NATIONAL WOMEN'S LAW CENTER
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Improving and Expanding Child Care Assistance to Stabilize Our Economy

The COVID-19 public health crisis has highlighted and exacerbated the challenges that decades of underinvestment have created within our child care system—families unable to access or afford the care they need, child care workers being paid too little, and child care providers pinching pennies to make ends meet. Now, with unemployment growing at an alarming rate and a deep economic recession seemingly inevitable, families, child care workers, and child care providers confront even greater difficulties trying to provide care for frontline workers—either without appropriate resources or being forced to shut down. Policymakers must act swiftly and boldly to ensure that we can maintain and strengthen our child care infrastructure for the families who need it during this public health emergency, and for all of us who will need it in the future, once the emergency is over. To ensure a sustained and equitable economic recovery that works for everyone, especially for those who are hit the hardest—women, communities of color, low-income families, people with disabilities—policymakers must provide an immediate, significant infusion of funding for child care as well as invest in structural improvements in the child care industry. With many families working from home and shouldering caregiving responsibilities and front-line workers struggling to find and afford child care, this COVID-19 crisis is a wake-up call: the child care workforce and child care assistance are critical family supports and engines of our economy. Families need access to child care assistance, and we all need a strong child care system now and in the future.

The need for more investment in child care is not new, but it is more urgent now than ever

The deep gaps in our child care infrastructure cost families and the economy about $57 billion each year in lost earnings, productivity, and revenue. Robust federal funding for child care assistance programs is needed to fill in these gaps no matter the economic scenario. The Child Care and Development Block Grant (CCDBG), the major federal program to help low-income families afford care, is so underfunded that it serves only 1 in 6 children eligible for federal child care assistance. Too many families continue to struggle to find and afford the child care that they need in order to go to work, go to school, or enroll in job training opportunities. Those working in child care—who are predominantly women and disproportionately women of color and immigrant women—are typically paid poverty-level wages and unable to make ends meet for their own families. Providers struggle to remain open while providing high-quality care and retaining well-qualified staff.

The current COVID-19 crisis is worsening these gaps. Right now, mandated closures and parents pulling their children out of care have left thousands of child care providers without the means to pay their basic operating expenses. Providers who remain open—including many serving the families of frontline workers—are unable to afford necessary costs, such as paying substitutes, purchasing cleaning supplies, operating for longer hours or during nontraditional schedules, and reducing class sizes to follow social distancing mandates and create smaller groups. In addition, family finances are even more strapped during this crisis due to lost jobs or income, making paying for child care even more of a strain on their budgets.

Child care is an essential part of the infrastructure for our economic recovery, but we must invest more and make underlying structural changes to recognize this promise

Beyond the immediate needs for the child care industry to keep providers and families afloat during this time, we cannot return to the unsustainable system we had before the pandemic. Instead, to fully and equitably recover from this crisis and strengthen our economy, we must pursue underlying structural changes to our child care system to ensure that all families have access to high-quality, affordable child care provided by educators who are paid what they deserve and supported. A well-resourced, equitable child care system can be an effective tool at helping families weather and rebound from an impending recession, but we must invest the public dollars and pursue the changes needed to make this a reality.

With sizeable public investment and structural changes to our child care system, child care assistance can serve as an effective tool for combatting recessions and fostering an equitable economic recovery in the following key ways:

- Child care assistance provides **children** with stable, high-quality learning experiences and continuity of care, which is critical for their healthy growth and development, particularly during times of great stress.
- It provides **families** with the coverage they need to look for work, go back to school, or retrain for a new career to prepare them for the new economy and help them re-enter the workforce. If we do not invest in stabilizing the child care sector now, the recovery will be slower as parents struggle to find care when the economy reopens.
- It alleviates one of the biggest household expenses for families, at a time when they are out of work or when they have lost income. By putting money in the hands of families who will spend it, child care assistance raises overall demand in the economy and therefore stems job loss and shortens the duration of a recession. This is critical for low-paid workers, 64 percent of whom are women and who pay the most out-of-pocket on child care expenses relative to their income. Women and communities of color must be a priority in order to have a strong economic recovery.
- Child care assistance ensures **providers**—many of whom are women-owned small businesses—have the funding they need to stay in business, meet the needs of families as the economy improves, and provide **educators** at least a living wage and other needed benefits, like paid leave, retirement, and health care.
- It provides **states** with the support they need to continue investing in this crucial piece of infrastructure as state revenues decline and the need for a range of services increases.
- All of the above ways further highlight how and why exactly child care assistance is a powerful tool in strengthening the **economy** after a recession and ensuring that it recovers in an equitable way.

Congress must provide robust investment to address the immediate needs and enact legislation that provides additional funding and structural changes

The initial investments in the Coronavirus Aid, Relief, and Economic Security (CARES) Act will help provide some relief for children, families, and child care providers. But while they are a critical first step, the funding and policies included in that law are not sufficient to combat the widespread devastation to our nation's child care infrastructure that is occurring. Child care plays an integral role in our public health infrastructure and our economic recovery, and much larger and ongoing investments are needed to stabilize and strengthen the child care system we have now.

To address these needs, Congress should provide at least $50 billion in dedicated funding for the child care sector to address the immediate needs of this industry, including (but not limited to):

- Paying providers to cover ongoing operating costs while they are closed for public health reasons, or open but with reduced enrollment to serve children of essential workers;
- Providing essential duty pay for child care workers in programs that remain open during the crisis;

- Purchasing materials, supplies, resources, training, and other public health supports regarding health and safety practices;
- Eliminating copayments or tuition for families during this public health and economic crisis while ensuring that providers are still paid;
- Funding and paying substitute educators where needed and available;
- Providing virtual learning opportunities when appropriate and mental health supports for families;
- Offering supports and resources to all types of providers—including child care centers, family child care homes, and family, friend, and neighbor care providers—to ensure that families have options that meet their needs; and
- Helping child care providers navigate small business loan application processes along with clear guidance from the SBA to banks about lending to family child care.

As we look ahead to our eventual recovery, Congress should also advance solutions that recognize that high-quality, affordable child care is a public good, critical to the success of our children, families, and economy. Legislation like the Child Care for Working Families Act or the Universal Child Care and Early Learning Act are two existing solutions that can address the structural changes needed in our system. Ultimately, and particularly during a recession, it is critical that child care legislation accomplish the following goals, at a minimum:

- **Dramatically increase child care spending.** Funding provided to meet the immediate relief needs during this public health crisis should be maintained and further expanded so that all eligible families can benefit. During a recovery, the funding provided should not require a state match in order to help encourage states to use the money without sacrificing other priorities and should the ensure the most significant assistance goes to lower-income families, communities of color, and other families where disinvestment has been greatest.
- **Alleviate the strain of child care payments on families.** Funding must ensure that low-income families pay nothing out of pocket for care and establish reasonable sliding fee scales for families as income rises. This legislation must also ensure that families do not experience a "cliff effect" where small increases in income cause them to lose access to assistance or pay greater copayments. Funding must be sufficient to ensure that providers' bottom lines are not jeopardized as a result of the lower family payments.
- **Support parents who are looking for work, in school, or re-training for a new career.** Sufficient funding must be provided to ensure that parents who would normally have little chance of qualifying for assistance under existing state rules and prioritization—such as those in school or training—receive assistance without requiring work hours. The law must specify that education, job training, and job search are qualifying activities for assistance. Funding should specify that work requirements must be waived for those families so that they can access assistance as the economy rebounds.
- **Value caregiving by raising educators' wages and payments to providers.** States need additional funds to raise payments to providers that serve low-income and middle-class families so that they can cover their operational costs and pay educators what they deserve without putting the cost back on the parents in the form of high out of pocket payments. This must include requiring that states pay providers based on enrollment, rather than attendance, and providing sufficient funding to accomplish this goal. It must also include requirements and funding to support educators with a living wage and benefits coupled with a pathway to higher wages equivalent to similarly qualified K-12 educators. Payment practices that were made to combat the impact of COVID-19 on providers' bottom lines—such as paying based on enrollment, rather than attendance and providing grants, rather than reimbursement—must be maintained as part of this long-term structural change.

A strong child care system is always essential, and during a public health crisis and an economic downturn, it is absolutely critical. Child care assistance helps parents with the coverage they need to look for a job, enroll in job training programs, or seek additional education. It helps families afford one of the biggest household expenses, which is particularly acute as incomes are decreased, hours are involuntarily reduced, and jobs are lost. And it helps providers stay in business, pay their employees, and provide the high-quality care for children that is always needed. Right now, we are seeing the effects of critically underfunded public support system for working families, and child care is no exception.