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Advancing Equitable State Child Care Policies Using ARPA and Other Relief Funds

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Introduction

During a time of historic COVID-related federal investment in child care and early education, states are working to leverage this opportunity to provide significant relief and recovery to providers and families. This fact sheet highlights the actions that select states have implemented to make the most of this critical time and opportunity. As parents continue to struggle to find child care and child care workforce shortages reduce their options, states must act quickly to commit their remaining relief funds and get them out the door, while supporting policy changes that set the stage for future federal investments.

Background on Key Funding Sources

Since the pandemic's onset, parents, providers, advocates, and state policymakers have mobilized to secure urgently needed federal dollars. Fortunately, Congress delivered key investments in relief packages such as the Coronavirus Aid, Relief and Economic Security (CARES) Act; the Coronavirus Relief and Recovery Supplemental Appropriations Act (CRRSA); and, most recently, the American Rescue Plan Act (ARPA).

The ARPA provides federal assistance in the form of a stabilization grant program for provider relief and recovery, as well as supplemental investments in the Child Care and Development Block Grant (CCDBG) for families with young children. Both streams of funding are available to state lead child care agencies for disbursement to providers and families.

These resources are available for a limited time:

- States can use CCDBG funds through September 30, 2024, and
- Funds for ARPA stabilization grants to providers are available until September 30, 2023.

The state planning process undoubtedly requires managing conflicting tensions to get funds to providers quickly, while also using them in a way that creates the most positive change. These state efforts can set the stage for the more transformative potential of future federal funding, including what's proposed in the Build Back Better Act. Transformation includes recognizing that child care systems have always been inequitable, and the sector is disproportionately comprised of women of color, so this is a crucial time to strengthen systems for all providers and families. Through child care funding allocated to states in ARPA, state policymakers can advance equity, while improving access, quality, and sustainability.

A Focus on Equity

As states work toward these goals, they should consider principles and policy priorities for equitable implementation. Previously, CLASP identified six recommendations[1] to advance equity through spending new federal dollars under the ARPA stabilization grant program. All the recommendations recognize this critical moment to stabilize the child care system and better support families and providers moving forward. The recommendations include:

1. Designing accessible and inclusive grant application processes;
2. Improving data systems to increase equity and understand needs;
3. Setting grant amounts that reflect adequate compensation, benefits, and address inequities;
4. Simplifying applications and supporting the true cost of providing care;
5. Funding supply-building activities; and
6. Connecting children and providers to mental health services.

Many states are currently working on implementation initiatives that align with this guidance. For example, states are incorporating intentional and equitable stakeholder engagement; partnerships; and inclusive access and equity at the center of resource distribution into their vision for stabilizing and advancing child care in their state.

Policy Priorities in States

Across the country, lead child care agencies continue to plan and release information on how they will implement ARPA funds to support providers and families. As of this publication, 37 states, the District of Columbia and the Northern Mariana Islands have publicly posted their stabilization grant applications. In order to provide COVID-19 relief and recovery, they should distribute efficiently and with equity in mind. Following is a list of select examples showing a range of approaches states are pursuing with their child care relief dollars.

Advancing Workforce Equity

Building a workforce that is well compensated and has access to the support it needs to thrive is central to addressing the child care crisis during the pandemic. It is also a critical part of confronting the endemic structural issues that have always plagued the child care system. Backed by guidance from the Administration for Children and Families at the U.S. Department of Health and Human Services, ARPA provided opportunities to focus on compensation, pay parity, benefits, and mental health supports for child care workers on the front lines. States have taken steps to tackle each of these areas. For example:

- **Connecticut**[2] child care programs can opt into receiving an additional 25 percent of funding for staff compensation in their stabilization grants. This funding must be used to increase staff's normal wages. If a program opts out, they will not receive the full amount of funds available through the stabilization grants and will forgo this additional 25 percent.
- Using CRRSA dollars, **Georgia**[3] provided grant payments to licensed child care providers. These dollars, first implemented through the CARES Act, support another round of relief to providers. Providers can determine the various uses of these funds, but they can be used to pay the employees' salaries and benefits. Georgia also funded a one-time "Early Childhood Professionals Bonus" of $1,000 paid directly to individual early educators.
- **Maine**[4] plans to use CRRSA funds to expand its Early Childhood Consultation Program, which provides mental health and social emotional supports to children and their providers.

Reducing Barriers to Access and Eligibility

The pandemic made clear that when families need child care, they need it urgently. ARPA provided opportunities to eliminate some of the policies and practices that have historically prevented families with low incomes —often in jobs with nontraditional or unpredictable schedules, or who were seeking employment—from getting the child care they need. States acted on the flexibility that these funds provided to reduce barriers like family copayments, work requirements, and strict income eligibility rules:

- **The California Department of Social Services**[5] has waived family copayments for child care from July 1, 2021 to June 30, 2022, for all state-subsidized early care and learning programs. In partnership with California parent leaders and providers, the state's Department of Social Services carried out extensive stakeholder engagement with parents and child care providers, which identified the barrier of copayments as a priority issue.
- **Illinois**[6] is using relief funds to temporarily provide an initial three-month eligibility for child care assistance to parents who are looking for employment or seeking an education or training activity. Indiana[7] also used CRRSA funds to allow job-seeking parents to access child care subsidies.
- **Hawaii**[8] used CRRSA funds to temporarily waive income and work requirements for families impacted by the pandemic.
- In **Virginia**[9], using the supplemental Child Care and Development Fund discretionary funding, policymakers briefly increased income eligibility for child care until July 31, 2021. The state has also waived family co-payments until December 31, 2021.
- **New Mexico**[10] increased its initial income eligibility for child care assistance from 200 to 350 percent of the federal poverty level (FPL) for at least two years. Families remain eligible until they reach 400 percent FPL, at which point they are eligible for a 12-month phase out of assistance. Increasing income eligibility will dramatically increase access to child care. Previously, many middle-class families earned too much to qualify for this support, but they still could not comfortably afford the care their children needed.

Providing Revenue Stability for Providers

Chronically low payment rates and rigid policies have historically undermined the ability of child care providers to accept children with subsidies, preventing families from accessing the child care they need. ARPA guidance prioritized getting funds directly to providers and highlighted existing state options for making subsidy payments more reliable. ARPA also encouraged states to set payment rates using cost estimation to truly cover the cost of providing quality child care. For example:

- **New Mexico**[11] no longer uses market-rate surveys to determine provider reimbursement rates. Instead, the state now uses a new cost estimation model, which means that providers in all settings are receiving higher subsidy rate payments. This model is informed by the cost of high-quality child care, and, in turn, can help providers improve quality and expand access to care. The New Mexico payment rates now incorporate increased compensation, including a salary for home-based child care providers.
- **Maine**[12] is using relief funds to begin basing reimbursements on enrollment rather than attendance for at least two-and-a-half years. This means that subsidy reimbursements to providers are based on the total number of children enrolled in their program, rather than

the children who are in attendance each day. By implementing this change, providers receive increased, steady funds that will better stabilize the system.

Supporting Home-based Child Care Providers

Home-based child care, or family child care, is always a critical option for families. This type of care has been in even higher demand since the onset of the pandemic—offering smaller settings and, typically, more flexibility in hours. States have used ARPA funds in ways that respect the unique needs of home-based providers and build the supply of home-based care:

- **Louisiana**[13] is establishing family child care networks made up of home-based providers, which is a strategy designed to increase the supply of infant and toddler care. The goal of these networks is to learn more about the distinctive needs of home-based care providers and to inform policymakers about how to better include them in the state's child care and early education system.
- In **Mississippi**[14], as demand for family child care rises, policymakers plan to use funds for programming targeted at family child care homes to create safe care environments with providers who have knowledge of best practices.

Conclusion

The COVID-19 pandemic exposed several underlying challenges in the child care system and led to historic investments in child care and early education. Congress provided funding opportunities to help families and the industry gain relief. These federal funds also offer states some room to improve America's child care system, addressing structural needs like access to care and providers' compensation, as part of their recovery plans.

The state actions included in this brief highlight some of the impactful strategies states across the country are using to provide relief and recovery for child care providers and families with young children. These approaches are also moving the system toward equity and expanding access to child care. By engaging in these efforts, states are making the case for continued, larger investments in the child care system and for broader federal eligibility for families to qualify for assistance.

State policymakers are using ARPA and other relief funds to transform policy and, ultimately, the lives of children and families. Current and future investments in child care will support working families, children, the providers who undergird the economy, and our nation as a whole.

Endnotes

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