



MEMO: American Rescue Plan Act Funds Dedicated to Child Care Relief
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Background

Kids Win Missouri has held continuous conversations, while building trusting relationships with all constituents around the needs of child care providers and families throughout the pandemic. The Federal Government, between CARES Act, CRRSA, and the ARPA, has invested \$50 billion---earmarked to stabilize and work to transform our child care infrastructure. We are striving to coordinate in the spirit of cooperation and collaboration, a structure to maximize all funding and human capital resources. This memo focuses mostly on ideas for the stabilization grant funding, but contains ideas that could be incorporated into supplemental CCDF funding.

Stimulus Source	Missouri's Allotment	Type	Obligation Date	Expended by Date
ARPA Stabilization Grants	\$444,692,172	One-Time	9/30/2022	9/30/2023
ARPA CCDBG Supplemental	\$277,692,172	One-Time	9/30/2023	9/30/2024
ARPA Child Care Entitlement (Mandatory)	\$9,618,974	Ongoing (Section 9801)	9/30/2023	9/30/2024

States must notify the Administration for Children and Families they will not be able to obligate at least 50% of the stabilization funds by December 11, 2021. The Administration of Children and Families (ACF) has [issued guidance](#) on how states can and are expected to use the stabilization funds and [guidance](#) on the ARPA CCDF Supplemental funds.

In the ACF guidance for supplemental funds, the guidance strongly encourages states to prioritize reimbursement rates, increasing eligibility, and building the child care supply for the supplemental funds. We understand the supplemental funds are one-time funds and acknowledge caution about using one-time funds for on-going expenses. We encourage Missouri to extend waivers of parent co-pays and actively work to raise reimbursement rates with underutilized annual CCDF funds and on-going funding increases to our CCDBG allotment of \$9.6 million.

This memo and the ideas included attempt to maintain the current child care supply. We acknowledge it will be important to monitor and possibly expand on the grant opportunities in the CRRSA Spend Plan to ensure Missouri works to expand the child care supply. Anecdotally, families (traditional and foster) are having a more difficult time finding child care options.



Urgency To Support Operating Providers and Families

Missouri's [CARES Act Child Care Plan](#) dedicated significant funds toward supporting child care providers during some of the lower enrollment periods. The CRRSA Spend Plan dedicates the vast majority of funds either to supporting providers in expansion or startup, or working to backfill holes created by the pandemic.

An urgency remains. With Missouri's CRRSA funds to support holes caused by the pandemic (PPP program) not "on the street" yet---there is an urgency to get ARPA Stabilization Funds to providers.

The state of child care providers remains extremely fragile. Even as the pandemic wanes, challenges in child care have increased instead of diminished. Providers continue to see increased operational costs due to balancing health/safety of children and employees and inconsistency in attendance and enrollment.

The market failure, or the inefficient distribution of goods and services, in child care is well documented by a variety of trusted organizations ranging from the [Minneapolis Federal Reserve](#), the [U.S. Chamber of Commerce](#), [American University](#), the [University of Richmond](#), the [U.S. Department of Health & Human Services](#) and noted in news sources such as [Bloomberg](#). These resources highlight the challenges in the child care field are profound.

Women in Workforce Disproportionally Impacted

[Women accounted for 84%](#) of all workers who missed work in the average month last year, mainly due to child care issues—a 5 year high. In the fall of 2020, [women were dropping out of the workforce at a rate 4 times higher than men](#) due to a lack of child care. The child care workforce [is more diverse than the overall population and is largely comprised of women \(92%\)](#). For Missouri's mothers to return to the workforce, reliable child care is a must. Simultaneously, supporting the child care profession ensures we are investing in women entrepreneurs, leaders and teachers.

Our Proposal

Our proposal attempts to balance multiple factors (1) federal guidance (2) recognition that these are one-time funds (3) the urgency to get stabilization funds liquidated (4) addressing provider needs (5) not overlapping CRRSA or CARES Act relief, and (6) acknowledgement that the child care landscape varies geographically and by provider type. We have specific recommendations for ARPA Stabilization Relief and broader recommendations for the supplemental funds.

ROCCE: Retaining Our Child Care Employment Plan – Missouri's Child Care Stabilization Plan

Overview: This plan contains two features (1) ensuring continuity and stability in child care opportunities for Missouri's families and (2) directing stipends toward child care staff. As best I'm aware and understand federal guidance, this plan appears to be in alignment with the goals and options Missouri can utilize.

- **Stabilization Grants For Child Care Providers:**
 - **Purpose:** provide two months of per-child relief to providers, ensuring they are able to remain open, offer benefits or paid leave, and retain staff. [CLASP's report](#) released during the pandemic indicated that \$50 billion was needed to support providers in full for 5 months. As we begin exiting the pandemic, it's time to ensure our providers are able to remain part of our state's infrastructure so parents can maintain employment or re-enter the workforce.



- **Logistics:**
 - Utilize a calculator to create a cost of quality care model for an average child per month (infant, toddler, school-ager, taking into account type of care (family, center))
 - Child care providers would calculate their enrollment numbers based on children enrolled as of February 2020 (pre-pandemic).
 - Businesses would be eligible for the cost of quality-of-care amount per child enrolled in their business as of February 2020 and get two-months of coverage
 - The grant application would include a check-box, asking provider what they intend to use funds for---including paying staff during lower enrollment times, offering benefits, raising pay, or paying additional overhead costs such as rent, facility/capital maintenance costs, (facility maintenance costs that were delayed due to loss of income during pandemic were not covered by most CARES dollars and to get loans or not to maintain risking their business and health/safety), sanitation supplies, etc.
 - Federal guidance explicitly states they “do not plan to request detailed information or documentation (e.gi, provider budgets or receipts) on how individual subgrant amounts were set.” Additionally, guidance states, “lead agencies may not require child care providers to incur expenses and submit receipts in order to receive stabilization funds.”
 - Assumes that Early Head Start, and Early Head Start/Child Care partnerships should be included

- **Cost Estimates**
 - Assumptions:
 - \$800 per month per child for quality care across-the-board across provider types and ages served.
 - Child Care Aware® of Missouri reported a total capacity of child care slots in open and operating programs across the state in mid-June 2021 of 165,869.
 - Additionally, the Missouri AfterSchool Network estimates approximately 38,500 additional children are in legally operating child care programs operating largely by school districts who are not captured by Child Care Aware of Missouri data.
 - If every slot was filled in various settings, the higher-end estimate of children in child care settings would be approximately $165,869 + 38,500 = 204,369$
 - $\$800 \times 204,369 = \$163,495,200$ per month cost
 - For Two Months, Total Cost of: **\$326,990,400**
 - Stabilization grants should be equitably offered to subsidy and non/subsidy providers
This estimate is based on June 2021 slots in open and operating programs.

- **Grants To Retain and Recruit For The Child Care Workforce: Stipends**
 - **Purpose:** In an increasingly difficult time to retain qualified staff---provide one-time funds for providers and their staff. The intention is to (1) show appreciation for staff who remained at work serving children and families throughout the pandemic and (2) serve as a recruitment tool. All staff (owners, teachers, janitors, support staff) would be eligible for the various levels to reward continuity.



- **Assumptions:**
 - Child Care Workforce of 20,000 per the [CSCEE Workforce Data](#)
 - Grant application for providers to attest they will pass funds along to their staff
 - There will need to be consideration given to the part- or full-time status of employees and their eligibility
 - Work to change policy/law to treat stipends as dis-regardable income to ensure stipends would not disrupt eligibility of public assistance programs
 - Assumes family child care providers are eligible for \$2,500 stipend
- **Logistics:**
 - Staff Retained Through Pandemic: \$2,500 stipend
 - Assuming 65% total staff retention (20,000 x 65% = 13,000 staff)
 - \$2,500 x 13,000 = \$32,500,000 Total Estimated Cost
 - Staff Hired During Pandemic: \$1,000 stipend
 - Assumes 20% of total staff eligible (20,000 x 20% = 4,000 staff)
 - \$1,000 x 4,000 = \$4,000,000 Total Estimated Cost
 - Stipends for Recruitment: \$500 stipend after 3 months on job
 - Dates of eligibility suggestion: Aug 1, 2021 – June 30, 2022
 - Assumes 20% of total staff eligible (20,000 x 20% = 4,000 staff)
 - \$500 x 4000 = \$2,000,000 Total Estimated Cost
 - This stipend could also be duplicated for another 3 months of service/retention

Total Cost Estimates:

\$326,990,400	Stabilization Grants
\$44,000,000	*Reserving 10% for supply-based activities
\$32,500,000	\$2,500 Retention Stipends
\$4,000,000	\$1,000 Retention Stipends
<u>\$2,000,000</u>	<u>\$500 Hiring Stipends</u>
\$444,140,749	Total Available
\$409,490,400	Total Stabilization Funds Requested
\$34,650,349	Undesignated Stabilization Funds

Additional Stabilization Fund and/or ARPA Supplemental CCDF Recommendations

As Missouri creates plans around the stabilization and supplemental funds (guidance not yet released), other ideas that have surfaced as needs from providers include the following ideas/concepts:

- Employee Assistance Programs
 - Create or support a back-end program for providers to utilize or share services related to health insurance, retirement investments, or life insurance options for their employees
 - This could include supplementing and/or providing one-time stipends/start-up investments for individuals



- Similar organizations fill this role in the K-12 space ([MUSIC](#)) ([PSRS/PEERS](#)) yet there is no such opportunity for the child care profession
- An aspect of this program could be working alongside DMH for mental health assistance as needed for program staff
- Support programs with new hire costs by funding on-boarding costs such as background checks and costs associated with trainings (CPR/First Aid)
- WAGE\$ Supplement Program
 - Education-based salary supplements to child care providers
 - Cost estimates in the \$3-10 million range annually
- Increase Provider Utilization of Subsidy by Offering 1-Time Stipends For Existing + Signing On to Program
 - [Rolling average of number](#) of providers taking subsidy continues to decline
 - As of April 2021: 1,785 providers total accept subsidy, lower than the rolling 12-month average of 1,953. Suggested Amounts below:
 - Registered: $\$1000 \times 395 = \$395,000$
 - License Exempt: $\$5,000 \times 180 = \$900,000$
 - Licensed Range: $\$7,500 \times 1,210 = \$9,075,000$
 - Based on an average grant of \$7,500 per licensed facility
 - Sign-on Stipend of up to \$5,000 (based on size of facility)
 - Assuming 400 sign-up = \$2,000,000
 - TOTAL COST ESTIMATE: ~\$12,370,000 based on these assumptions
 - *An alternative idea could be to provide an additional bump/amount if providers serve 25%, 50%, 75% of their children on subsidy program
 - **An added component could be providing the cellular data/access for providers without reliable internet as an added bonus to sign-on
- Grant Program to Improve Program Quality
 - Reimburse providers for expenses associated with moving along the quality continuum. For example, grants could be used to assist providers from moving from a registered or unlicensed to licensed provider, attaining accreditation, or a Pre-K partner with school districts
 - Examples of these types of costs may include (but not be limited to) additional pay for substitutes so that teachers can take CDA classes, facility improvements, additional classroom materials required, or direct or other indirect costs to move provider along the continuum of quality.
- Create a state child and dependent care tax credit for working families
 - Cost estimates from [SB 500](#) ranged from \$6 million per year (10% of federal tax credit) to \$19 million per year (30% of federal tax credit)
 - Please note that there were changes to the federal credit in 2021 and there are discussions at the federal level to continue these changes beyond the 2021 tax year.



- If an allowable use of CCDF supplemental funds, this could be time-limited to 2-3 fiscal years but provide direct tax relief to Missouri families
- Grant Program to off-set startup costs for 6 or fewer registered family child care program
 - Utilize Missouri Educare programs deploy grants that pay for startup costs for the provider and up to two other adults in the home that are 18 years of age or older
 - Examples of startup costs may include
 - TB test and Health Exam – approximately \$150.00
 - 18 year and older fingerprint -- \$42 per person x 3 in home= \$126.00
 - Family Registry -- \$15.25 per person x 3 in home = \$45.75
 - Safety Items -- \$150.00
 - CPR Training -- \$70.00
 - Total: \$541.75
- Targeted efforts to expand Head Start, Early Head Start, or Head Start/Child Care partnerships
 - The Head Start model of partnership between providers, families, and children is considered a best practice. We would recommend proactive conversations with MHSSCO and MHSA to support infrastructure and ways to expand Head Start’s reach across the state.
- Provide support for child and provider mental health by expanding mental health supports through a statewide pilot of Infant/Early Childhood Mental Health Consultants. Brainstorm with stakeholders a way to invest in a pipeline and avenue to continue mental health consultation after relief funds are expended.
- Dedicate resources to continuing implementation work of PDG II to strengthen the ECE Workforce.
 - Activities could include:
 - Funding apprenticeship pilot programs
 - Funding high school program start-up costs to implement CDA opportunities
 - Implementing the SMART goals in the PDG II July 2021 Scope of Work or other activities

Conclusion

Between previously allocated traditional funds, CARES Act, and CRRSA spend plans, Missouri is primed and ready to act boldly using ARPA’s more than \$440 million in stabilization, \$277 million in supplemental funds, and \$9.6 million in increased on-going allotments. We encourage state leaders to support our child care providers by creating a plan that is outside-the-box, responsive to the needs on the ground, family centered, and recognizes the critical role child care providers play in supporting our broader workforce. Kids Win Missouri stands ready to walk alongside the state in a trusting, innovative, collaborative partnership to better serve our children, families, and strengthen our providers. Without child care, there is a very limited workforce for our state.

We look forward to learning of the ARPA child care priorities of Governor Parson and the Department of Elementary and Secondary Education to craft a best-in-class plan to ensure our children have safe and healthy environments to learn and grow to be school-ready.

