

# Child Care & COVID-19 Economic Relief

## Federal Legislation Assisting Children, Families, and Child Care Providers

**In addition to the proven benefits to a child's learning and healthy development, quality child care is an essential pillar of America's labor market and economy, allowing millions of parents to go to work or attend school each day. Under normal circumstances, child care providers operate on razor-thin margins. The nationwide Coronavirus crisis has hit the child care industry especially hard, causing widespread layoffs as a result of catastrophic drops in enrollment and mandatory closures. Extended closures during this time could put a substantial percentage of them out of business permanently, exacerbating the existing realities of child care deserts. The devastating impact of these closures on families and the ripple effect for the economy cannot be overstated. At the same time, many child care facilities are being asked to remain open, operating on only a fraction of their income, in order to provide care in this time of incredible need and uncertainty.**

As part of the relief provided to America's families, small businesses, and major industries as they struggle with the effects of the COVID-19 crisis, federal stimulus efforts thus far have recognized the unique position of child care and has included assistance to young children, their families, and the child care providers who care for them.

### ● PHASE I

[The Coronavirus Preparedness and Response Supplemental Appropriations Act](#) included \$20 million in additional Small Business Administration (SBA) Disaster Loans and provided immediate funding for the domestic and global response to COVID-19.

### ● PHASE II

[The Families First Coronavirus Response Act](#) requires employers with fewer than 500 employees to provide paid sick and family leave. In return, employers and self-employed individuals are eligible for a refundable tax credit to offset the costs of such leave. The Act also expanded unemployment benefits and food assistance, including increased funding for the Special Supplemental Nutrition Program for Women, Infants, and Children program and greater flexibility for distributing food under the Child and Adult Care Food Program.

### ◆ PHASE III

[The Coronavirus Aid, Relief, and Economic Security \(CARES\) Act](#) is a \$2.2 trillion economic stimulus bill that passed with near unanimous, bipartisan support in the House and Senate and was signed into law on March 27, 2020. Most recently, Phase 3.5, the Paycheck Protection Program and Health Care Enhancement Act, amended small business programs enacted in the CARES Act and provided additional funding for small business loans, among other provisions.



## The Coronavirus Aid, Relief, and Economic Security (CARES) Act

### ■ SUPPORTS FOR EXISTING EARLY LEARNING AND CARE PROGRAMS

The CARES Act includes a significant infusion of funding into existing federal programs that support the care and education of young children, as well as their families, including \$3.5 billion for the Child Care and Development Block Grant (CCDBG) Program. These funds can be used to ensure providers that serve children who receive child care subsidies can continue to operate or reopen; to provide child care assistance to essential workers during the COVID-19 response regardless of income; and to support eligible child care providers, even those not receiving CCDBG assistance prior to the pandemic, with cleaning, sanitation, and other activities necessary to maintain or resume program operation<sup>1</sup>. The bill also includes \$750 million for Head Start programs to respond to the needs of children and families, as well as possible supports through public housing programs and funding for K-12 education and higher education. Further, the bill extends the \$16.5 billion Temporary Assistance for Needy Families (TANF) program through November 30, 2020, and the Healthy Start Program, which supports maternal and infant health, during the COVID-19 crisis. TANF, which had been extended to May 22, 2020, gives states considerable discretion in how to best leverage the federal funding they receive to serve families, including those impacted by the pandemic.



### ■ SUPPORTS FOR SMALL AND MIDSIZE BUSINESSES

Recognizing the vital economic role of small business in America, the CARES Act includes an array of supports, including for child care providers, to meet payroll, benefits, mortgage, and other expenses. The bill also expands eligibility to 501(c)(3) and faith-based nonprofit businesses and those who are self-employed or independent contractors, such that providers who previously have been unable to access Small Business Administration (SBA) assistance may now be eligible. Importantly, many of the loans available through these new programs have the potential to be largely forgiven, effectively turning them into grants. Given that child care providers often operate on such small margins, loan forgiveness is critical for their longevity.

The largest of these loan programs, the **Paycheck Protection Program (PPP)**, aims to help small businesses retain their existing workforce by providing loans to cover payroll, mortgage interest, rent, and utility expenses for 8 weeks. Businesses are eligible for 100% federally guaranteed loans that cover 2.5 times the monthly average of their payroll, up to \$10 million. PPP does not require a personal

1 The Administration for Children and Families also issued [guidance](#) on flexibility of existing funds.



guarantee or collateral; providers only need to certify the loan is necessary because of the uncertain economic climate, and funds will be used for the intended purposes. Loan payments will be deferred for 6 months and can be forgiven if businesses maintain their payrolls (by retaining all employees at level wages) during the crisis or restore them afterward. Additionally, providers with fewer than 500 employees, sole proprietors, and nonprofits are eligible for **Emergency Economic Injury Disaster Loan (EIDL) grants** to cover operating costs, including paid sick leave, payroll, and rent or mortgage payments. To meet their most urgent obligations, businesses can request a forgivable \$10,000 advance to be issued within 3 days of applying, and similar to other CARES provisions, the bill waives certain guarantees for small loans. Businesses may also receive a larger loan through the Emergency EIDL program.



The CARES Act also funds two entrepreneurial technical assistance programs: entrepreneurial development and the Minority Business Development Agency. The **entrepreneurial development program** provides grants to SBA resource partners such as Small Business Development Centers and the Women's Business Center and waives the non-federal match. The **Minority Business Development Agency program** makes funds available for the Minority Business Development Agency to provide services through Minority Business Centers and Minority Chambers of Commerce and waives the non-federal match for three months. Centers can waive fee-for-service requirements through September 2021. Further, the bill increases from \$350,000 to \$1 million the maximum SBA Express Loans, which provide borrowers with credit for working capital purposes, and allows SBA to pay all principal, interest, and fees on existing SBA loan products (including 7(a), Community Advantage, 504, and Microloan programs), for six months.



Aside from these small-business provisions, the CARES Act includes financial support for midsize businesses (500-10,000 employees), including nonprofits, that have not otherwise received adequate economic relief, which may include larger child care providers. Among other requirements, funds must be used to retain at least 90% of the recipient's workforce. While these loans are not forgivable, interest rates are capped at 2%, and no principal or interest would be due for at least 6 months. Additionally, the bill includes various tax provisions aimed at providing relief to businesses.

### ● SUPPORTS FOR INDIVIDUALS

The CARES Act includes direct supports to individuals. Under the law, individuals under a certain income threshold will receive an immediate tax rebate of \$1,200 and \$500 for every child. Further, the bill expands access to unemployment benefits, including for self-employed individuals and others not traditionally eligible for benefits, and funds additional and extended benefits, including "short-time compensation" programs in which employees' hours are reduced to avoid layoffs and they receive a prorated unemployment benefit. The bill also includes provisions to clarify paid leave requirements established by the Families First Coronavirus Response Act, allow laid off employees to have access to paid leave if they're later rehired, and provide an advance tax credit to employers to cover the cost of offering paid leave.



Finally, to relieve individuals' financial obligations, the bill suspends student loan payments, allows employers to offer employees a tax-free student loan repayment benefit, and includes rent and mortgage assistance. These supports will provide more financial stability to children and families during a time of tremendous economic uncertainty.

As federal agencies begin to implement the law and Congress considers additional steps to ensure America's economic recovery, policymakers must continue to provide significant and flexible emergency funding to help children, families, and providers weather this crisis and to preserve the nation's supply of family child care and community-based child care programs.

◆ **CARES APPROPRIATIONS AT A GLANCE**

<b>Child Care and Development Block Grant Program (CCDBG)</b>	<b>\$3.5 billion</b>
<b>Head Start</b>	<b>\$750 million</b>
<b>Community Development Block Grant</b>	<b>\$5 billion</b>
<b>Dept. of Housing and Urban Development, Public Housing Operating Fund</b>	<b>\$685 million</b>
<b>Dep't of Education, Education Stabilization Fund</b>	<b>\$30.75 billion</b>
<b>Small Business Administration Funding</b>	<b>\$377.27 billion</b>
Paycheck Protection Program (includes Phase 3.5 funding)	\$659 billion
Small Business Loan Relief	\$17 billion
Disaster Loans Program (includes Phase 3.5 funding)	\$50.6 billion
Emergency EIDL Grants (includes Phase 3.5 funding)	\$20 billion
Entrepreneurial Assistance	\$275 million
<b>Economic Development Administration</b>	<b>\$1.5 billion</b>
<b>Senate, House, and GAO Employee Child Care Centers</b>	<b>Incl. in total</b>
<b>Library of Congress' Child Care Center</b>	<b>\$700,000</b>
<b>Family Violence Prevention Services</b>	<b>\$45 million</b>
<b>Nutrition Programs</b>	
Supplemental Nutrition Assistance Program	\$15.5 billion
Child Nutrition Programs	\$8.8 billion
The Emergency Food Assistance Program (supports food banks)	\$450 million
Food Distribution Program on Indian Reservations	\$100 million
Nutrition Assistance to Puerto Rico and the Territories	\$200 million