Perspective: What's next for child care? What states are learning in the COVID-19 crisis [1]

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EXCERPT

State leaders know that child care is an essential support to keep parents working, communities thriving, and their economies humming. High-quality care also promotes school readiness. But this essential industry is currently reeling from the shock of the COVID-19 pandemic and the economic downturn that has accompanied it.

Prior to the pandemic, 88% of two parent families and 83% of single parent families working full time used non-parental child care for children under age 5. By May 2020, the majority of child care centers and about a third of home-based child care businesses were closed due to either a gubernatorial order or lack of demand.

While most child care programs operate as businesses, many do so on profit margins lower than 1%. And with pandemic-related closure and limits on classroom group sizes driving down revenues, more than half of child care centers surveyed in December 2020 said they are losing money every day they serve children. National data suggests that many child care owners had difficulty accessing the federal Paycheck Protection Program (PPP). This was especially true of small business owners operating child care programs within their homes.

Now polls are showing parents want to be sure their children's health can be protected before they can feel good about leaving home for work and putting their child in non-parental care. Bold actions are needed to prevent widespread permanent closures and rebuild child care stronger and better in our new reality.

State leaders have been at the forefront of this pandemic, including in making new policies and programs to support child care programs. Congressional approval of the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March provided $3.5 billion and additional flexibility to states in how the funds could be used on an emergency basis as part of the Child Care and Development Block Grant (CCDBG) program. The Hunt Institute's COVID-19 Child Care Policy Tracker has cataloged these policy changes, from closure orders to CARES Act usage and reopening plans. Although these changes were born out of crisis, many address longstanding weaknesses in how the market for child care has developed in the country and provide examples of how to strengthen an essential service millions of parents rely on to nurture and educate their children while they work.

This brief highlights policy shifts that would help to ensure families have equitable access to the quality care they need in a post COVID-19 world. Now that Congress approved a second relief package that included an additional $10 billion for CCDBG, while preserving flexibility for states to make key decisions on how best to implement relief measures, state leaders have an opportunity to continue or re-implement changes.

Before the crisis, families paid two out of three dollars spent for early care and education — the Economic Policy Institute calculated that $42 billion was spent by families out of the total $64 billion spent privately and publicly for this essential service. This crisis showed how unstable that financing system made child care programs on which working families rely. State leaders have an opportunity to communicate to the new Administration and Congress how important a stronger, well-financed child care system is for economic recovery and addressing inequity in their states. And the experiences of state early care and education leaders can help inform national leaders about how our nation's children get back on track for school readiness and healthy development.

Policy considerations

Stabilize and sustain child care programs with direct funding based on the number of children in a community who need child care, and not tied to what parents can afford.

Challenges | Unlike public schools and Head Start, which are underwritten by stable, ongoing revenue sources (state funding formulas and grants) and thus still paying staff salaries, child care programs are laying off their employees in large numbers as they rely primarily on parent fees. Treating child care like a public good would mean awarding foundational grants/contracts to programs or communities based on the number of children who need care, where they can be served, and the actual cost of operating at basic levels of health, safety, and quality. Although an extreme example, massive COVID-related unemployment wiped out many parents' ability to pay for care and decimated child care's longstanding business model, which depends on full enrollment to sustain itself. Fixed costs – like rent, utilities, early educator salaries, and benefits do not change when children cannot attend or family income dips.

Ideas for the future | With the added flexibility of the CARES Act, states were able to quickly change how they distributed child care funding to sustain child care providers directly and replace what parents could not pay. They were allowed to use the funding statewide, without regard to whether the provider was already part of the state child care assistance program operated with federal CCDBG funds. States used data on essential workers and the hours of work to inform decisions. With additional federal resources, states could continue to make key policy changes like:

- **Pay child care programs through grants or contracts directly to ensure they can operate.** 44 states continued to pay child care providers who served families receiving a child care subsidy whether or not the children could attend during the pandemic, until funding from the first federal relief package ran out. Many states chose to quickly issue grants to programs willing to stay open that were based on the number of children of essential workers they could serve. This is an option available to all states using the CCDBG, however just 7% of children who receive child care assistance are paid for in this form. This type of payment allows the government to negotiate directly with programs about the expectations for quality and services provided, and allows the program to be assured they will be paid based on their capacity and fixed costs. It is commonly considered by state child care administrators when states want to build supply or stabilize care for a geographic area or population, which is a more widespread concern than ever before.
- **Allow all child care programs to apply.** The CARES Act allowed states to award funding for slots whether or not providers were already caring for a child whose family qualified for child care assistance under the federal CCDBG funds. States will want to allocate resources to ensure equitable access to care across the state by prioritizing communities with families earning lower incomes, lack of known care providers, or a historical lack of access to public resources.
- **Determine where demand for child care exists and enable its expansion in these areas.** Since many child care programs were closed, states looked at where essential workers were and recruited programs to open in those areas by ensuring child care operators that they would be paid to keep a classroom open. This strategy is instructive for addressing "child care deserts" that states were identifying before the crisis in rural and/or lower-income communities.

Simplify access to child care assistance and promote equity for all families.

Challenges | Helping essential workers to find care quickly that met their work hours and children's needs meant states waived steps that had previously been built into state child care assistance programs under CCDBG that make families wait to know if they qualify for assistance. Grocery clerks, nurses, and EMTs went through the same simplified process. Child development experts have long argued that it would be beneficial to de-link child care assistance from the hours and seasonal nature of jobs for many lower income families. Meaningful attachment and relationships between young children and their child care givers are key to positive early learning and development, and the reality is that parents who earn lower incomes – as well as health care workers – are often subject to their employers' demands for shift work, seasonal changes in demand, and other factors.

Ideas for the future | The CARES Act allowed states to bypass complicated means testing processes and focus on linking families to what they needed, because it said that essential workers could receive child care regardless of income. All parents could benefit from this kind of convenience. States took swift actions to:

- **Expand access to child care assistance/scholarships to middle income families.** Any worker defined as essential by the state could secure assistance, which is different from the CCDBG rules that limit usage of federal dollars to under 85 percent of state median income. In 35 states, families with income above 200% of the federal poverty level ($42,660 a year for a family of three in 2019) could not qualify for assistance. Data analyzed by Child Care Aware of America found that on average married couples earning the median income level would have to spend over 10 percent of their income to place a young child in licensed child care, while a single parent would have to spend 36 percent of his or her income. That is more than the percent they have to spend on housing in much of the country.
- **Make child care assistance available for families working part-time, looking for work, or who have young school age children.** It will take time for employment rates to recover. In the meantime, parents will need child care to look for work or work part time as they can. Many summer camps are cancelled, and schools may not come back full hours but rather for alternating days or other strategies for the foreseeable future. Public dollars will be needed to keep child care slots available even as parents are working back to economic stability.
- **Cut red-tape for maintaining child care assistance.** During this crisis, state child care systems have taken steps like extending eligibility for families during a period of uneven employment. They also covered parent fees and copays in the payment to the child care provider, making it easier for parents.

Help parents find and afford child care in small groups that can follow social distancing rules.

Challenges | The recommendations from the Centers for Disease Control (CDC) to reduce the chance of transmission of disease when COVID-19 is possible in the community call for groups no bigger than 10. Currently, state licensing rules vary widely. For example, group size limitations set by states for toddler care range from 8 to 20, and for 3-year-olds from 14 to 30 children in a group. Although this variation exists, there are expert recommendations for group size and other aspects of child care that are promulgated by the American Academy of Pediatrics that are typically lower than what state rules say. According to review of state rules by The Hunt Institute, 25 states set new requirements for open child care programs to have 10 or fewer in a group. A national Care.com survey found that 63% of parents who had relied on child care now were somewhat or very uncomfortable about sending their children back right away, and 35% were considering in-home care.

Ideas for the future | Given the gap between existing state licensing rules and expert recommended staff:child ratios and group sizes, states may want to review whether their licensing rules should be altered until a vaccine is available and beyond. States learned during the pandemic to:

- **Keep child care group size smaller based on expert recommendations.** States are lowering group sizes now as child care reopens, as well as requiring children have more time outside and space between where they lie down for naps. Smaller groups also allow early educators to spend more time with each child, which may be particularly helpful given the stress children have been experiencing during the pandemic.
- **Supplement parent payments and calculate per-child subsidy assistance payments based on smaller groups.** 33 states offered supplemental funding to programs that stayed open to serve essential workers in smaller groups with the first round of federal relief. Child care providers cannot meet lower group size requirements without public dollars supplementing what parents can afford. One of the major pressures to increase group size is related to the child care business model – if income for the classroom depends on what parents can pay, businesses may tell states to let them have more children in a class than experts recommend. The choice is between health and economic viability of the business. If public funding subsidizes the salary of the teacher and fixed costs of the program, that pressure is alleviated. States may need to re-think how they set payment rates to address the fixed costs of a quality program and ensure that early educators in the group have living wages.

Strengthen child care infrastructure by building family child care networks and shared services alliances at the community level.

Challenges | The history of how child care programs have developed has been haphazard and based on the private market – with the exception of the federal Head Start and Early Head Start programs, and the move toward increasing access to public pre-K. Programs are mostly operated by small business owners or larger chains. About half of the disproportionately women of color who are in the child care field make wages low enough to quality for food stamps and other social service programs, since the average hourly wage for an early educator is $12.12 an hour. Analysis from a business perspective has convinced some leaders in the field to say small programs cannot survive in the current system without working together to share their expenses. Small business family child care providers offer parents small group care out of their home, and surveys by the National Association for Family Child Care showed that two-thirds stayed open to serve children and families despite few accessing relief programs or hazard pay available to those serving essential workers. As independent operators, family child care providers can feel isolated from supports in their communities and need to be have supports to access current pandemic information, health and safety supplies, and public and private relief programs.

Ideas for the future | States have piloted networks and shared services alliances to cut down on the overhead costs, share back office functions (accounting, food purchasing, payroll), hire substitutes for when teachers are sick, manage access to child care assistance, and engage in peer learning. During the crisis, government and philanthropy have had to step in to fund and arrange for needed supplies as well as help programs apply for federal funds that demanded tax and accounting records. Networks and alliances are ways to strengthen capacity and share costs long-term.

- **Seed the start or expansion of staffed family child care networks with trusted community organizations as hubs.** Staffed family child care networks have emerged as a strategy states can use to support and strengthen providers. Although networks can differ in their specifics, the first national study of such networks found 35 states and the District of Columbia had at least one "organization that offers home-based child care providers a menu of quality improvement services and supports including technical assistance, training, and/or peer support delivered by a paid staff member." States may use CCDBG dollars to contract with community organizations to help them engage these independent programs so that they can place and fill child care assistance slots, help providers gain and maintain licensure, and streamline expenses. Federal child care technical assistance resources provide tools for state leaders to use family child care networks as a way to give parents more choices of home-based care. Nine states that have PDG Birth to Five implementation grants plan to pilot or expand such networks. Federal Early Head Start Child Care Partnership projects are operating in every state, and some are partnering with family child care homes.
- **Promote shared services alliances.** States can use CCDBG dollars or work with private partners to offer start up grants to help multiple child care centers develop and launch plans, share information, cut back office costs, and afford quality enhancements together. Some analysis showed before the pandemic that programs serving fewer than 100 children find it very difficult to meet high quality standards and pay staff competitively. The model is intended to build business capacity of small centers by cutting expenses, and to reinvest that funding into staff salaries and quality. The Opportunities Exchange can help link states to an advisor that can support the process.

Ensure equitable access to services to help children, families, and child care providers deal with trauma and stress. The pandemic has raised anxiety and exposed fault lines that often map to racial and economic inequity that pre-existed this crisis. According to the Centers for Disease Control, African and Hispanic Americans who contract the COVID-19 virus are more likely to die than Caucasian or Asian Americans, potentially due to: working in essential service jobs, lack of health insurance and care, and living in more crowded conditions due to lower incomes and racial and ethnic segregation. Children living in households that have experienced loss of income, increased food insecurity, and parental stress are likely to have some negative pressures on their early childhood development. All children are likely to have lost access to their peers and normal routines with adult caregivers. Children may develop high anxiety, challenging behaviors, and delays in development and learning that can be identified during and after the pandemic. When they return to child care, it may be very different than what they experienced before.

Ideas for the future |

- **Ensure that families with lower incomes and living in communities with fewer resources are prioritized for child care assistance and supportive services.** Most of the 46 states that participated in the PDG B-5 federal grant competition have data from required needs assessments that can inform the distribution of resources and subsidies to reach priority populations. Reopening child care programs that have state grants and contracts will need guidance from the state on how to ensure equity and priority for children who could most benefit from quality care. States should consider populations hit hardest by the pandemic and economic fallout, including children of color and those in families with at least one immigrant parent that were not included in relief efforts.
- **Make health and mental health consultants available to child care providers and early educators.** As children come back into child care, states can make professionals available to help early educators and parents support the transition and navigate challenging behaviors that could result from the stress of these times.
- **Ensure that child care providers know how to screen and refer families to basic resources they may need after experiencing stress and financial challenges.** Providers and early educators are on the front lines with families and can help families get linked to services they may need. However, child care is often independently operated without established linkages to community agencies or staffed to promote family engagement. This can be addressed by state leaders engaging across early learning, health, mental health, nutrition, and other sectors of government to knit services together and foster community-level coordination. States with state-to-local early childhood infrastructure through early childhood hubs, councils, and planning bodies can use those structures to facilitate these connections locally.

Conclusion

State leaders have been working overtime to address the immediate needs to sustain child care during the pandemic and made innovative changes quickly. Federal CARES Act funding and flexibility helped sustain those changes, but as those dollars ran out some states had to roll back these innovations. Some states have used other federal relief funds for child care. For example, Illinois is using Coronavirus Urgent Remediation Emergency (CURE) Funds for grants to child care to replace lost business income during the pandemic. Communities have also voted in referenda across the country to raise revenue through local taxation strategies.

At the end of 2020, Congress appropriated an additional $10 billion for CCDBG. Debate continues as to how to fully address the challenges facing the child care industry – Analysis released in May estimated that $9.6 billion is needed every month to keep the child care industry open and pay staff despite a major short-term decline in demand. At the federal level, different proposals were considered through 2020, and the new Biden Administration included $40 billion more in its January 2021 pandemic recovery proposal. During this national crisis, federal, state, and local government and business leaders would be wise to take this opportunity to come together to build a stronger and better child care system that makes the burden of paying for care more equitable for the sake of our nation's future.

Region: United States [3]

Tags: policy [4]

COVID-19 [5]

Links

[1] https://childcarecanada.org/documents/research-policy-practice/21/02/perspective-what%E2%80%99s-next-child-care-what-states-are-learning [2] https://www.ednc.org/perspective-whats-next-for-child-care-what-states-are-learning-in-the-covid-19-crisis/ [3] https://childcarecanada.org/taxonomy/term/7865 [4] https://childcarecanada.org/category/tags/policy [5] https://childcarecanada.org/taxonomy/term/9040