

# How States Can Spend \$10 Billion for Child Care Well, Wisely & With Urgency

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In December 2020, under the [Consolidated Appropriations Act of 2021](#), Congress allocated \$10 billion to the Child Care and Development Block Grant (CCDBG), in addition to the \$3.5 billion allocated through the [CARES Act](#) in March 2020. Under CCDBG, states have [significant flexibility](#) in how funds can be spent to support working families and providers through the COVID-19 crisis. An estimated distribution of funds by state can be found [here](#).

To address the current instability of the child care industry, it is critical that states spend these new funds as quickly as possible, in ways that are designed to ensure that providers have the supports they need to continue to operate, and that families have access to the child care settings that will best support them and their children, all while addressing racial and other inequities in the system that the pandemic has exacerbated and made more apparent. While guidance has not yet been released by the Administration for Children and Families (ACF), the language of the law is very similar to the CARES Act, and includes explicit language around flexibility, noting the following allowable uses of funds:

## Allowable Uses of Funds

### Stabilizing Child Care Programs

With approximately half of child care centers saying they are losing money every day that they remain open, and reporting that they know of multiple centers or family child care homes in their community that have closed permanently, child care programs are confronting an unsustainable, unstable reality which is inequitably and disproportionately affecting providers and programs in communities in color.<sup>1</sup>

- › Lead agencies may use funds to support the stability of the child care sector to help providers afford increased operating expenses during the COVID-19 public health emergency.
- › Funds may be used to help providers to remain open or reopen as appropriate and applicable, including for fixed costs and increased operating expenses.
- › Lead agencies are encouraged to implement provider reimbursement on the basis of enrollment rather than attendance even when providers are closed due to the COVID-19 emergency.
- › Funds may be used to restore amounts, either directly or through reimbursement, for obligations incurred to prevent, prepare for, and respond to coronavirus, domestically or internationally, prior to the date of enactment of this Act
  - In other words, the payments can be retroactive back to the start of the pandemic.
- › Funds may be used to provide technical assistance to child care providers to help providers implement practices and policies in line with guidance from State and local health departments and the Centers for Disease Control and Prevention regarding the safe provision of child care services while there is community transmission of COVID-19.

<sup>1</sup> NAEYC. Am I Next? Sacrificing to Stay Open, Child Care Providers Face a Bleak Future Without Relief. December 2020. Retrieved online via [www.naeyc.org/pandemic-surveys](http://www.naeyc.org/pandemic-surveys)

## Compensating Child Care Providers

Half of child care providers make so little that they live in families accessing public benefits. With supply and staffing challenges on the rise, as undervalued and underpaid child care providers flee the system, increasing the poverty-level wages of child care providers is the best way policymakers have to sustain the child care system, increase child care supply, and grow the quality of child care programs.

- › States, Territories, and Tribes are encouraged to place conditions on payments to child care providers that ensure that child care providers use a portion of funds received to continue to pay the salaries and wages of staff.
- › Funds may pay that portion of the child care provider's cost ordinarily paid through family copayments to provide continued payments and assistance to child care providers in the case of decreased enrollment or closures related to coronavirus.

## Helping Families Access & Afford Child Care

With the price of child care out of reach for many families,

- › Funds may be used for costs of providing relief from copayments and tuition payments for families.
- › Funds can be used to provide child care assistance to health care sector employees, emergency responders, sanitation workers, farmworkers, and other workers deemed essential during the response to coronavirus by public officials, without regard to the income eligibility requirements of section 658P(4) of CCDBG.
- › Funds may be used to increase subsidy income eligibility levels to reach more families.

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### In addition, there are explicit expectations for states, territories, and tribes including:

- › Lead Agencies shall publicize widely the availability of, and provide technical assistance to help providers apply for funding available, including among center-based child care providers, family child care providers, and group home child care providers
- › States, Territories, and Tribes shall use a portion of these funds to provide assistance to eligible child care providers under section 1658P(6) of the CCDBG Act that were not receiving CCDBG assistance prior to the public health

emergency as a result of the coronavirus for the purposes of cleaning and sanitation, and other activities necessary to maintain or resume the operation of programs, including for fixed costs and increased operating expenses

- In other words, states must provide at least a portion of the funding they receive to providers that “were not receiving CCDBG assistance prior to the public health emergency.”

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## Strategies and Policies for States to Consider

As families and providers struggle through the COVID-19 crisis, there are a number of policies that states may put in place to spend these funds and provide immediate relief. States must report to the Administration for Children and Families by the end of February on how they plan to use the funds. In creating these plans, states can draw on what they've heard from providers and parents throughout the pandemic, the data they have on needs of the field, innovations from other states,<sup>2</sup> and consideration of which providers and communities have been hardest hit by the public health and economic crisis, with racial equity and other inequities as a key consideration. Policies to consider include:

### Stabilizing Child Care Programs

- › **Create a grant program for centers and family child care providers to cover COVID-19 related costs, that includes reimbursement for costs since the beginning of the crisis.** Many providers have gone into debt or borrowed from savings to cover the costs of increased staff, lower enrollment rates, PPE and cleaning supplies, and other direct costs of the coronavirus. To stabilize the field, a grant program should be open to any program eligible to support families receiving child care assistance.<sup>3</sup>
- › **Pay on enrollment rather than attendance.** Families who pay for child care without assistance are generally required to pay whether their children are in attendance or not. For providers serving infants and toddlers, this is particularly important because young children have higher rates of absences. Ensuring that the subsidy rate is determined by whether a family has enrolled rather than the number of days the child is able to attend stabilizes the funds received by the provider and makes participation in CCAP more attractive.

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2 See, for example, COVID-19: State Child Care Actions at <https://hunt-institute.org/covid-19-resources/state-child-care-actions-covid-19/>

3 On January 21, President Biden issued an [Executive Memorandum](#) which directs the Federal Emergency Management Agency to reimburse states 100 percent of the cost of providing PPE to various groups and organizations, including child care providers.

- › **Create and support family child care networks and shared services.** Providing support and staffing to family child care networks and underwriting a shared services model that include licensed and legally exempt providers can increase the availability of providers in underserved communities and can provide stability to providers.
- › **Help part-day programs provide full-day and year services.** As work schedules change during the pandemic, many families may need more hours of care than they did pre-pandemic; this may be particularly true for essential workers. Extending the day in programs that are already trusted and part of a community can be an important opportunity to increase supply.

## Compensating Child Care Providers

- › **Raise reimbursement rates across all age groups.** States can use the new funds to ensure that reimbursement rates for all age groups meet at least the 75th percentile of a recent market rate survey; they can also use this period to develop new methodologies to determine rates and increase reimbursements to providers based on those new approaches.
- › **Design and implement contracts** for providers that are designed to:
  - Cover the cost of PPE and cleaning materials.
  - Provide a wage increase that can be given directly to classroom teachers and aides, as well as other support staff in both centers and family child care settings. This can be a short- or long-term approach, through bonuses and incentive pay or through permanent changes to contract language.
  - Pay the full cost of care through a contract which ensures that all costs, including livable wages, the cost of materials and supplies, facilities, and other soft and hard costs.
  - Expand the supply of infant and toddler care. Through the pandemic, many providers moved away from serving young children to address the needs of school-age children and their families. As a result, gaps in access for families with young children have grown, and will need to be addressed through an intentional focus for these families.
- › **Provide funds for paid leave time needed for child care providers in centers and family child care homes to voluntarily access COVID-19 vaccines,** and accommodate any potential side effects. Ensuring child care providers working in all settings have priority, equitable, affordable access to the COVID-19 vaccine is critical to re-opening the economy and promoting safe and healthy operations in child care programs. However, challenges including hours of operation for vaccination sites as well as transportation challenges, lack

of health care, and lack of paid leave, make it difficult for child care workers to receive the vaccine or force them to forgo hourly pay. Encouraging and incentivizing paid leave time will benefit staff, programs, families, and the overall community.

- › **Provide scholarships and other supports for online professional development.** COVID-19 has left many early childhood providers out of work as their centers or family child care homes closed. Many may be rehired as more families return to child care; in the meantime, they may be interested in increasing their credentials. Providing supports to help them access online learning at the CDA, associate's and baccalaureate degree levels, will both increase their potential earnings and improve the quality of programs over time.

## Helping Families Access and Afford Child Care

- › **Provide subsidies to essential workers, regardless of income, using an inclusive definition of “essential worker.”** The federal government and states have created different definitions of essential workers. As the COVID-19 crisis has continued, it has become clear that janitorial staff, grocery workers, and others, including child care providers themselves, are essential to the economy. States should ensure that all these workers are eligible for child care subsidies and that applications are well-publicized, simplified, and available in multiple languages to ensure they can access the help they may need.
- › **Increase eligibility levels, both at entry and exit, to serve more families.** Many states have limited access to subsidies over the years. The economic recession caused by COVID-19 means that many families will have limited resources, yet they will only be able to return to work, or return to full-time work, with access to child care. Enabling families with incomes up to at least 250 percent of poverty to receive or continue to receive child care assistance will help with the economic recovery needed across the country.
- › **Permanently eliminate co-payments for families,** especially those with lowest incomes and with infants and toddlers. Families with infants and toddlers face the highest costs for child care but often are at the beginning of their earning capacity and may have lower income than families with older children and often pay a higher portion of their income for child care.<sup>4</sup> Low-income working families spend more than a third of their income on child care.<sup>5</sup> States should also examine their co-payment schedule and redesign it to minimize co-payments for all families while ensuring that reimbursement rates are structured to ensure providers don't face any gaps from the loss of parent fees. Helping make child care affordable for these families will be critical to helping them return to the workforce.

4 Simon Workman and Steven Jessen-Howard. (November 15, 2018). Understanding the True Cost of Child Care for Infants and Toddlers. [www.americanprogress.org/issues/early-childhood/reports/2018/11/15/460970/understanding-true-cost-child-care-infants-toddlers/](http://www.americanprogress.org/issues/early-childhood/reports/2018/11/15/460970/understanding-true-cost-child-care-infants-toddlers/)

5 Rasheed Malik. (June 2019). Working Families Are Spending Big Money on Child Care. [www.americanprogress.org/issues/early-childhood/reports/2019/06/20/471141/working-families-spending-big-money-child-care/](http://www.americanprogress.org/issues/early-childhood/reports/2019/06/20/471141/working-families-spending-big-money-child-care/)

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In addition, states may choose to:

- › **Invest in CC/HS/EHS partnerships.** Partnerships between child care centers or family child care programs and Head Start and/or Early Head Start have expanded access and improved quality. Limited federal funding has limited these opportunities, but states can create their own criteria and funding to promote these arrangements.
- › **Provide stipends for peer coaches,** especially those speaking languages other than English or representing BIPOC/Native American communities. As providers adjust to a new normal, states may want to provide coaches to help promote best practices for working with young children through distance learning, hybrid models, and in person to address the traumas and anxiety of the COVID-19 period. Peer coaches can be effective in working with providers to share their experiences.
- › **Translate materials.** The new funds in CCDBG provide an opportunity for state agencies to translate all materials used by early childhood providers, including licensing applications, subsidy materials, requirement for quality rating systems, business license applications, applications for public benefits, and other resources, as well as language translation lines.
- › **Increase access to virtual and in-person home visiting** for families and providers. For many families and providers who are isolated by the pandemic, home visiting can provide needed resources and social interactions for children, families, and providers. These supports can also help families and providers navigate the changing rules and requirements of the pandemic.
- › **Encourage and support family child care providers to enroll in the CACFP** by providing technical assistance and supporting additional CACFP sponsors in the state. Family child care providers may be eligible for participation in the Child and Adult Care Food Program, but may not have the capacity to apply. Family child care providers can not participate in CACFP without a sponsor organization. Supporting sponsors can help leverage new resources for family child care providers, support nutrition and alleviate food insecurity, improve program quality, and expand services in some communities.
- › **Support resource and referral agencies to provide information and technical assistance to parents and providers.** Resource and referral agencies can provide community-specific, timely information to help parents identify and access child care while ensuring providers are able to leverage resources that help them provide stable, quality care.
- › **Pay for developmental assessments and train providers on the Ages and Stages Questionnaire (ASQ).** Data shows that thousands of children who were previously in some form of child care, pre-kindergarten, Head Start, or kindergarten program are not currently enrolled. Data also show that many young children are missing important pediatric visits. Ensuring that developmental assessments are available throughout the community and virtually through phone or other digital platforms for these families will help ensure that children who need additional supports or interventions can receive them.
- › **Increase the reach of Child Find.** Child Find is an important community resource to identify and refer children who need early intervention services, but—even before the pandemic—many communities lack the staff capacity to reach all children. As more children are staying home and out of care situations or school, increasing the number of staff trained in Child Find is critically important.

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## Other Supports for Early Childhood in the Consolidated Appropriations Act of 2021

As with the CARES Act, the Consolidated Appropriations Act provides billions of dollars for governors and school districts to spend on needed supports during the pandemic. Each of these funds can be used to support young children both in schools and in community programs.

### Governor's Emergency Education Relief Fund: \$4.05 billion

According to the [US Department of Education](#), the GEER “includes allowable uses of funds related to preventing, preparing for, and responding to COVID-19. Governors may provide subgrants to LEAs and IHEs within their jurisdiction that have been “most significantly impacted by coronavirus” to support their ability to continue providing educational services to their students and to support the “on-going functionality” of these entities. In addition, a Governor may use these funds to provide support through a subgrant or a contract to other LEAs, IHEs, and education-related entities that the Governor “deems essential” for carrying out emergency educational services, **providing child care and early childhood education**, providing social and emotional support, and protecting education related jobs.” (emphasis added)

States have previously [used GEER funds](#) for:

- › Professional development for early childhood providers;
- › Grants to cover mortgage, rent, utilities, and other costs;
- › Early intervention services;
- › PPE for child care providers;
- › Summer programs for pre-kindergarten students;
- › Distance learning materials for young children; and
- › Expanding access to child care programs.

### Elementary and Secondary School Emergency Relief Fund (Public K-12 schools): \$54.3 billion

In describing the uses of funds, the Consolidated Appropriations Act notes that these funds can be used for “any activity authorized by the ESEA of 1965,” which includes services and supports for children from birth through the age of school entry.<sup>6</sup> As schools continue to address the COVID-19 pandemic, state departments of education could recommend that local school districts (LEAs) use the funds to:

- › Supplement access to state-funded or locally-funded pre-kindergarten programs, especially during the summer.
- › Extend the day for part-day programs.
- › Create salary parity for teachers in pre-kindergarten programs.
- › Provide materials to support distance learning to community-based child care programs and family child care providers.
- › Extend professional learning opportunities to community based providers serving children from birth to kindergarten age.
- › Create partnerships with early childhood programs to implement developmental assessments and extend Child Find in community programs.

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<sup>6</sup> For an extensive list of how the Every Student Succeeds Act (ESSA) can be used to support young children, see: Non-Regulatory Guidance Early Learning in the Every Student Succeeds Act: Expanding Opportunities to Support our Youngest Learners at [www2.ed.gov/policy/elsec/leg/essa/essaelguidance10202016.pdf](http://www2.ed.gov/policy/elsec/leg/essa/essaelguidance10202016.pdf)

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## Conclusion

Across the country, children, families, and their child care providers are struggling. The new funds in the Consolidated Appropriations Act of 2021 can help provide relief and stability for child care while providing needed supports to children and their families. But if our economy is to recover over the long term, it will require a reimagined approach to financing and structuring the systems that support high-quality child care.

That's why this \$10 billion in funding is both addressing an emergency and creating an opportunity. States must spend this money urgently and wisely, putting effective policies into place, and demonstrating the deep need for additional, ongoing, substantial, and sustainable funding that sets our nation on a path towards an essential, equitable, quality child care system.