The cost of childcare is about to explode [1]

If Congress allows billions in childcare relief to expire in three weeks, parents are going to pay the price.

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Excerpts

With school underway, inflation cooling, and a strong economy, parents who have survived years of disruption can breathe a little easier. Not so fast. Millions of families are now facing a so-called childcare cliff that's just weeks away.

On September 30, barring the intervention of Congress, $24 billion worth of pandemic relief funding for childcare will expire. This funding, part of President Biden's American Rescue Plan of 2021, has been used to provide stabilization grants to childcare providers reeling first from enrollment drops and now from staffing shortages.

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Much of the media attention and commentary by elected officials has focused on the prospect of childcare programs closing, a notion fueled by a Century Foundation report stating that 70,000 programs "will likely close … and approximately 3.2 million children could lose their child care spots." However, the more likely result—at least in the short term—is that the cost for parents will skyrocket.

An October 2022 survey by the National Association for the Education of Young Children found that 43 percent of childcare centers and 37 percent of home-based providers nationwide expect they will have to raise rates. Similarly, in a March 2023 survey of over 2,500 North Carolina childcare programs, administrators said the most likely consequence—aside from difficulty retaining and hiring well-trained staff—will be fee hikes.

In fact, fee increases may not merely presage but actually cause the anticipated closures. As one home-based provider from Wisconsin reported on a survey from Stanford's Center on Early Childhood: "I am continuing to get about $1,800 a month [in stabilization grants]…. I have not raised tuition as I use that funding instead. It was 25% of my revenue last year and I will be raising my rates by 25% to make that up: $50 per child per week. Parents may find that unaffordable and will no longer enroll children, so I will either be forced to increase more and go out of business when I have no children or have to take a pay cut."

Because the gap left by pandemic funding is so significant, fee increases cannot be small. They stand to hit both urban centers and rural areas. The New York Times reported the director of a center in Millcreek, Utah, had already increased monthly tuition for a 2-year-old by $85 and "will probably raise it [to] above $1,000." The 19th noted that rates at a center in Nampa, Idaho, "are rising by nearly $200 a month for infant care, and already families are leaving."

Closures are a real threat: Reports have already started trickling in of programs closing up shop. That said, it is difficult to project exactly how many programs may shutter. Data about America's fragmented childcare system is notoriously hard to collect.

The assertion of 70,000 programs closing is extrapolated from a survey asking providers what would have happened without the grants and may not reflect current conditions. But what's clear is that no matter how many programs close, widespread fee increases are coming and working- and middle-class families will bear the brunt.

Parents are already paying backbreaking fees for childcare.

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The existential question for most childcare programs, then, is how many families are able to absorb fee increases of $200 or more per month? Demand is sky-high—waitlists can stretch for years and have only been getting longer—so the equation is strongly biased in favor of upper-middle-class and affluent families. Families with fewer means may have to turn to unreliable or low-quality care situations or a parent unwillingly leaving their job. The programs that serve those populations, including a high proportion of family childcare programs, are at most risk of closure.

One would think that politicians of both parties would like to avoid sticking working- and middle-class families with a huge bill just as the 2024 election cycle heats up. The first step would be an emergency infusion of funds to refill the stabilization grant coffers. Most advocates agree that $16 billion would stave off the bulk of closures and fee increases.

Ultimately, though, those funds would run out and the nation would return to the same cliff. Because the causes of the cliff are structural—programs lack sufficient revenue to offer competitive wages or otherwise operate sustainably, but the fees are already exorbitant for many families—a permanent solution is needed. America must stop treating childcare as a nice-to-have service like a gym or restaurant and start dedicating taxpayer dollars to sustain a system that lets families have the care options they need to thrive. The bipartisan acknowledgment that the current childcare situation is unsustainable (even Fox News is running segments to this effect) could be the spark that is needed to find a true compromise.

To be clear, far-right Republican obstructionism is the main roadblock to immediate action. The White House—which has otherwise taken an admirable set of executive actions around childcare—is reportedly not asking for supplemental funds because the fight to keep the government open and functioning is already fraught enough. As the childcare pain point gets deeper and more intense, however, it may behoove the Democrats to put funding on the table and dare the Republicans to own every closure and every fee hike.

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