Navigating the Post-Pandemic Landscape: Insights from Child Care Administrators

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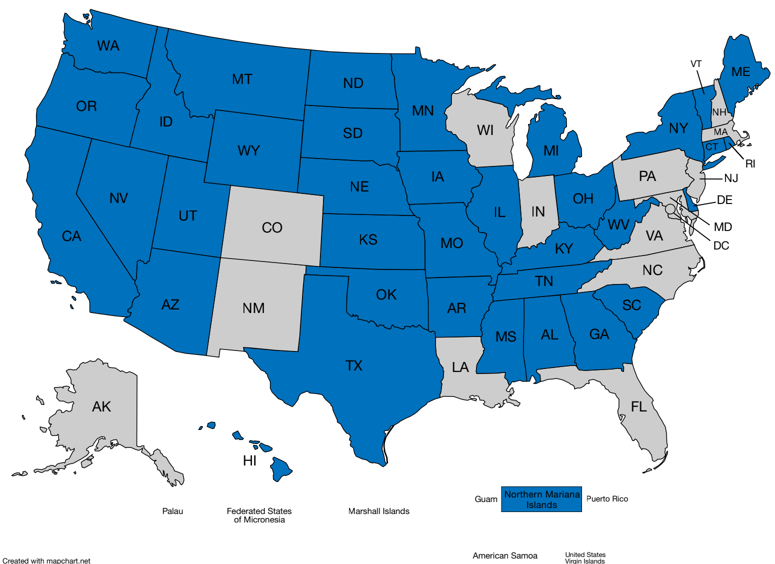
In a survey conducted by the American Public Human Services Association (APHSA) in late 2023, child care administrators were asked to reflect on the sunsetting of pandemic-era funding on their child care subsidy systems. Additionally, the survey sought to understand whether state child care leaders in departments (Lead Agencies) that administrate the Child Care and Development Fund (CCDF) believed that the sunsetting of these funds would force them to pullback on key subsidy policies, which could result in reduced affordability, access, quality, or operational supports of providers. Furthermore, the survey explored how the sunsetting of COVID-19 supplemental funds will manifest in state administrative decisions.



The survey findings represent participation from Lead Agencies in 36 states and one territory, ensuring a broad range of perspectives. The survey questions were based on information provided by the Office of Child Care (OCC) about available funds and permissible uses, and reports on fund utilization. While each state and territory exhibited unique circumstances, overarching themes emerged in how Lead Agencies opted to allocate their funds and their concerns for the future.

The child care response to COVID-19

The COVID-19 pandemic illuminated a longstanding truth that child care is indispensable for a thriving U.S. economy. Yet, even before the onset of the pandemic, it was evident that the child care sector operated within an unsustainable market framework. The system has been chronically underfunded, relying on a flawed market model that fails to account for the true costs of providing high-quality care. Child care providers, who are typically required to meet professional education and training standards, often struggle to make ends meet due to low pay while parents find child care unaffordable, if even available. The pandemic exacerbated these issues dramatically.

During the early days of the pandemic, stay-at-home orders in 45 states, including DC, led to a staggering 63% closure rate for center-based programs and a 27% closure rate for in-home child care programs in the spring of 2020.[i] This sudden halt in operations left essential workers without the vital child care support they depended on, while providers faced financial ruin due to steep revenue losses. Consequently, between

January and April 2020, child care employment plummeted by 33%, reflecting the sector's vulnerability to economic shocks and the urgent need for systemic reform to ensure sustainability and resilience.[ii]

In response to this crisis, Congress swiftly enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March of 2020, followed by subsequent funding initiatives including the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act in December of 2020 and the American Rescue Plan (ARP) Act in 2021. The influx of these funds provided temporary stability to the child care sector, allowing families access to safe, affordable, and high-quality child care so they could continue working. The decisive, bipartisan actions of Congress, followed by the rapid deployment of newly infused dollars into the child care market by state agencies that administer child care subsidy funding (Lead Agencies), was a tremendous success for both the economy and for working families.

Are Lead Agencies likely to experience underfunding of the overall needs in the child care subsidy system?

As relief funds now wind down, Lead Agencies face complex funding allocation decisions. Over the last year, media coverage has heightened public awareness of the looming "child care cliff," claiming the discontinuation of pandemic funds threatens to greatly reduce child care capacity across the nation.[iii] The perspectives shared by Lead Agency Administrators shows a more nuanced situation that is resulting in gradually escalating trade-offs in how best to use insufficient resources to meet the overwhelming need for safe, accessible, and high-quality child care.

An example of how policy and capacity interact was evident in April of 2023, when letters were sent to Lead Agencies that were considered out of compliance with the equal access provision of the Child Care and Development Block Grant (CCDBG).[iv] This rule aims to ensure that people who are using child care assistance have equitable access to child care and that Lead Agencies reimbursement rates more closely align with private pay rates. To meet that goal, CCDBG requires that Lead Agencies set payment rates for providers at a minimum of 50th percentile of the market rate. Consequently, Lead Agencies and state legislatures prioritized funding for provider payments rates sometimes at the cost of serving additional families.

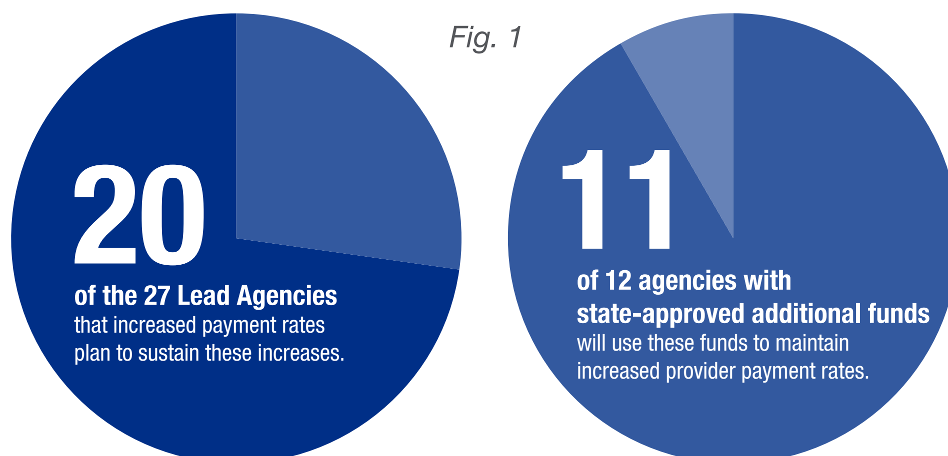


Fig. 1

Among the 27 Lead Agencies that increased payment rates, 20 plan to sustain these increases. Notably, out of the 12 agencies where the state legislature approved additional funds to mitigate the impact of decreased federal funds, 11 will use these funds to maintain increased provider payment rates.

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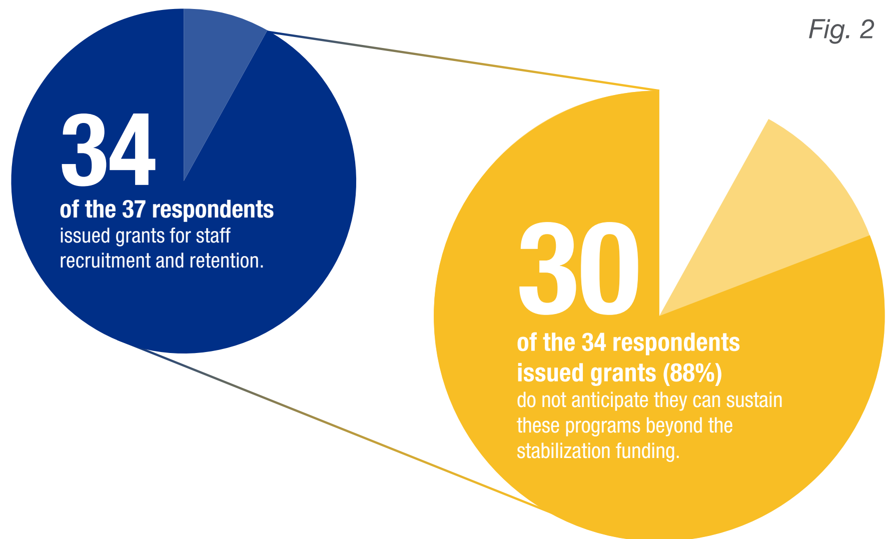

Of the 37 respondents, 34 issued grants for staff recruitment and retention, but 30 of them, or 88%, do not anticipate they can sustain these programs beyond the stabilization funding (see Figure 2). Funds were distributed as grants, bonuses, or time-limited wage increases either through child care programs or directly to providers. These supplemental funds allowed lead agencies to stabilize the workforce primarily through improved pay and benefits. As of February 2024, ongoing ARPA funding has stabilized the workforce, surpassing pre-pandemic employment levels in child care.[v] However, the implications of the end of direct payments for recruitment and retention remain unclear, as some states have programs in place but may be decreasing them, with ARPA funds set to expire on September 30, 2024.

Will the end of pandemic-era child care relief funds force states to pull back on investments in affordability, access, quality, or operating support of providers?

Pandemic-era funds were used to address immediate needs such as procurement of masks and cleaning supplies or covering operational expenses like rent/mortgage payments. Beyond financial support for operating expenses, Lead Agencies had flexibility to use funds to boost payment rates for providers, reduce family copayments, increase eligibility levels, and provide grants to retain and recruit staff. Our focus lay on understanding how these funds bolstered the child care sector through programmatic decisions that impact workforce sustainability, accessibility, capacity, and affordability for families.

WORKFORCE

The child care workforce has long grappled with low wages,[vi,vii] poor benefits,[viii] and high turnover.[ix] One aim of federal funding for child care was to stabilize the workforce by implementing compensation strategies aimed to recruit and retain providers. Various strategies were employed, such as Kentucky's tiered approach, ensuring providers earned at least $10-13 hourly.[x] For comparison, the average elementary school teacher in Kentucky earns $55,650 annually, equivalent to an hourly wage of $27.83.[xi] Many states offered one-time or short-term recurring wage supplementation to incentivize continued employment.[xii]

The combination of our survey results and what administrators are sharing highlight the growing challenge of attracting and retaining a skilled workforce in child care, worsened by the depletion of supplemental

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funds that were initially used to stabilize employment through salary and benefit increases. Consequently, many providers face a dilemma: either raising tuition fees to sustain salaries or losing staff to better-paying positions. This financial strain has resulted in program closures and reduced operational capacity, stemming from the difficulty in recruiting staff willing to accept low wages amidst a national effort to increase qualification requirements. As the overall workforce becomes less experienced through turnover and attrition, some states are reporting a surge in licensing violations and child welfare concerns.

In the first quarter of 2020 more than 30% of people working in child care left their jobs. Although the sector has returned to pre-pandemic levels, we continue to see regular turnover.[xiii] The loss of so many employees in the child care sector has caused a reverberation in other areas. As we discussed the data, Child Care Administrators shared that there has been a notable decline in the experience and qualifications of those working directly with children compared to pre-2020 levels. Consequently, experienced providers now face increased responsibilities, both in caring for the children and in training new employees entering the profession. This added burden contributes to feelings of burnout among staff, prompting some to seek alternative employment that offers a living wage either with school districts or in entirely different professions.

In discussing the survey data, administrators shared that the workforce shortage has created difficulties in filling other crucial positions that support the sector, such as licensing inspectors. Understaffed child care licensing departments struggle to regulate basic health and safety standards, exacerbating already existing challenges.

Moreover, increased burden on experienced professionals coincides with families facing heightened stress due to rising prices for essentials like housing and food. Administrators report a concerning rise in challenging childhood behaviors, likely stemming from a combination of factors including children born during the COVID-19 pandemic experiencing limited social opportunities, increased family stressors, and providers grappling with reduced support for their work. These challenges are contributing to heightened concerns regarding child well-being and provider mental health.

MENTAL HEALTH SUPPORTS

A study analyzing data from 2019, 2021, and 2022 revealed concerning trends in the mental health of child care workers. The percentage of providers at risk for depression surged from 8.4% in 2019 to 28.2% in 2021, with a slight decrease to 27% in 2022. Notably, Hispanic providers faced the highest risk at 33.1%, followed by those of "other race/ethnicity" at 24%.[xiv] Another report tracking provider's emotional well-being from 2021 to 2023 found that about 50% of child care providers experience moderate to high levels of anxiety or depression. Additionally, providers who are experiencing anxiety and depression are more likely to have difficulty paying for necessities like food and housing even when working multiple jobs.[xv] This escalating mental health challenge among child care workers is compounded by the increasing behavioral and mental health issues observed in children under their care. Addressing these challenges is crucial, as how caregivers respond to and support children with higher needs can significantly impact their later school and life experiences.[xvi] It is imperative to prioritize education, training, and support systems for childcare providers to effectively manage these complex issues and ensure the well-being of both providers and the children in their care.[xvii]

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Caring for someone else's child is intimate work that requires emotional labor. The pandemic was a time of upheaval for many families, with some of the greatest impact being felt by families who were already experiencing low income, unemployment, or unstable housing. A child care provider can be a source of strength and resiliency for families. Child care providers were struggling at this time as well, with unpredictable employment due to program closures for COVID-19 or their own health, family, and housing concerns. During the pandemic, 23 states used federal funds to increase access to mental health support for providers, and only seven Lead Agencies report they can maintain these programs at the same level. Further explanation by administrators notes that this is due, in part, to the ongoing difficulty of finding mental health providers to work with program staff, especially in rural areas.

23 states used federal funds to increase access to mental health support for providers...

...but only 7 Lead Agencies report they can still maintain these programs at the same level.

FAMILY COSTS

As the child care landscape continues to evolve in the wake of the pandemic, shaped in large part by the lack of available workforce, we are seeing a decrease in affordability of child care services. Pandemic relief funding provided temporary respite for families, allowing many Lead Agencies to reduce child care costs, waive co-payments, and expand eligibility criteria to serve more families. However, sustainably reducing costs for families poses a significant challenge as agencies grapple with the realities of post-pandemic financial constraints.

22 Lead Agencies increased CCDF eligibility levels to serve more families...

...but only 10 will maintain the increased access to CCDF.

At the time of the survey, of the 21 respondents who used stabilization funds to lower family costs, only nine expected to have funding to maintain those changes. More specifically, 32 respondents waived or reduced family co-payments but only seven will have funds to maintain reduced family fees. During the pandemic, many families experienced unpredictable employment challenges and stay-at-home orders which led to reduced need for child care and enrollment numbers went down overall.[xviii] In response 22 Lead Agencies increased eligibility levels to serve more families but only 10 will maintain the increased access to CCDF.

Administrators reported increased program costs due to inflation, higher prices for consumables, and attempts to retain staff through higher wages. According to a survey of over 10,000 child care providers and families, 29% of families reported their child care tuition had increased in the last month with an additional 13% expecting tuition increases in the coming month.[xix]

IMPLICATIONS OF THE 2024 CHILD CARE AND DEVELOPMENT FUND FINAL RULE

Since the survey came out, the 2024 CCDF Final Rule: Improving Child Care Access, Affordability, and Stability in the Child Care and Development Fund (Final Rule) was released by the Office of Child Care. The Final Rule includes provisions that will require Lead Agencies to implement some of the elements we observed in our survey. This includes improving provider pay practices, lowering costs for families, and increasing access for priority populations.

The Final Rule hopes to contribute to stabilizing the child care workforce by requiring that providers are paid prospectively and based on enrollment, not attendance, to align better with private pay child care. Our survey–completed prior to publication of the final rule–found that 18 of the 28 (64%) Lead Agencies that used supplemental funds to pay based on enrollment have allocated funds to continue. Only five agencies reported using funds to pay providers prospectively and four planned to maintain this practice.

28 Lead Agencies used supplemental funds to pay providers based on enrollment rather than attendance...

...but only 18 have allocated funds to continue this practice.

Waived or reduced copayments were a successful approach to supporting families through the economic instability of the pandemic. The final rule codifies that family copayments are no more than 7% of family income and requires that lower family copayments do not impact providers payment rates. As a tool to increase access for priority populations, the final rule requires Lead Agencies to use grants and contracts to build capacity for infants and toddlers, families experiencing homelessness, and children with disabilities. Of the 30 Lead Agencies reporting use of funds for grants and contracts for priority populations, only 11 planned to maintain those programs even at a reduced level.

One Lead Agency is expected to serve **5200 fewer children per month.**

The Final Rule places additional pressure on Lead Agencies to allocate funds effectively. The FY24 budget saw a modest increase to overall CCDBG funding but limited prospects for additional federal investment akin to pandemic levels. Currently, Lead Agencies are actively assessing the fiscal impacts of this policy, with administrators expressing worries that the priority focus on investing in affordability for families and support for providers could result in fewer children served overall. As one of the administrators shared in the survey, "our state will need to implement a waiting list…that is expected to result in an average of 5,200 fewer children being served per month."

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Conclusion

Throughout discussions of the survey results, child care administrators consistently voiced concerns about the lack of long-term, sustained funding, which forces increasingly difficult decisions about what to fund and what to cut. Reducing family costs and boosts to provider are positive and necessary changes to child care subsidies but will result in serving fewer families due to fiscal constraints. Our survey revealed that 11 administrators were concerned about new or increased wait lists prior to the Final Rule, which requires increased funding per child that may decrease the total number of children a Lead Agency can serve.

Additionally, 14 respondents reported increased program closures. During conversations, administrators shared that state level data doesn't adequately capture the losses as evidenced by empty classrooms and reduced enrollment due to staffing shortages. Further, administrators explained that federally subsidized child care is a small percentage of the overall child care market. Policy levers intended to stabilize the workforce and build supply can only go so far when funding is adequate to serve only a small percentage of eligible families.

At the heart of this discussion is the question of whether child care should be considered a public good. Public schools are an excellent example of the national community coming together to provide education to every child based on the premise an educated populace benefits us all. Early childhood education also has benefits beyond the children and families who access the child care subsidy. In fact, studies have found that long-term benefits of high quality, birth-to-five early childhood programs have a 13% return on investment.[xx] Working families rely on access to a high quality, free public education in part so they can work. When families have access to high-quality, affordable child care, the same applies. Women experience the most gains in employment, increasing as much as 10 percentage points with even larger increases among families with low income.[xxi]

In response to crippling staffing shortages, some legislatures are attempting to decrease regulation by increasing group sizes or lowering minimum staff qualifications. In other states, legislatures are recognizing that access to high quality, affordable child care is necessary for a thriving economy with investment in early childhood education systems. Family economic security and access to quality child care is reliant on state level policy decisions which means that opportunity for families can vary greatly from state to state.[xxii]

Most importantly, federal funding throughout the pandemic worked as intended. The child care sector was temporarily stabilized with the result that providers were able to earn a living wage and families could afford care enabling them to work. The impacts of the end of COVID-19 era supplemental funds are still unclear. However, early insights from Lead Agencies are a cause for concern that structural shortcomings in the child care subsidy program and sector at large will gradually worsen absent further action. One administrator

summed up how reduced access to child care, "will negatively impact (our state's) economy due to direct productivity losses and foregone revenue as parents have to take time off work or leave the workforce altogether to care for their children; to the health, safety and well-being of (our state's) children and families; and, to further depleting the child care industry and its network of small businesses and family home child care providers."

The challenges ahead, particularly regarding funding stability and equitable access, are complex and multifaceted. The stark reality of potential for wait lists, program closures, and staffing shortages underscores the urgent need for federal investment in a comprehensive approach to addressing these issues.

For more information, please contact Emily Adams, Policy Associate for Child Care and Early Childhood Programs at APHSA.

ENDNOTES

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