



MEMORANDUM

Date: May 26, 2022

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

From: Jan Leshner 
County Administrator

Re: **Pima Early Education Program Reimbursement Rates and Contracts**

Background

At the Board's May 3, 2022 meeting, Supervisor Christy mentioned the City of Tucson's contribution to Pima Early Education Program scholarships (PEEPs) next year, in comparison to the number of children served by City of Tucson funding to date. In short, Pima County's reimbursements to school districts for next year for a 20-child class for 10 months are not to exceed \$172,828, which equates to **\$8,641 per child** at full enrollment. School districts provide in-kind contributions of approximately \$1,750 per child in addition to the County's investment. Proposed rates for individual scholarships funded by Pima County and administered by First Things First for 12 months equate to a cost of **\$12,600 per child**. This memorandum provides more details on these rates, and provides a status update on the contracts.

When considering the cost per child for these types of programs it is worth repeating that numerous longitudinal studies by well-respected economists have found the return on investment for high quality early childhood education is substantially higher than other forms of government spending on social services. At the low end, these studies show a \$4 to \$6 return for each \$1 invested, and at the high end \$12 to \$16 for each \$1 invested. Many of these returns accrue to local governments and taxpayers through lower spending on remedial education, health and the criminal justice system, as well as higher earnings for today's workforce and for the workforce of the future.

PEEP Reimbursement Rates

One of the PEEP's guiding principles is to establish rates that cover the full cost of providing high-quality preschool, based on accepted cost of quality and market rate studies, considering wages necessary to attract quality teachers, and accounting for the Arizona Department of Economic Security's (DES) childcare subsidy rates and school district in-kind contributions.

I informed the Board on [January 24, 2022](#) that the contracts for Years 2 and 3 of the program would include reimbursement rates that align with the new DES childcare subsidy rates for high quality preschools. DES raised their reimbursement rates this year after considering results from a joint study with First Things First on the cost of providing quality early childhood education. Prior to this, DES rates were informed by market rate pricing, which is typically reflective of what families are willing and able to pay, and therefore much lower than the actual cost of quality. First Things First is also considering raising their scholarship

reimbursement rates and the proposed Year 2 and 3 County contract with First Things First assumes these higher rates will be implemented by September 2022.

A primary driver for the cost of quality is higher teacher compensation in what has traditionally been a low wage industry. A significant challenge to increasing PEEPs enrollment has been the difficulty in recruiting and retaining teachers because of the pandemic and low wages. While DES is not requiring preschool providers to use the increased reimbursement to improve teacher compensation, Pima County’s school district agreements do include such a requirement.

Table 1 below shows the PEEPs Year 2 and 3 rates, as well as DES rates. Comparing rates across the various forms of financial aid is not an exact apples to apples comparison, but is informative nonetheless.

Table 1
Per Child Rates for Preschool Subsidies and Scholarships

Type of Financial Aid	Monthly Per Child Rate	10 Month Per Child Rate	Annual Per Child Rate
AZ DES Childcare Subsidy ¹	\$1,039.14	\$10,391.40	\$12,469.68
PEEPs School District Classes (County share after school district in-kind contribution of \$1,750 per child for 10 months) ²	\$1,039.14 (\$864.14)	\$10,391.40 (\$8,641.40)	N/A
PEEPs First Things First Quality First Scholarships (proposed) ³	\$1,050.00	\$10,500	\$12,600.00

¹For high quality preschools, defined as 3-5 star or nationally accredited, for a minimum of 6 hours a day.
²County reimburses school districts at a \$155,545-\$172,828 per-class amount based on 18-20 children per class. School districts operate classes for 10 months coinciding with the K-12 calendar, for a minimum of 6 hours a day.
³FTF’s proposed increased rate is for 3-5 star preschools, for a minimum of 6 hours a day, and can be split into two half scholarships with families paying the difference or children only attending half-day.

Note that the County’s proposed contract with Child-Parent Centers for a new 20-child class at Pima Community College’s Desert Vista Campus is not included as the cost for that class is still being determined. However, it will be higher than these rates as the class will be open 10 hours a day, compared to a minimum of 6 hours for school districts, First Things First scholarships, and DES childcare subsidies. It will also be operated according to the Head Start model, the cost of which includes additional child and family services.

Status of PEEPs Contracts

The Board has been considering a number of PEEPs contract amendments and new contracts as the program funding is converted from General Funds to American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Funds (ARPA), and city and town funding. Table 2 details each contract with regard to the status, end date, funding source, number of classes,

and maximum expenses. Note that some contractors have two contracts. This is either due to the necessity to keep city/town funding separate from ARPA funding, and/or because the original contract terms are significantly different from the new terms.

For the contracts shown, the maximum expenses total \$29.8 million. Approximately half of the expenses over the three years are allocated for school district PEEPs classes and half to First Things First Quality First scholarships available at over 150 preschools across Pima County (including scholarships provided to school district preschools, privately operated centers and family home-based providers).

Table 2
PEEPs Contracts and Maximum Expenses

Contractor/ Subrecipient	Funding Source	Agreement Status	End Date	Number of Classes Year 1 (Projected #Children)	Max Expenses Year 1	Number of Classes Year 2 (Projected #Children)	Max Expenses Year 2	Number of Classes Year 3 (Projected #Children)	Max Expenses Year 3	Total Max Expenses Years 1-3
Sahuarita SD	ARPA	Executed	May 2024	1	\$132,000	1	\$172,828	1	\$172,828	\$477,656
Marana SD	Town	BOS June 7	May 2023	1	\$118,800	1	\$155,545	1	\$155,545	\$429,890
Marana SD	ARPA	BOS June 7	May 2024	NA	\$0	1	\$172,828	1	\$172,828	\$345,656
Flowing Wells SD	APRA	Executed	May 2024	1	\$132,000	3	\$518,484	3	\$518,484	\$1,168,968
Tucson SD	City	BOS June 7	May 2024	4	\$368,280	8	\$1,382,624	8	\$1,382,624	\$3,133,528
Sunnyside SD	City	Executed	May 2024	2	\$237,600	2	\$345,656	2	\$345,656	\$928,912
Sunnyside SD	APRA	Executed	May 2024	NA	\$0	2	\$345,656	2	\$345,656	\$691,312
Amphitheater SD	City	BOS June 7	May 2022	2	\$158,400	0	\$0	0	\$0	\$158,400
Amphitheater SD	ARPA	Executed	May 2024	1	\$92,400	10	\$1,728,280	10	\$1,728,280	\$3,548,960
Baboquivari SD	ARPA	District review	May 2024	0	\$0	1	\$172,828	1	\$172,828	\$345,656
CPC Head Start	ARPA	Executed	June 2022	11	\$ 1,149,845	NA	\$0	NA	\$0	\$ 1,149,845
CPC Pima College	ARPA	BOS July 5	June 2024	0	\$0	1	TBD	1	TBD	TBD
FTF Scholarhips	ARPA	BOS June 7	June 2022	NA	\$ 3,811,600	NA	\$0	NA	\$0	\$ 3,811,600
FTF Scholarhips	ARPA	BOS June 21	Sept 2024	NA	\$0	NA	\$6,811,600	NA	\$6,811,600	\$13,623,200
Total				23 (700)	\$6,200,925	29 (1180)	\$11,806,329	29 (1180)	\$11,806,329	\$29,813,583

Actual expenses will be less than the maximum shown. For school districts, this is because DES will be funding children enrolled in the PEEPs classes that have DES childcare subsidies, but the number of children that will qualify for DES childcare subsidies is unknown until enrollment occurs. In addition, First Things First is expected to return \$1.9 million to the County unspent from this year due to the impacts of COVID on scholarship usage. Full usage of First Things First scholarships is expected for the term of the proposed new agreement.

Expenses not shown the Child-Parent Center's Pima Community College class, PEEPs administration (Pima County staff, communications and program evaluation), a possible contract for teacher bonuses to aid in hiring and retention, and possible expenses for facility improvements to retrofit indoor and outdoor spaces for preschool age children.

Revenues currently total \$32,574,345. These include \$30.2 million in APRA funds, \$2 million from City of Tucson (contract pending approval from Mayor and Council), \$274,345 from Town of Marana, and \$100,000 from Town of Oro Valley. Not includes are the in-kind

contributions by school districts for utilities, janitorial services, security, admin overhead, estimated at \$1,750 per child/or \$35,000 per class. At 68 classes over 3 years, that is an additional \$2,380,000 that is not reflected in the expenses or revenues. Also not included is the amount that will be spent by DES for children in PEEPs classes with DES childcare subsidies. These DES revenues directly reduce the amount that school districts invoice Pima County, adhering to the PEEPs guiding principle to maximizing use of existing statewide funding sources before spending PEEPs funding.

Private contributions made in support of PEEPs are received and managed by the United Way of Tucson Southern Arizona, and expended on the United Way's Accelerate Quality program. Contributions to date total \$82,945 from private donors and \$86,875 from United Way of Tucson and Southern Arizona, for a total amount of \$169,820. Funds are used to improve the quality of preschool programs through pre-rating assessments, coaching, purchasing of supplies and materials, and small capital improvements.

Income Eligibility

In February of 2021 when the Board initially directed staff to create this program, the focus was to be on families with incomes at or below 200 percent of the Federal Poverty Level (FPL) – meaning two times the FPL. The TUSD contract that will be before the Board on June 7 includes a pilot to include families with incomes up to 300 percent of FPL, with families between 200 and 300 percent paying for a portion of the tuition. At 300 percent FPL, families are still spending more than seven percent of their incomes on preschool/child care, which is considered cost-burdened. The First Things First Board is meeting on June 13 and 14, and will be considering a recommendation to increase their scholarship eligibility up to 300 percent FPL. If this is approved, it will be up to the Pima County Board of Supervisors to decide whether to follow suit and approve a contract with First Things First that includes this increased income eligibility. More information about the rationale for First Things First's consideration of this change, as well as the income eligibility ceiling for other locally funded preschool scholarship programs across the U.S., will be provided to the Board in the near future.

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- c: The Honorable Dustin Williams, Pima County School Superintendent
Francisco Garcia, MD, MPH, Deputy County Administrator & Chief Medical Officer
Health and Community Services
Carmine DeBonis, Jr., Deputy County Administrator for Public Works
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