

Research Request: The Child Care Cliff**High level summary:**

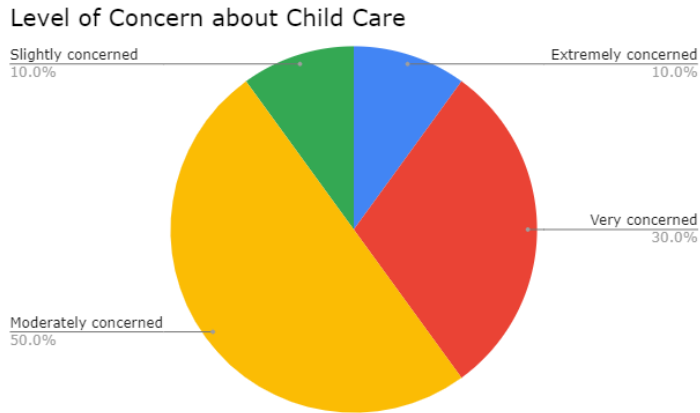
- \$24 billion in federal pandemic relief funding for child care from the American Rescue Plan ran out on **September 30, 2023**
- Expected implications:
 - As many as **70,000 child care centers** are at risk of closing as funds expire, impacting as many as **3.2 million children**
 - Many parents will leave the workforce to stay home with their children, which would cost families an estimated \$9 billion in earnings. Economists fear the erosion of child-care options could roll back recent gains in the workforce. Women — and working mothers in particular — have reentered the labor force at a rapid clip after the pandemic and have helped drive much of the economy’s recent momentum. Without care, many could be forced to scale back at work or quit altogether.
- What can employers do about this?
 - Back-up Care and Dependent care flexible spending accounts
 - Benefits offerings will come into play, including more onsite or backup child care options and dependent care flexible spending accounts (FSAs), which are tax-advantaged accounts that allow workers to fund and pay for child care. IFEBP data finds that the majority of employers (75 percent) offer dependent care FSAs. Employers that offer those resources will want to tout them to their workers as ways to help. Those that don't might consider adding them.
 - Parental/family caregiver leave
 - More comprehensive parental and/or family caregiver leave may also be a helpful resource. While it doesn't provide long-term child care support, allowing new parents to spend several weeks of paid time at home with their child will be a highly coveted benefit, experts said—and one that will likely keep workers in place.
 - Flexible work arrangements
 - Another benefit that's sure to gain more attention in the wake of expired child care funding: Flexible schedules and remote work options. Allowing workers to work from home has become a popular and common option due to the COVID-19 pandemic, although many firms have recently told workers to return to offices. Calls to continue to allow employees to work from home, especially in light of child care complications, might be renewed.

Employer Responses

- [Newest way to woo workers: Child care at airports, schools and poultry plants](#)
 - Pinched by a worsening child-care crisis, employers around the country are opening day-care centers in unexpected places: at a chicken-processing plant in Tennessee, an airport in Pennsylvania and a Wisconsin charter school.
 - **Spam-maker Hormel** is building a \$5 million child-care facility in Austin, Minn. Medical services company VGM Group is converting 8,000 square feet of office space into a daycare in Waterloo, Iowa. And the country's largest private employer, Walmart, is putting the finishing touches on an early learning center in Bentonville, Ark., that will serve more than 500 children.
 - On-site child care has become the latest — and often, priciest — new way for businesses of all sizes to attract and keep employees. That's particularly the case in understaffed industries such as manufacturing, retail and education that have struggled to find low-wage workers in communities where child care is often scarce. A lack of readily available options is keeping many workers on the sidelines and contributing to long-standing labor shortages, which could be exacerbated by the recent expiration of \$24 billion in federal child-care funds.
 - Although on-site centers have typically been clustered in city centers and wealthy suburbs, near corporate headquarters and office workers, Kramer said there has been a shift toward lower-income, rural areas that are more likely to be "child-care deserts." As a result, today's employer-run day cares are increasingly being built not for white-collar executives, but elementary school teachers, airport luggage handlers and hourly workers who toil on assembly lines.
 - "Parents and children need solutions now," said **Jessica Brown, an economics professor at the University of South Carolina**. "They don't have time to wait around for policymakers to put through proposals that will make their lives better some day. That's why companies are filling this gap however they can."
- [Our Child Care Crisis Is Holding Back The Workforce](#)
 - This fall, **UPS** announced that it would expand its on-site child care initiative to many more of its workers. The shipping company first provided emergency daycare services during a pilot program last year, offering the benefit to employees working the evening shift at a facility in Northern California. The need is so evident now that UPS will offer the initiative to even more workers at the California site, as well as at select sites in Pennsylvania, and plans to expand the service to additional facilities next year.

Member Responses

The BCCWF Team sent out a brief survey to collect information on how concerned members have been to the child care crisis and how they have been responding.



Here are some of the ideas submitted:

- Expanding on-site child care options
- Increasing access to child care providers
- Increasing flexible work options for caregivers and promoting organizational culture that is accepting of flexible work options
- Regional childcare needs assessments to determine what local wait lists look like; centers closing; planned tuition increases; closures of infant classrooms
- Investing with local childcare resource and referral agency to offer grants to child care providers
- Increasing dependent care subsidies/stipends from \$4000 to \$5000 (funding goes into a dependent care flexible spending account) for employees within an income band (hopefully that will expand too)
- Asking employees to come to the office 3 days a week starting in January
- Current 20 days of back-up care per dependent but use is increasing and budget isn't
- Increasing parental or family leave options

Background Articles

- [Experts warn of new child care crisis: What to know](#)
 - As many as 70,000 child care centers are at risk of closing as funds expire.
 - The child care funding set to expire came from the American Rescue Plan that President Joe Biden signed into law in March 2021 to provide economic relief amid the coronavirus pandemic.
 - The law included \$24 billion in funding for child care programs across the United States, according to the Department of Health and Human Services.
 - Without the funding from the ARP, it's estimated that more than 70,000 child care programs could be forced to close, impacting as many as 3.2 million children, according to TCF.

- The concern, according to TCF, is both that child care programs will not have the funds to keep their programs operating and that parents and caregivers will not be able to afford the cost of child care programs that have to raise tuition due to the loss of funding.
- [A Child-care Crisis Is Looming](#)
 - On September 30, a third of the child-care programs supported by the American Rescue Plan Act’s stabilization funds are set to expire, which means that around 3.2 million children could lose their spots. “Child care for millions of children and families nationwide will begin to disappear,” researchers write, “with dire consequences for children, families’ earnings, and state economies.”
 - Many parents will leave the workforce to stay home with their children, which would cost families an estimated \$9 billion in earnings. Families and workers find their causes linked: When the former suffers, so does the latter. If lawmakers don’t step in, the child-care industry could lose some 232,000 jobs.
 - As funds expire, the country is set to regress. Child care was already in crisis by the time the pandemic struck. High costs burdened even middle-class families, and as researchers point out in the report, slightly more than half the country lived in a “child-care desert,” which the report defines as “an area where there are more than three children under age 5 for each licensed child-care slot.” Child-care homes and home-based child-care (HBCC) slots were also declining, researchers add. “One study found that the number of HBCC providers on state administrative lists has declined by 25 percent across the country over the past decade, despite the significant demand,” they write. “Similarly, the number of small child-care centers — those serving fewer than 25 children — declined by nearly 30 percent prior to the pandemic.” Families had few options, and child-care closures during the pandemic further deprived them.
- [America has 5 days before 3.2 million kids could be left without childcare](#)
 - Childcare as an economic crisis: The timing is also bad because working mothers have just reached a high point in the U.S. workforce. Their participation climbed to all-new highs this year, at the same time the gender pay gap shrunk to a record low. A childcare crisis threatens to undermine their progress with increasing costs that could drive parents—single moms, in particular—out of the workforce. The Treasury Department estimates the annual cost to care for one child is \$10,000, which is double what the government believes is affordable. Also, odds are good that young parents also have student loan debt, payments for which will restart in October after a three-year pause. Top this off with the fact that Americans just hit a record \$1 trillion in credit card debt, and that cliff starts looking pretty slippery.
- [As child-care crisis looms, Biden asks Congress for urgent help](#)

- The Biden administration asked Congress for \$16 billion in child-care funding on Wednesday (10/25/23), part of its push to keep the expiration of covid aid from upending essential services for millions of families.
 - The child-care funds, which would be distributed to all 50 states and the District of Columbia, would provide a year of stabilization funding for more than 225,000 child-care providers throughout the country. Many received similar allotments during the pandemic, when Congress set aside a record \$24 billion to help keep child-care facilities open.
 - The last of those funds expired at the end of September, leaving many providers struggling to stay open. As many as 1 in 3 child-care centers could soon close, leaving some 3.2 million children without care, according to estimates from the Century Foundation, a liberal think tank. Some child care providers say they've already had to lay off workers or raise fees to make up for the loss in federal funding, and many expect the situation to become even more dire in coming months.
 - Economists fear the erosion of child-care options could roll back recent gains in the workforce. Women — and working mothers in particular — have reentered the labor force at a rapid clip after the pandemic and have helped drive much of the economy's recent momentum. Without care, many could be forced to scale back at work or quit altogether.
 - The \$16 billion request from President Biden matches what Democrats in Congress had called for last month. The funding would go directly to states and ranges from \$15 million apiece for Wyoming and Vermont to \$1.8 billion for Texas.
- [As child care costs soar, more parents may have to exit the workforce](#)
 - The cost of child care has risen so high in recent years that some parents can't afford to work.
 - As of September, the average household spent more than \$700 a month on child care, up 32% from 2019, according to a recent [report](#) from the Bank of America Institute. The sharply higher costs are driving some parents to leave the workforce in order to look after their children.
- [The Child Care Funding Cliff Has Been Centuries in the Making](#)
 - At the end of the 18th century, the industrial revolution entrenched the now-familiar male breadwinner/female caregiver model of the household, as more men went to work outside the home, and child-rearing was generally regarded as a duty to be performed out of love, not for money.
 - Most white middle-class women could hire other women — largely women of color and/or a recent immigrant — to perform many of the more demanding household tasks, including caring for infants and children.
 - To this day, Black women make up 12 percent of child care workers and pre-K teachers, compared to 6 percent of workers in all sectors. Similarly, Latinas make up 21 percent,

compared to 8 percent of workers in all sectors. While it's indisputable that this work is essential, in 2021, child care workers made poverty wages in 40 states.

States Responding with Funding

- [With funding challenges looming, Mass. child care could be in jeopardy](#)
 - Child care centers are already facing the same struggles as many other companies—workers leaving for higher-paying jobs, strapped for money and resources
 - This is likely to get worse with child care funds expiring from the American Rescue Plan
 - “Governor Maura Healey and the Legislature provided one-time state funding of \$475 million to the industry through the end of the fiscal year in June.”
 - “Providers said the child care industry is so broken that it requires a more permanent funnel of government money that goes directly to providers, such as the Commonwealth Cares for Children grants that came through during COVID.”
 - Providers fear they will have to hike tuition to compensate for the loss of funds, resulting in lower income families being forced out
 - Disproportionate impact on single-income households and women, particularly women of color, in the workforce
 - [Indiana offering second round of grants to businesses for employee child care needs](#)
 - Indiana-based companies with 20 or more employees can apply for a \$750,000 child care grant
 - “The grants may be used to support a variety of employee child care needs, including sponsoring dependent care assistance plans, providing on-site or near-site child care, or offering child care tuition benefits.”

What Next?

- [Murray, Sanders, Clark, Colleagues Introduce Bill to Extend Vital Child Care Funding and Save Millions of Families' Child Care Spots as Funding Cliff Looms](#)
 - September 13, 2023
 - Senators introduced the *Child Care Stabilization Act* to extend vital federal child care stabilization funding—which is set to expire at the end of this month—and ensure that child care providers can keep their doors open and continue serving children and families in every part of the country.
 - The Child Care Stabilization Act would prevent a potential crisis when funding expires at the end of the month by providing \$16 billion in mandatory funding each year for the next five years to continue the successful Child Care Stabilization Grant program. This investment would ensure child care providers continue to receive a stable and reliable source of funding to help them deliver high-quality and affordable child care for working families across the country.

- [Senator Reverend Warnock, Colleagues Introduce Bill to Provide Vital Child Care Funding and Save Millions of Families' Child Care Spots in Wake of Funding Cliff Expiration](#)
 - November 2, 2023
 - Today, U.S. Senator Reverend Raphael Warnock (D-GA) announced his introduction of the *Child Care Stabilization Act* to extend vital federal child care stabilization funding—which expired on September 30th —and ensure child care providers can continue serving children and families in every part of the country. The Senator introduced the legislation with Senators Patty Murray (D-WA) and Bernie Sanders (I-VT).
 - “Keeping our nation’s child care providers open is essential to keeping child care costs low and ensuring our children receive the care they need in order to grow,” said Senator Reverend Warnock. “This is just the latest in my efforts to champion the needs of working families and doing all I can to ensure our children are best positioned to succeed. Proud to be a part of the coalition working to pass the Child Care Stabilization Act. Let’s get this done.”

- [Kaine wants to extend American Rescue Plan child care funding by another year](#)
 - Kaine, a member of the Senate Health, Education, Labor and Pensions Committee, is supporting a draft domestic supplemental funding bill that extends American Rescue Plan funding for child care programs by another year.
 - The proposed legislation was introduced in the U.S. Senate in response to the recent expiration of child care funding from the American Rescue Plan that helped child care providers keep their doors open.