NACo LEGISLATIVE TOOLKIT:

FEDERAL POLICY LEVERS FOR STABILIZING THE CHILD CARE INDUSTRY

NATIONAL ASSOCIATION of COUNTIES NACo®

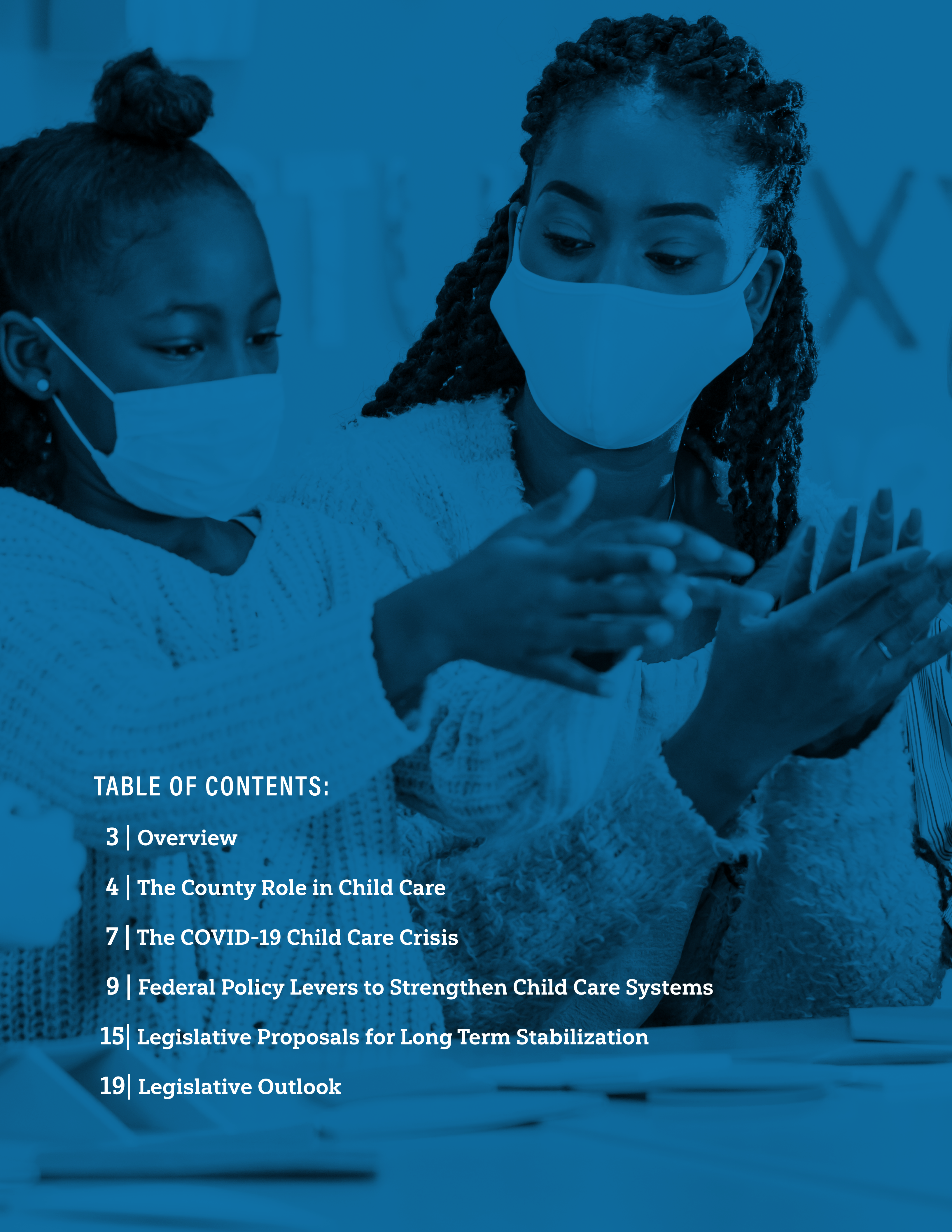


TABLE OF CONTENTS:

3 | Overview

4 | The County Role in Child Care

7 | The COVID-19 Child Care Crisis

9 | Federal Policy Levers to Strengthen Child Care Systems

15| Legislative Proposals for Long Term Stabilization

19| Legislative Outlook

OVERVIEW

The COVID-19 pandemic launched the already-struggling child care industry into a full-fledged crisis, with significant consequences for county residents. As the pandemic forced schools and thousands of daycare centers across the nation to close or reduce hours, the child care workforce lost hundreds of thousands of jobs. Meanwhile, parents struggling to find affordable and safe child care left the workforce altogether or reduced working hours due to disruptions in child care and schooling. To reopen safely or stay in business, many child care providers faced steep costs associated with reduced enrollment, heightened sanitation measures, workforce shortages, Personal Protective Equipment (PPE) and classroom size reduction, and many of these issues continue.

Counties recognize the importance of high-quality child care as a foundation to healthy development in young children that boosts their long-term educational and employment outcomes. Additionally, investments in quality child care are a critical aspect of workforce development, as lack of access to affordable, quality child care represents a common barrier for low-income parents seeking to access employment. Programs to invest in training and retention for the child care workforce similarly offer pathways to more sustainable employment in that profession.

Therefore, county governments play a significant role in local child care systems, whether by administering federal human services programs that subsidize care or contributing local dollars to efforts with cross-sector partners to build the supply of high-quality child care. The COVID-19 crisis has created new challenges and opportunities for county leaders and our intergovernmental partners to invest in sustainable solutions that boost the supply of safe and affordable child care.

This toolkit provides an overview of the county role in child care, the impact of the COVID-19 pandemic on the child care industry, and how counties can utilize federal policy levers to respond to the negative economic impacts of COVID-19 through targeted investments in child care. It also provides an overview of various legislative proposals aiming to stabilize the sector in the long term.

THE COUNTY ROLE IN CHILD CARE

While federal child care programs are primarily regulated at the state level, counties can play a significant role in licensing child care providers, offering child care assistance to low-income residents, referring families to child care resources and providing local funding to help build the supply of child care.

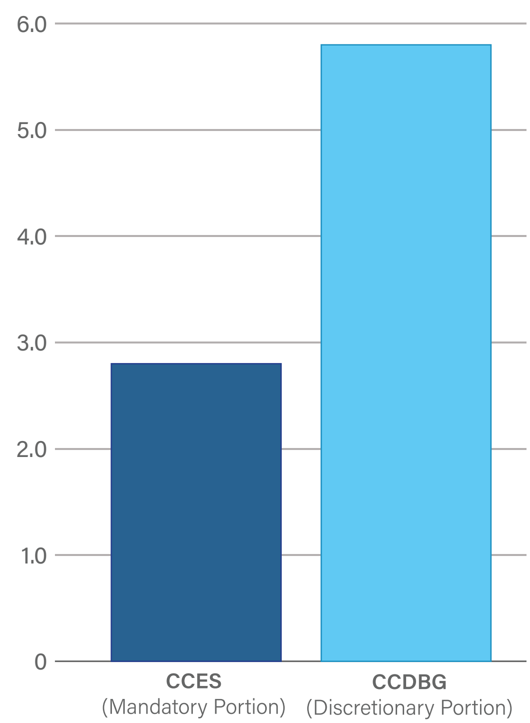
In Colorado, Minnesota, North Carolina, North Dakota, New York, Ohio, Virginia and Wisconsin, county governments are also responsible for administering the federal Child Care and Development Fund (CCDF), which subsidizes child care costs for eligible low-income families. CCDF, a program under the U.S. Department of Health and Human Services (HHS) Administration for Children and Families (ACF), is comprised of both a mandatory component (not subject to the annual appropriations process), the Child Care Entitlement to States (CCES), and a discretionary portion, the Child Care and Development Block Grant (CCDBG), which Congress must fund every fiscal year. Though CCES and CCDBG are allotted to states based on differing formulas, the law calls for integration in how they are spent at the state level. CCDF child care subsidies help low-income families with children under age 13 pay for child care so that parents can work or participate in training or education activities. Parents typically receive subsidies in the form of vouchers that they can use with a provider of their choice — such as a relative, neighbor, child care center, or after-school program. States and Territories have a great deal of flexibility to establish child care subsidy policies.

The scope of the county role in administering CCDF varies but means that county governments in these states may set policy related to eligibility, sliding fee scales, and payment rates, as well as perform eligibility determinations, issue provider payments, connect parents with child care and more. Additionally, counties administering CCDF may contribute county general revenue funds to help meet the required non-federal match for the Child Care Entitlement to States (CCES), the mandatory portion of the program. According to ACF, In FY 2019, the eight county-administered CCDF states spent nearly $2.5 billion combined in federal, state and local CCDF funds (representing a quarter of total program expenditures)[1] and accounted for roughly 19 percent of total children served on an average monthly basis.[2]

Regular CCDF Funding in FY 2021*

(in millions of dollars)

* Excludes emergency appropriations

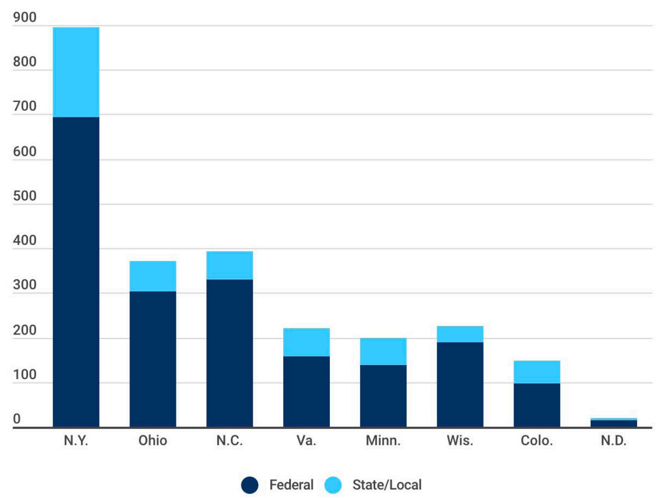


The county role in supporting child care extends far beyond the administration of CCDF, however. For example, county governments administering federal human services programs such as the Temporary Assistance for Needy Families program (TANF) and Social Services Block Grant (SSBG) may also draw on those funding streams to invest in the supply and quality of child care for low-income families receiving public assistance. In addition, and regardless of the county role in administering federal programs, many counties contribute local dollars to efforts with cross-sector partners to build the supply of high-quality child care, whether by creating inventories of local supply and demand and developing plans to bridge gaps, creating centralized intake and referral systems for families with children, helping providers meet quality standards, offering child care as wrap-around support for participants in employment and more.

CCDF Expenditures in County Administered States, Fiscal Year 2019

(in millions of dollars)

Source: U.S. Department of Health and Human Services, CCDF Expenditures for FY 2019, Table 4a – All Expenditures by State



COUNTY CHILD CARE PRIORITIES

- High-quality child care services are needed to ensure that we meet the developmental needs of children.
- Federal support for child care should be available to all public assistance recipients who need it while participating in employment, education,or training.
- Funding for the Child Care and Development Block Grant must be increased to meet eligible families' needs while maintaining the funding and flexibility in TANF.
- Federally funded childcare should be available to working parents as they leave public assistance and continue to be available on a fee scale based on their ability to pay. At the very least, there should be enough federal child care funds to ensure that quality services are available to families with incomes of up to 225 percent of the federal poverty level and for families that leave TANF.
- Financial support should be made available for infant care, child care for children with special needs, children in foster care, and child care during non-traditional hours when needed.
- Public child care resources such as licensing and monitoring of providers, information and referral, and assistance in selecting appropriate care should be available to all, without regard to income or resources.
- State and local licensing laws should be carefully monitored to ensure the adequacy of facilities and caretakers.
- Employers should be given increased financial incentives to provide child care for their employees on-site or as a benefit.
- The Dependent and Child Care Tax Credit should be made refundable.
- Counties support legislation that would protect and increase investments in early childhood development to ensure that needed educational, nutritional and social services are available to children in the critical years of development between birth and age three, including publicly funded child care and support of the early childhood workforce.

THE COVID-19 CHILD CARE CRISIS

Many of the challenges currently facing the child care industry—from the limited supply of licensed providers and high cost of care to the poor profitability and low wages plaguing the workforce—predate the COVID-19 pandemic. In 2018, according to the Center for American Progress, 51 percent of Americans lived in neighborhoods that qualified as child care deserts,[3] defined as a more than 3-to-1 ratio of children under age 5 to the cumulative capacity of licensed or registered child care. A similar analysis from the Bipartisan Policy Center suggests that in 25 states, some 32 percent of children under age 6 face a "child care gap,"[4] meaning all available parents are in the workforce, but the children lack access to formal care. This limited supply of quality child care is especially prevalent in rural areas.[5]

Not only is formal child care hard to find, but it is also often incredibly expensive. According to the federal government, child care is considered affordable when it constitutes 7 percent or less of a household's income. However, research suggests that among working families with children under age five that pay for child care, average child care spending amounts to nearly 10 percent of the average family income.[6] In addition, in all United States regions, average child care prices for an infant in a child care center exceed the average amount that families spend on food and transportation combined.[7] Meanwhile, CCDF—the primary federal program offering child care assistance—has not kept pace, reaching just 14 percent of eligible children in FY 2017.[8]

However, the high cost of care does not translate to large profits for providers or competitive wages for the workforce. Before the Covid-19 pandemic, the average early childhood worker earned just $11.65 an hour.[9] This workforce is significantly underpaid relative to K-12 educators and has continuously shown high utilization of public income support programs.[10] These conditions contribute to high levels of stress, depression and turnover among early educators.[11]

The COVID-19 pandemic spun the child care industry into a full-on crisis. At its height, 60 percent of the nation's licensed providers had closed,[12] and one-third of the nation's child care workers were laid off or furloughed.[13] Two years since the onset of the pandemic, the child care industry remains in crisis. The sector lost nearly 108,000 workers between February 2020 and November 2021.[14] Child care providers surveyed by the National Association of Education for Young Children (NAEYC) in July 2021 reported operating at an average enrollment rate of 71 percent of their licensed capacity, 80 percent reported a staffing shortage and a majority said they had taken on debt to stay open during the pandemic.[15] An estimated 20,000 child centers reported closing for good by December, 2020.[16]

With young children still ineligible for vaccination and schools facing ongoing COVID-related disruptions, these challenges are likely to persist. At the same time, providers face steep costs associated with lost enrollment, the need for physical safety improvements to adhere to public health guidance, classroom size reduction, the cost of Personal Protective Equipment (PPE) and more.

Congress has provided emergency relief for child care throughout the pandemic through direct sources, such as funding for CCDF, stabilization grants for child care providers, and targeted tax credit expansions. Federal relief packages have also created funding streams, such as the Coronavirus Relief Fund, Paycheck Protection Program, and State and Local Fiscal Recovery Fund, which have also offered opportunities to stabilize the industry.

FEDERAL POLICY LEVERS TO STRENGTHEN CHILD CARE SYSTEMS

THE CHILD CARE AND DEVELOPMENT FUND

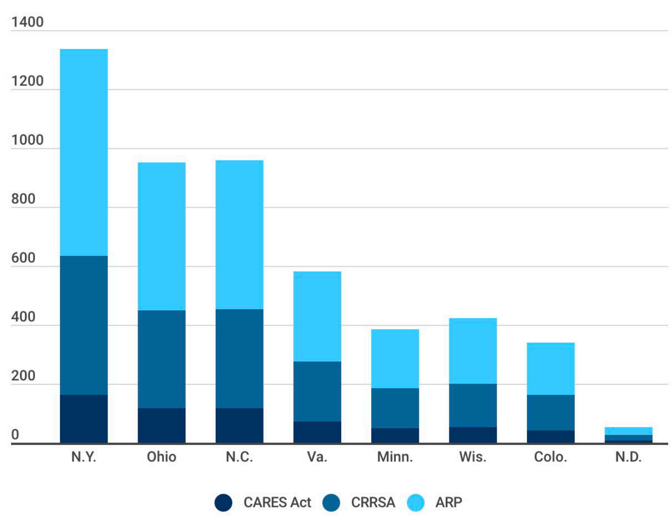
Congress authorized a total of $28.5 billion in emergency appropriations for CCDBG since the start of the pandemic. The ***Coronavirus Aid, Relief, and Economic Security (CARES) Act,*** enacted in March 2020, offered $3.5 billion in supplemental funding for CCDBG, available through September 30, 2022. In addition, the ***Coronavirus Response and Relief Supplemental Appropriations Act, 2021*** (CRRSA), enacted in December 2020, offered an additional $10 billion for the program through September 30, 2022. These funds provided broad flexibility to lead agencies to respond to the pandemic, including:

- Providing child care assistance to health care sector employees, emergency responders, sanitation workers, and other workers deemed essential during the response to the coronavirus, without regard to the income eligibility requirements
- Subsidizing providers based on pre-pandemic enrollment, rather than attendance
- Helping providers closed during the pandemic meet operational expenses so they can reopen in the future
- Waiving copayments for parents
- Helping providers pay for the increased cost of following public health and safety guidelines, such as Personal Protective Equipment, enhanced cleaning and reduced classroom sizes

Finally, the ***American Rescue Plan Act of 2021*** (ARPA), enacted in March 2021, provided an additional $15 billion for CCDBG available through September 30, 2024. Agency guidance for these funds strongly recommends that lead agencies focus the resources on strengthening the child care system and ensuring that families have equal access to quality, affordable child care to support them during and after the pandemic.[17] In particular, HHS suggests that lead agencies prioritize child care workforce incentives such as increasing provider payment rates and workforce compensation and that they implement policies that will build the supply of child care in low-income communities, especially for historically underserved populations and those who have lost employment or income during the pandemic.

The ARP also created a permanent annual increase to the CCES of $633 million. During FY2021 and FY2022, states are exempt from meeting their typical state match requirements above what was required of them under previous levels. States do not need to match new funding levels until FY2023.

Emergency CCDBG Funding for County Administered States *(in millions of dollars)*



Most states, including those with county-administered CCDBG programs, opted to quickly disburse the emergency CCDBG funds provided under the CARES Act to support the dual needs of frontline workers and child care providers during the crisis and to cover the operational costs of providers that were closed to help them eventually reopen.[18] Similarly, most states intend to use the emergency CCDBG funds provided under CRRSA to offer grants to providers to assist with covering costs related to the COVID-19 pandemic.[19] Several also plan to cover parent copayments, increase subsidy reimbursement rates, offer payments based on enrollment instead of attendance and expand the supply of child care support to the child care workforce. Most states have yet to submit their plans for the use of supplemental CCDBG funds authorized under ARPA.

How counties can leverage this resource: *County leaders can work with their state CCDF lead agencies to develop plans for the final round of CCDBG funding that will help meet the child care needs of their local communities.*

Child Care Stabilization Grants

Along with increased funding for CCDBG programs, ARPA authorized a one-time pot of funding worth $24 billion for child care relief and stabilization grants. States receive an allocation based on the CCDBG formula and may use those dollars to make subgrants to child care providers who are at risk of going out of business. Allowable expenses for the grants include personnel costs, rent, meeting public health and safety standards, updates to equipment and supplies, goods and services needed to stay open, and mental health supports for children and employees. ACF issued guidance encouraging states to quickly distribute the funds to protect the existing child care market and is providing states with significant flexibility in designing their grant programs.[20] Most states are in the process of making subgrant applications available to their child care providers.

How counties can leverage this resource: *County leaders can facilitate connections between states and community-based child care organizations who would serve as effective partners in distributing funds, doing outreach to providers, offering technical assistance and more.[21] Counties that distribute CCDBG funds may also be partnering with states in distributing the stabilization funds.*

CHILD AND DEPENDENT CARE TAX CREDIT (CDCTC)

Along with direct spending on child care relief, ARPA authorized a temporary expansion of Child and Dependent Care Tax Credit (CDCTC), which provides tax assistance for families with out-of-pocket child care expenses. Under ARPA, the CDCTC is refundable for the year 2021, providing new access to the credit for low-income families who previously did not have sufficient tax liability to qualify and increasing the value of the credit for many moderate-income families. The law also increased the amount of the credit to a maximum of $4,000 for one child and $8,000 for two or more children for 2021.

How counties can leverage this resource: *County leaders can conduct outreach to ensure residents, especially low-income residents who did not previously qualify for the CDCTC, are aware of this new resource when filing taxes for the year 2021. Counties can also fund or partner with Volunteer Income Tax Assistance (VITA) sites to assist vulnerable residents with free tax filing prep.*

Paycheck Protection Program (PPP)

Under the CARES Act, Congress authorized the Paycheck Protection Program (PPP), which provided loans backed by the Small Business Administration to help small businesses keep their workforce employed during the COVID-19 crisis. If certain conditions were met, borrowers were eligible for PPP loan forgiveness. Congress used subsequent relief bills to extend and add additional funds to the PPP.

PPP loans offered a lifeline to some child care providers, though the sector represents a small share of total recipients. According to the Bipartisan Policy Center, in 2020, the PPP supported 43,000 child care providers across the country with at least $2.3 billion in funding and allowed almost 460,000 child care workers to keep their jobs.[22] This funding represents less than 1 percent of the total $525 billion in lending through the program during 2020. On March 30, 2021 President Biden signed the *PPP Extension Act of 2021* into law to extend the PPP deadline to May 31, 2021 and gave the Small Business Administration (SBA) until June 30, 2021 to process loans.

***How counties leveraged this resource:** County leaders conducted outreach to ensure child care providers are aware of their potential eligibility for a PPP loan, including by connecting providers with resources and technical assistance to apply.*

STATE AND LOCAL AID

Given the pandemic's significant economic impact on state and local governments, both in the form of lost revenue as well as increased expenses associated with COVID-19 prevention, response and recovery, Congress has also provided fiscal relief to its intergovernmental partners.

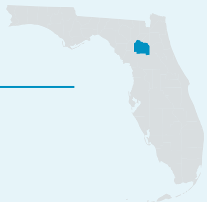
CORONAVIRUS RECOVERY FUND (CRF)

The CARES Act established a $150 billion Coronavirus Relief Fund (CRF) for state, county and municipal governments with populations of over 500,000 people to address necessary expenditures incurred due to the COVID-19 public health emergency. The deadline for counties to invest CRF dollars was December 31, 2021.

COUNTY EXAMPLES

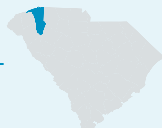
San Diego County, Calif. approved $5 million of the county's CRF allocation to provide child care vouchers to essential workers, an amount matched by the city of San Diego.

Franklin County, Ohio approved $2 million of the county's CRF allocation for grants to support child care providers serving low-income families. The city of Columbus contributed $6.8 million of its allocation to this program.

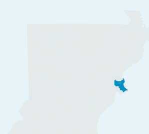


Alachua County, Fla. approved $21.1 million of the county's CRF allocation for Individual Assistance Grants that can be used for child care, among other supports.

Santa Clara County, Calif. approved $2.5 million of the county's CRF allocation to help child care programs in the county remain in business and purchase supplies.



Greenville County, S.C. approved $1.71 million of the county's CRF allocation for grants to help family and center-based child care providers offset additional costs incurred because of COVID-19.



St. Louis County, Mo. approved $5 million of the county's CRF allocation for a child care relief fund aimed at helping providers weather the costs of business interruption and compliance with county and CDC public health guidelines relating to COVID-19.

Harris County, Texas approved $30 million of the county's CRF allocation for grants to assist vulnerable households with housing, electricity, food, child care and other essential needs.

STATE AND LOCAL FISCAL RECOVERY FUND (RECOVERY FUND)

ARPA included a new $362 billion State and Local Fiscal Recovery Fund to help states, territories, counties, cities, and tribal governments cover increased expenditures, replenish lost revenue and mitigate economic harm from the COVID-19 pandemic.[23] Of this amount, $65.1 billion in direct, flexible aid is going to every county in America. On January 6, 2021, the U.S. Department of Treasury released a final rule highlighting eligible uses for these funds that make specific reference to the expansion of early education and child care programs in communities impacted by the pandemic, as well as premium pay for child care workers.[1]

How counties can leverage this resource: U.S. Treasury outlines a variety of eligible uses for addressing negative economic and public health impacts associated with the pandemic, many of which can help stabilize the child care sector. Counties may use Recovery Funds for services to those negatively or disproportionately impacted by the pandemic, such as:

Direct assistance to households: Including cash grants to help families and individuals meet a variety of expenses. Counties may consider directing cash assistance to families struggling to afford child care.

Assistance to unemployed workers: Including child care expenses associated with accessing employment or job training.

Aid to impacted industries: Such as tourism, travel, hospitality, and other impacted industries. Child care providers may qualify as an impacted industry so long as the county can provide evidence supporting a negative economic impact due to COVID-19.

Assistance to small businesses and non-profit organizations: To adopt safer operating procedures, weather periods of closure, or mitigate financial hardship resulting from the COVID-19 public health emergency. Counties may therefore be able to provide loans, grants, in-kind or technical assistance to child care providers falling in this category. Counties might also offer support to non-profit organizations that provide or assist families in finding or affording child care.

Services to promote healthy childhood environments: Including childcare and early learning. Counties may invest in new or expanded child care services, increasing access to services, efforts to bolster, support or preservice existing providers and services, and similar activities.

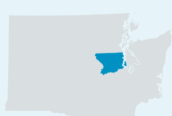
Premium Pay for Essential Workers: Counties may also use recover funds to provide premium pay (defined as up to an additional $13 per hour) to eligible county workers performing essential work during the public health emergency. They can also provide grants to third-party employers within the county to compensate eligible workers who perform essential work. Child care workers are included in the definition of eligible workers performing essential work during the pandemic.

Lead remediation in water: Counties may use funds to replace lead service lines and perform water testing and remediation activities in child care facilities.

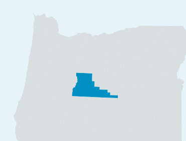
Capital expenditures: As a reasonably proportional response to a public health or negative economic impact of the pandemic and within parameters outlined by the U.S. Treasury, Recovery Funds may be used for certain capital expenditures. Counties may invest funds in improvements to or new construction of childcare, daycare, and early learning facilities.

COUNTY EXAMPLES

Nassau County, N.Y. approved $10 million in Recovery Funds to support workforce development, including stipends to individuals to overcome barriers to workforce entry such as unmet costs for child care, as well as $10 million for health and social services grants that will include child care.

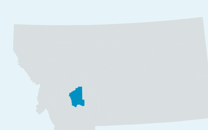


King County, Wash. approved $6 million in Recovery Funds for child care services, including continuing funding for essential worker child care vouchers and an emergency grant program for child care providers.



Deschutes County, Ore. approved $1 million in Recovery Funds to support the Little Kits Early Learning & Child Care Center project and provide childcare for an additional 70 to 100 children in Bend during the first phase.

San Diego, Calif. approved $16 million in Recovery Funds for child care, including incentives for hiring more child care workers, supportive grants for providers and vouchers directly to vulnerable populations to help cover costs of care.

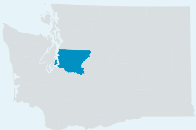


Jefferson County, Mont. approved $100,000 in Recovery Funds to address urgent needs of childcare providers struggling to survive or re-open under pandemic conditions.

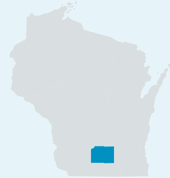
LOCAL FUNDING

Counties are also supplementing state and local aid with local dollars to stabilize the child care industry.

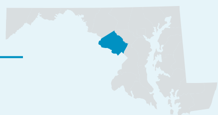
COUNTY EXAMPLES



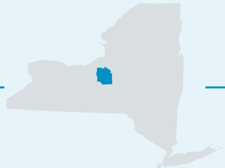
King County, Wash. approved $2.2 million to offer free child care to emergency child workers during the pandemic, relying on the local Child Care Resource and Referral Agency to match families with licensed providers.



Dane County, Wis. approved $3.5 million for a grant program to help 500 child care providers to be administered by the local Child Care Resource and Referral Agency.



Montgomery County, Md. approved $10 million to fund a Child Care Recovery program to assist providers serving low-income families with reopening costs.



Onondaga County, N.Y. provided $7 million to support child care for essential workers in cooperation with the county Child Care Resources and Referral grant.

LEGISLATIVE PROPOSALS FOR LONG TERM STABILIZATION

Beyond emergency COVID dollars, the Biden administration and lawmakers from both sides of the aisle have called for additional child care relief to stabilize the industry in the long-term by boosting the supply of safe, high-quality and affordable child care and improving conditions for the child care workforce.

WHITE HOUSE PROPOSALS

American Jobs Plan

On March 31, 2021, President Biden unveiled the American Jobs Plan (AJP), a $2.3 trillion investment in America's infrastructure. The AJP proposes $25 billion for a new Child Care Growth and Innovation Fund that would increase the availability of childcare services for infants and toddlers through facility improvements and new construction in high-need areas. It also suggests expanding tax credits for employers that would refund 50 percent of the first $1 million of construction costs for on-site childcare facilities.

AMERICAN FAMILIES PLAN

On April 28, 2021, President Biden released the American Families Plan (AFP), a $1.8 trillion proposal to strengthen the economy through investments in child care, education, nutrition and other supports for children and families. The framework includes $225 billion to increase the supply of high-quality, affordable child care. These funds would expand the existing federal child care subsidy program to a sliding scale ranging from no-cost to 7 percent of household income. They would also support quality improvement costs for child care providers and a $15 hourly minimum wage for child care workers along with other professional supports. Under the plan, the CDCTC would also see a permanent expansion, with families earning less than $125,000 annually receiving a tax credit worth 50 percent of their spending on qualified child care for children under age 13, up to a total of $4,000 for one child or $8,000 for two or more children. Families with incomes between $125,000 and $400,000 would receive a partial credit no less generous than their current CDCTC refund.

CONGRESSIONAL PROPOSALS

The Child Care for Working Families Act

On April 22, 2021, Sen. Patty Murray (D-Wash.), and Rep. Bobby Scott (D-Va.) reintroduced a bill (S. 1360/H.R. 2817) that would use federal and state funding to cap child care costs for working families, invest in child care quality and supply, expand preschool programs for low- and-moderate-income families and fund higher wages for child care workers.

The Child Care is Infrastructure Act

On March 16, 2021, Rep. Katherine Clark (D-Mass.) reintroduced a bill (HR 1911) to fund physical improvements in child care centers and direct the Administration for Children and Families to conduct a needs assessment of the critical infrastructure and supply issues facing the child care industry in the wake of the COVID-19 pandemic.

Universal Child Care and Early Learning Act

On April 27, 2021, Sen. Elizabeth Warren (D-Mass.) and Rep. Mondaire Jones (D-N.Y.) reintroduced a bill (S. 1398/H.R. 2886) that would authorize $700 billion over ten years to support mandatory federal investments in child care centers and family child care providers to guarantee access to affordable care. Funds would be administered at the local level and support certain quality standards as well as preschool services and capped costs for working families and competitive wages for the child care workforce.

Building Child Care for a Better Future Act

On May 26, 2021, Sen. Ron Wyden (D-Ore.) introduced a bill (S. 1842) that would increase funding for the CCES to $10 billion annually. This investment would support grants to improve child care supply, quality, and access in areas of particular need, including covering the cost of facilities construction and renovation and workforce investments.

Protecting Worker Paychecks and Family Choice Act

On May 27, 2021, Reps. Kevin Brady (R-Texas) and Jackie Walorski (R-Ind.) of the Ways and Means Committee unveiled draft legislation combining several Republican proposals for paid family and medical leave as well as affordable child care. The bill would amend the Employer-Provided Child Care Tax Credit to improve take-up. It would also authorize changes to CCES aimed at eliminating the "benefit cliff" for working families and targeting a newly authorized increase to states with the largest share of young children in poverty. The legislation and create a bipartisan commission to make recommendations to Congress on how to streamline and reduce duplication in the financing of early care and education programs. It would also give states the option to repurpose unobligated Child Care Stabilization Grants from the ARP to boost the long-term supply of child care and/or utilize the grants to support facilities improvements and offer start-up grants to employers to establish and expand child care programs for employees. Other provisions include:

The **Child Care Act of 2021** (HR 1973), introduced by Rep. Ashley Hinson (R-Iowa), would require the Secretary of Health and Human Services to report to Congress on state and local child care regulations, including overburdensome regulations that increase the cost of child care.

The **Working Families Child Care Access Act** (HR 2714), introduced by Rep. Jackie Walorski (R-Ind.), would improve dependent care flexible spending accounts (FSAs) by tripling contribution limits, allowing funds to roll over at the end of the year without penalty, and expanding eligible expenses.

The **Family Child Care Networks Act of 2021** (HR 3545), introduced by Reps. Elise Stefanik (R-N.Y.) and Lloyd Smucker (R-Penn.), provides states the option to use Child Care Stabilization Grants from the ARP to include support for the creation or enhancement of family child care networks, to increase or improve the quality of child care provided by family child care providers.

Affordable Child Care for Economic Strategies and Success (ACCESS) Act

On March 25, 2021, Senator Joni Ernst (R-Iowa) and Representatives Ashley Hinson (R-Iowa) and David Trone (D-Md.) introduced a bipartisan bill (S.1049/H.R. 2221) that would allow communities and public-private partnerships to use grants through the Department of Commerce to increase access to child care.

Improving Child Care for Working Families Act

On March 23, 2021, Sens. Join Ernst (R-Iowa), Maggie Hassan (D-N.H.), Thom Tillis (R-N.C.) and Kyrsten Sinema (D-Ariz.), along with Reps. Cindy Axne (R-Iowa) and Brian Fitzpatrick (R-Penn.) introduced a bipartisan bill (S. 897/H.R. 2121) that more than doubles the amount of money that can be placed in dependent care assistance plans (DCAPs), employer-offered flexible spending accounts that allow working parents to set aside pre-tax income for child care.

Child Care Workforce and Facilities Act

On January 28, 2021, Sens. Amy Klobuchar (D-Minn.) and Dan Sullivan (R-Alaska), along with Reps. Josh Harder (D-Calif.) and Jamie Herrera Beutler (R-Wash.), reintroduced a bipartisan bill (S. 133/H.R. 540) to create a $100 million grant program supporting the development and expansion of the child care workforce or child care facilities in locations with insufficient available child care. Grants would cover 50% of the cost of programs to support the education and training of caregivers or projects to build, expand, or renovate child care facilities in these areas.

Build Back Better Act

On November 19, the U.S. House passed the Build Back Better Act (BBBA, H.R. 5736), a $1.75 trillion reconciliation package that is offset with new increases in revenue. The measure represents efforts by the Majority in Congress to advance the Biden Administration's social spending agenda as outlined in the American Families Plan and American Jobs Plan, though the legislation is significantly scaled back from those proposals to minimize the impact on the deficit. Included in the BBBA are significant investments in child care and universal preschool.

The bill would authorize an optional federal-state partnership, administered by the Department of Health and Human Services (HHS), guaranteeing access to affordable child care for working parents, through FY 2028. The program would involve a 3-year phase-in in which the federal government provides funds help states meet wage, quality and licensing system requirements to ensure adequate supply of affordable care, after which states would begin meeting various match and maintenance of effort requirements. Once fully implemented, families earning up to 250 percent of State Median income would pay a sliding scale co-pay capped at 7 percent of household income for children under age 6. Quality dollars would be eligible to support child care facilities construction and improvements.

The bill would authorize six-years of funding for an optional federal-state partnership to ensure universal access to high-quality preschool education for 3- and 4-year-olds via a mixed delivery system (meaning eligible providers include Head Start agencies, local educational agencies and licensed child care providers). States would begin contributing a 10 percent non-federal match in the fourth year of the program, gradually increasing to 40 percent in FY 2028.

In states that do not participate in the new programs, localities—including county governments—would have the option to apply directly for funds. Additionally, HHS would provide additional Head Start funding for any state that opts out of new initiatives.

Child Care and Development Block Grant (CCDBG) Reauthorization Act of 2022

On March 22, 2022, Sens. Tim Scott (R-S.C.), Richard Burr (R-N.C.), Lisa Murkowski (R-Alaska), Susan Collins (R-Maine), Ben Sasse (R-Neb.), Chuck Grassley (R-Iowa) and Todd Young (R-Ind.) introduced The Child Care and Development Block Grant Reauthorization Act of 2022. This legislation serves as an alternative approach to the Democrats social spending plans' child care proposals and is the most significant Republican counter proposal to improve affordability of child care programs.

The CCDBG Reauthorization Act of 2022 would:

- Increase family eligibility for CCDBG from 85 percent State Median Income (SMI) to 150 percent, which will increase participation by more middle-income families
- Ensure an eligible family making less than 75 percent SMI pays no child care copay and that no eligible family has a copay greater than 7 percent of family income
- Improve reimbursement rates for child care providers so they can recruit and retain qualified staff
- Support the education and professional development of child care staff and to support child care providers in the recruitment and retention of a qualified child care and early education workforce
- Allow states flexibility in developing a mixed-delivery system (centers, family child care, homes, faith-based, public, private) of child care and preschool for children ages 0-5 and before-school, after-school, and summer care for school age children

However, the bill provides no new funding and authorizes a FY2022 appropriations of $6.165 billion, which is the amount already signed into law by President Biden as part of the recent omnibus package. Without guaranteeing additional funding for states to implement its provisions, it is unlikely the proposal will receive support from Democratic lawmakers.

LEGISLATIVE OUTLOOK

It remains unclear whether any major child care proposals can gain enough bipartisan support to pass both chambers of Congress. Following passage in the House, intra-party negotiations on Build Back Better Act remain stalled in the Senate, with certain lawmakers objecting to the size and scope of the package, as well as the need to pursue enactment via the partisan reconciliation process. NACo will continue to monitor federal proposals to stabilize the child care industry, the implementation of COVID-19 resources for the child care sector, and opportunities for county governments to strengthen local child care systems to help families return to work and ensure the children in our communities have a safe place to play, learn and grow.

To learn more about NACo's resources on child care and other human services initiatives, visit:
www.naco.org/advocacy/policies-and-committees/human-services-education-steering-committee

Endnotes

1 ▪ Office of Child Care, Administration for Children and Families, U.S. Department of Health and Human Services. Child Care and Development Fund Expenditure Data, FY 2019, Table 4A

2 ▪ Office of Child Care, Administration for Children and Families, U.S. Department of Health and Human Services. FY 2019 Preliminary Data Table 1 - Average Monthly Adjusted Number of Families and Children Served.

3 ▪ Center for American Progress, "America's Child Care Deserts in 2018." December, 2018.

4 ▪ Bipartisan Policy Center, "Child Care in 25 States: What we know and don't know." October, 2020.

5 ▪ First Five Years Fund, "Rural America Faces Barriers Accessing Quality Child Care." June, 2019.

6 ▪ Center for American Progress, "Working Families are Spending Big Money on Child Care." June, 2019

7 ▪ Child Care Aware of America, "The U.S. and the High Price of Child Care: An Examination of a Broken System." 2019.

8 ▪ U.S. Government Accountability Office, "Child Care: Subsidy Eligibility and Receipt, and Wait Lists." February, 2021.

9 ▪ UC Berkley Center for the Study of Child Care, "Early Childhood Workforce Index 2020: Early Educator Pay & Economic Insecurity Across the States." 2020

10 ▪ UC Berkley Center for the Study of Child Care, "Worthy Work, STILL Unlivable Wages: The Early Childhood Workforce 25 Years after the National Child Care Staffing Study." 2014.

11 ▪ Brookings Institute, "Stabilizing child care requires more than emergency COVID-19 relief funds." February 2021.

12 ▪ Bipartisan Policy Center, "Nationwide Survey: Child Care in the Time of Coronavirus." April, 2020.

13 ▪ The Los Angeles Times, "Child care is still the missing ingredient for a fast economic recovery," June 2020.

14 ▪ UC Berkley Center for the Study of Child Care, "Child Care Sector Jobs: BLS Analysis," February 2022

15 ▪ National Association for the Education of Young Children, "Progress and Peril: Child Care at a Crossroads." September 2021.

16 ▪ Vox, "The Precarious State of American Child Care." March 2021.

17 ▪ Administration for Children and Families, U.S. Department of Health and Human Services, "Information Memorandum: ARP Act CCDF Discretionary Supplemental Funds." June 11, 2021.

18 ▪ Bipartisan Policy Center, "State Use of Supplemental CCDBG Funds in the CARES Act During 2020." February, 2021.

19 ▪ Bipartisan Policy Center, "State Use of Supplemental CCDBG funds from the CRRSA." March 2021.

20 ▪ Administration for Children and Families, U.S. Department of Health and Human Services, "Information Memorandum: ARP Act Child Care Stabilization Funds." May 10, 2021.

21 ▪ Center for American Progress, "Optimizing Distribution of American Rescue Plan Funds To Stabilize Child Care." May 2021.

22 ▪ Bipartisan Policy Center, "Child Care, Essential to Economic Recovery, Received Just $2.3 Billion in PPP Funds During 2020." March 2021.

23 ▪ National Association of Counties, "Overview of U.S. Treasury's Final Rule for ARPA Fiscal Recovery Fund." March 2022.

NATIONAL ASSOCIATION of COUNTIES NACo®

660 NORTH CAPITOL STREET, NW
SUITE 400 • WASHINGTON, D.C. 20001
202.393.6226 • WWW.NACo.ORG

NACo Staff Contacts

Mark Ritacco
Chief Government Affairs Officer
Mritacco@Naco.org

Eryn Hurley
Director, Government Affairs
Ehurley@Naco.org
202.942.4204

Rachel Mackey
Legislative Director,
Human Services And Education
Rmackey@Naco.org
202.661.8843