

# Child care is about to get more expensive, as federal funds dry up<sup>[1]</sup>

An estimated 70,000 child-care centers are expected to close, leaving parents with even fewer — and less affordable — options

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### Excerpts

With her toddlers' day care closing in weeks, Lexie Monigal is back in a familiar bind: desperately searching for child care while contemplating quitting her full-time job as a surgical nurse in Menasha, Wis.

It's the second time this year her twins' day care has suddenly announced plans to shutter — both for financial difficulties — leaving her without someone to watch her 2-year-olds and exacerbating a long-standing shortage of child care in this stretch of Wisconsin.

"I've called around, searched and searched and searched, and so far, nothing," said Monigal, 27, who is eight months pregnant with her third child. "I'm getting to the point where I'd rather quit my job and really struggle financially than keep having to worry about finding care."

Millions of parents — mothers, in particular — could soon be making similar calculations, as states run out of \$24 billion in stimulus money Congress had set aside for child care during the pandemic. That record investment has helped keep the industry afloat by propping up workers' salaries, boosting training programs and waiving family payment requirements.

Now, with the last of that money expiring this month, an estimated 70,000 child-care programs — or about 1 in 3 — could close as a result of lost funding, causing 3.2 million children to lose care, according to a study by the Century Foundation, a liberal think tank. That translates to \$10.6 billion in lost U.S. economic activity, researchers found, adding new strain to a nation already struggling with a profound lack of child care.

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The expiration of federal funding comes at a precarious time for the U.S. economy, which is already slowing after a period of brisk post-pandemic growth. Job openings are at a two-year low, home sales are declining and more Americans are missing payments on car loans and credit cards. And although overall price growth is stabilizing, child-care costs have risen faster than inflation for five straight months. Experts say day-care fees, which are already among the highest in the world, are expected to rise even higher in coming months as supply dwindles.

Politicians on both sides have stressed the need for more affordable and accessible child care, but serious obstacles remain. Democrats in Congress are calling for \$16 billion in emergency child care funding this year, though such efforts appear unlikely at a time when Republicans are pushing to slash safety-net programs.

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Despite the recent influx of federal money, the child-care industry has been teetering on the edge since the pandemic forced sudden and widespread shutdowns across the country. An estimated 20,000 child-care centers — or 1 in 10 nationwide — permanently closed in the first two years of the pandemic, according to the Century Foundation.

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The unemployment rate rose to an 18-month high in August at 3.8 percent.

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The closure of a single facility can have large ripple effects, especially in areas with few child-care options. More than half of Americans — particularly low-income families, people of color and those in rural areas — live in "child care deserts," according to the left-leaning Center for American Progress.

Overall, the United States is already short about 3.6 million child-care slots, according to Child Care Aware, a nonprofit advocacy group.

“The pandemic laid bare and exacerbated what was already a tenuous situation in child care,” said Melissa Boteach, vice president of income security and child care at the National Women’s Law Center. “The American Rescue Plan was a lifeline. And when this money dries up, it will be a slow roll toward making the country’s child-care deserts even drier.”

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Economists say the impending rollbacks could deal a disproportionate blow to mothers, who have returned to work at record rates since the pandemic. The share of women in their prime working years in the labor force, at more than 77 percent, is near an all-time high and has helped prop up much of the economy’s recent strength. But child-care disruptions could threaten those gains and lead to worsening worker shortages in industries such as nursing, teaching and hospitality, which have all struggled to refill their ranks since the start of the pandemic.

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Last year, U.S. child-care costs ate up 23 percent of income for average-wage families, up from 12 percent in 2021, according to data from the Organization for Economic Cooperation and Development.

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