



MEMORANDUM

Date: January 24, 2022

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

From: Jan Leshner 
Acting County Administrator

Re: **Pima Early Education Program Contract Amendments**

Please see the attached memorandum concerning upcoming contract amendments for the Pima Early Education Program. While the need for these contract amendments is driven by the Board's decision to convert the program funding from the General Fund to the American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Funds (ARPA-CSLFRF), these amendments will also allow the County to begin to address one of the most significant program challenges – the recruitment and retention of teachers.

JL

Attachment

c: The Honorable Dustin Williams, Pima County School Superintendent
Francisco Garcia, MD, MPH, Deputy County Administrator & Chief Medical Officer
Health and Community Services
Dan Sullivan, Director, Community and Workforce Development
Amber Mathewson, Director, Pima County Library District
Terry Cullen, MD, MS, Public Health Director, Pima County Health Department
Regina Kelly, Director, Grants Management and Innovation Office
Patrick Cavanaugh, Deputy Director, Pima County Office of Economic Development
Jenifer Darland, Deputy Director, Community and Workforce Development
Nicole Fyffe, Executive Assistant to the County Administrator
Nicole Scott, Pima Early Education Program Manager



MEMORANDUM

Date: January 24, 2022

To: Jan Leshner
Acting County Administrator

From: Nicole Fyffe
Executive Assistant to
County Administrator

Re: **Pima Early Education Program Contract Amendments**

Background

In May and June of 2021, the Board of Supervisors approved nine expenditure contracts for the purposes of implementing the Pima Early Education Program scholarships (PEEPs). These contracts were originally to be funded by the General Fund, including contributions from cities and towns. In August 2021, after receipt of the Federal American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Funds (ARPA CSLFRF), the Board approved allocating \$30,200,000 over three years for PEEP. Most of the original expenditure contracts need to be converted to federal financial assistance subawards, in order to change the source of funding from the General Fund to ARPA CSLFRF. In addition, after six months of experience implementing PEEP, we've gained a better understanding of the challenges in expanding the capacity of high quality preschool in Pima County, and can make use of these amendments to begin addressing one of the key challenges – recruitment and retention of teachers. This memorandum summarizes the contract amendments that will be transmitted to the Board in the near future, as well as requests for funding from cities and towns for next Fiscal Year. The standard quarterly report on overall program implementation will be provided separately.

Key Challenges to the Success of PEEPs

1. The Ongoing Pandemic. There is no question that the most significant challenge to PEEPs and the expansion of high quality preschool for low income families has been the pandemic. Many families are still reluctant to send children back to preschool, resulting in low enrollment and therefore low demand for scholarships. Teachers and other preschool staff are stressed, the pandemic is still impacting how they can teach and care for children, and many have children of their own. Directors are trying to keep preschools and child care programs open with low enrollment, less revenue, staffing shortages, changing public health guidance, class closures due to outbreaks, and a very uncertain future because of the continuing pandemic. Although there is significant financial assistance for preschools and child care providers as a result of Federal funding provided to the State and the County, some providers are more administratively savvy in accessing these funds than others. Pima County and our

partner agencies have been assisting providers with accessing PEEPs scholarships and other financial assistance, but for some of the providers it is still too much to undertake.

2. Low Wages and the Impact on Recruiting and Retaining Teachers - The second most significant challenge to implementing PEEPs existed well before the pandemic. Preschool and child care is and has always been a low wage industry. Recruitment and retention of teachers, while exacerbated by the pandemic, is difficult because of these low wages. The wage issue is not a simple one to tackle when Pima County and PEEPs are just a small part of the overall preschool market. That said, we have to do better and can do better, starting first with our school district contracts that provide reimbursement for full preschool classes, and second with our First Things First contract that provides scholarships for individual children to attend high quality preschool across the mixed delivery system (public school districts, private childcare centers and family home care providers).

This wage issue is part of a larger problem whereby preschool and child care tuition rates have been based on market rates (what families are willing to pay in a particular area of town) instead of the true cost of providing high quality education and care. For the first time, the Arizona Department of Economic Security (DES) has increased their child care subsidy rates significantly to account for the cost of quality as opposed to market rate pricing. With this in mind, we are proposing increasing PEEPs rates to align with increased DES rates.

While doing this, we need to be aware of, and monitor for, unintended consequences such as the transfer of non-school district preschool teachers to school districts that offer better wages. A mixed provider system is essential for working families that require full day or alternative hour preschool, which often is not provided at school district preschools. Various local and state-wide organizations continue to discuss other tools to address this recruitment and retention issue and any that appear to be worthy of County investment will be brought forth as soon as possible.

Intergovernmental Agreements with School Districts for Expansion of Preschool Classes

Table 1 below shows the school districts under contact with Pima County to operate new high quality preschool classes for low income children and families. The number of classes for year 1 is the number either currently in operation, or assumed to be in operation by the end of this Fiscal Year. The existing agreements are for two school/fiscal years. The number of classes for year 2 is based on feedback from the school districts on how many additional classes they would like add in year 2. Year 3 assumes the same for budgeting purposes, and reflects our proposal to increase the agreements from two years to three years, to provide the schools with more certainty and to align with the 3-year ARPA CSLFRF funding term.

The maximum reimbursement amounts for year 1 reflect the current reimbursement rates. Year 2 and 3 reimbursement amounts are based on the proposed increased rates.

Table 1
PEEPs funded School District Expansion Classes and 3 Year Cost

District	Number of Classes Year 1 (size)	Max Reimbursement Amount Year 1*	Number of Classes Year 2**	Max Reimbursement Amount Year 2	Number of Classes Year 3 (size)**	Max Reimbursement Amount Year 3	Total Max Reimbursement Amount Years 1-3
Sahuarita	1 (20)	\$132,000	1	\$172,828	1	\$172,828	\$477,656
Marana	1 (18)	\$118,800	2	\$345,656	2	\$345,656	\$810,112
Flowing Wells	1 (20)	\$132,000	3	\$518,484	3	\$518,484	\$1,168,968
Tucson***	4 (18)	\$368,400	8	\$1,382,624	8	\$1,382,624	\$3,133,528
Sunnyside	2 (20)	\$237,600	4	\$691,312	4	\$691,312	\$1,620,224
Amphitheater	3 (20)	\$250,800	7	\$1,209,796	7	\$1,209,796	\$2,670,392
Baboquivari	0	\$0	1	\$172,828	1	\$172,828	\$345,656
Total	12	\$1,239,480	26	\$4,493,528	26	\$4,493,528	\$10,226,536

*Tucson, Sunnyside, Amphi BUSD max reimbursement rate accounts for delays in opening classes when there were no expenses.

**For Year 2 and 3, assumes all classes are 4-5 years olds/20 student rate as age/class size unknown

***Even for 4-5year old classes, for Year 1 TUSD is keeping numbers below 18 because of staffing issue impacting student/teacher ratio

Table 2 shows current and proposed PEEP funded school district rates, and FTF and DES rates for similar age children attending center-based preschools. Note that for PEEPs, school districts are reimbursed on a per class basis, regardless of enrollment. The per class rate, however, is based on the per child monthly rate times the maximum number of children that can be enrolled in the class according to age and high quality standards. FTF scholarships and DES subsidies are instead reimbursed on a per child basis. The PEEPs school district agreements require an in-kind contribution from the school districts of \$1,750 per child (for classroom space, utilities, custodial services, security, and administrative overhead), and it is proposed that the amended agreements continue to require this in-kind contribution. The increased PEEP school district rates, if approved, would be 31 percent higher than current rates, and with the school district in-kind contribution would align with the new DES rates.

Table 2
Reimbursement Rates for Preschool Subsidies and Scholarships

Program	Monthly Per Child Rate	10 Month Per Child Rate	Annual Per Child Rate	Per Class Rate (18 child/20 child at 10 month program)
First Things First QF Scholarships	\$608.00	\$6,080.00	\$7,300.00	N/A
AZ DES Childcare Subsidy	\$1,039.14	\$10,391.40	\$12,469.68	N/A
PEEPs School District Classes CURRENT RATE	\$833.33	\$8,333.30	\$10,000.00	\$118,800/\$132,000*
PEEPs School District Classes PROPOSED RATE	\$1,039.14	\$10,391.40	\$12,469.68	\$155,545.20*/\$172,828.00*

*Per class rate excludes school district in-kind contribution of \$1,750 per child

Table 3 breaks out the cost by jurisdiction, which informs our requests to the cities and towns for next fiscal year contributions. Even though Pima County is allocating ARPA CSLFRF funding for PEEPs, it is important that cities and towns continue to contribute because as capacity of the program expands over time, the program will require a variety of funding sources. At this point in time, however, the funding from cities and towns has complicated administration of these contracts as a single contract should not be funded by a mix of federal and city/town funding. As a result, for some school districts, it will be necessary for the County to have two separate contracts; one for APRA CSLFRF funded classes, and another for the city/town funded classes. Although this is more work at the beginning, it will ultimately result in improved reporting and transparency for all parties.

**Table 3
PEEPs funded School District Expansion Class Costs by Jurisdiction**

School Locations by Jurisdiction	Year 1		Year 2		Year 3		Total Year 1-3
	#classes	Cost	#classes	Cost	#classes	Cost	Cost
<u>City of Tucson</u> TUSD, Sunnyside, Amphi	8	\$764,280	18	\$3,110,904	18	\$3,110,904	\$7,078,488
<u>Town of Marana</u> MUSD	1	\$118,800	1	\$172,828	1	\$172,828	\$464,456
<u>Town of Sahuarita</u> Sahuarita	1	\$132,000	1	\$172,828	1	\$172,828	\$477,656
<u>Unincorporated Pima</u> FUSD, MUSD, Amphi, BUSD	2	\$224,400	6	\$1,036,968	6	\$1,036,968	\$2,285,136
Total	12	\$1,239,480	26	\$4,493,528	26	\$4,493,528	\$10,226,536

*Marana and Amphi Unified School Districts have participating schools in Marana, Tucson and Unincorporated Pima County

At this time, we suggest requesting the following contributions from the cities and towns for next Fiscal Year (Year 2):

- City of Tucson: **\$1,492,560** (\$1,728,280 for 10 classes at TUSD and Sunnyside minus City funding of \$235,720 remaining from Year 1/FY22) This is an increase from \$1,000,000 contribution for Year 1.
- Town of Marana: **\$159,628** (\$172,828 for the 1 MUSD class in the Town minus Town funding of \$13,200 remaining from Year 1/FY22) This is an increase from \$132,000 contribution for Year 1.
- Oro Valley: **Zero**. Oro Valley’s \$100,000 contribution last year was to cover three fiscal years. There are no school district classes in Oro Valley. Funding is allocated to FTF scholarships for preschools in Oro Valley.
- Town of Sahuarita: **\$172,828** for the one Sahuarita School District class. The Town did not consider contributing for Year 1 as the request was made too late in their budgeting cycle.

The “amended and re-stated” school district agreements include the following major changes:

1. Change in terms from two years to three years.
2. Rate increases tied to the cost of improving quality and teacher wages
3. Number of additional classes for Year 2, with same number assumed for Year 3. If for Year 3 Districts can open additional classes, the agreements can be amended at that time.
4. Require DES child care subsidies for eligible families instead of encouraging DES child care subsidies

With regard to the rate increases, within 60 days of execution of the contract amendments, school districts will be required to submit a spending plan for the additional funds, including current and proposed PEEPs teacher wages and/or other compensation and quality improvements. The County will be flexible in considering and approving plans, with final approval due 90 days after amendment execution. After a recent discussion with all of the school districts, it is apparent that each district may propose spending this additional funding differently, which is understandable. Based on a draft model salary scale developed by Central Arizona College, some district preschool teacher wages exceed these model salaries, and some fall below. In addition, for most of the districts, it could be problematic to pay their PEEPs teachers more than their non-PEEPs preschool teachers. For others, their teachers are all certified teachers and their wages are tied to the district pay scale. Proposals put forth for discussion by the school districts during our recent meeting include wage increases, hiring and retention bonuses, and education and training stipends. Childcare stipends for teachers with children may also be considered a form of increased compensation.

With regard to the DES child care subsidy requirement, current agreements encourage families that qualify for DES child care subsidies to apply for those subsidies and if awarded, the schools invoice DES for the cost of that child instead of the PEEPs program. Flowing Wells has mastered this and 11 of the 20 children in their PEEPs class are currently funded by DES, not PEEPs. However, other school districts have not. Long term, as capacity expands, it will be more important that we adhere to the PEEPs guiding principle that local PEEPs funding be spent last after maximizing existing state-wide funding sources. In Year 2 school districts will be required to implement this, instead of encouraged, and training will be provided to school districts regarding DES subsidies.

First Things First Scholarships Agreement

The agreement with First Things First, the State agency that administers preschool scholarships for low income families, will need to be amended to change the funding source from general funds to ARPA CSLFRF funding. No substantive changes are being made to the agreement. This is a one-year agreement that ends at the end of this Fiscal Year. It is likely we will recommend an extension of the agreement for an additional year and we are interested in negotiating higher scholarship reimbursement rates in line with the improved DES rates; however, these items are not included in this current amendment. We would prefer to review a few more months of scholarship usage data to inform future contract terms.

Child-Parent Centers Extended Day Head Start Contract

The contract with Child-Parent Centers (CPC), the regional Head Start administrator that is administering extended day preschool programming for low income families at 11 locations across the County, will also need to be amended to change the funding source from general funds to ARPA CSLFRF funding. No substantive changes are being made to the agreement. This is a one-year agreement that ends at the end of this Fiscal Year and should not be needed for future years. The agreement requires CPC to contract with DES by the end of this Fiscal Year, so that DES child care subsidies can be used to support extended day preschool programming at these 11 locations, instead of Pima County PEEPs funding.

Discussions are underway with CPC and Pima Community College about providing PEEPs funding for a new Head Start style preschool class at PCC's Desert Vista Campus next year, with the opportunity to expand to other campuses in future years. This would require Board approval of a separate contract.

Revenue Agreements with Cities and Towns

As mentioned above, Pima County has Intergovernmental Agreements with the City of Tucson, Town of Marana and Town of Oro Valley whereby these jurisdictions contributed funding to PEEPs. Based on the amendments to the expenditure contracts with the school districts and FTF, we are discussing contribution amounts and purposes for next Fiscal Year, and those agreements will also require Board approval when ready.

Summary

In summary, the Board can expect to see expenditure and revenue contract amendments on upcoming agendas for the continued implementation of PEEPs. While these amendments are driven by the conversion of PEEPs funding from the General Fund to ARPA CSLFRF, this also provides the opportunity to improve reimbursement rates with the goal of improving quality preschool programming, increasing teachers' wages, and maximizing state-wide resources.

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