CLASP
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State Implementation of the Historic COVID Child Care Relief and Stabilization Funds

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Introduction

The American Rescue Plan (ARP), which passed Congress on March 10 and will be signed by President Biden upon receipt, includes several critical supports for families related to nutrition, child poverty, health care, mental health, and **more**. It also includes desperately needed funding to stabilize and save the child care industry from collapse and ensure that families can access child care as the nation continues to battle and recover from the COVID-19 pandemic. States can use **these funds** to help families with low incomes and essential workers afford child care, as well as help child care providers reopen, cover past pandemic-related expenses, and pay their operating costs.

While the impact of the pandemic has been devastating to the whole child care and early education field, as states prepare to disburse these funds quickly, effectively, and equitably, they must take stock to fully understand and consider their policy choices. States should consider:

- How to design stabilization grants and use other available funds to meet the most urgent needs and shore up the field. In so doing, states should take this opportunity to build and reinforce a foundation for their child care systems to better meet the ongoing and future needs of children, families, and providers (e.g., equitable access, salaries and benefits, quality)—and weather any future pandemic-like storms.
- What existing strategic plans, needs assessments, and quantitative and qualitative data are already available to quickly target relief funds where they are most needed, where they will equitably reach the providers and communities that have been most harmed by the pandemic, and where they will advance existing policy goals.
- What plans and practices are in place to engage parents, providers, and other stakeholders to understand and respond to the most urgent needs of impacted communities and individuals. States should pay particular attention to those most likely to be left out—such as small or home based providers, rural providers, providers serving communities with low incomes, providers in communities of color or who are serving primarily people of color, providers serving immigrant communities, providers whose primary languages are not English, and others.
- What can and should be done differently, given current conditions and the much greater amount of funds available, and how this funding fits into existing state plans and priorities.

- Lessons learned from the implementation of previous relief funds, including how equitably funds have been distributed and where states need increased capacity or support to efficiently administer funds.

Child Care Provisions in the American Rescue Plan

The relief package totaling $1.9 trillion includes nearly $15 billion in flexible Child Care and Development Block Grant (CCDBG) subsidy dollars, an additional small increase in mandatory CCDBG dollars, a child care stabilization grant fund of nearly $24 billion, temporary improvements in the Child and Dependent Care Tax Credit, and $1 billion in grant funding for the Head Start program. When added to December's Coronavirus Relief and Recovery Act (CRRSA) and the CARES Act last spring, the American Rescue Plan's additional $39 billion in relief for the child care sector delivers on the promise of the more than **$50 billion** that parents, providers, organizers, and advocates have fought for over the past year.

While further guidance from the U.S. Department of Health and Human Service's Administration for Children and Families (ACF) is expected, the legislation includes the following funds and uses:

$15 billion in CCDBG Block Grant funding

The additional $15 billion in CCDBG funds, which maintain similar flexibility to previous investments through the CARES Act and **CRRSA**, are not bound by direct service spending targets. In addition, these funds fall under the CCDBG guidance for public emergencies as long as a federal or state emergency remains in place. States have until the end of September 2023 to obligate these funds and until the end of September 2024 to liquidate them.

Like previous CCDBG COVID relief funds, states can use these to provide child care assistance to essential workers, regardless of their income.

In addition to the $15 billion in additional CCDBG dollars, the ARP includes an increase of more than $600 million annually in mandatory CCDBG funds over the regular annual appropriation. These funds can be used in the same way as the discretionary funds described above, and the ARP waives the state match requirement through federal fiscal year 2022.

$24 billion in funds specifically for child care stabilization grants

The centerpiece of child care provisions within the ARP is a new $24 billion stabilization grant program, which states can use to address the urgent needs of child care providers struggling to survive or reopen under pandemic conditions. States can use these funds to reimburse programs for pandemic-related costs retroactively to the declaration of the public health emergency on January 31, 2020.

States have until the end of September 2022 to obligate the stabilization grant funds and must liquidate them by the end of September 2023. Further, states must report to ACF if they have not obligated at least 50 percent of the funds by nine months after the law's passage (December 2021). States must use these funds to supplement, and not replace, other federal, state, and local funds expended to provide child care services.

States must use the stabilization grant funds to award subgrants to child care providers eligible under federal CCDBG law or licensed, regulated, or registered providers who meet state and local health and safety requirements. Providers are eligible for subgrants whether or not they have been part of the state's child care subsidy system. Eligible programs include center-based and home-based licensed, regulated and/or registered providers, and relative providers who meet state and federal requirements at the time of the ARP's passage on March 10, 2021. Providers do not need to have been in operation, or receiving state or federal child care funding, prior to ARP's passage to be eligible. States can award grants to providers who are open for business or who have closed for health or financial reasons related to the public health emergency.

States can use up to 10 percent of their allocated stabilization grant funds for administrative activities that include 1) publicizing and conducting outreach to ensure all eligible providers know how to apply for the stabilization grants, 2) conducting activities to build the supply of providers, and 3) providing technical assistance to providers about applying for the grants.

Stabilization grants 1) must be based on and support the operating expenses of the provider, 2) should—to the extent possible—cover those costs for the period of the grant, and 3) can include costs related to providing care or preparing to provide care. Allowable uses of the grant funds include:

- Personnel costs including salaries, benefits, premium pay, or recruitment and retention;
- Facilities costs including rent, mortgage payments, utilities, maintenance, improvements or insurance;
- Cleaning supplies or services, personal protective equipment, and training and technical assistance on health and safety practices;
- Purchases of or updates to equipment and supplies to respond to the public health emergency;
- Goods or services needed to resume or maintain child care services; or
- Mental health supports for children and child care employees.

The grants can cover new, existing, or ongoing costs, or reimbursement for qualified expenses (detailed above) incurred since the beginning of the public health emergency.

In return, providers receiving the sustainability grants must certify that they will meet state and federal operating requirements; meet—to the extent possible—the Centers for Disease Control and Prevention's (CDC's) operating guidelines; maintain the level of pay and benefits to their employees; and—to the extent possible—help the families they serve meet the costs of tuition, fees, and copayments.

Conclusion

The child care community is celebrating the ARP's investments that can help the field rebound after a year more challenging than any other and ensure that quality, affordable child care is available to all families as we enter the next phase of recovery. But this historic and desperately needed investment is both an opportunity and a challenge. CLASP and other state and national partners will work with states in the coming months to maximize the impact of these dollars to address the field's most urgent needs. At the same time, we know this funding will not provide the transformative change needed to build back better from a system that was already fragile and inequitable before the pandemic. Any proposals for rebuilding and recovery must include significant funding to ensure that the child care system emerges from the pandemic stronger, more equitable, and more able to fully address the needs of children and their families while reflecting respect for a diverse, valued, and fully compensated workforce.