RESCUING CHILD CARE

THE AMERICAN RESCUE PLAN ACT'S POSITIVE IMPACT FOR FAMILIES

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Center *for the* Study *of* Social Policy
Ideas into Action

THE CENTURY FOUNDATION

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CSSP is a national, non-profit policy organization that connects community action, public system reform, and policy change. We work to achieve a racially, economically, and socially just society in which all children and families thrive. To do this, we translate ideas into action, promote public policies grounded in equity, support strong and inclusive communities, and advocate with and for all children and families marginalized by public policies and institutional practices.

ABOUT THE CENTURY FOUNDATION

The Century Foundation is a progressive, independent think tank that conducts research, develops solutions, and drives policy change to make people's lives better. We pursue economic, racial, and gender equity in education, health care, and work, and promote U.S. foreign policy that fosters international cooperation, peace, and security. TCF has offices in New York and Washington, D.C.

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The recent relief funding demonstrates what a significant difference even temporary funding can make—especially as the pandemic caused the child care crisis to worsen.

In March 2021, President Biden signed into law the American Rescue Plan Act (ARPA), providing states with $24 billion for child care stabilization, $15 billion to supplement the existing child care program for low-income families, and $1 billion for Head Start. These funds were intended to support children and families and shore up the devastated child care sector in the wake of the COVID-19 pandemic and the ensuing economic crisis. They have been a crucial lifeline for child care providers and families alike.

Families' child care needs during the pandemic were similar to their needs prior to the pandemic—reliable, affordable, safe, nurturing child care options that meet their families' specific needs. Prior to the pandemic, most families' needs were not being met—a result of the long failure of the United States to build a child care and early learning system. The pandemic made things worse—reducing the number and variety of child care options and increasing health and safety concerns. It also caused diverse challenges for parents and other caregivers, including a loss of jobs and income for some, and increased, unpredictable essential work hours for others.

The need for sustainable investments in child care and early learning persists. The recent relief funding demonstrates what a significant difference even temporary funding can make—especially as the pandemic caused the child care crisis to worsen. However, the short-term nature of these funds made it challenging to invest in ongoing needs, such as permanently raising wages and providing benefits and expanding affordable, high-quality child care options to the millions of families who need it. Ultimately, long-term sustainable investments are necessary to address the needs of children and families and support economic growth.

To learn more about the experiences of families during the pandemic, and in particular their experience with additional support for child care, the Center for the Study of Social Policy (CSSP) interviewed families and experts in four states, and conducted a survey of 1,900 families across the country. CSSP's research efforts were designed to reach families with low and moderate incomes and families of color—especially Black and Latinx families who experience chronically high rates of poverty and economic insecurity due to historical and present-day racism. CSSP's interview and survey data show a snapshot of how families were impacted by the temporary ARPA funding, with a specific focus on Black families with incomes between $25,000 and $35,000 per year. This commentary looks at that data combined with research and analysis from additional sources to understand how families benefited from ARPA child care relief funds, with a particular look at Michigan and North Carolina.

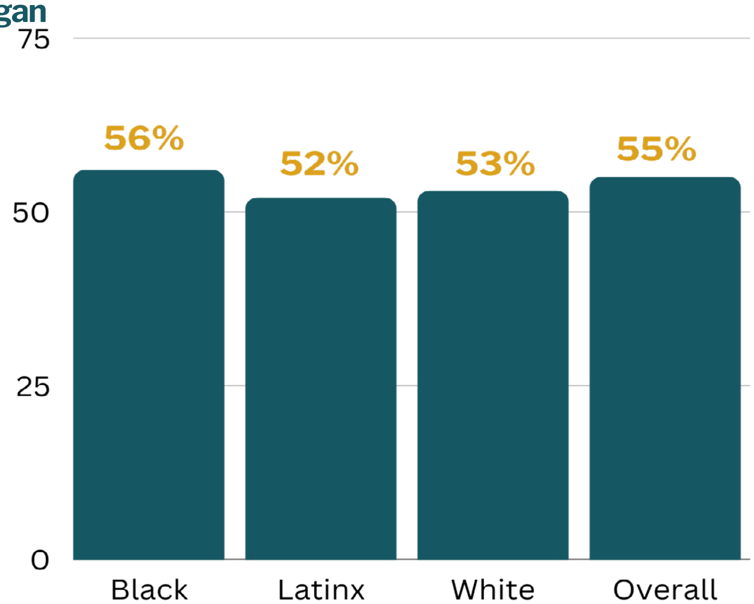
The American Rescue Plan Act, and earlier COVID-relief funds, helped families by (1) expanding child care assistance to families who had not previously received it (by changing eligibility rules or simply having the resources to reach more families through a program that is historically underfunded); (2) making child care more affordable by reducing or eliminating family copayments or fees; and (3) shoring up safe, nurturing options for families by investing in providers, raising compensation and benefits for early educators, and supporting the operating and start-up costs required to stabilize the supply of child care.

Expanding Child Care Assistance to Families Who Had Not Previously Received It

Before the pandemic, at least half of all families lived in a child care desert (a census tract where there are more than three times as many children as licensed child care slots), and many could not afford child care, even if they could find a program they wanted to use. The major federal–state child care program, the Child Care Development Block Grant, known as CCDBG, is woefully underfunded, and in 2019 only had enough funding to serve one in nine of the young children eligible. Furthermore, nearly four out of every five eligible Black children typically do not receive CCDBG asssistance, and Latinx children have particularly low levels of access to child care subsidies. COVID-relief funds helped states to reach more families by increasing the resources available to provide assistance to those eligible, and by changing eligibility rules to include more families.

CSSP's survey data shows that more than half—55 percent—of families saw the support for child care they received from their state increase after the pandemic began. Overall, those earning lower incomes were more likely to experience increased support. For example, 61 percent of those earning between $25,000 and $35,000 said they saw increased support from the state. Moreover, 56 percent of Black families say they experienced an increase in support from the state compared to 53 percent of White families and 52 percent of Hispanic families.

Figure 1. Share of Respondents Saying Child Care Support from State Increased Since Pandemic Began



Source: Authors' estimates and analysis from the Center for the Study of Social Policy's national survey of families.

Zara, a North Carolina mom who received a child care subsidy, reported to CSSP that "helps me out a lot" by giving breathing room to afford to pay other bills, too, because "[the subsidy] gives me time to get the money together by the end of the month to pay what I need to pay by the beginning of the month, when [other bills are] due."*

Federal CCDBG law limits child care assistance to families earning up to 85 percent of the state median income, but because of the history of underfunding the program, many states have much lower income limits. The urgency in the need for assistance during the height of the pandemic made it even more important that more families receive support. Some states initially opened up eligibility for all essential workers. In Michigan, supplemental funds are helping to serve more families through higher income limits for eligibility. Michigan increased the income ceiling for eligibility for their subsidy program from 150 percent of Federal Poverty Level (FPL) (the equivalent of $39,300 annually for a family of four) to 200 percent FPL (the equivalent of $53,000 annually for a family of four) through 2023, helping 150,000 more children receive low or no-cost child care.

North Carolina has helped more families get assistance by serving families previously on the waitlist. By March 2022, the waitlist had been reduced by 70 percent to 6,000, from 19,600 in March 2021. Zara,* a North Carolina mom who received a child care subsidy, reported to CSSP that "helps me out a lot" by giving breathing room to afford to pay other bills, too, because "[the subsidy] gives me time to get the money together by the end of the month to pay what I need to pay by the beginning of the month, when [other bills are] due."

Making Child Care More Affordable by Reducing or Eliminating Family Copayments or Fees

Over the past 30 years, child care prices have risen more than twice the rate of inflation—faster than the price of food, housing, and other items. The pandemic has accelerated these trends, with child care inflation exceeding annual inflation in 2020 by nearly 4 percent. To access child care, families are forced either to pay an amount equivalent to that for college tuition, rent, or a mortgage; put together patchwork solutions that create instability for their work lives and for their children; or be one of the fortunate few who receive child care assistance. And even those who receive assistance often have high copayments to pay. In some states, it is more than 10 percent of a families' income.

Michigan is one of a number of states using supplemental funds to temporarily waive copayments for families receiving child care assistance. This is a likely savings for families of about $65 a month that they can use for other necessities.

** Not her real name. CSSP uses pseudonyms to protect the identity of interviewees.*

While North Carolina is not waiving copayments, families there are finding the assistance is making a big difference. Rachelle, a mom who works in early education in North Carolina, said:

> The [county] has been extremely helpful, they even helped me get my education and provided childcare. I have a voucher, and so they helped pay for the childcare I would need after [I'm finished teaching] pre-school in the afternoons, because I do work two jobs… It's definitely been helpful and met the needs that I needed for childcare for work… Even the fee that they charge me monthly, it's been a lot easier to handle than the full amount itself.

Recently, the White House released data showing that the ARPA stabilization funds helped more than 200,000 child care providers continue to serve nearly 10 million children across the United States.

Shoring Up Safe, Nurturing Options for Families

The supply of child care has long been insufficient to meet families' needs. The pandemic exacerbated problems, with more than 16,000 providers shutting down all together. The ARPA child care stabilization and supplemental funds prevented the situation from getting much worse than that. States have used these funds to invest in providers, raise compensation and benefits, provide bonuses and wage supplements for early educators, and support the operating and start-up costs required to stabilize the supply of child care.

Robin, a mom of two in Michigan, explained to CSSP how accessible, affordable child care intersects with families' ability to go to work:

> But since the pandemic they had to shorten their hours due to staffing, and different things like that. . . . And so I think that's another piece that isn't necessarily being taken into consideration, is that due to the lack of staffing, because of the forever crisis in early childhood, it creates a problem for families when centers need to shift their hours, and close before the end of a work day, just because they can't staff it, when it causes families to not be able to work, or to have to figure out other options. And for a lot of us, there are no other options.

Recently, the White House released data showing that the ARPA stabilization funds helped more than 200,000 child care providers continue to serve nearly 10 million children across the United States. A recent survey from the National Association for the Education of Young Children (NAEYC) similarly found that three in four child care directors and more than four in five family child care owners who responded said their programs had received stabilization funds. Of those, one in three said that their program would have closed permanently without the funds.

As Caroline, a Michigan home-based provider with nearly three decades of experience explains, investing in a stable supply of child care, including qualified early educators is foundational: "I believe that [child care] is a critical part of our infrastructure, and without child care, working families don't get to their workplaces."

In Michigan, for example, more than 280,000 children and their families were supported by the ARPA stabilization funds, which went to 6,270 child care programs. The combination of stabilization and supplemental funds has supported personnel costs and higher provider payment rates, meeting staffing needs, paying rent and mortgage payments for child care facilities, facility improvements, and start-up and expansion costs.

In North Carolina, 4,205 child care programs have already received ARPA stabilization support, impacting up to 371,000 children. Both child care centers and family child care providers have been able to remain open or to reopen, ensuring they have the staff they need and can provide the high-quality care families need. Providers have been able to invest in their staff and pay their operating expenses. According to the National Women's Law Center's survey, "the state is also using the funds to build the supply of qualified child care teachers with staff bonuses and other teacher pipeline programs, such as apprenticeships, stackable courses, and fast-track programs."

Families can only benefit from child care assistance if they can find child care to use. As Caroline, a Michigan home-based provider with nearly three decades of experience explains, investing in a stable supply of child care, including qualified early educators is foundational: "I believe that [child care] is a critical part of our infrastructure, and without child care, working families don't get to their workplaces." Caroline further discusses the importance of long-term investments in child care. "We're basically the foundation of our economy, for our working families. If everybody decides they can't do this any longer, that impact will be felt from the bottom all the way up to the top." As Caroline points out, not only is child care essential to meet families' needs, it also supports labor force participation and economic growth.

More Work To Do To Stabilize the Shaky Child Care Foundation for Families

Building on shaky ground does not make the ground stable. The house of cards that parents had built to manage their work and family responsibilities prior to the pandemic came crashing down during the pandemic. The American Rescue Plan Act child care funds have helped a lot. The temporary nature of these funds, and the failure of Congress to build the child care and early learning system that the United States has long needed, puts families at risk once more. As we work toward long-term sustainable progress, Congress must act in the short-term to increase and expand the temporary funding. Children, families, employers, and economic prosperity depend on it.

Citations

[1] The states included were Arizona, Michigan, Mississippi, and North Carolina.
[2] The Michigan and Mississippi family interviews were conducted between September 2021 and December 2021, while the Arizona and North Carolina family interviews were conducted between January 2022 and March 2022. The national survey was fielded between December 2021 and January 2022. This timeline was early in the process for distributing funds, so some of the findings reflect the early experiences, rather than the full experience for families.
[3] Federal funding went directly to the states and was distributed through the states, so families' experience of it is as state funding even though it comes from federal programs.
[4] "Summary of Subsidized Child Day Care Services, Mar 2020 Service Month\Apr 2020 Payment Month," North Carolina Department of Health and Human Services Division of Child Development and Early Education, accessed June 2022,North Carolina Department of Health and Human Services Division of Child Development and Early Education, "Summary of Subsidized Child Day Care Services, April 2021 Service Month\May 2021 Payment Month," accessed June 2022.
[5] In a family of three at 150 percent of FPL with one child in care.