERFORMANCE INDICATOR (KPI)	WHICH DIRECTION IS DESIRED?	FY 2019 ACTUAL	FY 2020 ACTUAL	FY 2021 TARGET

EVALUATING ENHANCEMENTS

As part of the budget formulation process, OBPM will categorize the research evidence you cite based on whether:

- the study design was rigorous, and the study was well implemented;
- the findings are positive and statistically significant; and
- the evidence is based on a model and population similar to the proposed enhancement.

THE LAB@DC TEAM IS HERE TO HELP!

Have questions about the evidence? Email thelab@dc.gov (and CC your budget analyst). The Lab can pre-review evidence, brainstorm future evaluation ideas, offer suggestions on where to look for evidence, and help you think through the evidence you've found.

Form 2: Operating Budget Enhancement Requests

FY 2022 Agency Budget Submission



SECTION V. PROJECT PLAN *Required for Type D and Type E requests*

Required for all enhancement requests to expand existing programs or activities or launch completely new programs or activities. Incomplete submissions will be returned.

Complete this draft project plan to show how the agency will deliver the intended results before the end of the fiscal year. This will also help OBPM determine when full funding will be required for implementation. Complete as best you can, knowing the plan might evolve.

PROJECT OWNER*

Who is the single person who will be most responsible for this initiative? If the project owner must be hired, specify who will own the project until that time.

NAME [Click or tap here to enter text.](#)
 TITLE [Click or tap here to enter text.](#)
 EMAIL [Click or tap here to enter text.](#)
 PHONE [Click or tap here to enter text.](#)

BUSINESS PARTNER COORDINATION*

What other agencies or stakeholders would be critical to this project’s success, and what communication have you had with them?

[Click or tap here to enter text.](#)

PROJECT TIMELINE*

Describe below anticipated implementation milestones by month to show how the agency will deliver the intended results.

PREPARATION FOR PROJECT LAUNCH (before start of fiscal year)	
JUNE 2021	
JULY	
AUG	
SEPT	
FISCAL YEAR STARTS, FUNDS DISBURSED	
OCT 2021	
NOV	
DEC	
JAN 2022	
FEB	
MARCH	
APRIL	
MAY	
JUNE	
JULY	
AUG	
SEPT	