The American Rescue Plan

EXPLAINED

Early Care & Education

What We Won

Thanks to a national movement of parents, educators and child care providers, led by Childcare Changemakers and our allied partners, we won $40 Billion for child care and an expansion of the Child and Dependent Care Tax Credit, including:

$1 Billion for Head Start which promotes school readiness for children under 5, available through September 2022 directly to Head Start agencies. Agencies receive a pro share of available funds;

$15 Billion to the Child Care Development Block Grant (CCDBG), which provides subsidies to assist low-income families. States have the flexibility to use these funds for purposes under the block grant, as well as to help essential workers pay for child care, regardless of their income.

$24 Billion for Child Care Stabilization Grants to help the child care sector survive the COVID pandemic.

How funds can be used

The Department of Health & Human Services (HHS) will put out guidance around the use of stabilization funds, but here’s what we know now:

- At least 90% of the funding must be used to make grants to qualified child care providers. The application must be on the lead agency’s website and applications must be processed on a rolling basis.

  We need to make sure that all providers are aware of the grants and have the help they need to apply.

- Providers who were not already receiving CCDBG assistance can apply and receive grants. Providers that are open and those closed for financial or health reasons are eligible.
How funds can be used (cont'd)

- Provider grants must be based on their current operating expenses, including COVID-related costs. The provider must remain in business through the grant term.

Cost-based grants are a huge win and we can use this as a stepping stone to subsidy reimbursement based on cost modeling!

- As part of the application for funding, providers must certify that...
  - They will comply with health and safety policies, including CDC guidance
  - They will pay full compensation (including benefits) to workers; and
  - To the extent possible, forego copayments and tuition payments from families, prioritizing those who are struggling.

This is another big win and an opportunity to show the impact of eliminating parent copayments! Also... note that stimulus payments may NOT be counted by states as income for calculating families' copayments

- Providers can use grant funds for...
  - Personnel costs, including premium pay;
  - Their rent or mortgage, utilities, or other facility costs;
  - PPE, cleaning supplies, and health and safety training;
  - Other equipment or supplies needed to cope with COVID;
  - Goods or services to maintain or resume care; and
  - Mental health supports for children and employees.

IMPORTANT: Many providers never got help from previous rounds of relief, and we need to make sure that states prioritize them for relief NOW.

- States may use up to 10% for administration and technical assistance to help providers apply for funds.

Restrictions

States may not use the funds to supplant other child care funding.

How the Funds Flow

To the state’s lead agency, based on the CCDBG funding formula. You can find your state’s share here. The lead agency must notify HHS if it cannot obligate at least half of its subgrant funding within 9 months of March 12th, 2021.
Timing

Funding is available through September 30, 2021. States, tribes and territories must obligate it within FY2021-FY2023.

The American Rescue Plan also expands child care tax credits for FY2021 through the Child and Dependent Care Tax Credit for families with annual incomes up to $125,000 to cover up to half the costs of care for children under 13, capped at $4000 for one child and $8000 for two or more children, and making it refundable.

All families up to $400,000 will be eligible for a partial credit equal to at least the benefits they currently receive.

💡 The fastest way to get funds is to file electronically; you can help people find free VITA tax preparation sites in their communities. It is also quicker and safer to use direct deposit – people can use a bank account, prepaid debit card or mobile app for direct deposit.

###