



# County of San Mateo

## Inter-Departmental Correspondence

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**Department:** BOARD OF SUPERVISORS  
DISTRICT 1  
**File #:** 20-541

Board Meeting Date: 7/21/2020

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**Special Notice / Hearing:** None  
**Vote Required:** Majority

**To:** Honorable Board of Supervisors  
**From:** Supervisor Dave Pine, District 1  
Supervisor Carole Groom, District 2  
**Subject:** \$2 million allocation of CARES Act funds for the Child Care Relief Fund

**RECOMMENDATION:**

Recommendation to:

- A) Approve a \$2,000,000 allocation of Coronavirus Aid, Relief, and Economic Security (CARES) Act funds for the purposes of seeding the "Child Care Relief Fund," a COVID-19 recovery fund to benefit child care programs adversely impacted by COVID-19; and
- B) Direct the County Manager, or the County Manager's designee, to negotiate agreements with Community Equity Collaborative and the San Mateo Credit Union to administer and distribute grants from the Child Care Relief Fund as follows:
  - 1. \$1,350,000 to child care centers, providing a minimum of 25 grants up to \$55,000 each; and
  - 2. \$650,000 to family child care homes (FCCH), providing a minimum of 65 grants up to \$10,000 each.

**BACKGROUND:**

The novel coronavirus known as COVID-19 has had a severe, negative impact on child care programs in San Mateo County. The Center for American Progress projects that as many as half of California's child care programs could permanently close in the coming months, which would translate to a loss of 19,764 child care spaces in San Mateo County. Combined with the deficit of 23,591 child care spaces in the county prior to the pandemic, San Mateo County faces a potential shortage of 43,355 child care spaces in the near term. This shortfall will be greatly inflated if local K-12 schools adopt hybrid or distance-learning models this fall as a consequence of the pandemic, requiring even more child care spaces.

Even before COVID-19, the child care industry was precarious, with programs operating on narrow margins and staff earning poverty wages. Due to the pandemic, child care programs face declining revenue, increased costs and an increased risk of closure given the (a) lost income due to low utilization by families who wish to keep their children out of group care settings in view of risks of transmission of COVID-19; (b) physical distancing requirements necessitated by the pandemic that limit enrollment while increasing staffing; (c) significantly altered scheduling and facility use due to the pandemic; and (d) cost of increased training and supplies required to maintain safe spaces for children and teachers due to the pandemic.

San Mateo County relies on a healthy child care infrastructure in order to thrive. Prior to the pandemic, approximately 104,712 San Mateo County residents utilized child care in order to work full time in local hospitals, schools, grocery stores, and other workplaces, supporting the economy with annual wages totaling approximately \$6.4 billion. Without child care, many parents and caregivers in San Mateo County will leave the workforce, resulting in a potential decrease in economic activity of up to \$3.6 billion in lost wages.

Child care relief funds have a multiplier effect on the economy. According to researchers from UC Berkeley, every dollar spent in the child care industry results in two dollars in economic output (a higher rate of return than most industries). In addition, for every dollar invested in high-quality early care and education, taxpayers save up to \$13 in future social costs. High-quality early education programs increase academic achievement and kindergarten readiness and decrease the need for costly special education and other types of academic support. Adults who had access to high-quality early childhood education programs when they were young are less likely to interact with the criminal justice system and to qualify for government assistance.

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted by the federal government on March 27, 2020. The CARES Act established the Coronavirus Relief Fund (the “Fund”) which provides funds to state, local and tribal governments to cover certain costs incurred due to the COVID-19 pandemic. The CARES Act permits local governments to use payments from the Fund to cover costs that are necessary expenditures due to the public health emergency with respect to COVID-19, were not accounted for in the government’s most recently approved budget as of March 27, 2020 and were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

The U.S. Treasury has provided guidance indicating that eligible expenditures include “expenses associated with the provision of economic support in connection with the COVID-19 public health emergency,” including “grants to small businesses to reimburse the costs of business interruption caused by required closures.” The U.S. Treasury has further provided that Fund payments may be used for “a grant program to benefit small businesses that close voluntarily to promote social distancing measures or that are affected by decreased customer demand as a result of the COVID-19 public health emergency.”

## **DISCUSSION:**

This proposal, conceived by County staff in collaboration with child care experts and advocates, is modeled on the San Mateo County Strong Fund (San Mateo County Economic Development Association (SAMCEDA) in partnership with San Mateo Credit Union (SMCU) and the COVID-19 Child Care Project (Silicon Valley Community Foundation in partnership with the Low Income

Investment Fund)). The proposed “Child Care Relief Fund” program also takes into account investments in child care by jurisdictions that have leveraged CARES Act funding for this purpose. For example, San Diego County allocated 1.5% of its total CARES Act fund (and matched that funding) to support child care for essential workers and Santa Clara allocated 1.1% of its total CARES Act fund to support child care.

#### Partner-based Strategy Serving the Greatest Need

Community Equity Collaborative and SMCU would administer the grant program under the advisorship of the San Mateo County COVID-19 Child Care Response Team and two representatives of the San Mateo County Board of Supervisors (together, the “Advisory Team”). The San Mateo County COVID-19 Child Care Response Team includes representatives from First 5 San Mateo County, San Mateo County Office of Education, Child Care Partnership Council, Silicon Valley Community Foundation, 4Cs of San Mateo County, and Build Up for San Mateo County’s Children. When applications for grants are received, Community Equity Collaborative and the Advisory Team will review them for compliance with the eligibility criteria, assess them according to the application matrix, and forward all eligible applications to the SMCU with recommended grant amounts. SMCU will transfer funds or provide checks in the approved grant amount to selected programs. Community Equity Collaborative will provide a summary of applications received, approved, denied, and geographical distribution. In addition, Build Up for San Mateo County’s Children will offer regular technical assistance to all Child Care Relief Fund grantees to support the sustainability of their future operations.

#### Allocation & Eligibility

The proposed funding allocations take into account the results of a recent survey conducted by the San Mateo County COVID-19 Child Care Response Team and aim to balance the financial precariousness of the child care industry for both family child care homes and centers (59% of family child care homes and 30% of centers have one month or less of operating expenses on-hand; 42% of family child care homes and 71% of centers project a net income loss in the fall), with the distribution of child care spaces (83% of spaces for children ages 0-12 are in centers; 61% of infant/toddler spaces are in family child care homes), and the difficulty of replacing the center-based infrastructure (due to a combination of local permitting and state licensing requirements, lack of usable/affordable space and extreme development expenses and timelines).

Staff recommends basing grant amounts on monthly operating costs, not to exceed \$10,000 for each family child care home and \$55,000 for each child care center in San Mateo County. In addition, staff recommends multi-site agencies operating more than one child care program be eligible for only one grant of up to \$55,000. Grants would cover the equivalent of approximately one month of operating expenses, including payroll, rent, and other operating costs (or the maximum grant amount, whichever is smaller). Based on a sample size of 16 centers and family child care homes in San Mateo County with diverse service populations and business models (nonprofit, small business, state subsidized, private, etc.), the average expense per licensed space in San Mateo County is approximately \$1,300. Using the median enrollment for centers (45 children) and the average enrollment for family child care homes (11 children) in San Mateo County, the average monthly operating cost for each type of program is approximately \$57,500 for centers and \$13,600 for family child care homes. Based on the results of a recent survey conducted by the San Mateo County COVID-19 Child Care Response Team, the majority of county child care programs project a net income loss in the months ahead. By funding all or a substantial portion of programs’ monthly expenses, the Child Care Relief Fund will provide a meaningful investment into the county’s child

care infrastructure, and one that both reflects the inflated cost of doing business in San Mateo County as well as the county’s continued leadership in supporting the care and education of our youngest residents.

Eligibility for the Child Care Relief Fund will be limited to licensed and license-exempt child care centers and family child care homes in San Mateo County. Grant funding will be distributed broadly throughout the county according to a weighted point system that prioritizes programs that (a) provide child care services to the most vulnerable San Mateo County residents (e.g. recipients of CalWorks subsidies); (b) are located in Priority 1 zip codes (the highest needs zip codes as determined by the San Mateo County Child Care Partnership Council Child Care and Early Learning Needs Assessment); (c) demonstrate fiscal sustainability, including leveraged funding sources; and (d) participate in existing County initiatives such as the Big Lift and Quality Counts. At minimum, the Child Care Relief Fund will support 26% of San Mateo County’s centers that offer subsidized care to our most socioeconomically disadvantaged children.

Staff recommends that applicants previously awarded San Mateo County Strong Fund Small Business or Nonprofit grants retain eligibility for the Child Care Relief Fund. The 12 child care providers that benefited from the San Mateo County Strong Fund have demonstrated strategic acumen and the organizational capacity to seek and replace income lost as a result of COVID-19. Moreover, since the maximum amount awarded through the San Mateo County Strong Fund (\$10,000 for small businesses and \$20,000 for nonprofits) cover only a fraction of the average monthly cost (\$57,500) of running a center in San Mateo County, these programs likely require additional support to sustain their critical services over the coming months. To that end, staff recommends calculating Child Care Relief Fund grant amounts by subtracting any previously awarded San Mateo County Strong Fund awards from one month of the applicant’s operating expenses (or the maximum grant amount, whichever is lower).

As indicated below, the Child Care Relief Fund will provide a much-needed, immediate boost to a portion of San Mateo County’s child care programs that have been impacted by the COVID-19 pandemic and serve our most at-risk residents.

<b>Child Care Relief Fund Amount</b>	<b>% Total SMC CARES Act Fund (\$134M)</b>	<b>Minimum # Centers &amp; FCCHs Funded*</b>	<b>Minimum % Centers &amp; FCCHs Funded</b>	<b>Approx. # Children Served</b>	<b>% of Projected Child Care Shortage of 43,355 Spaces</b>
\$2M	1.5%	25 Centers 65 FCCHs	4% Centers 10% FCCHs	1,564	4%

*\*Based on maximum grant sizes of \$10,000 for FCCHs and \$55,000 for centers.*

Pursuant to the CARES Act, San Mateo County has received approximately \$134,000,000 from the Fund. The expenditures associated with providing grants to child care centers and family child care homes impacted by the COVID-19 public health emergency were not budgeted for in the County’s most recently approved budget as of March 27, 2020. These expenditures must be incurred between March 1, 2020 and December 30, 2020. The proposed \$2 million allocation will help child care centers and family child care homes to absorb added expense and lost income due to the pandemic while remaining open to provide critically needed quality care for children and families in San Mateo County.

**FISCAL IMPACT:**

At the direction of this Board, the County Manager will negotiate agreements with Community Equity Collaborative and the San Mateo Credit Union to administer and distribute grants from the Child Care Relief Fund. Such agreements may include payments for the services provided in administering and distributing the grants and will be brought back to this Board at its August 4, 2020, meeting for consideration and approval. There is no fiscal impact on the County General Fund associated with approving this allocation of \$2,000,000 of CARES Act funds to the Child Care Relief Fund.