



CITY OF IOWA CITY COUNCIL ACTION REPORT

June 6, 2023

Resolution authorizing the Mayor to sign a State and Local Fiscal Recovery Fund (SLFRF) grant agreement with Johnson County and the Community Foundation of Johnson County to administer the Child Care Wage Enhancement Program.

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Reviewed By:	Tracy Hightshoe, Neighborhood and Development Services Director Geoff Fruin, City Manager
Fiscal Impact:	The City has been allocated \$18,325,190 in ARPA-SLFRF funds. This agenda item would authorize expenditure of \$750,000 of those funds.
Staff Recommendation:	Approval
Commission Recommendations:	N/A
Attachments:	Resolution Agreement

Executive Summary:

As part of the American Rescue Plan Act (ARPA), the City was awarded State and Local Fiscal Recovery funds (SLFRF) to respond to the COVID-19 pandemic. This resolution authorizes a subrecipient agreement with Johnson County and the Community Foundation of Johnson County for \$750,000 to administer the Child Care Wage Enhancement Program. The program addresses the growing challenges of child care staffing wages without increasing the costs of tuition or passing along additional costs to families. In addition to increasing child care staffing wages by \$2.00 per hour, the fund pays the increased payroll taxes incurred by the employer in participating in the program. This resolution further authorizes the City Manager to amend the agreement as needed.

Background / Analysis:

The Johnson County Child Care Coalition formed to respond to the pressing needs surrounding child care in our area, issues made much more acute due to the pandemic. To support our workforce, quality, affordable child care is essential. Unfortunately, attracting and retaining child care staff remains a significant barrier. Child care professionals have the lowest wage of any tracked profession in the County. From this Coalition, many possible solutions emerged, including the proposed Child Care Wage Enhancement Program.

The Child Care Wage Enhancement Program was presented to the City Council at their March 7, 2023 work session. The attached Subrecipient agreement formalizes the relationship between the City of Iowa City, County, and the Community Foundation of Johnson County to operate a Child Care Wage Enhancement Program in Johnson County.

The City and Johnson County each commit \$250,000 per year for three years (total of \$1.5 million) to support wages of early education professionals working in eligible child care centers. Johnson County Social Services will be the program administrator and will receive applications, process invoices, and track data and reporting. The Community Foundation of Johnson County will be the City's fiscal agent. They will hold the City's funds in a designated account and reimburse, after County review and authorization, approved costs by child care centers located in Iowa City's corporate limits. The County will administer their own funds.

While the initial investment will come from the City of Iowa City and County, the goal is that private investment from businesses will continue to grow the program and allow it to become sustainable. A fund at the Community Foundation of Johnson County has already been established to hold funds for the program.

The U.S. Treasury permits the City to make subawards with SLFRF funds for the purpose of carrying out an eligible use under the SLFRF program. Per 31 CFR 35.6(b)(3)(ii)(D); "assistance to...impacted industries for programs, services or capital expenditures, including support for payroll costs" are an enumerated eligible use of SLFRF funds. Per the Final Rule, "an industry is presumed to be impacted if the industry experienced employment loss of at least 8 percent". Per the Department of Health & Human Services, during the height of the COVID-19 pandemic, the childcare industry experienced a 35% decrease in workforce. Furthermore, the pandemic has had lasting impacts on the industry, with the overall workforce remaining 8% below pre-pandemic levels as of November 2022. Thus the administration of a child care wage enhancement program as outlined above addresses the impacts of COVID-19 and is an eligible use of SLFRF funds.