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Mandatory Child Care Investments Are Crucial for Building a Long-Term System

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Before anyone had heard of the coronavirus, America's child care system was dependent on families paying unaffordable sums and providers making poverty-level wages. Years of under-investment had left child care programs in the United States operating on thin margins and shaky ground.

The pandemic exacerbated these inequities and eroded an already fragile system. Over 350,000 child care jobs disappeared and more than a year later, 1 in 8 of those jobs have not yet returned.[1] These job losses predominantly affect women, and disproportionately women of color, who are the vast majority of the child care workforce.[2] For families, the disappearance of child care options has left many children without stable and high-quality settings and pushed many parents, especially mothers, out of the labor force.

To support economic recovery, lawmakers have the opportunity to invest in an equitable system that supports children's healthy development, helps families achieve economic security, and ensures the essential workers who care for and educate children every day are paid a living wage.

Mandatory child care dollars are essential to building the long-term system that we need.

What Are Mandatory Child Care Dollars?

In 1990, Congress created the Child Care Development Fund, which comprises several different kinds of child care funding. The biggest share of the fund comes from discretionary spending through the Child Care and Development Block Grant (CCDBG), which is subject to the annual appropriations process. Mandatory money, which flows through the Child Care Entitlement to States (CCES), in contrast, is written into law and guaranteed each year.

While Congress has made important discretionary funding decisions that remain critical to the success of child care in this country, the added assurance of mandatory child care dollars allows states to make long-term investments in their child care programs. CCDBG, which depends on annual Congressional approval, is allocated to states based on a funding formula with no required spending from the state. Mandatory money, however, requires a state match and "maintenance of effort" so that federal dollars do not supplant, but rather build on, existing state spending.

Why Is Increasing Mandatory Child Care Funding Important?

Mandatory funding does not change unless the underlying law changes. This allows states to make longer term plans to build their child care systems. Mandatory funding is particularly helpful for investments that have recurring costs such as:

- **Attracting and retaining the child care workforce:** These investments allow providers to raise and maintain salaries and benefits for the workforce, which is the most essential and expensive component of care. Even with the relief dollars, many child care programs are now facing a worker shortage because of their inability to pay fair compensation that sustained federal funding could help bolster.[3]
- **Ensuring parents have access to stable, high-quality options:** Families, especially those with more than one child, need child care over many years. Stable funding helps make sure that parents can rely on the availability of child care to enter and stay in the workforce or engage in educational or job search activities.
- **Building supply:** Providers are better able to assume the risk of a new business or the investment in their current business when they can rely on the promise of sustained public investments. This is particularly important for building supply in child care deserts, which are communities with insufficient child care slots for the number of young children who live there.

From Relief to Recovery

The American Rescue Plan Act (ARP) of 2021 was a historic win for children, families, providers and educators. Along with the 2020 COVID relief packages, ARP helped to stabilize the child care sector and support families. ARP included $39 billion for one-time child care stabilization and assistance, and an increase of $633 million in mandatory child care dollars that when combined with existing CCES funding, would bring the total in mandatory funding to $3.55 billion annually. While states can use the funds for a wide variety of activities, including beginning to build toward long-term transformative change, the stabilization and assistance funds must be fully spent by 2023, and states must fully spend the assistance funds by 2024. The ARP's mandatory funds, however, are permanent and will be available annually, which will help states to build toward sustained investments in child care and early learning. This was the first increase in mandatory funding for the program in 15 years. It was a good start, but we need far more to build a sustainable, equitable system.[4]

To that end, the Biden Administration and Members of Congress have proposed a number of policies that include welcomed increases in mandatory spending for child care:

- President Biden's *American Families Plan* invests $225 billion over 10 years in mandatory funding in child care and an additional $200 billion over 10 years in Universal Preschool. The *American Jobs Plan* also includes $25 billion over 10 years in mandatory funding for child care infrastructure.
- The House Ways and Means Committee's *Building an Economy for Families Act* discussion draft increases mandatory funding for CCES by about $6.5 billion a year, indexes for inflation, and provides up to $5 billion per year in additional mandatory funding to address child care shortages. It also includes an additional $15 billion over 10 years in mandatory funding for infrastructure and makes other mandatory investments in access and worker wages.
- The Senate Finance Committee's *Building Child Care for a Better Future Act* increases mandatory funding for CCES by about $6.5 billion a year for direct child care spending and provides an additional $5 billion annually for building the supply of available child care providers and facilities.

These bills and proposals recognize the need for long-term, sustainable, and reliable funding for child care. Federal policymakers must take action to turn the ideas in these bills and proposals into reality in the coming months.

Conclusion

While the American Rescue Plan provides robust relief, it was not designed to address the long-term structural flaws in our economy that made the pandemic so devastating for women of color and their families, as well as communities across the nation. Additional, significant mandatory federal funding - alongside comprehensive policy change - is essential to ensuring the long-term success and sustainability of the child care sector.

1 Claire Ewing-Nelson & Julie Vogtman, National Women's Law Center, One in Eight Child Care Jobs Have Been Lost Since the Start of the Pandemic, and Women Are Paying the Price (June 2021), https://nwlc.org/wp-content/uploads/2020/08/ChildCareFS2021-6.9-v2.pdf.

2 Shiva Sethi, et al., An Anti-Racist Approach to Supporting Child Care Through COVID-19 and Beyond, The Center for Law and Social Policy (July 2020), https://www.clasp.org/publications/report/brief/anti-racist-approach-supporting-child-care-through-covid-19-and-beyond.

3 Patrick Sisson, Bloomberg CityLab, The Latest Pandemic Supply Shock: Child Care Workers (June 2021), available at https://www.bloomberg.com/news/articles/2021-06-01/the-suburbs-are-running-out-of-child-care-workers.

4 Congressional Research Service, Child Care Entitlement to States (July 2019), available at https://fas.org/sgp/crs/misc/IF10511.pdf.