



MEMORANDUM

Date: November 17, 2022

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: Jan Leshner 
County Administrator

Re: **Pima Early Education Program Update and Financial Planning**

This memorandum provides a brief update on the Pima Early Education Program at the end of the first quarter of this fiscal year, as well as expenditure projections that will inform use of the American Rescue Plan Act (ARPA) funding currently allocated to the program, as well as future funding needs after ARPA.

PEEPs Enrollment at the End of Quarter 1

At the end of the first quarter of this fiscal year, PEEP is serving 986 children. This is up from 856 children served last fiscal year. Enrollment in public school district expansion classes is more than double last year and most school districts have reported that enrollment and staffing have been much easier this year. Usage of PEEP funded Quality First scholarships is expected to increase based on cost of quality rate increases that went into effect November 1st. PEEP staff will also be visiting many of the preschools receiving scholarships during the second quarter to survey parents and promote scholarship opportunities. Child-Parent Centers Head Start extended day class enrollment is also expected to increase based on the approach that is used in Head Start classes to gradually increase the number of students in the classes. The PEEP class at Pima Community College's (PCC) Desert Vista campus only recently opened and is not reflected in this table. Initial enrollment focusing only on PCC students that have preschool-age child care needs has been stymied by the fact that the preschool opened after the semester started and many students had found other child care options.

Table 1
PEEPs Enrollment Quarter 1 Year 2/FY23

Contract Type	Total # Children Served by end of Year 1/FY22	Year 2/ FY23 Q1 Enrollment	Year 2 Contracted Max # scholarships/seats
Quality First Scholarships*	526	422	600
School District Expansion Classes	165	408	558
Head Start Extended Day Classes	165	156	220
Totals	856	986	1378

*QF scholarships can be split in half to serve two children and therefore number of children served is not equivalent to number of contracted scholarships.

At the end of Quarter 2, staff will provide a more comprehensive update to include the status of other funded programs/agencies that support high quality preschool in Pima County so that we can continue to monitor the system as a whole. At the end of last year, for example, half of the overall need was being met through PEEPs and these other programs, with approximately 5,000 low-income children still in need of financial assistance.

Expense Projections and Financial Planning

The Board initially budgeted \$10 million in General Funds for the first year of this program, which was then replaced by the Board with an allocation of \$30.2 million in ARPA funding for the first three years of the program. By reviewing expenses incurred this first quarter, and making a number of assumptions explained below, staff have projected total spending, as well as spending of ARPA funds, through Year 3/FY24. Staff also included projections for Year 4/FY25, maintaining the same number of children served as Year 3. Year 4 is the first year the program would not receive ARPA funding. This will inform next year’s budgeting as we continue to build a sustainable source of funding for PEEPs in preparation for the end of ARPA funding. The County is currently reviewing proposals that will inform the future design and evaluation of the program, with a final report due next summer. This will also be used to inform project costs for Year 4 and beyond.

**Table 2
 PEEPs Total Expenses and Projections Years 1-4**

PEEPs Spending Categories	Year 1/FY22	Year 2/FY23	Year 3/FY24	Year 4/FY25
Quality First Scholarships	\$ 1,708,298	\$ 3,569,696	\$ 4,312,800	\$ 6,112,800
School District Expansion Classes	\$ 1,155,634	\$ 4,553,881	\$ 5,328,021	\$ 5,328,021
Extended Day Head Start	\$ 904,620	\$ 877,595	\$ 877,595	\$ 877,595
Administration	\$ 53,837	\$ 311,302	\$ 289,861	\$ 289,861
Total	\$ 3,822,389	\$ 9,312,474	\$ 10,808,277	\$ 12,608,277
Estimated # children served	856	1,400	1,500	1,500

**Table 3
 PEEPs ARPA Only/County Only Expenses and Projections Years 1-4**

PEEPs Spending Categories	ARPA Year 1/FY22	ARPA Year 2/FY23	ARPA Year 3/FY24	Total ARPA Expenses	County Year 4/FY25
Quality First Scholarships	\$ 1,708,298	\$ 3,569,696	\$ 4,312,800	\$ 9,590,794	\$ 6,112,800
School District Expansion Classes	\$ 337,455	\$ 2,929,091	\$ 3,703,231	\$ 6,969,777	\$ 3,703,231
Extended Day Head Start	\$ 904,620	\$ 877,595	\$ 877,595	\$ 2,659,810	\$ 877,595
Administration	\$ 53,837	\$ 311,302	\$ 289,861	\$ 655,000	\$ 289,861
Total	\$ 3,004,210	\$ 7,687,684	\$ 9,183,487	\$ 19,875,381	\$ 9,983,487

Major Differences from year to year, assumptions and observations:

- Between Years 1 and 2, the largest cost increase is attributed to an increase in school district expansion classes from 11 classes to 29 classes, including the class at Pima Community College. The second largest cost increase is increased usage of Quality First scholarships, assuming full usage in October 2022.
- Between Years 2 and 3, costs increase again for school district expansion classes as another 5 classes are added (adding an additional 100 children). Costs for Quality First scholarships increase assuming full usage at the start of the year.
- Between Years 3 and 4, the largest increase is for the same number of Quality First scholarships, but at a higher rate/cost per scholarship. The Quality First scholarship rates recently increased to cover the cost of quality, and are in alignment with DES childcare subsidy rates and Pima County rates for school districts. However, for Years 2 and 3, DES is paying the gap between the old Quality First scholarship rates and the new cost of quality rates for scholarships statewide, including the Quality First scholarships Pima County purchases under PEEPs. DES is using State ARPA funding that will also end after Year 3. Therefore, starting in Year 4, if the County wants to see PEEPs Quality First scholarships continued to be funded at the cost of quality rate, we will have to pay the gap that DES is temporarily paying.
- Assumes revenues from the municipalities increase to \$1.6M in Year 3 (from \$1.2M) and to \$2.6M by Year 4, resulting in an estimated need of just under \$10 million in Year 4 from the Library District and/or other County funding sources. To be clear, this additional support should come from the City of Tucson vs other municipalities as the far majority of children served are children attending preschools within the City of Tucson.
- Total ARPA expenses are shown as just under \$20 million, in comparison to the \$30.2 million currently allocated by the Board.
- The numbers above do not include private funding that has been contributed to the United Way's Accelerate Quality program, which was developed to compliment PEEPs by increasing the number of high quality preschools.

Summary

In summary, I will periodically request expense projections for this program and share them with the Board. At this time, it appears that \$10 million in ARPA funding will not be needed for the PEEPs program, or at least for the program components that currently exist. We are considering other needs for this funding and will then present those to the Board. Regarding the projected need of \$10 million of Library District or other County funding for PEEPs in Year 4, staff will be considering options for reducing the cost, but it is unlikely to decrease significantly without decreasing the number of children served. Finance and the Library are

The Honorable Chair and Members, Pima County Board of Supervisors

Re: **Pima Early Education Program Update and Financial Planning**

November 17, 2022

Page 4

considering scenarios to continuing building a sustainable source of funding for PEEPs as part of next year's budget.

JKL

c: The Honorable Dustin Williams, Pima County School Superintendent
Francisco Garcia, MD, MPH, Deputy County Administrator & Chief Medical Officer
Carmine DeBonis, Jr., Deputy County Administrator
Steve Holmes, Deputy County Administrator
Dan Sullivan, Director, Community and Workforce Development
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