

America's child care problem is about to get a lot worse. Here's why^[1]

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Widespread closures possible

Nationwide, more than 70,000 child care programs are projected to close, and about 3.2 million children could lose their spots due to the end of the child care stabilization grant program on September 30, according to an analysis by The Century Foundation.

The historic federal investment, which was part of the \$1.9 trillion American Rescue Plan Act that Democrats passed in March 2021, supported more than 220,000 child care programs, affecting as many as 9.6 million children, according to the federal Administration for Children & Families. It reached more than 8 in 10 licensed child care centers, helping them hold onto workers by offering bonuses and raising wages, cover their rent, mortgage and utilities, buy personal protective equipment and other supplies, and provide mental health support.

"We have not spent that much money on child care previously in the US," said Julie Kashen, women's economic justice director at The Century Foundation. "What we learned was that it worked. It kept programs open. It helped address the staffing shortages. It kept children safe and nurtured. It kept parents working."

Child care in America has long had issues: The costs are steep for both providers and parents, leaving it both in short supply and unaffordable for many families. Last year, the average annual price nationwide was nearly \$11,000, according to Child Care Aware of America, though the rates can be much higher depending on the location.

At the same time, the pay is low, making it hard for workers to commit to the industry and for centers to hold onto their staff. Child care workers typically earned \$13.71 an hour, or \$28,520 a year, in 2022, according to the Bureau of Labor Statistics. Employment remains lower than it was prior to the pandemic.

Trying to retain workers

For Carla Smith, the stabilization grants were a "miracle."

Smith, who founded Cornerstone Academy in Arlington, Texas, 17 years ago while nursing her newborn son, used \$1.1 million in stabilization grants and other federal relief funding to rebuild after enrollment plunged in the first year of the pandemic. She was able to hire more employees and boost the wages of her teachers and administrative staff to as much as \$25 an hour. That's about double what most were earning before and enticed them to stay at the academy.

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Without the stabilization grants, the Chinese-American Planning Council in New York City will have a tougher time hiring and retaining staffers who care for 180 children at six sites, said Mary Cheng, the director of childhood development services. The nearly \$600,000 in funding allowed her to provide bonuses of up to \$2,500 every six months between July 2021 and this summer, as well as temporarily increase the pay of the after-school staff by a dollar or two. In addition, she used the funds to buy air purifiers and cleaning supplies, as well as provide mental health support for the children and staff.

Now, she's looking for several teachers and assistant teachers, as well as an education director for one of the sites. But it's hard to attract candidates when the pay she's offering – even for the director role – is less than an entry-level public school teacher.

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And it may have to start accepting children whose parents can pay tuition for the first time.

“Now I have to think about ‘How do I make a profit?,” said Cheng, who attended the child care program when she was little. “You have to sustain the programming that has to happen for these families. You have to think about a profit in that way because when things hit the fan like this, you’ve got to figure out ‘What can I do to make ends meet?’”

Hoping for additional federal support

A group of Democratic and independent senators and representatives are pushing to extend federal assistance for child care beyond September 30. They introduced the Child Care Stabilization Act, which would provide \$16 billion each year for the next five years.

“There was a child care crisis even before the pandemic – and failing to extend these critical investments from the American Rescue Plan will push child care even further out of reach for millions of families and jeopardize our strong economic recovery,” Sen. Patty Murray of Washington said in a statement. “This is an urgent economic priority at every level: Child care is what allows parents to go to work, businesses to hire workers, and it’s an investment in our kids’ futures. The child care industry holds up every sector of our economy – and Congress must act now.”

Meanwhile, a bipartisan bill introduced in the House would enhance three existing tax credits – the Child and Dependent Care Tax Credit, the Employer-Provided Child Care Credit and the Dependent Care Assistance Program – to help make child care more affordable for families and to support employers in sharing the cost of care.

However, getting any additional funding through Congress will be difficult. House GOP hardliners are determined to cut spending in the fiscal 2024 government funding bill, making it more likely the government could shut down on October 1.

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States step in

At least 17 states invested their own money into child care this year, according to a tally by Child Care Aware. These include historic investments by Alabama, Alaska, Maine, Massachusetts, Minnesota, Vermont and Washington.

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But more needs to be done to keep providers afloat, said Ryan Pricco, director of policy and advocacy at Child Care Aware of Washington. Currently, reimbursement rates are determined by a market survey, but that reflects what parents can afford, not the true cost of care.

“Until we switch our subsidy system, and really our whole financing system, over to a cost of care model and reimburse programs that way, they’re going to continue to struggle to keep up with competitors and other low-income industries,” he said.

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