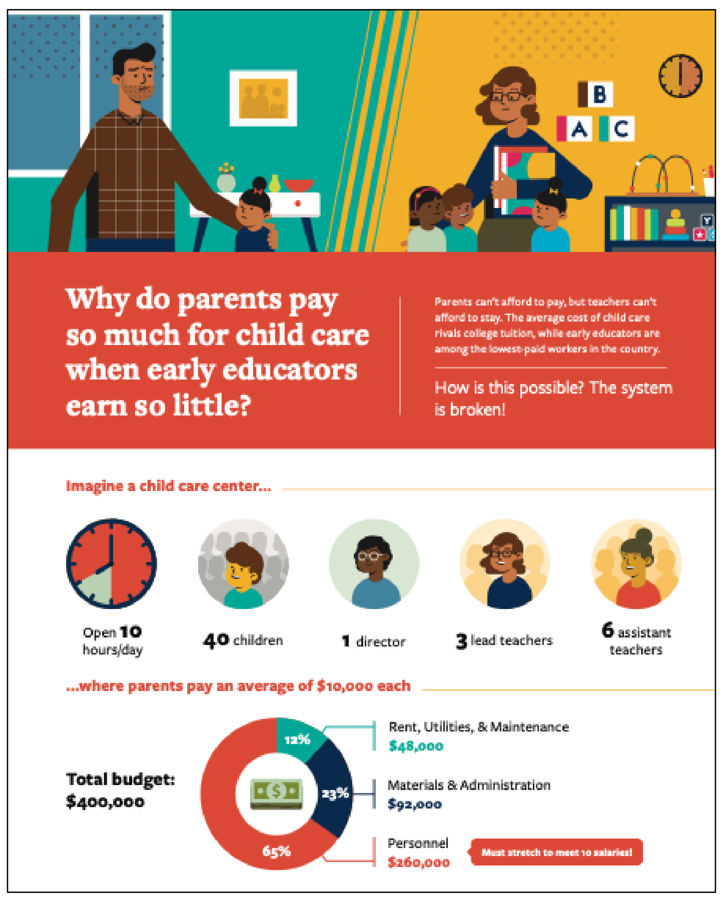
Direct Support for Child Care Programs

The global Covid-19 pandemic has underlined the importance of child care for children, working families, and the economy. However, even before the pandemic, years of underinvestment in the early childhood field had left the child care system stressed to its limit. Federal and state relief funds are helping stabilize the Early Childhood Education field, but staffing shortages, low wages, and a broken market continue to present serious challenges.

The child care system has funding problems on both the supply side (the child care system) and demand side (families). In a report issued in the fall of 2021, the U.S. Treasury Department described the problem like this:

> Currently, the average family with at least one child under the age of 5 would need to devote approximately 13 percent of family income to pay for child care. Oftentimes, parents are asked to pay for child care when they can least afford it and with little ability to borrow against their future savings to cover the costs of care for young children. This is an example of what economists describe as liquidity constraints, a classic market failure, which argues in favor of government support.[1]

Why does child care cost so much? This infographic from the Center for the Study of Child Care Employment explains the high cost of care by looking at a typical budget for a child care center.[2]



Although child care is difficult to afford for many families, earnings for early educators remain abysmally low, resulting in high turnover and labor shortages. As this recent report from the Minnesota Department of Employment and Economic Development notes:

> The early care and education (ECE) workforce, including owners of family child care programs as well as Head Start, child care center and preschool teachers outside of the public school system, have median wages below any other occupation requiring the same level of education in Minnesota, and well below the cost of living. Wages are so low that these occupations are not encouraged choices for workforce training in Minnesota based on U.S. Department of Labor guidance. As a result of this low compensation, the industry suffers from recruitment and retention challenges that have made it impossible for many programs to meet long-standing staffing requirements that are a part of licensing regulations in Minnesota.[3]

A Possible Solution: Direct Support for Child Care Programs

Beginning in April 2020, Minnesota (along with many other states) began responding to the additional stress that the Covid-19 pandemic created for the child care system by offering direct payments to licensed child care programs through a succession of grant programs (see table). These grant programs represented the first time that there has been immediate, government-funded support for child care centers and family child care programs across the board.

The National Association for the Education of Young Children conducted a national survey in 46 states in the summer of 2021 to determine the results of distributing relief funds to child care programs during the pandemic.[4] In Minnesota, they found:

- 35% of respondents inclusive of all settings say their program likely would have closed without help
- 56% of respondents in child care centers and family child care homes received an increase in compensation through bonuses or an increase in baseline pay
- 22% of respondents working in child care centers and 54% of those working in family child care homes have been able to reduce debt they took on during the pandemic

The survey also found that low wages will continue to impact recruitment and child care supply.

- 78% of survey respondents identify wages as the main recruitment challenge
- 63% of respondents say that low wages are the most common reason that educators leave the field
- 24% of respondents, inclusive of all settings, said they were considering leaving their program or closing their family child care within the next year

Although these grants were conceived as an emergency response to the public health emergency of Covid-19, the child care system is facing an ongoing crisis of sustainability. Child care is an essential function for the economy, whether or not there is a pandemic. As the grant programs show, providing additional direct payments to providers can be a successful strategy for keeping programs open and improving income for early educators.

Timeline for Support Grants

April – June 2020	**Peacetime Emergency Child Care (PECC) Grants -** $41.137 million was awarded from April through June 2020 to child care providers in direct payments. The source of funds included State General Funds and federal funds from the CARES Act.
July 2020 – May 2021	**Public Health Support Funds for Child Care** - $199.645 million was awarded to child care providers in direct payments. Funds were provided from the federal CARES Act and CRRSA. An average of 7,823 programs received payments each month.
June 2021 – 2023	**Child Care Stabilization Grants** - $304.398 million in direct payments to child care providers, with a requirement that at least 70% of the base grant go to provide increased compensation, benefits, or premium pay to employees. Of these funds, $70.5 million has been set aside for grants targeted to programs experiencing extreme financial hardship.

[1] US Department of the Treasury. The Economics of the Child Care System in the United States. September 2021. Access on 1/24/22 at https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf
[2] [2] https://cscce.berkeley.edu/why-do-parents-pay-so-much-for-child-care-when-early-educators-earn-so-little/
[3] Oriane Casale and Zina Noel. Minnesota Early Care and Education Wage Scale. Minnesota Department of Employment and Economic Development (DEED), March 2021. Accessed on 1/24/22 at https://mn.gov/deed/newscenter/publications/trends/march-2021/earlycare-wagescale.jsp
[4] National Association for the Education of Young Children. State Survey Data: Child Care at a Time of Progress and Peril. September 2021. Access on 1/24/22 at www.naeyc.org/sites/default/files/wysiwyg/user-74/naeyc_survey_statedatawithquotes_sep2021.pdf