

CHILD CARE PROVIDERS WORRY ABOUT ARPA FUNDS ENDING

In spring 2021, the federal government appropriated \$39 billion to help stabilize child care in the U.S. during the pandemic. Much of these funds from the American Rescue Plan Act (ARPA) went to both home- and center-based providers in the form of stabilization grants and supported the child care system during a time when the pandemic created staffing challenges and was pressuring many providers to close their doors or leave their positions. Even with these funds in place, the field has continued to feel pressure from uneven enrollment, additional costs associated with health and safety, and impacts to provider health and well-being, which has led to thousands of programs closing and a deepening child care crisis.

RAPID has reported previously on the experiences of the early care and education workforce with low pay and material hardship, staffing challenges, rising costs, and employee burnout. Over the past two years, we've also asked child care providers about the stabilization grants and other funding from ARPA. This fact sheet summarizes what providers have shared about the impact of these relief funds.



designbysoapbox.com

The financial supports from ARPA were critical to buffering the effects of the pandemic on child care programs. These funds and policies did not address deep inequities and challenges in the child care sector that pre-dated the pandemic.

When this funding ends in September 2023, we expect to see major impacts to the sector that continues to grapple with underlying instability and a dramatic drop in public funding.

A MAJORITY OF PROVIDERS RECEIVED ARPA FUNDS AND USED THEM FOR PAYROLL

Overall, 68% of providers surveyed told RAPID they received ARPA child care relief funds. The majority of providers, (67%) said they used the funds for payroll, both to pay current employees and to raise their wages. Sixty-four percent of providers said they used the funds for supplies,

and about 43% said the funds went to site improvements. About 42% of participants said the funds were used for program enrichment, and 42% said they used them to pay utilities and/or mortgage payments. Providers were least likely to use the funds to enroll more children or hire more staff.

NEARLY ONE IN FOUR CHILD CARE PROGRAMS WOULD NOT HAVE SURVIVED WITHOUT GRANTS

RAPID also asked providers about how federal child care relief funds impacted their programs, and what they expect to experience when the funds are no longer available after September 30, 2023.

About one in four child care providers (24%) said they would not have been

able to keep their programs running without the ARPA child care relief dollars.

Overall, 81% of providers reported that their program will be impacted when the grants end and the funds are fully used.

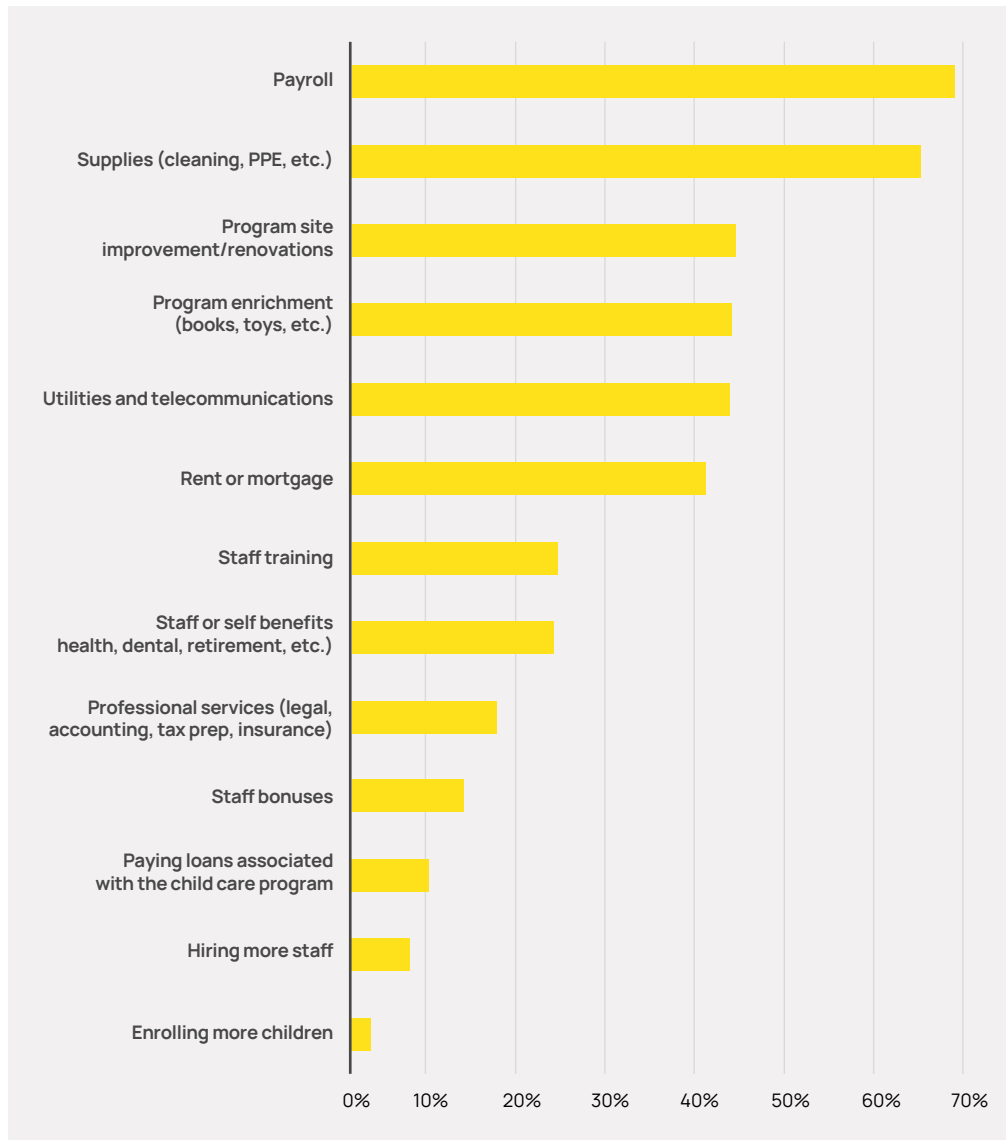
“I am continuing to get about \$1,800 a month through Wisconsin’s program, Child Care Counts. I have not raised tuition as I use that funding instead. It was 25% of my revenue last year and I will be raising my rates by 25% to make that up: \$50 per child per week. Parents may find that unaffordable and will no longer enroll children, so I will either be forced to increase more and go out of business when I have no children or have to take a pay cut.”

A home-based provider in Wisconsin

“We have used these funds to reward staff for working their hearts out during the pandemic. We also used the funds to pay for bills – lights, mortgage, heat/air, etc. This helped us to be able to only increase tuition by \$5 per week. I feel like the parents were happy regarding that increase. Now, I cannot guarantee tuition won’t have to go up again.”

A center-based provider in Tennessee

How the funds were used, all participants



“It has been a lifesaver to be able to pay staff when they had to be out for COVID. We were able to give higher salary increases to compete with other industries (local McDonald’s paying \$20 an hour) and we were able to add an administrator to the office to help manage all the new protocols and increasing enrollment. I am afraid that when the money goes away the early childhood staff will go away, and we will be in a big staffing crisis.”

A center-based provider in Illinois

“I receive approximately \$1,100 per month in grant funds. I use the grant to pay the majority of my mortgage. There is no way that I can raise my private-pay tuition rates enough to make up for this amount (it would cost my clients an extra \$194 per month to cover the grant money amount) if/ when the grant money stops. I will at that point have no choice but to find a different job and close my doors.”

A home-based provider in Massachusetts

IN THEIR OWN WORDS : WHAT PROVIDERS SAY ABOUT THE IMPACTS OF THE ARPA RELIEF FUNDS

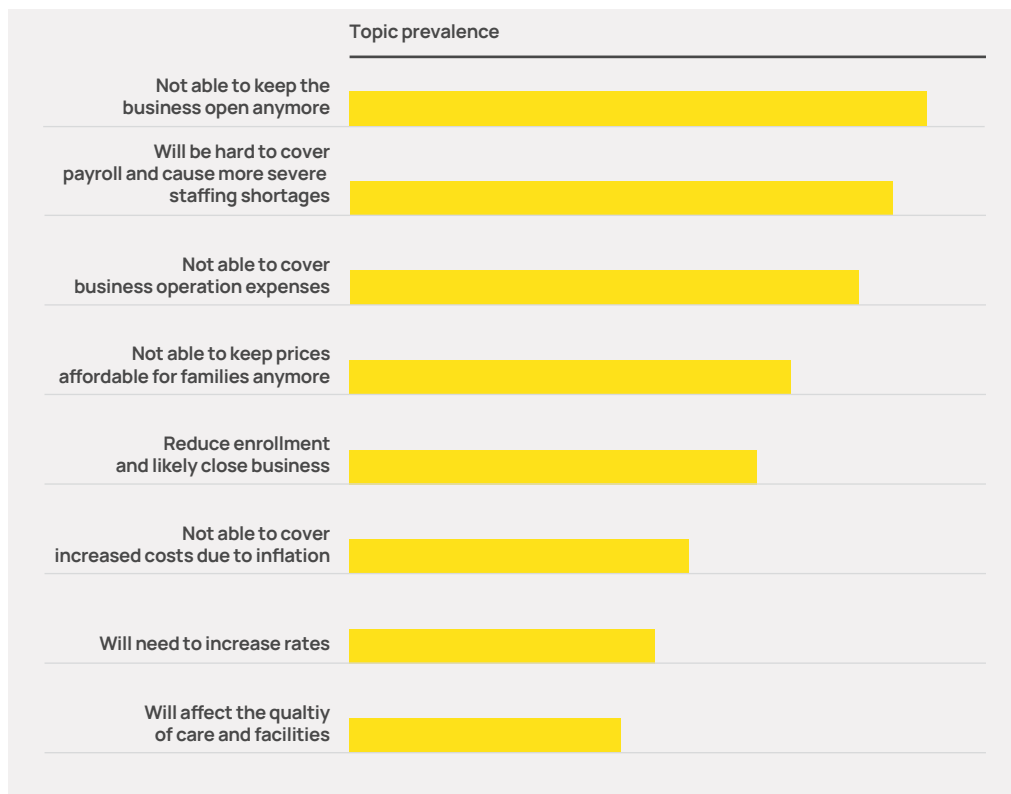
To understand what providers expect the impacts to their program may be when the funds are no longer available, we analyzed responses to RAPID’s open-ended questions on this topic. Using Structural Topical Modeling, an innovative analytical approach, we identified the most commonly occurring themes in provider’s open-ended responses.

The most common theme in providers’ responses was concern that they would not be able to keep their business open.

Providers expressed concerns about meeting payroll and that the loss of funding could intensify severe staffing shortages. Additionally, providers frequently shared two related topics: one, that they won’t be able to cover routine business operation expenses and, two, concern that the increased financial burden on providers would lead to increased costs for families. Overall, the qualitative data underscores that ARPA funds have been very important to keeping child care programs running at a time of ongoing staff challenges and disruption, as well as increasing costs for families.

“Parents are desperate for child care... Quality child care will cease to exist for “average” income families when funds are used up and no longer available. For me, I will struggle along as I have to, stressed and anxious and doing my best to offer high-quality care.”
A home-based provider in Pennsylvania

Most common concerns when funds end, all participants



“The funds are helping right now keep the basic needs up. I wish they made some of these grant funds available without the difficult applications since most of us in home programs don’t have business models and such. Once the funding runs out, I won’t have funds to fix and maintain my play equipment and teaching supplies. When it’s gone, so is the hope to fix up my center’s play area for the kids.”
A home-based provider in California

SWIFT AND IMMEDIATE ACTION IS NEEDED

**Commentary by Natalie Renew,
Executive Director of Home Grown,
a national collaborative committed
to improving quality and access
to home-based child care.**

Child care is a critical community resource that supports child development and learning, enables parents to work and go to school, and employs a diverse workforce of talented educators and caregivers. The pandemic laid bare how reliant our families, communities, and economy are on the American child care system. However, this system has never been adequately resourced, and decades of disinvestment have resulted in a tenuous sector that pandemic closures, evolving demand, and staffing shortages have pushed to the edge. Over the past three years, 16,000 licensed child care programs have closed and

thousands of workers (mostly mothers) have left and not returned to the workforce. The \$39 billion in funding from the American Rescue Plan Act provided a lifeline to keep providers afloat. With the end of funding near, teachers, directors and other providers are worried about not only their livelihoods, but about whether they can continue serving the children and families who need them.

Swift and immediate action is needed. Congress should reauthorize or extend the child care stabilization program initiated by the American Rescue Plan and direct states to continue to make grants and staff retention bonuses to both center and home-based child care providers. Governors and state legislatures should allocate additional funding along with reforms to stabilize and rebuild the crumbling child care sector.

“The government funds have made it possible to keep my daycare rates for my families affordable. I will have to increase my rates significantly when the funding ends. Inflation is putting small daycare homes like mine out of business.”

A home-based provider from Kansas

“[With the grants] staff received bonuses which really helped them with living expenses, and we gave raises to all staff. Some of the equipment that has worn out over the years has been replaced and we offered some payment relief to parents who are struggling”

A center-based provider from Florida

ABOUT THE RAPID PROJECT

RAPID is under the direction of Philip Fisher, PhD, Director of the Center on Early Childhood at Stanford University

Data presented in this fact sheet are based on RAPID national provider surveys. Analyses are based on responses collected from 1,057 child care providers between October 2021 and March 2023. These providers represent a range of voices: 11% are Black/African American, 10% are Latinx, and 28% live at or below 200% of the federal poverty level. This sample includes 30% center directors, 28% center teachers, 7% family/friends/neighbor providers, 33% home-based providers, and 2% babysitters/nannies. Proportions/percentages are calculated based on the item-level response rates, not on the total sample. The data for these analyses are not weighted.

These surveys are designed to gather essential information continuously regarding the needs, health-promoting behaviors, and well-being of children and their families and important adults in their lives.

RAPID collects data monthly from caregivers and child care providers in all 50 states. The surveys are national in scope, though not technically nationally representative. RAPID collects snapshots of data across time and can also assess trends longitudinally.

For more information about RAPID study design and methods, see [here](#).

3,200+

Providers

16,300+

Households

50

US States

