## U.S. SENATE COMMITTEE ON HEALTH, EDUCATION, LABOR & PENSIONS

**Chairman Bernie Sanders** 



# Supporting Working Families: The Need for Ongoing Support for the Nation's Child Care Sector

Senator Bernie Sanders, *Chairman* Senator Patty Murray, *Senior HELP Member and Former HELP Chair* 

Child care stabilization grants kept 220,000 child care providers afloat during the COVID-19 pandemic, saving child care for as many as 10 million children. States used COVID relief funding to make child care more affordable for 700,000 children, to increase wages and supports for 650,000 child care workers, and to improve their child care subsidy systems. When that vital funding runs out on September 30, 2023, our nation's broken child care sector will be pushed closer to the brink of collapse.

*"[Child care] funds have almost run out, and once they are gone, so am I." – <i>Jennifer, child care provider, Mississippi* 

Our nation's child care system is broken. A child's access to high-quality early childhood education is too often dependent on where they live and whether their family can afford to pay thousands of dollars per year for it.<sup>1</sup> While working families in this country struggle to find and afford the child care they need to go to work each day, child care workers are among the lowest paid professions in this country—earning a median wage of \$13.22 per hour—and child care programs barely have enough revenue to stay in business.<sup>2</sup> A system that does not work for families, providers, and workers is unacceptable in one of the richest nations on Earth.

The COVID-19 pandemic pushed the already fragile child care sector to the brink. During the pandemic, child care providers were the workforce behind the workforce: many providers stayed open, including to provide child care services for nurses, doctors, first responders, and other frontline workers.<sup>3</sup> But child care programs consistently had to do more with less. Providers faced increased costs associated with keeping children and workers safe and healthy, while experiencing severe drops in revenue due to fewer families paying for child care during the pandemic.<sup>4</sup> The nation stood to lose an estimated 4.5 million child care slots<sup>5</sup> and in June of 2020, fewer than 1 in 5 child care programs surveyed said that they expected their program could survive for longer than a year without significant financial help.<sup>6</sup>

Congress provided over \$52 billion in vital support to stabilize the child care sector and help working families meet their child care needs during the pandemic through funding for the Child

Care and Development Block Grant (CCDBG) and funding for Child Care Stabilization grants.<sup>7</sup> According to the Department of Health and Human Services (HHS), Child Care Stabilization funds kept over 220,000 child care providers across the country afloat, sustaining child care for up to 10 million children.<sup>8</sup> One third of child care providers who received a stabilization grant said their child care program would have closed permanently without the grants.<sup>9</sup> States used supplemental CCDBG funding to make child care more affordable for over 700,000 working families, to increase wages and supports for 650,000 child care workers, to create 300,000 child care slots, and to improve their child care subsidy systems.<sup>10</sup>

But over \$37 billion in funding for the child care sector runs out on September 30<sup>th</sup>, 2023, which will leave workers, child care businesses, and working families with young children in the lurch without more child care funding to meet their ongoing needs. These historic investments in the chronically starved child care sector provided a glimpse of what is possible with significant federal funding for child care and must be maintained.

Relief Package	Program Funded	Amount	Deadline for States to liquidate funds
Coronavirus Aid, Relief, and Economic Security (CARES) Act	Child Care and Development Block Grant (CCDBG)	\$3.5 billion	September 30, 2023
Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA)	Child Care and Development Block Grant (CCDBG)	\$10 billion	September 30, 2023
American Rescue Plan Act	Child Care Stabilization Grants	\$24 billion	September 30, 2023
FUNDING CLIFF		\$37.5 billion	
American Rescue Plan Act	Child Care and Development Block Grant (CCDBG)	\$15 billion	September 30, 2024

#### Table 1: Federal investments in child care face a \$37.5 billion cliff on September 30, 2023

Table Note: According to HHS instructions for the <u>ACF-696</u> and <u>ACF-696T</u> reporting forms, September 30, 2023, is the standard liquidation deadline for CRRSA supplemental funds and ARPA stabilization grants. However, HHS waiver reports indicate that, as of April 24, 2023, five territories and nearly 200 Indian tribes or tribal organizations had received one-year waivers of these deadlines, effectively extending the liquidation period through September 30, 2024.

With COVID relief funds, States have taken steps to increase access to child care and to make care more affordable for families. They did this by providing more stable funding to child care providers, expanding child care subsidies to more working families, reducing families' child care costs, and improving compensation for child care providers. But the temporary nature of these funds mean progress will soon be halted. Providing permanent increases in public funding would allow States to enact additional policies focused on supporting families and workers.

It's time for this country to adequately invest in working people. We cannot continue to ignore the child care crisis while working families struggle to find ways to both pay for care and participate in the workforce. If we fail to address this crisis, child care providers could close their doors for good, and child care workers could be forced to leave the profession they love for higher wages in other industries. Congress must act to provide sustained, increased funding for this nation's child care system to prevent the sector from falling over the upcoming cliff.

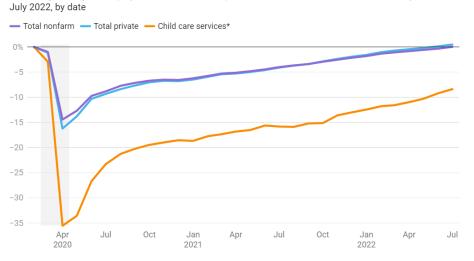
#### Why Child Care Relief Was Needed

The child care sector was uniquely vulnerable to the impacts of the COVID-19 pandemic.<sup>11</sup> Many child care providers closed during initial pandemic shutdowns, while about half of providers remained open at a reduced capacity.<sup>12</sup> Unlike public schools, which have set annual budgets, most child care programs receive payments from families on a weekly or monthly basis for each child attending the program, meaning programs' funding levels fluctuate regularly. Child care subsidy payments were also commonly tied to attendance: prior to the pandemic, many States would make payments to providers based on daily attendance, meaning a provider would only get paid for the days that a child attended their program.<sup>13</sup> As a result, child care providers began hemorrhaging money during pandemic shutdowns as they had fewer children enrolled or attending and faced unanticipated costs to comply with guidance around reduced group sizes and to procure personal protective equipment and cleaning materials.<sup>14</sup>

This financial instability made it extremely difficult for child care providers to pay their staff, maintain their programs, or even keep the lights on. The child care sector faced dramatic workforce cuts as a result: Between February and April of 2020, employment in child care dropped by 36 percent, from 1.05 million workers to 677,000 workers, compared to the 15 percent drop in overall employment.<sup>15</sup> While child care workers have gradually returned to the profession, as of April 2023, the child care workforce is still missing 56,500 workers compared to February 2020, and providers report difficulty hiring staff due to extremely low wages in the profession.<sup>16</sup>

### Figure 1: Employment in child care dropped dramatically during the pandemic and has been slower to recover than other industries.

Percentage change in employment in the nonfarm, private, and child care sectors from February 2020 to



Source: Maureen Coffey and Rose Khattar, "The Child Care Sector Will Continue To Struggle Hiring Staff Unless It Creates Good Jobs" September 2, 2022, available at <u>https://www.americanprogress.org/article/the-child-care-sector-will-continue-to-struggle-hiring-staff-unless-it-creates-good-jobs/</u>

Child care providers faced barriers to accessing loans through relief methods available to other small businesses that were similarly impacted by COVID-19, such as the Payment Protection Program (PPP) loans. Fewer than 7 percent of child care businesses received a PPP loan.<sup>17</sup> Child care programs reported challenges working with banks to access the loans: some were denied because they had problems with their credit scores or did not have a business checking account.<sup>18</sup> This was a particular barrier for family child care providers, who are often low-income, sole proprietors operating small businesses out of their homes. Concerns about taking on debt and not being able to pay back PPP loans were also common among child care providers.<sup>19</sup> Based on these concerns, many states used COVID relief funds from CARES and CRRSA to provide grants, rather than loans, to child care programs to support them in covering their increased expenses due to COVID and to prevent permanent closures among child care businesses. This served as a model for effective federal action.

In the American Rescue Plan Act, Congress dedicated \$24 billion of the \$39 billion in child care funding to a new Child Care Stabilization Grant program. Child care providers could use funds for personnel costs, rent or mortgage payments, insurance, facility maintenance and improvement, personal protective equipment (PPE) and COVID-related supplies, training and professional development related to health and safety practices, goods and services needed to resume providing care, mental health supports for children and early educators, and reimbursement of costs accrued earlier in the pandemic.<sup>20</sup> Several states required that a minimum percentage of stabilization grant funding be used specifically for staff compensation.<sup>21</sup>

"The stabilization grant is what has enabled us to stay open. **We would 100 percent be closed now without it."** —Sarah, Wisconsin, child care center serving approximately 150 families.

#### The Positive Impact of Child Care Stabilization Grants

Child Care Stabilization Grants were immensely successful.<sup>22</sup> Table 2 below demonstrates the number of child care providers and children impacted by Stabilization Grants in each state, and how much funding is at stake when relief dollars expire. Nationally:<sup>23</sup>

- Funds sustained 220,000 child care providers.
- Funds saved up to an estimated 10 million child care slots and more than 1 million child care jobs.
- Assistance was provided to more than 8 in 10 licensed child care centers.
- Funding assisted providers in at least 98 percent of counties with a persistent poverty rate and 97 percent of rural counties.
- Forty-four percent of child care businesses that received assistance are owned and operated by people of color.

Child care centers most commonly used funds to help pay for personnel costs, and family child care programs most commonly used funds to pay for rent, utilities, and a mortgage to help keep their program intact.<sup>24</sup>

Just as these grants helped to temporarily fill a gap in funding in the child care sector, they will likely leave programs with a significant hole when funding runs out on September 30, 2023. When funding ends, child care providers report that they will be forced to make difficult decisions and tradeoffs related to costs and services for families, and wages and supports for workers.

According to survey responses from more than 12,000 early childhood educators, when asked what would happen when stabilization ends:<sup>25</sup>

- 43% of child care center directors and 37% of family child care providers say their program will be forced to **raise tuition for working parents.**
- 27% of child care center directors and 29% of family child care providers say their program will **cut wages or be unable to sustain wage/salary increases.**
- 22% of child care center directors say their program will lose staff.
- 19% of family child care providers said they will have to serve fewer children.

"We would like to keep our staff working for the higher pay. After the end of the stabilization grants, the increase will need to be passed on to our families. We really don't want to do this, but will have no choice, in order to continue to serve all of our families. Higher pay for our staff, is a must in order to keep the numbers where they are in our center." —Child care center director, Louisiana

State	Number of child care programs that received stabilization grants	Number of children impacted	ARPA Stabilization funding amount expiring on September 30, 2023
TOTAL	221,445	9,593,000	\$23,135,875,000
Alabama	1,565	91,200	\$451,360,337
Alaska	430	16,400	\$45,336,010
Arizona	2,970	257,600	\$596,421,853
Arkansas	2,585	235,700	\$286,085,126
California	50,115	311,500	\$2,313,166,479
Colorado	3,475	265,700	\$286,156,175
Connecticut	2,575	104,900	\$169,879,499
Delaware	855	44,500	\$66,752,817
DC	485	23,800	\$39,842,313
Florida	8,610	834,200	\$1,523,107,778
Georgia	3,870	334,900	\$968,278,648
Hawaii	680	31,400	\$79,891,531

 Table 2: On September 30, 2023, Child Care Stabilization funding will run out, putting child care for millions of children at risk.

Illinois         7,170         327,900         \$796,272,357           Indiana         3,270         157,100         \$\$40,209,300           Gwa         2,155         73,900         \$\$213,897,400           Kansas         4,120         127,300         \$\$470,064,266           Louisiana         2,105         150,200         \$\$470,071,986           Maine         1,530         47,200         \$\$73,176,466           Maryland         5,900         170,900         \$\$309,076,387           Missaschusetts         6,530         202,400         \$\$14,379,486           Michigan         6,6465         290,500         \$\$700,708,746           Minnesota         8,230         212,500         \$\$274,977           Mississippi         1,090         85,100         \$\$314,379,486           Montana         1,040         26,400         \$\$68,075,745           Nebraska         2,270         103,700         \$\$143,093,320           Nevada         685         36,600         \$\$22,425,103           New Hampshire         590         43,100         \$\$47,657,076           New Hampshire         590         43,100         \$\$47,657,076           New Hampshire         590         43,1	Idaho	830	47,700	\$138,560,660
Indiana         3,270         157,100         \$\$40,209,306           lowa         2,155         73,900         \$227,550,820           Kansas         4,120         127,300         \$\$213,897,400           Kentucky         1,725         129,000         \$\$470,064,266           Louisiana         2,105         150,200         \$\$475,717,986           Maine         1,530         47,200         \$\$73,176,466           Maryland         5,900         170,900         \$\$309,076,387           Massachusetts         6,6530         202,400         \$\$314,479,474           Minnesota         8,230         212,500         \$\$700,708,744           Mississippi         1,090         85,100         \$\$319,476,477           Missouri         810         48,300         \$\$444,140,744           Montana         1,040         26,640         \$\$68,075,745           Nebraska         2,270         103,700         \$\$143,093,320           New Hampshire         590         43,100         \$\$47,657,076           New Jersey         4,355         348,400         \$\$427,548,476           New Mexico         1,095         51,600         \$\$197,707,855           North Carolina         4,380				\$796,272,357
Iowa         2,155         73,900         \$227,550,820           Kansas         4,120         127,300         \$213,837,400           Kentucky         1,725         129,000         \$470,064,266           Louisiana         2,105         150,200         \$475,717,965           Maine         1,530         47,200         \$73,176,466           Maryland         5,900         170,900         \$309,076,387           Missachusetts         6,530         202,400         \$314,379,486           Michigan         6,465         290,500         \$770,70,87,467           Minnesota         8,230         212,500         \$324,197,976           Missisisippi         1,090         85,100         \$314,379,486           Montana         1,040         26,400         \$68,075,744           Nevada         685         36,600         \$222,425,185           New Hampshire         590         43,100         \$447,657,076           New Jersey         4,355         348,400         \$427,548,476           New Maxico         1,095         51,600         \$197,076,855           New York         15,465         676,100         \$1,124,501,000           North Carolina         1,095				\$540,209,308
Kansas         4,120         127,300         \$213,897,405           Kentucky         1,725         129,000         \$470,064,265           Louisiana         2,105         150,200         \$475,717,985           Maine         1,530         47,200         \$73,176,466           Maryland         5,900         170,900         \$339,076,387           Massachusetts         6,530         202,400         \$314,379,486           Michigan         6,465         290,500         \$770,708,746           Minnesota         8,230         212,500         \$324,197,976           Mississippi         1,090         85,100         \$319,476,474           Missouri         810         48,300         \$444,140,742           Montana         1,040         26,400         \$65,774           Nebraska         2,270         103,700         \$143,093,320           Newada         685         36,600         \$222,425,188           New Hampshire         590         43,100         \$476,57,676           New Mexico         1,095         51,600         \$11,724,501,000           North Carolina         4,380         383,100         \$805,767,455           New Mexico         1,015         51,700	lowa	· · · · · ·		\$227,550,820
Kentucky         1,725         129,000         \$470,064,265           Louisiana         2,105         150,200         \$475,717,985           Maine         1,530         47,200         \$73,176,466           Maryland         5,900         170,900         \$309,076,387           Massachusetts         6,530         202,400         \$314,379,486           Minnesota         8,230         212,500         \$770,708,744           Mississippi         1,090         85,100         \$324,197,976           Mississippi         1,040         26,400         \$68,075,745           Nebraska         2,270         103,700         \$143,393,322           Nevada         685         36,600         \$222,425,185           New Jarsey         4,355         348,400         \$447,567,076, 855           New Jarsey         4,355         348,400         \$427,548,476           New Mampshire         590         43,100         \$417,968,857           New Mork         15,465         676,100         \$11,124,501,000           North Carolina         4,380         383,100         \$806,767,455           New Maxico         1,015         35,800         \$446,651,300           Ohio         6,265	Kansas			\$213,897,405
Louisiana         2,105         150,200         \$475,717,985           Maine         1,530         47,200         \$73,176,466           Maryland         5,900         170,900         \$309,076,387           Massachusetts         6,530         202,400         \$314,379,486           Michigan         6,465         290,500         \$770,708,746           Minnesota         8,230         212,500         \$324,197,976           Missisisippi         1,090         85,100         \$3319,476,474           Minnesota         8,230         212,500         \$324,197,976           Missouri         810         48,300         \$444,140,744           Montana         1,040         26,400         \$68,075,745           Nebraska         2,270         103,700         \$143,093,320           Nevada         685         36,600         \$222,425,185           New Hampshire         590         43,100         \$476,57,076           New Mexico         1,095         51,600         \$197,076,855           New Mexico         1,095         51,600         \$197,076,855           North Dakota         1,015         35,800         \$46,651,304           Ohio         6,265         399,300 </th <th></th> <th></th> <th></th> <th>\$470,064,268</th>				\$470,064,268
Maine         1,530         47,200         \$73,176,466           Maryland         5,900         170,900         \$309,076,387           Massachusetts         6,530         202,400         \$314,379,486           Michigan         6,465         290,500         \$770,0708,744           Minnesota         8,230         212,500         \$324,197,976           Mississippi         1,090         85,100         \$319,476,472           Missouri         810         448,300         \$444,140,742           Montana         1,040         26,400         \$68,075,745           Nebraska         2,270         103,700         \$143,093,320           Nevada         685         36,600         \$222,425,185           New Hampshire         590         43,100         \$47,657,076           New Jersey         4,355         348,400         \$427,548,476           New Mexico         1,095         51,600         \$197,076,855           New York         15,465         676,100         \$1,124,501,000           North Dakota         1,015         35,800         \$46,651,304           Oregon         3,235         82,400         \$248,908,466           Pennsylvania         6,845         36	Louisiana			
Maryland         5,900         170,900         \$309,076,387           Massachusetts         6,530         202,400         \$314,379,486           Minnesota         8,230         212,500         \$700,708,746           Minnesota         8,230         212,500         \$324,197,976           Mississippi         1,090         85,100         \$319,476,474           Missouri         810         48,300         \$444,140,744           Montana         1,040         26,400         \$68,075,745           Nebraska         2,270         103,700         \$143,093,320           Nevada         685         36,600         \$222,425,185           New Hampshire         590         43,100         \$47,657,076           New Jersey         4,355         348,400         \$427,548,476           New Mexico         1,095         51,600         \$197,076,856           New York         15,465         676,100         \$1,24,501,000           North Dakota         1,015         35,800         \$46,651,304           Ohio         6,265         399,300         \$799,821,634           Oregon         3,235         82,400         \$248,908,466           Pennsylvania         6,845         365	Maine			\$73,176,466
Michigan         6,465         290,500         \$700,708,746           Minnesota         8,230         212,500         \$324,197,976           Mississispipi         1,090         85,100         \$319,476,474           Missouri         810         48,300         \$444,140,742           Missouri         810         48,300         \$444,140,742           Montana         1,040         26,400         \$68,075,745           Nebraska         2,270         103,700         \$143,093,320           Nevada         685         36,600         \$222,425,185           New Hampshire         590         43,100         \$47,657,076           New Jersey         4,355         348,400         \$427,548,476           New Mexico         1,095         51,600         \$197,076,855           New Mexico         1,015         35,800         \$46,651,304           Ohio         6,265         399,300         \$789,821,634           Ohia         6,265         399,300         \$728,863,896           Pennsylvania         6,845         365,500         \$728,863,896           Pennsylvania         6,845         365,500         \$728,863,896           Puerto Rico         750         10,600 <th>Maryland</th> <th></th> <th>170,900</th> <th>\$309,076,387</th>	Maryland		170,900	\$309,076,387
Minnesota         8,230         212,500         \$324,197,976           Mississippi         1,090         85,100         \$319,476,474           Missouri         810         48,300         \$444,140,742           Montana         1,040         26,400         \$68,075,745           Nebraska         2,270         103,700         \$143,093,320           Nevada         685         36,600         \$222,425,186           New Hampshire         590         43,100         \$47,657,076           New Jersey         4,355         348,400         \$427,548,476           New Mexico         1,095         51,600         \$197,076,856           North Carolina         4,380         383,100         \$805,767,455           North Dakota         1,015         35,800         \$46,651,304           Ohio         6,265         399,300         \$799,821,632           Oregon         3,235         82,400         \$248,908,466           Pennsylvania         6,845         365,500         \$728,863,896           Puerto Rico         750         100,600         \$188,771,135           South Carolina         1,900         151,800         \$436,582,621           South Dakota         705	Massachusetts	6,530	202,400	\$314,379,488
Mississippi         1,090         85,100         \$319,476,474           Missouri         810         48,300         \$444,140,745           Montana         1,040         26,400         \$68,075,745           Nebraska         2,270         103,700         \$143,093,320           Nevada         685         36,600         \$222,425,185           New Hampshire         590         43,100         \$47,657,076           New Jersey         4,355         348,400         \$427,548,476           New Mexico         1,095         51,600         \$197,076,855           New York         15,465         676,100         \$1,124,501,000           North Dakota         1,015         35,800         \$46,651,304           Ohio         6,265         399,300         \$799,821,634           Oklahoma         2,625         107,200         \$362,884,722           Oregon         3,235         82,400         \$248,908,466           Pennsylvania         6,845         365,500         \$7728,863,896           Puerto Rico         750         10,600         \$188,771,135           South Carolina         1,900         151,800         \$436,582,621           South Carolina         1,900	Michigan	6,465	290,500	\$700,708,746
Missouri         810         48,300         \$444,140,749           Montana         1,040         26,400         \$68,075,745           Nebraska         2,270         103,700         \$143,093,320           Nevada         685         36,600         \$222,425,189           New Hampshire         590         43,100         \$47,657,076           New Jersey         4,355         348,400         \$427,548,477           New Mexico         1,095         51,600         \$197,076,855           New York         15,465         676,100         \$1,124,501,000           North Carolina         4,380         383,100         \$805,767,455           North Dakota         1,015         35,800         \$46,651,304           Ohio         6,265         399,300         \$799,821,634           Oklahoma         2,625         107,200         \$362,884,723           Oregon         3,235         82,400         \$248,908,466           Pennsylvania         6,845         365,500         \$728,863,896           Puerto Rico         750         10,600         \$148,771,135           Rhode Island         1,015         51,700         \$57,251,352           South Carolina         1,900         <			212,500	\$324,197,976
Montana         1,040         26,400         \$68,075,745           Nebraska         2,270         103,700         \$143,093,320           Nevada         685         36,600         \$222,425,188           New Hampshire         590         43,100         \$47,657,076           New Jersey         4,355         348,400         \$427,548,476           New Mexico         1,095         51,600         \$197,076,855           New York         15,465         676,100         \$1,124,501,000           North Carolina         4,380         383,100         \$805,767,455           North Dakota         1,015         35,800         \$46,651,304           Ohio         6,265         399,300         \$799,821,634           Oklahoma         2,625         107,200         \$362,884,723           Oregon         3,235         82,400         \$248,908,466           Pennsylvania         6,845         365,500         \$728,863,896           Puerto Rico         750         10,600         \$188,771,135           Shode Island         1,015         51,700         \$57,251,352           South Carolina         1,900         151,800         \$4436,582,621           South Carolina         1,900	Mississippi	1,090	85,100	\$319,476,474
Nebraska         2,270         103,700         \$143,093,320           Nevada         685         36,600         \$222,425,185           New Hampshire         590         43,100         \$47,657,076           New Jersey         4,355         348,400         \$427,548,476           New Mexico         1,095         51,600         \$197,076,859           New York         15,465         676,100         \$1,124,501,000           North Carolina         4,380         383,100         \$805,767,455           North Dakota         1,015         35,800         \$44,661,304           Ohio         6,265         399,300         \$799,821,634           Oklahoma         2,625         107,200         \$362,884,723           Oregon         3,235         82,400         \$248,908,466           Pennsylvania         6,845         365,500         \$728,863,896           Puerto Rico         750         10,600         \$188,771,136           Rhode Island         1,015         51,700         \$57,251,352           South Carolina         1,900         151,800         \$436,582,621           South Dakota         705         42,500         \$61,891,933           Tenassee         2,875	Missouri	810	48,300	\$444,140,749
Nevada         685         36,600         \$222,425,189           New Hampshire         590         43,100         \$47,657,076           New Jersey         4,355         348,400         \$427,548,476           New Mexico         1,095         51,600         \$197,076,855           New York         15,465         676,100         \$1,124,501,000           North Carolina         4,380         383,100         \$805,767,455           North Dakota         1,015         35,800         \$46,651,304           Ohio         6,265         399,300         \$799,821,634           Oklahoma         2,625         107,200         \$362,884,723           Oregon         3,235         82,400         \$248,908,466           Pennsylvania         6,845         365,500         \$728,863,896           Puerto Rico         750         10,600         \$118,771,135           South Carolina         1,900         151,800         \$436,582,621           South Dakota         705         42,500         \$61,891,933           Tennessee         2,875         215,800         \$254,431,495           Texas         10,790         836,000         \$2,724,368,837           Viran         1,585	Montana	1,040	26,400	\$68,075,745
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Source: Administration for Children and Families, Office of Child Care, "State and Territory ARP Child Care Stabilization Fact Sheet" available at

https://www.acf.hhs.gov/sites/default/files/documents/occ/State\_and\_Territory\_ARP\_Child\_Care\_Stabilization\_Fact\_Sheet.pdf

#### The Positive Impact of Child Care and Development Block Grant (CCDBG) Supplemental Funds

In addition to Child Care Stabilization Grant funds, Congress also provided additional funding in the American Rescue Plan and other COVID relief packages for the largest existing federal child care program, the Child Care and Development Block Grant (CCDBG), which provides funding to states, tribes, and territories to subsidize child care for working families and to improve the safety and quality of child care services. CCDBG has long been under-funded and reaches just

16 percent of eligible children, so the influx of additional pandemic relief funds gave States a unique opportunity to make long-needed policy changes to better support working families and child care providers.<sup>26</sup>

But as COVID-19 relief funding dwindles, some States have already been forced to roll back policies and diminish supports for families and child care providers that they implemented using supplemental CCDBG funding. As a result, low-income and working families may see their child care payments increase, essential workers could lose access to their help paying for child care, and child care providers and workers may no longer receive increased wages and payment rates once relief funding ends. These examples demonstrate the progress that is possible with additional child care funding, as well as what is at stake if it does not continue.

### Access and Affordability for Families

States used funds to make child care more affordable for families by making more families eligible for assistance and reducing families' child care payments. Initial estimates from the Department of Health and Human Services show that relief funding helped lower child care costs for over 700,000 children.<sup>27</sup> The positive impact of these funds is clear:

- West Virginia expanded access to child care subsidies to essential workers. This policy ended on November 1<sup>st</sup>, 2022, at which point 6,200 children of essential workers were expected to lose access to their child care subsidies. One West Virginia mother expected to see her monthly child care bill increase by \$900 as a result.<sup>28</sup>
- **Ohio** used \$50 million in COVID relief funding to waive child care copayments— and essentially make child care free— for 90,000 children.<sup>29</sup> The state is expected to end that policy in July of this year and thousands of families could see their child care costs increase.<sup>30</sup>
- **Montana** used CRRSA funds to cap families' child care copayments at \$10 per month and expand eligibility for child care assistance to 185 percent of the federal poverty line. Those policies ended on January 1, 2023.<sup>31</sup> Families have since seen their copayments increase by hundreds of dollars in some cases, while eligibility for help paying for child care was lowered back down to 150% of the federal poverty level.<sup>32</sup>
- North Carolina was able to help more families afford child care, reducing its waiting list for child care subsidies from 19,600 families in March of 2021 down to 6,000 families in March of 2022.<sup>33</sup>
- **Michigan** increased the income ceiling for eligibility for their subsidy program from 150 percent of Federal Poverty Level (FPL) to 200 percent FPL through 2023, making 150,000 more children eligible to receive low or no-cost child care.<sup>34</sup>

### Supports for the Early Childhood Workforce

One of the most common uses of child care relief dollars—and the most pressing need in the child care field today—was providing supports for the early childhood workforce. Despite the critical work they do each day to nurture children's development and support working families, early childhood educators are among the lowest-paid professionals in this country. Most child care providers do not have the funds to pay their workers more without passing on additional

costs to families, leaving families, workers, and programs alike in an untenable situation. As a result, child care programs continue to face severe difficulty hiring and retaining staff because they cannot compete with wages in other sectors.

The vast majority of child care providers who received a child care stabilization grant used it for staff compensation, and all states used CCDBG supplemental funding to support the early childhood workforce in some way.<sup>35</sup> HHS estimates that more than 650,000 child care workers received a form of increased compensation through COVID relief funds.<sup>36</sup> States took a variety of approaches, using funding to provide wage increases, stipends or bonuses, essential worker incentive pay, recruitment and retention bonuses, mental health services, insurance, and professional development supports. Many states and child care programs decided to provide one time or time-limited bonuses instead of sustained wage increases to workers because of the temporary nature of the child care relief funds and providers widely report concern that they will not be able to sustain wage increases once funds run out. For example:

- New Mexico used \$77 million in American Rescue Plan Act dollars to create the Competitive Pay for Professionals (CPP) program to fund \$3/hour pay increases for an estimated 16,000 child care staff.<sup>37</sup>
- **Iowa** used \$30 million to provide \$1,000 and \$2,000 Recruitment and Retention Bonuses to individual child care workers. Child care staff could apply for a bonus every 6 months until funding runs out.<sup>38</sup>
- **Maine** used American Rescue Plan Act dollars to provide \$200 monthly stipends to 7,000 early childhood educators<sup>39</sup> and has since invested additional state funding to make the salary supplements permanent.<sup>40</sup>

While COVID-19 relief funding was critical for supporting increased compensation and supports for early childhood educators and for helping to rebuild the sector after a drastic decline in employment during the pandemic, difficulty hiring staff continues to plague the child care sector.<sup>41</sup> When COVID relief funding runs out, programs will likely face even more difficulty hiring and retaining staff, further exacerbating the shortage of available child care options for families across the country.

The bonuses help **but more needs to be done for child care employees or many of us won't be here to provide care and education to our youngest children**." Gina, Maine, works for a child care center serving 70 families

### Expanding Capacity of Child Care Providers

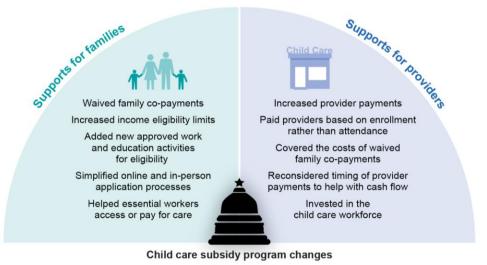
In addition to using Child Care Stabilization Grants to keep child care businesses afloat, States implemented many strategies using CCDBG relief funding to better support child care providers throughout the pandemic and to build new child care supply and capacity.

Three in four States used funding to increase child care subsidy payment rates—or the amount that a child care provider is paid for services for children using child care subsidies—to help keep providers afloat during the pandemic.<sup>42</sup> Those child care subsidy rates have long been far below the true cost of delivering high-quality child care services and often well below the rate charged to families paying for care out-of-pocket.<sup>43</sup> This serves as a disincentive for child care providers to enroll children receiving subsidies, and has contributed to resource inequities for programs serving children from families with lower incomes.<sup>44</sup>

Twenty-eight States also changed or plan to change their payment practices by reimbursing child care providers based on enrollment rather than attendance and paying providers upfront rather than as a reimbursement, which were particularly important for keeping child care providers sufficiently resourced during periods of closure or reduced enrollment due to the pandemic.<sup>45</sup> Additional funding will be necessary to maintain these policy improvements made with COVID relief dollars.

Figure 2 provides a summary of the positive changes states were able to make to their child care subsidy programs with the increased federal support.

# Figure 2: Examples of improvements made to States' child care subsidy programs using pandemic relief funding



Source: GAO analysis of interviews with state Child Care and Development Fund administrators. | GAO-23-106073

Source: U.S. Government Accountability Office, "Child Care: Subsidy Eligibility and Use in Fiscal Year 2019 and State Program Changes During the Pandemic", March 29, 2023, available at <a href="https://www.gao.gov/assets/gao-23-106073.pdf">https://www.gao.gov/assets/gao-23-106073.pdf</a>

States also used COVID relief funds to expand the supply of child care providers, build child care provider capacity, and support quality improvement and professional development initiatives. HHS estimates that States created more than 300,000 new child care slots, and more than 8 in 10 states used funding for child care startup or expansion grants.<sup>46</sup> One preliminary analysis conducted in January of 2023 found a slight increase in the number of child care programs nationally as compared to prior to the pandemic, and data from Child Care Aware of America found a 3 percent increase in the number of licensed child care centers in 2022 compared to pre-pandemic levels.<sup>47</sup> For example:

- **Louisiana** used CRRSA funding in combination with its Preschool Development Grant funding to fund 2,970 child care slots for children ages birth through three in high-quality child care centers, allowing eligible low income families to access free child care.<sup>48</sup>
- **Texas** created a new Child Care Expansion Initiative to offer startup funding and other support to increase the number of high-quality home- and center-based child care providers, creating an expected 31,857 new child care slots.<sup>49</sup>
- **Oklahoma** used funds to create Child Care Desert Startup Grants to expand the supply of licensed child care in underserved areas, which generated more than 5,100 additional child care slots across the state.<sup>50</sup>
- Vermont used \$2.6 million to fund scholarships for current or prospective early childhood educators pursuing a degree and career in early childhood or early childhood special education.<sup>51</sup>

### The Impact of Temporary Funds Highlights the Need for Permanent Investment

While child care relief funding was temporary and delivered in response to the COVID-19 pandemic, these historic investments in the child care system shine a light on the critical need for permanent, robust public investment in this nation's child care system and show what is possible when we as a nation support working families and child care providers. Allowing the pandemic emergency funds to end in September will have disastrous consequences for working families, businesses, and our nation's economy.

These funds are propping up a system that is hanging on by a thread. The loss of even one child care slot will have real impacts on families who rely on access to child care to work each day. The loss of even one more child care worker from the sector means a nurturing and skilled caregiver leaving this critical field. And the closure of even one child care program will have rippling consequences for workers and businesses in its entire community.

Action is necessary to address the nation's child care crisis and provide significant, permanent federal investments to adequately fund child care as a public good. Congress must act immediately to:

- Provide additional funding for the Child Care Stabilization Grant program to continue to stabilize our critical child care sector and provide more permanent support for providers through annual formula grants to cover providers' operating costs such as salaries, rent and mortgage;
- Provide guaranteed funding for child care assistance for all families who need it by creating an open ended funding stream for child care assistance;
- Ensure no working family pays more than 7 percent of their income on child care and make child care free for Americans with low incomes;
- Guarantee living wages and benefits for all child care workers and staff of child care providers, including providing pay parity with similarly credentialed elementary school teachers, and provide additional supports and training for the early childhood workforce.
- Improve the stability of child care programs by reimbursing providers based on the true cost of high-quality child care, supporting and funding professional development and

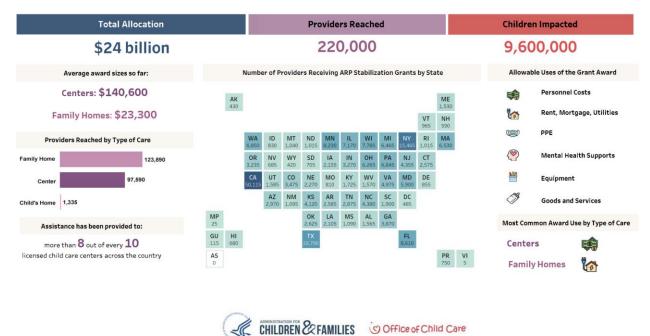
quality improvement activities, and paying providers based on enrollment, not attendance.

- Expand the supply of child care providers across the country, including in rural and underserved communities, to ensure parents have a range of child care options in their community.
- Provide access to free, universal preschool for 3- and 4- year olds in a mixed delivery system.

"I wonder how any of us will be able to keep our heads above water long term. It's so sad and worrisome. It's not the only solution, but **stabilization grants are one thing that has been greatly appreciated and helping. I pray they will continue.**" —Nicole, child care center director, New Jersey

#### **Appendix**

# Figure 3: Child Care Stabilization Grants Reached 220,000 child care providers serving 9.6 million children



Source: Administration for Children and Families, Office of Child Care "American Rescue Plan Child Care Stabilization Program" available at, https://www.acf.hhs.gov/sites/default/files/documents/occ/National ARP Child Care Stabilization Fact Sheet.pdf

# Table 3: State Child Care Allotments from CARES, CRRSA, and ARPA Stabilization Grants

	(allotments in dollars)				
State	CARES Act	CRRSA Act	ARPA Stabilization	Total Running Out on September 30, 2023	
Alabama	\$64,957,270	\$188,165,369	\$451,360,337	\$704,482,976	
Alaska	\$6,489,103	\$18,899,904	\$45,336,010	\$70,725,017	
Arizona	\$88,005,835	\$248,639,343	\$596,421,853	\$933,067,031	
Arkansas	\$41,462,912	\$119,264,607	\$286,085,126	\$446,812,645	
California	\$350,313,504	\$964,324,483	\$2,313,166,479	\$3,627,804,466	
Colorado	\$42,457,884	\$119,294,226	\$286,156,175	\$447,908,285	
Connecticut	\$23,504,479	\$70,820,221	\$169,879,499	\$264,204,199	
Delaware	\$9,757,763	\$27,828,250	\$66,752,817	\$104,338,830	
District of Columbia	\$6,000,400	\$16,609,664	\$39,842,313	\$62,452,377	
Florida	\$223,605,188	\$634,960,835	\$1,523,107,778	\$2,381,673,801	
Georgia	\$144,539,371	\$403,660,875	\$968,278,648	\$1,516,478,894	
Hawaii	\$11,990,147	\$33,305,583	\$79,891,531	\$125,187,261	
Idaho	\$20,672,881	\$57,763,865	\$138,560,660	\$216,997,406	
Illinois	\$118,420,119	\$331,954,027	\$796,272,357	\$1,246,646,503	

Subotal, States (incl. DC and PR)	\$3,376,138,0 00	\$9,645,000,000	\$23,135,875,000	\$36,157,013,000
Wyoming	\$4,166,167	\$12,216,624	\$29,304,530	\$45,687,321
Wisconsin	\$51,639,992	\$148,829,810	\$357,004,444	\$557,474,246
West Virginia	\$23,161,653	\$66,858,313	\$160,375,904	\$250,395,870
Washington	\$58,657,107	\$162,411,128	\$389,582,536	\$610,650,771
Virginia	\$70,799,409	\$203,692,270	\$488,605,381	\$763,097,060
Vermont	\$4,410,066	\$12,228,305	\$29,332,561	\$45,970,932
Utah	\$40,414,976	\$108,969,353	\$261,389,459	\$410,773,788
Texas	\$371,663,374	\$1,135,748,591	\$2,724,368,837	\$4,231,780,802
Tennessee	\$82,385,260	\$231,134,191	\$554,431,495	\$867,950,946
South Dakota	\$9,020,707	\$25,801,823	\$61,891,939	\$96,714,469
South Carolina	\$63,641,788	\$182,004,760	\$436,582,621	\$682,229,169
Rhode Island	\$8,165,854	\$23,867,232	\$57,251,352	\$89,284,438
Puerto Rico	\$30,959,151	\$78,695,860	\$188,771,135	\$298,426,146
Pennsylvania	\$106,397,624	\$303,852,449	\$728,863,896	\$1,139,113,969
Oregon	\$38,595,401	\$103,766,214	\$248,908,466	\$391,270,081
Oklahoma	\$50,006,265	\$151,281,209	\$362,884,723	\$564,172,197
Ohio	\$117,440,585	\$333,433,668	\$799,821,634	\$1,250,695,887
North Dakota	\$6,037,905	\$19,448,230	\$46,651,304	\$72,137,439
North Carolina	\$118,135,976	\$335,912,393	\$805,767,459	\$1,259,815,828
New York	\$163,636,242	\$468,787,636	\$1,124,501,000	\$1,756,924,878
New Mexico	\$29,442,748	\$82,158,393	\$197,076,859	\$308,678,000
New Jersey	\$63,058,005	\$178,238,560	\$427,548,476	\$668,845,041
New Hampshire	\$6,999,268	\$19,867,522	\$47,657,076	\$74,523,866
Nevada	\$32,926,105	\$92,725,733	\$222,425,189	\$348,077,027
Nebraska	\$20,077,074	\$59,653,464	\$143,093,320	\$222,823,858
Montana	\$10,113,887	\$28,379,759	\$68,075,745	\$106,569,391
Missouri	\$66,542,726	\$185,155,630	\$444,140,749	\$695,839,105
Mississippi	\$47,131,386	\$133,184,960	\$319,476,474	\$499,792,820
Minnesota	\$48,146,164	\$135,153,284	\$324,197,976	\$507,497,424
Michigan	\$100,898,829	\$292,114,988	\$700,708,746	\$1,093,722,563
Massachusetts	\$45,698,950	\$131,060,103	\$314,379,488	\$491,138,541
Maryland	\$45,821,890	\$128,849,320	\$309,076,387	\$483,747,597
Maine	\$10,953,470	\$30,506,173	\$73,176,466	\$114,636,109
Louisiana	\$67,581,166	\$198,319,710	\$475,717,989	\$741,618,865
Kentucky	\$67,741,412	\$195,962,758	\$470,064,268	\$733,768,438
Kansas	\$30,771,514	\$89,170,627	\$213,897,405	\$333,839,546
lowa	\$31,899,093	\$94,862,531	\$227,550,820	\$354,312,444

Source. Child Care and Development Fund (CCDF) State and Territory Funding Tables for FY2020 (pre-final) and FY2021 (pre-final) published by the U.S. Department of Health and Human Services (HHS) at https://www.acf.hhs.gov/occ/data/ccdf-state-and-territory-funding-allocations.

Notes: CARES = Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136). CRRSA = Coronavirus Response and Relief Supplemental Appropriations Act (P.L. 116-260, Division M). ARPA = American Rescue Plan Act (P.L. 117-2). PR = Puerto Rico. DC = District of Columbia. States are generally expected to liquidate these funds on or before the last day of FY2023 (September 30, 2023), barring a waiver. For more information on the liquidation deadline and other financial reporting requirements, see the current instructions for Form ACF-696 at https://www.acf.hhs.gov/sites/default/files/documents/occ/instructions\_for\_completion\_of\_form\_acf-696\_financial\_reporting\_form-for\_ccdf\_state\_territory\_lead-agencies.pdf. This table does not display funds allocated to territories (except Puerto Rico), tribes and tribal organizations, or for national activities (e.g., technical assistance). This table excludes allotments from separate ARPA appropriations for the Child Care and Development Block Grant (CCDBG) and related administrative activities.

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