

What would \$40 billion in relief funds mean for child care?

President Biden's [American Rescue Plan](#) proposes a \$25 billion child care stabilization fund to address revenue shortfalls in the child care industry that threaten forced closures of thousands of programs. The plan's additional \$15 billion for the Child Care and Development Block Grant (CCDBG) would help families afford child care. This fact sheet provides an example based on the best available data of ways in which \$40 billion in additional funding for child care might sustain the sector during the pandemic – even as it does not address all the need for this essential but chronically underfunded sector.

Child Care Needs Immediate Investment

Currently, [one in six child care workers](#) has lost their job during the pandemic, [threatening child care supply](#), impacting healthy child development, and compromising the ability of this sector to support economic recovery. The average wage for child care providers – skilled and valuable front-line professionals who have risked their health to provide education and care during a global pandemic – is less than [\\$12 per hour](#), with [Black and Latina child care workers making even less](#). Child care providers have gone to enormous lengths to keep their doors open during the pandemic, with most staying open [despite losing money and some taking on debt](#).

Fewer than [one in seven eligible children](#) currently benefit from child care assistance, and all too many families cannot afford the care they desire. Parents, especially [women, are dropping out](#) of the labor market and will struggle to return without child care. The impacts are even worse for [families of color](#), who had trouble finding and affording care before the pandemic, and who have been especially harmed by the twin economic and health crises COVID has caused. By every measure, the child care sector requires significant additional investments.

It is important for the future of the child care system to invest in the providers and programs, as well as the children and families who need support. Separating those needs in a piecemeal approach will not result in a sustainable system, thus investments must be sufficient to address them simultaneously.

\$15 billion for CCDBG could subsidize child care for 875,000 children over the next year

The pandemic has [forced parents with young children](#), especially mothers, out of the labor force, and families face lower incomes and job loss. With more families in poverty and facing parental unemployment, the **proposed additional funds could serve 875,000 children to support families' return to work or school**. This assumes an average provider payment rate of \$12,000 annually, which is based on current, averaged market prices for family child care homes and child care centers, and increased costs for PPE, cleaning, and sanitation. Alternatively, states could support increased payments for child care providers as well as additional options for parents, especially frontline and essential workers, who need to choose a child care provider that can accommodate their work schedule.¹

\$25 billion in child care stabilization funds could sustain nearly 449,000 child care programs, impacting 7.3 million children

While most child care providers have—often at great personal and professional cost—managed to remain open for the children and families they serve, enrollment is much lower than pre-pandemic levels. Child care providers have less revenue and increased costs due to staffing needs, PPE, and cleaning to prevent COVID transmission. A child care

¹ This estimate assumes that 70 percent of CCDBG funds provide direct child care assistance, with the balance funding state administration, quality set asides, training, resource and referral, and other costs associated with the provision of child care. Family co-payments are waived due to the unprecedented economic challenges facing families and high unemployment rates.

stabilization fund would make grants to child care centers and family child care homes to help them cover costs and avoid closing permanently. The table below shows the estimated number of child care centers and family child care homes that can be sustained with a \$25 billion stabilization fund. In addition to the cost of funding child care providers experiencing revenue shortfalls, these estimates include funding to help return child care supply to pre-pandemic levels.

Nationally, these funds could support more than 66,800 centers and nearly 382,000 family child care homes – or 64 percent of the child care programs in the U.S. – for six months. More than 7.3 million children would be impacted by these relief funds, which would head off the threat of program closure, prevent a massive staffing crisis in programs, and diminish the number of families who find their own financial security threatened by child care closures. Ultimately, states will make choices about spending relief funds, including the size of the grants and how to spread funds across child care settings, geographic areas, and underserved or high-need populations. This table shows how many child care providers could be reached at this funding level, assuming the percentage of centers and homes served is the same.

| How a \$25 billion Child Care Stabilization Fund Could Support the Sector | | | |
|---|---------|--|----------|
| Child care programs reached with 6-month stabilization funds | | Average 6-month cost to replace lost revenue for a child care program ² | |
| Centers | Homes | Centers | Homes |
| 66,801 | 381,721 | \$252,713 | \$14,064 |

Notes: Assumes \$22.25 billion in funding is available after administrative and technical assistance needs are taken into account. Analysis estimates that centers serve an average of 75 children and homes serve an average of 6 children. Estimates of the pre-pandemic number of licensed child care centers (105,000) are based on data collected by the Center for American Progress from child care licensing agencies in all 50 states plus the District of Columbia. Estimates of home-based care (600,000) are [here](#).

Invest in the Future

The \$40 billion child care proposal in the American Rescue Plan is the minimum the sector needs to survive the pandemic, and even this funding will still mean trade-offs for states in deciding which child care providers and families to prioritize and which types of costs to cover. The pandemic created widespread financial disruption for the child care sector and the families who depend on it while increasing costs to providers to ensure that their programs are safe. Resources will be needed over the long term to enact [much-needed policies](#) to address the totality of the child care crisis – and to address the significant gaps that existed prior to the crisis. This estimate does not include the cost of disruption during the first 10 months of the pandemic, such as recruiting to replace lost workers, financial losses sustained by child care providers, or deferred bills that will ultimately come due. All of these needs – shoring up providers, supporting parents, and ensuring health and safety – must be met simultaneously for the sector to sustain through COVID. This illustrative example demonstrates that significant future investments are necessary to build the strong, equitable child care system that all families, workers, and our economy needs to thrive.

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Findings compiled by: Child Care Aware of America, ZERO TO THREE, Center for Law and Social Policy (CLASP), National Association for the Education of Young Children, National Women’s Law Center, The Century Foundation, and Center for American Progress. For additional information, please contact Simon Workman (simonworkman@gmail.com).

² The average cost to sustain a child care center or home is calculated by: 1) totalling the pre-pandemic revenue of child care centers and homes using [average child care prices](#) and average capacity of 75 children in centers and 6 children in family child care homes at 85 percent enrollment 2) calculating the cost of operating during COVID by inflating pre-pandemic costs by 20 percent to account for PPE and cleaning, based on the price of these additional expenses in Head Start and 3) estimating revenue during the pandemic based on enrollment levels reported in a recent [provider survey](#) and 4) subtracting the estimated operating costs from the estimated revenue.