FIRST FIVE YEARS FUND

Analysis of New Legislation with Sweeping Reforms & Investments for Child Care and Early Learning

High-quality child care and early learning programs play a crucial role in supporting children's healthy development, learning, and school readiness, while also supporting parents' ability to work, train, or pursue an education. Still, too many families struggle to find and afford high-quality care that meets their needs, and the COVID-19 pandemic has only exacerbated these challenges, revealing profound flaws in a system that provides foundational support to the American economy. In recent years Congress has taken an unprecedented interest in finding bipartisan solutions to these issues, and in the last year, early learning and care has been included in every major COVID-19 relief package. These relief dollars have been essential to sustaining the child care sector, and with some equilibrium restored, lawmakers are now returning to efforts to address these underlying issues and to develop a system that works better for families and providers alike.

In April, Congress and the Biden Administration introduced four proposals that would continue to repair and restore the country's early learning and care system. These proposals build on existing federal programs and tax provisions, as well as offering new solutions, and include related policies that impact children and families, like nutrition and paid leave. The comparison below focuses on efforts to expand access to high-quality, affordable early learning and care.

	Child Care for Working Families Act S. 1360, H.R. 2817	**Universal Child Care and Early Learning Act** S. 1398, H.R. 2886	**Building an Economy for Families Act** H.R. xxxx	**American Families Plan**
	Sen. Patty Murray (D) and Rep. Bobby Scott (D)	Sen. Elizabeth Warren (D) and Rep. Mondaire Jones (D)	Rep. Richard Neal (D)	(As summarized in White House Fact Sheet)
	Introduced April 22, 2021	*Introduced April 27, 2021*	*Introduced April 27, 2021*	*Introduced April 28, 2021*
Cost	Estimated $600 billion over 10 years	Estimated $700 billion over 10 years	$27,590,500,000 in FY2022	$425 billion over 10 years
Child Care and Early Learning Programs	**Sec. 102.** Authorizes appropriations levels for the Child Care and Development Block Grant (CCDBG) beginning in FY2022 of $20 billion (FY2022), $30 billion (FY2023), $40 billion (FY2024), and such sums as appropriate in FY2025 and all subsequent years.	**Sec. 111.** Establishes partnerships between the U.S. Department of Health and Human Services (HHS) and "prime sponsors" to administer child care and early learning programs, in which each "covered child" would be entitled to participate.	**Sec. 203.** Increases funding for the Child Care Entitlement to States (CCES) to $10 billion in FY2022 and in subsequent years, indexes the amount to inflation and changes in the population of children under 13. (The American Rescue Plan Act increased the CCES from $2.92 billion to $3.55 billion.) Of this amount, reserves	Provides $225 billion to assist families in paying for high-quality care, supporting child care providers, and investing in the child care workforce. Provides $200 billion for a national partnership with states to offer free

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	Sec. 103, 114. Revises the CCDBG Act to expand subsidy eligibility over time for children under 13 from those with family income of no more than 85% of state median income (SMI) to those with family income of no more than 150% of SMI by the beginning of FY2025. **Sec. 109.** Effective Oct. 1, 2025 obligates the U.S. Department of Health and Human Services (HHS) to provide quarterly payments to states with an approved application based on a method of calculation outlined in the bill. **Sec. 201.** Authorizes and appropriates $8 billion per year for FY2022-FY2032 for states to provide high-quality preschool. States receive funding based on the number of children under 6 in the state whose families have an income at or below 200% of the poverty line and must use 5% of funds for state leadership activities and grants to address resource inequities and expand access to high-quality preschool programs. To receive funding, states must receive approval of an application that, among other requirements, describes how it will	**Sec. 131.** Designates the Office of Child Care as the principal agency and requires coordination with HHS child care and early learning programs, including the Office of Head Start, and to coordinate such programs with the Department of Education. **Secs. 122.** Requires prime sponsors to take steps to coordinate with local education agencies (LEA) in the service area and with schools in which participating children will subsequently enroll to promote continuity of services and effective transitions. **Sec. 124.** Requires HHS to prescribe eligibility in regulations; specifies all children who are at least 6 weeks of age but younger than the age of compulsory school attendance are eligible regardless of family income, disability status, citizenship status, employment of a family member, or circumstance; prohibits prime sponsors from adopting more stringent or exclusive requirements; and requires service for all families that request services through a prime sponsor.	$250 million for payments to tribes and tribal organizations and $250 million for payments to Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands in FY2022. In subsequent years, these amounts increase based on inflation and changes in the population of children under 13. **Sec. 205.** Provides $17.5 million to the U.S. Department of Health and Human Services (HHS) for FY2022-FY2026 to support the Child Care Information Network (CCIN) (Sec. 201), investments in child care infrastructure, and other work to improve child care availability and affordability.	preschool to all 3- and 4-year-old children, prioritizing high need areas and enabling communities and families to choose the settings that work best for them. Requires publicly funded preschool to be high quality with low student-to-teacher ratios; high-quality and developmentally appropriate curriculum; and supportive classroom environments that are inclusive for all students.

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	provide access to high-quality preschool during the school day for eligible children in the State within 3 years and improve transitions from early childhood education to elementary school. States must also maintain their effort year to year absent extenuating circumstances. **Sec. 301.** Authorizes $4.49 billion for FY2022, $610 million for FY2023, and $730 million for FY2024 to enable Head Start (including Early Head Start) agencies to provide access to a full school year and full school day of services; if the agency already provides full school year, full school day service, to make quality improvements; and in the case of a Migrant and Seasonal Head Start agency, to provide additional service hours.	**Sec. 152.** Authorizes grants to states to, among other purposes, identify child care and early learning service goals and needs; furnish provider start-up funding and technical assistance; increase workforce compensation; establish or expand child care networks; support workforce recruitment, training, and professional development; acquisition or improvement of facilities; and to promote collaboration amongst state agencies, prime sponsors, and providers. **Sec. 201.** Amends the Child Care and Development Block Grant (CCDBG) Act to add a maintenance of effort requirement (total state expenditures include expenditures to carry out the Universal Child Care and Early Learning Act (UCCELA)) and specify that a UCCELA-eligible child shall only receive services under CCDBG that it is ineligible to receive under UCCELA.		
Expand Supply	**Sec. 105(a)(1)(N).** Requires state plans to describe how states will ensure infants, toddlers, and children with disabilities are prioritized for slots and collaborate with the agency overseeing early intervention	**Sec. 113.** Allows HHS to designate a State, locality, Indian tribe, tribal organization, or public or private nonprofit agency or organization as a “prime sponsor” for a period of fiscal years	**Sec. 202.** Provides $200 million per year for FY2022-FY2026 distributed to states with at least 1 county with a demonstrated child care shortage and either 50% licensed providers or 40% of all providers	The American Jobs Plan provides $25 billion through a Child Care Growth and Innovation Fund to upgrade child care facilities and increase the supply of infant and

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	services under the Individuals with Disabilities Education Act (IDEA) to provide services and supports in inclusive child care settings. (Sec. 401 authorizes and appropriates additional funds to support these efforts.) Plans must also describe how a required child care equity review board informed funding distribution; how states will support children who are dual-language learners; and how the lead agency will facilitate enrollment for families. **Sec. 107**. Specifies quality improvement funds can be used to increase the supply of eligible child care providers and the number of available slots in underserved communities and for underserved populations.	pursuant to an approved prime sponsorship plan, which must be renewed every 3-5 years. HHS may enter into an agreement with an organization to serve as the prime sponsor for an area for which a prime sponsorship plan has not been submitted or approved; a prime sponsor designation has been withdrawn; or the needs of seasonal and migrant farmworkers, minority groups, or low-income individuals are not being met. **Sec. 114.** Requires prime sponsors to submit an annual comprehensive child care and early learning plan that, among other requirements, assesses the needs and goals for the service area; describes plans to increase the supply, quality, and affordability of care for families in communities of particular need; describes how the prime sponsor will provide comprehensive, full-year, full-working day, care that is responsive to children's and families' needs; includes career development plans for providers and staff and compensation that meets requirements outlined in the bill; and ensures coordination with existing child care and early learning programs not	participating in the CCIN. Funding is based on the population of children under age 13 and may be used to build capacity, including startup costs, technical assistance, and licensure assistance. Also provides a shortage adjustment grant to states that have obligated their CCES funds for the prior year and have at least 40% of children under age 13 living in a county with a child care shortage. Funding is based on the share of children in the state who live in a county with a child care shortage and capped at 50% of the state's CCES annual funding. Funds must be used to address the child care shortage, including to directly subsidize the cost of care, raise wages for child care providers, and provide technical assistance and support. States must maintain the number of slots available at the time it qualified for funding, plus any slots created using the new funding, to continue receiving funding. **Sec. 206.** Provides $573 million per year for FY2022-FY2026 to address child care shortages, develop a CCIN, qualify tribal providers for the Participating Provider Certification and associated child care	toddler care in high-need areas.

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		funded by the bill, including programs funded by CCDBG, Head Start, and IDEA. **Sec. 115.** Allows prime sponsors to use federal funds to enter into agreements with delegate providers to carry out child care and learning services.	worker wage credits, and physical infrastructure upgrades at child care facilities serving tribal communities.	
Cost of Care and Parent Supports	**Sec. 105(a)(3).** Establishes a sliding scale for parent copayments based on a family's income. The maximum copayment would be 7% of family income for families earning between 125-150% of SMI. Families with a child who is eligible for Head Start or with a family income of no more than 75% of SMI would pay no copayment. **Sec. 111.** Requires states' websites to share provider-specific information from a tiered and transparent system for measuring the quality of child care providers and information about high-quality and inclusive care for infants, toddlers, and children, including child care with early intervention services. **Sec. 501.** Adds a Sense of Congress that it should increase its investment for the Maternal, Infant, and Early Childhood	**Sec. 114(j).** Establishes a sliding fee scale with a maximum of 7% of family income for families with income more than 500% of the poverty line. Fees would be waived for children from families with incomes below 200% of the poverty line. Requires each child care and early learning center to establish a board composed of parents and family members of children attending the center.	**Sec. 201.** Appropriates $200 million per year for FY2022-FY2023 for state lead agencies to establish and maintain a publicly-available Child Care Information Network (CCIN) with information on registered, licensed, or regulated child care providers, including their location, fees and CCDBG participation, services offered, hours of operation, capacity by age group, open spots, and how to apply or join a waitlist. Funds could also be used to simplify application processes. Appropriates $100 million per year in FY2022-FY 2026 for HHS for administrative expenses. **Sec. 401.** Appropriates $1.5 billion in FY2022, for grants to states to establish Worker Information Networks (WIN) to provide information, counseling, and assistance in accessing paid leave, unemployment compensation, and child care. Also appropriates $5 million per year	From the $225 billion designated for child care, establishes a sliding scale for child care costs for young children, with low-income families paying nothing and capping the cost of care for families earning 1.5 times their state median income at no more than 7% of their income. Families will have a range of options to choose from, including child care centers, family child care providers, Early Head Start, and public schools that are inclusive and accessible to all children.

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	Home Visiting (MIECHV) Program to support the work of states to help additional at-risk families access voluntary home visiting services.		to HHS, and $2.5 million per year to each of the Department of Treasury and the Department of Labor to provide administrative support and technical assistance to WIN programs. Subsequent funding would be adjusted for inflation.	
Quality	**Sec. 105(a)(1)(N).** Requires states, in collaboration with stakeholders, to create a tiered and transparent system for measuring the quality of child care providers that applies to all eligible child care providers (except family, friend, or neighbor care that elect to be covered under a separate clause) and, among other requirements, includes a set of standards for determining a provider's tier of quality. **Sec. 107**. Specifies amounts states may use for quality improvement activities (50% for FY2022-2024 and up to 10% in FY2025 and subsequent years) and outlines permitted uses, including quality improvement grants for providers who cannot yet participate in the State's tiered system for measuring program quality and to help all providers move up in the tiered and transparent system; activities to	**Sec. 121(a), (h).** Requires HHS to establish "Federal Standards for Child Care and Early Learning Services" that would be applicable to all prime sponsors and an effective date that allows adequate time for prime sponsors to meet the standards. Within 6 years of receiving financial assistance, requires each child care and early learning center to meet standards of operation necessary for accreditation. **Sec. 121(c).** Requires HHS to develop guidance to prime sponsors on high-quality, research based measures for child care and early learning services, identification of children with special needs, program evaluation, and administrative and financial management practices. **Sec. 121(d)-(f).** Requires HHS to establish and implement monitoring	Not specified.	Not specified.

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	assist homeless children and children in foster care; and training and professional development.	procedures for prime sponsors and their child care and early learning programs to determine whether they meet standards and to identify areas for improvement and areas of strength. Outlines steps for corrective action and reporting on monitoring outcomes. **Sec. 137-138.** Requires HHS to carry out a continuing program of research, demonstration, and evaluation activities, and at least every 2 years to submit a report concerning the status of children participating in child care and early learning programs.		
Providers and Workforce	**Sec. 105(a)(3).** Requires states to certify that payment rates for child care assistance are based on an approved cost estimation model and correspond to differences in quality based on the state's tiered and transparent system. Specifies the cost estimation model must include estimates for providers at each tier of the state's tiered and transparent system and for providers of family, friend, and neighbor care; ensure that wages for staff of child care providers are comparable to wages for elementary educators with	**Sec. 112(a)(3).** Requires HHS to consult with a committee of experts outside HHS to calculate the federal share of the costs of providing child care and early learning programs and ensure the amount allows prime sponsors to meet all program requirements. **Sec. 151.** Authorizes supplemental funding for prime sponsors with demonstrated barriers or need of financial assistance to fully implement child care and early learning programs and meet	**Sec. 201.** Establishes the HHS Participating Child Care Provider Certification, which qualifies providers to receive worker wage credits described in Sec. 209 and gives them priority for facilities grants under Sec. 204. **Sec. 209.** Provides a refundable payroll tax credit for 50% of qualified child care wages paid by an employer that operates as a Participating Child Care Provider. "Qualified child care wages" are wages paid above the GS-3 step 1 rate for the applicable time period and locality, paid to employees other	Offers child care providers funding to cover the true cost of quality early childhood care and education, including a developmentally-appropriate curriculum, small class sizes, and culturally and linguistically responsive environments that are inclusive of children with disabilities. Child care workers and educators will receive job-embedded coaching and professional development, along with additional training opportunities. Specifically, proposes to leverage

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	similar credentials and experience and, at a minimum, receive a living wage; and delink provider payment rates from children's occasional absences. **Sec. 201.** Requires states to provide assurances in their state plans that preschool staff salaries are on the same pay scale as elementary school educators with similar credentials and experience. **Sec. 302.** Authorizes appropriations of $4 billion for FY2022 and subsequent years to ensure Head Start teachers and staff receive wages comparable to wages for elementary educators with similar credentials and experience in the state, and, at a minimum, receive a living wage.	national program standards. **Sec. 135.** Authorizes HHS to provide financial assistance for recruitment, training, and technical assistance for prime sponsors and individuals employed or preparing for employment in child care and early learning programs and requires issuance of regulations governing staff training, which staff must complete as a condition of employment. Additionally, authorizes grants to institutions of higher education for recruitment and training of early learning teachers and other staff. **Sec. 136(a), (c).** Requires HHS to establish staff qualification and development requirements, including to complete the Sec. 135 training, and requires prime sponsors to ensure all teachers in a child care and early learning program have curriculum support. **Sec. 136(b).** Requires compensation for child care and early learning program employees to be comparable to employees of the corresponding LEA with similar training, seniority, and experience or, at a minimum, not less than a living wage, as determined by HHS.	than highly-compensated employees (the threshold for which starts at $130,000 and is adjusted for cost of living). The maximum wages that can be taken into account is $2,500 per quarter per employee. Health plan expenses allocable to qualified wages are included in wages. Gross income is increased by the amount of the credit.	investments in tuition-free community college and teacher scholarships to help individuals earn a credential or bachelor's degree. Commits to paying all early childhood staff and employees in participating preschool programs and Head Start at least $15 per hour. Those with comparable qualifications will receive compensation commensurate with that of kindergarten teachers.

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Facilities	**Sec. 107.** During FY2022-FY2024, allows quality improvement funds to be used for construction, permanent improvement, or major renovation of a building or facility, with priority for funding such activities given to underserved communities and populations. In all years, at the election of the state, these funds may also be used for remodeling, renovation, or repairs. **Sec. 301.** Of the funds appropriated for Head Start, reserves $4 billion in FY2022 for the purchase, rental, renovation and maintenance of additional facilities.	**Sec. 121(b).** Requires HHS to establish a uniform code for facilities that addresses aspects of facilities that are essential to the health, safety, and physical comfort of the children involved and aspects of the facilities related to the Federal Standards for Child Care and Early Learning.	**Sec. 204.** Provides $15 billion in FY2022 to be available through FY2026 for construction, remodeling, and other investments in the physical infrastructure of child care facilities. States must submit expenditure plans based on an analysis of a state's need for child care infrastructure investments. Up to $2.25 billion can be awarded as grants of no more than $10 million to intermediary organizations with experience in child care facilities financing for the purpose of capacity building, providing technical assistance, and financial products to develop or finance child care facilities.	The American Jobs Plan: • Provides $25 billion through a Child Care Growth and Innovation Fund to upgrade child care facilities and increase the supply of infant and toddler care in high-need areas. • Includes an expanded tax credit for businesses who build child care facilities at places of work. Employers will receive 50% of the first $1 million of construction costs per facility. • Provides $45 billion to eliminate all lead pipes and service lines in the country, including an estimated 400,000 schools and child care facilities.
Tax	Not included	Not included	**Sec. 301.** Makes permanent American Rescue Plan Act (ARPA) modifications to the Child and Dependent Care Tax Credit* and indexes for inflation both the maximum credit amount and the phaseout threshold. **Sec. 302.** Makes permanent the ARPA increase in dependent care assistance program contribution limits† and indexes the amounts for inflation.	Makes permanent American Rescue Plan Act (ARPA) modifications to the Child and Dependent Care Tax Credit.* Makes permanent the full refundability of the Child Tax Credit (CTC), while extending the other ARPA expansions‡ through 2025, and continues to provide the CTC

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			Sec. 501. Makes permanent the ARPA modifications to the Child Tax Credit (CTC),[‡] indexes the amounts for inflation, and directs the Secretary of the Treasury to continue providing the CTC through advance monthly payments and to maintain the online portal to allow taxpayers to opt-out of receiving advance payments and update information to determine taxpayers' maximum eligible credit. Retains the $500 nonrefundable tax credit for dependents other than child dependents, and indexes the value of this credit for inflation. Additionally, for tax years beginning after 2025, the personal exemption for qualifying children is $0. For dependents other than children, a taxpayer may elect to claim the personal exemption if the taxpayer's income is below the CTC's second phaseout threshold. **Sec. 601.** Makes permanent the ARPA eligibility expansion of the Earned Income Tax Credit (EITC) for taxpayers with no qualifying children[§] and the ARPA provision allowing taxpayers to use prior-year earned income to compute the EITC. Amounts will be indexed for inflation beginning in 2022.	through advance monthly payments. Makes permanent the ARPA eligibility expansion of the Earned Income Tax Credit (EITC) for taxpayers with no qualifying children.[§]

*The Child and Dependent Care Tax Credit (CDCTC) allows families to claim a percentage of dependent care expenses for children under age 13 depending on a family's adjusted gross income (AGI). Prior to the passage of the American Rescue Plan Act (ARPA), a maximum credit of $2,100 (35% of $6,000 in expenses) was available to families with 2 or more children and an AGI of $15,000 or less. The percentage declines by 1% (to a minimum of 20%) for each $2,000 by which the AGI exceeds $15,000. For tax year 2021, the ARPA amended the CDCTC to make the credit fully refundable; increase the maximum credit rate to 50%; increase the phaseout threshold from $15,000 to $125,000; increase the amount of expenses that are eligible for the credit to $8,000 for 1 qualifying individual and $16,000 for 2 or more qualifying individuals (such that the maximum credits are $4,000 and $8,000); and add a phaseout (0-20%) for those with AGI above $400,000, such that taxpayers with income in excess of $500,000 are not eligible for the credit.

†The Dependent Care Assistance Program (DCAP), also known as Dependent Care Flexible Spending Accounts, is an employer-sponsored program that allows employees to deduct dependent care expenses from their paycheck on a pre-tax basis. Prior to the passage of the ARPA, contributions were limited at $5,000 or $2,500 in the case of a separate return by a married individual. For tax year 2021, the ARPA increased limits to $10,500 or $5,250 in the case of a separate return by a married individual.

‡As amended by the Tax Cuts and Jobs Act (TCJA), which is effective through tax year 2025, the Child Tax Credit (CTC) allows families to claim a credit of up to $2,000 for each qualifying dependent child under the age of 17. The credit is reduced by $50 for each $1,000 by which the taxpayer's modified AGI exceeds $200,000 ($400,000 in the case of a joint return). The CTC is partially refundable up to $1,400. For tax year 2021, the ARPA makes the CTC fully refundable; increases the amount to $3,000 for children ages 6-17 and to $3,600 for a child under age 6; and reduces the additional $1,000/$1,600 per child by $50 for every $1,000 a taxpayer's modified AGI exceeds $75,000 ($150,000 for joint returns and $112,500 for head of household). The credit plateaus at $2,000 and then phases out at the present levels established in the TCJA. The ARPA also directed the Secretary of the Treasury to issue periodic advance payments of the CTC and to establish an online portal to allow taxpayers to opt-out of receiving advance payments and provide information regarding changes in income, marital status, and number of qualifying children for purposes of determining each taxpayer's maximum eligible credit.

§The Earned Income Tax Credit (EITC) is a refundable tax credit available to low-income workers based on earned income, the number of qualifying children, marital status, and AGI. Prior to the passage of the ARPA, the "childless" EITC was available to taxpayers between the ages of 25 and 64 with no qualifying children and was phased in at a rate of 7.65% as earned income increased until earned income reached $7,100. The credit then remained at its maximum level of $543 until income equaled $8,880 if unmarried ($14,820 if married). As income exceeded these levels, the credit gradually declined in value at a rate of 7.65% for every dollar of income over these levels, until the credit equaled zero when income was $15,980 or greater ($21,920 or greater, if married). For tax year 2021, the ARPA amended the childless EITC to reduce the minimum age from 25 to 19 (except for certain full-time students); eliminate the upper age limit; increase the credit percentage and phaseout percentage to 15.3%; increase the income at which the maximum credit amount is reached to $9,820; and increase the income at which phaseout begins to $11,610 for unmarried filers ($17,550 if married). Under these parameters, the maximum credit amount nearly triples to $1,502.