

# ENSURING HOME-BASED CHILD CARE PROVIDERS CAN ACCESS NEW AND EXPANDED FEDERAL BENEFITS

Home-based child care providers have been profoundly affected by the coronavirus public health crisis—whether because they have been forced to close, resulting in tremendous financial hardship for the providers and their families, or because they remain open to serve children of essential workers, resulting in additional financial costs, health risks, and other burdens for providers. Two pieces of federal legislation—the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020, and the Families First Coronavirus Response Act (FFCRA), a smaller package enacted on March 18, 2020—include several provisions that could potentially assist home-based child care providers in dealing with this crisis.

Home-based child care providers—who are predominantly women and disproportionately women of color—will only be able to take full advantage of the programs and benefits in this legislation, though, if states take deliberate action to dedicate resources to these providers, inform home-based providers of available benefits, assist them in determining which of the benefits are most useful to them, and help them access benefits for which they are eligible. And even if home-based providers manage to receive the benefits now available to them, further federal action and investments will be needed to ensure that these providers can stay in business during and after this crisis, so those parents who need to continue working now can do so and so that the many parents who rely on these providers can return to work when businesses are allowed to reopen.

## Child Care and Development Block Grant Funding

The CARES Act provides \$3.5 billion in additional discretionary Child Care and Development Block Grant (CCDBG) funding. This federal funding, which does not require a state match and which is not subject to the usual CCDBG quality and other set-asides, can be used to:

- Provide continued payments and assistance to child care providers in the case of decreased enrollment or closures related to coronavirus, and to assure providers are able to remain open or reopen as appropriate;
- Provide child care assistance, without regard to income, to health care sector employees, emergency responders, sanitation workers, and other workers deemed essential during the response to coronavirus; and

- Provide funding to child care providers who were not participating in child care assistance programs prior to the public health emergency for the purposes of cleaning and sanitation and other activities necessary to maintain or resume the operation of programs.

States should take steps to ensure home-based child care providers—including licensed and regulated family child care providers as well as family, friend, and neighbor care providers—are supported with these funds. Prior to this crisis, many families chose home-based care because this care was most flexible, familiar, and responsive to their needs. And during this crisis, these providers are often best positioned to offer the small group sizes that are recommended to ensure the providers’ and children’s safety. However, since they are usually operating on their own with even fewer resources than those available to large centers or centers that are affiliated with a nonprofit organization or for-profit entity, home-based providers may need additional supports in matching their services to the unmet need, preparing their homes to safely serve children, and responding to children’s new health, mental health, and learning needs that may arise during this crisis.

Note that these policy recommendations are intended to guide states in administering CCDBG funds in a way that supports home-based providers, but should not be construed as encouraging states to require providers to stay open.

**What states can do to enable home-based child care providers to benefit:**

- Pay home-based providers their full-time regular monthly amount upfront even if children are not able to attend, the provider has reduced enrollment, or the provider is not able to operate due to reasons related to COVID-19.
- Cover parents’ copayments typically paid to home-based providers so that parents do not have to pay anything out of pocket but providers can continue to receive full payment.
- Pay home-based providers to serve children of essential workers—defined broadly to include health care workers as well as grocery store workers, farmworkers, shelter and crisis services providers, delivery service workers, sanitation workers, and other frontline workers—without requiring the family to meet the state’s standard eligibility criteria, while still giving first priority to low-income families and families with the greatest needs.

- Pay higher rates (essential duty pay) to home-based providers serving children of essential workers.
- Pay higher, differential rates to home-based providers offering nontraditional-hour care to essential workers.
- Purchase and distribute cleaning supplies for home-based providers and offer remote training, in appropriate languages, on effective cleaning procedures.
- Offer training and technical assistance, by phone and online and in appropriate languages, to providers on serving children of essential workers while ensuring the providers’ and children’s health, mental health, and safety; staff who are usually responsible for monitoring, consulting, and/or quality assessments, but who are currently unable to conduct onsite visits for these purposes, can be reassigned to offer remote training and coaching.

**What further action is needed at the federal level:**

- Provide at least an additional \$50 billion in federal funding for child care to ensure both center-based and home-based child care providers can sustain their businesses during this public health emergency as well as to help families—especially essential workers—access affordable, high-quality child care.
- Establish payment rates and payment practices for home-based providers that allow for a sustainable business model during and after this public health emergency.
- Devote resources to help home-based providers ensure the health and safety of their homes, equipment, and learning materials during and after this public health emergency.

**Small Business Loans**

The CARES Act provides \$349 billion for a new Paycheck Protection Program that offers loans to small businesses (businesses with no more than 500 employees)—including for-profit businesses, nonprofit organizations, veterans organizations, tribal businesses, sole proprietors, independent contractors, and self-employed individuals. The loans are available through banks, credit unions, and certified development financial institutions. Certain small businesses could begin applying on April 3, 2020 (with self-employed individuals being allowed to start applying on April 10, 2020), and applications will be accepted until June 30, 2020; loans will be available on a first-come, first-serve

basis. Businesses that qualify for the loans can receive up to 2.5 times an average month's worth of total payments for certain payroll costs, not to exceed \$10 million.

Loans are intended to be fully forgivable, and fees and interest rates are intended to be waived, as long as small businesses meet certain conditions. Small business can have their loans forgiven if they document that the loans were used for specific purposes such as payroll costs, paid sick or family leave, health insurance benefits, retirement benefits, mortgages or rent, or utilities. Allowable payroll costs are broadly defined and can include wages and benefits for employees as well as compensation to a sole proprietor or independent contractor (provided that it is not more than \$100,000 per year, as prorated for the covered period). The Small Business Administration requires that at least 75 percent of the forgiven amount be used for payroll. Reductions in staff or wages (beyond 25 percent of the previous year's wages) reduce the amount of loan forgiveness, but borrowers who had let employees go between February 15, 2020 and 30 days after the enactment of the CARES Act can avoid these penalties if they rehire their employees by June 30, 2020 and meet the other criteria for full loan forgiveness. Loan forgiveness applies to eligible expenses made during the eight-week period after the origination date of the loan.

To receive the loans, applicants must make a good faith certification that they need the loan to support ongoing operations due to the uncertainty of current economic conditions and must agree that funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments. Applicants are not required to provide collateral or a personal guarantee for the loan. Self-employed individuals, independent contractors, and sole proprietorships applying for the loan must submit documentation, such as payroll tax filings and income and expenses, to verify their eligibility. (Loan applicants cannot apply for multiple programs that pay for the same costs.)

The CARES Act also provides \$10 billion for cash advances or "emergency grants" for small businesses through the Economic Injury Disaster Loan program. Loan applicants can request an advance of up to \$10,000 to help maintain payroll and make rent or mortgage payments during temporary closures or losses in revenue. If approved for an advance, the actual amount of funds they receive will depend on the number of people they employ. Funds will be disbursed within days of a successful application and will not have to be repaid, effectively turning them into a grant.

### **What states can do to enable home-based child care providers to benefit:**

- Inform home-based providers about the availability of these loans.
- Connect home-based providers with entities such as local Small Business Development Centers, Women's Business Centers, Minority Business Development Agency centers, and/or other community organizations or agencies, to help them navigate the loan process.

### **What further action is needed at the federal level:**

- Provide at least an additional \$50 billion in federal funding for child care, with a portion of that funding used for direct grants to home-based child care providers.
- Collect data on the gender, race, and ethnicity of business owners and the size of the businesses receiving loans through the Paycheck Protection Program to ensure equity in distribution of loans.

## **Unemployment Benefits**

Home-based child care providers who have no revenue or reduced revenue due to temporary closure or low enrollment may benefit from the expansion of unemployment benefits under the CARES Act. The Act increases the level of unemployment insurance (UI) benefits that individuals can receive, extends the length of time during which individuals can receive these benefits, and expands access to these benefits to more individuals through three new unemployment insurance programs that are fully federally funded: Pandemic Unemployment Compensation, Pandemic Emergency Unemployment Compensation, and Pandemic Unemployment Assistance. Under these programs, all regular UI and Pandemic Unemployment Assistance claimants will receive their usual calculated benefit plus an additional \$600 per week through July 31, 2020; claimants can receive an additional 13 weeks of benefits, for a total of up to 39 weeks, through December 31, 2020; and workers who are left out of regular state UI or who have exhausted their state UI benefits can now qualify for emergency unemployment assistance.

Workers previously ineligible for regular state UI who are now eligible for emergency UI include self-employed workers, independent contractors, freelancers, workers seeking part-time work, and workers who do not have a work history long enough to qualify for state UI benefits. Individuals self-certify their need for these unemployment

benefits, and can cite a number of reasons, including that they or a member of their household has been diagnosed with COVID-19 or is experiencing symptoms of COVID-19 and seeking a medical diagnosis; they are providing care for a family member or a member of the individual's household who has been diagnosed with COVID-19; they are providing care for a child or someone else in the household because that person is unable to attend school or another facility that is closed as a direct result of COVID-19; they are unable to go to their place of employment because of a quarantine imposed due to COVID-19; or their place of employment is closed as a direct result of COVID-19.

In addition to the UI programs discussed above, the CARES Act supports an expansion of short-time compensation (STC), also known as work-sharing, which allows workers placed on part-time schedules to receive partial unemployment benefits. Under the CARES Act, the federal government will fully reimburse states for STC programs already in place and will provide \$100 million for grants to states to implement, improve, and promote STC programs.

#### **What states can do to enable home-based child care providers to benefit:**

- Set state mandatory closure rules to ensure that home-based providers can qualify for unemployment benefits if they determine it is unsafe for themselves or the families and children they serve to continue to operate, even if the provider is not subject to a blanket mandatory closure order.
- Inform home-based providers, including self-employed providers, who are unable to operate their programs at this time that they and their staff may be eligible for unemployment benefits and connect them to assistance in applying for these benefits.
- Define state rules to make clear that unemployment benefits are available to home-based providers, including individuals who own child care businesses and individuals who had been employed by private and/or nonprofit child care programs.
- Ease or remove administrative barriers to help streamline the process for receiving unemployment benefits.
- Strengthen state infrastructure for the implementation of UI programs, including the emergency federal UI programs.

#### **What further action is needed at the federal level:**

- Extend the increase in unemployment benefits provided under the Pandemic Unemployment Compensation program for a longer time period, and enact stronger triggers so that benefits wind down with economic indicators as opposed to arbitrary timelines.
- Require all states to provide a minimum of 26 weeks of benefits (in addition to the 13 weeks provided under the federal Pandemic Emergency Unemployment Compensation program).
- Require all states to offer a Short-Time Compensation program.
- Make unemployment benefits available to all immigrant workers.
- Provide funding to states to improve their infrastructure for implementing UI programs.

### **Paid Leave Benefits**

The Families First Coronavirus Response Act established Emergency Paid Sick Leave, which requires private employers with fewer than 500 employees and all public employers to provide 80 hours of job-protected emergency paid sick leave to employees that are unable to work or telework for the following reasons:

1. to comply with a government-mandated quarantine or isolation order from a public health official;
2. to self-quarantine in compliance with advice of a health care provider due to concerns related to COVID-19;
3. to obtain a medical diagnosis or care if experiencing symptoms of COVID-19;
4. to care for an individual who is complying with a government-mandated quarantine or self-isolating because of a COVID-19 diagnosis or symptoms;
5. to care for a child whose school is closed, or whose child care provider is closed/unavailable, due to the COVID-19 pandemic; or
6. substantially similar conditions as specified by the Secretaries of Health and Human Services, Treasury, and Labor.

Employees taking sick leave to care for themselves (reasons 1 through 3) are entitled to their regular pay, up to \$511 per day and \$5,110 over the benefit period. Employees using paid sick time to care for someone else (reasons 4 and 5) are entitled to two-thirds of their regular pay, up to \$200 per day and \$2,000 over the benefit period. Small businesses with fewer than 50 employees may seek a hardship exemption from the Department of Labor from providing paid sick leave in the case of school or place of care closures or child care provider unavailability.

FFCRA also established the Emergency Family and Medical Leave Expansion, which requires private businesses with under 500 employees and all public employers to provide 12 weeks of “public health emergency leave.” Small businesses with fewer than 50 employees may also qualify for an exemption from the requirement to provide this leave if doing so would “jeopardize the viability of the business as a going concern.” An employee can use emergency paid leave to care for a child that is unable to attend school or child care because of closures or unavailability; workers are entitled to two-thirds of their wage during this time, up to \$200 per day and \$10,000 over the benefit period. Employers are not required to pay for the first 10 days taken, but during that period the employee may use emergency paid sick days or other paid leave, if available.

Employers (other than government employers) receive fully refundable credits against payroll taxes to compensate employers for the required paid sick leave and public health emergency leave. The tax credits are equal to 100 percent of the qualified wages plus the employer’s contributions for health insurance premiums, subject to certain limits. Self-employed individuals also receive fully refundable tax credits for paid leave to which they would have been entitled had they worked for an employer; those tax credits are determined based on an individual’s average daily self-employment earnings for the year. The CARES Act authorizes advance payment of the tax credits.

### **What states can do to enable home-based child care providers to benefit:**

- Inform home-based providers that paid leave benefits are available, in certain circumstances, to themselves and any staff they have, and that they receive fully refundable tax credits to cover the costs for themselves and their employees.
- Connect home-based providers with assistance in obtaining the refundable tax credits to cover paid leave benefits.

### **What further action is needed at the federal level:**

- Expand eligibility and qualifying uses for emergency paid sick time and family and medical leave protections to ensure all workers are covered.
- Eliminate employer exemptions for emergency paid sick time and family and medical leave protections.
- Ensure adequate wage replacement for emergency paid sick time and family and medical leave.
- Establish permanent paid sick days requirements and a comprehensive, national paid family and medical leave program.

## **Nutrition Assistance**

The CARES Act expands funding for several nutrition programs that are crucial for supporting food security for children and families:

- Child Nutrition Programs received an additional \$8.8 billion to cover increased caseloads and to ensure children receive meals while school is not in session.
- The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) received \$500 million in additional funding (and under FFCRA, the USDA can grant requests for state agencies to waive requirements for in-person enrollment and recertification and other administrative requirements that cannot be met due to COVID-19).
- The Supplemental Nutrition Assistance Program (SNAP) received \$15.8 billion in additional funding to cover increased caseloads and temporary benefit increases, and the program’s work and work training requirements are lifted beginning April 2020 and through the end of the month following the month when the national public health emergency declaration is lifted (and under FFCRA, the USDA can grant waivers to states to ease SNAP’s administrative burdens).
- The Emergency Food Assistance Program received \$850 million to help food banks continue to assist those most in need.

In addition, the Child Nutrition Response Act to Adjust for Disruption of Normal Nutrition Services under FFCRA establishes a nationwide waiver that allows child care and school programs that participate in the Child and Adult Care Food Program (CACFP) and other child nutrition programs to distribute “grab-and-go” meals to families during closures,

rather than requiring these meals to be served on-site and in congregate (group) settings. Nationwide waivers also allow child care programs to adapt meal pattern requirements in response to a disruption to the food supply as a result of COVID-19. These national waivers automatically apply to any state that elects to be subject to the waivers.

### **What states can do to enable home-based child care providers to benefit:**

- Opt into the national waivers allowing for more flexibility for child care providers in providing meals to children.
- Inform home-based providers that they can offer meals to families even if their children are not currently attending the child care program.
- Offer guidance to home-based providers, through CACFP-sponsoring organizations or other community organizations, on how to safely distribute meals to families and on strategies for preparing nutritious meals when certain foods are difficult to find and when they are preparing packaged meals.
- Inform home-based providers about available nutrition programs and how they and the families they serve, if potentially eligible, can apply.

### **What further action is needed at the federal level:**

- Further expand funding for nutrition programs to serve more families and expand benefits.
- Increase the SNAP maximum benefit by 15 percent, and increase the minimum monthly SNAP benefit to \$30.
- Relax eligibility requirements for nutrition programs during this public health crisis.

## **Housing Assistance**

The coronavirus relief packages include new funding and provisions to help those experiencing challenges with their housing and utility costs. The federal government has issued a temporary moratorium on evictions and foreclosures for renters and homeowners in federally subsidized apartments and homes with federally backed mortgages; this moratorium lasts no less than the 60-day period beginning on March 18, 2020. Homeowners with federally backed mortgages are also granted the right to request and receive forbearance on their mortgage payments for up to six months, with the option to extend for an additional six months, as well as the option to discontinue the forbearance at any time; during the forbearance period, servicers are

prohibited from charging fees or interest beyond what the borrower would have had to pay if they were making their payments as scheduled.

In addition, the federal government is providing \$3 billion in new funding for housing providers to help low-income households assisted by the U.S. Department of Housing and Urban Development (HUD) to safely remain in their homes or access temporary housing assistance. The federal government is also providing \$900 million in new funding for the Low-Income Energy Assistance Program to assist individuals and families in paying energy bills.

States should ensure that home-based providers are informed about these benefits so they can access them for themselves and their families if needed—to preserve both their homes and their businesses—and so that they can make the families they serve aware of the programs.

### **What states can do to enable home-based child care providers to benefit:**

- Make materials and information available, in appropriate languages, to home-based providers about these housing policies and benefits, how to access the benefits, and where to find additional information.

### **What further action is needed at the federal level:**

- Extend the moratorium on evictions and foreclosures for homeowners and renters.
- Require servicers to extend the term of loans for homeowners granted forbearance on their mortgages rather than increasing their mortgage payments following the forbearance period to cover the missed payments.
- Significantly expand funding to help low-income individuals and those affected by the current public health crisis with their housing and utility costs.
- Fully fund Housing Choice Vouchers to eliminate the long wait lists for households that cannot access rental assistance—and if not enough vouchers are provided to close this gap, provide families with targeted renters tax credits that are refundable.