FIRST FIVE YEARS FUND

November 4, 2021

Early Learning and Care in the Build Back Better Act

As part of President Biden's Build Back Better agenda, Congress is considering the Build Back Better Act with proposals aimed at creating jobs, providing tax relief to the middle-class, and lowering costs for working families. Lawmakers will use the budget reconciliation process to bypass a procedural hurdle in the Senate and pass the bill with a simple majority. In August, both chambers of Congress adopted a concurrent resolution on the FY2022 budget providing instructions and establishing overall funding levels to guide Congressional committees as they craft their individual portions of the upcoming budget reconciliation package. In accordance with these instructions, the House Education and Labor Committee and House Ways and Means Committee advanced to the House Budget Committee proposals that include federal investments in child care and preschool, along with crucial enhancements to existing tax benefits for children and families. On September 27, 2021, the House Budget Committee combined the various committee portions of the Build Back Better Act into H.R. 5376, and advanced the bill for consideration by the full House of Representatives. After continued negotiations between the White House and Democratic leaders in the House and Senate, on October 28, 2021, President Biden unveiled a framework for the final version of the Build Back Better Act for Congress to take up and pass into law. Subsequently, the House Rules Committee held a hearing on H.R. 5376 and shared an amended version of the legislation based on President Biden's framework for the Committee's consideration. On November 3, 2021, the Rules Committee shared a further amended version of the text.

The child care and preschool provisions in the revised Build Back Better Act (as released on November 3) would include federal funding to:

- Make child care affordable for all families with children from birth through age 5 using a sliding scale for copayments in which families earning less than 75% of state median income (SMI) pay nothing and a limit of 7% of family income for families earning between 150 and 250% SMI.
    - $100 billion during the first 3 years ($24 billion in FY2022, $34 billion in FY2023, and $42 billion in FY2024) and such sums as may be necessary in FY2025-FY2027
    - For FY2023-2027:
        - $950 million annually for Birth through Five Child Care and Early Learning Grants to be awarded to localities in states that have not received payments under the entitlement program.
        - $2.85 billion annually to award grants to a Head Start agency in states that have not received payments under the entitlement program to carry out the purposes of the Head Start Act.
- Guarantee access to high-quality, free, inclusive, and mixed-delivery preschool services available to all three- and four-year-old children on a voluntary basis.
    - $4 billion in FY2022, $6 billion in FY 2023, $8 billion in FY2024, and such sums as may be necessary in FY2025-2027
    - For FY2023-2027:

        - $1.9 billion annually for grants to localities in states that have not received payments under the universal preschool program.
        - $1.9 billion annually to award grants to a Head Start agency in states that have not received payments under the universal preschool program to carry out the purposes of the Head Start Act.
    - $2.5 billion annually for FY2022-2027 to improve compensation for Head Start staff.

The tax-related proposals include extending American Rescue Plan Act (ARPA) changes to the Child Tax Credit (CTC) that make the CTC fully refundable, increase the amount of the credit, and allow for advance monthly payments.

The table below compares the early care and learning provisions included in the House Build Back Better Act from September 27, 2021 with the revised version of the bill released on November 3, 2021 following the release of the White House framework.

September 27, 2021	November 3, 2021
Child Care and Early Learning Entitlement	
Sec. 23001(c). Appropriates funds to the Department of Health and Human Services (HHS) for a new child care and early learning entitlement program for children ages birth through five ($20 billion in FY2022, $30 billion in FY2023, $40 billion in FY2024, and such sums as may be necessary in FY2025-FY2027). Additionally, appropriates $130,000,000 in FY2022-FY2024 and up to 1% of the amounts appropriated in FY2025-FY2027 for HHS' federal administration costs. **Sec. 23001(b)(2)(D), (d)(2).** Outlines the phase-in for family eligibility based on state median income (SMI) (families with assets in excess of $1 million are not eligible): in FY2022, families earning up to 100% SMI; in FY2023, up to 115% SMI; in FY2024, up to 130% SMI in the third year; and in FY2025-2027, families of any income level. Effective Oct. 1, 2024, states with an approved plan must offer child care	**Sec. 23001(c).** Appropriates funds to the Department of Health and Human Services (HHS) for a new child care and early learning entitlement program for children ages birth through five ($24 billion in FY2022, $34 billion in FY2023, $42 billion in FY2024, and such sums as may be necessary in FY2025-FY2027). Additionally, appropriates $130,000,000 in FY2022-FY2025 and 1.06% of the prior year's appropriation in FY2026 and FY2027 for HHS' federal administration costs. **Sec. 23001(b)(4)(A)(iii), (d)(2).** Outlines the phase-in for family eligibility based on state median income (SMI): in FY2022, families earning up to 100% SMI; in FY2023, up to 125% SMI; in FY2024, up to 150% SMI in the third year; and in FY2025-2027 up to 250% SMI. Effective Oct. 1, 2024, states with an approved plan must offer child care assistance to all families who apply and are otherwise eligible.

assistance to all families who apply and are otherwise eligible.	**Sec. 23001(b)(4)(B).** In FY2022-2024, allows states who have appropriately prioritized assistance for direct child care services based on income, with the Secretary's approval, to use funds to serve children who are otherwise eligible but whose family income exceeds the current max SMI (up to 250% SMI). In determining eligibility under these circumstances, states may also, with the Secretary's approval, consider regional variations in cost of living and expand eligibility based on those variations.
Sec. 23001(f)(4), (g)(1)(C). To be eligible for funding, requires states to receive approval of a state plan. The requirements of such plans are listed in full in (4) and summarized below. The Secretary may reallot funds appropriated for FY2022-2024 from states, Tribes, and territories without an approved application to those with an approved plan.	**Sec. 23001(f)(4), (g)(1)(D).** To be eligible for funding, requires states to receive approval of a state plan. Submitted plans must include the requirements listed in (4) and summarized below, as well as such information as the Secretary shall require by rule. The Secretary may reallot funds appropriated for FY2022-2024 from states, Indian Tribes, Tribal Organizations, and territories without an approved application to those with an approved application. Further, funds that are unobligated on Oct. 1, 2024 may be realloted to states, Indian Tribes, Tribal Organizations, and territories with an approved application and without unobligated funds.
Sec. 23001(f)(4)(E). Establishes a sliding scale for parent copayments in which copayments are based on a percentage of a family's income. 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. For families earning 75-100% SMI, the copayment would be between 0-2% of income; for 100-125% SMI, a copayment of 2-4%; and for 125-150% SMI, a copayment of 4-7%.The maximum copayment would be 7% of family income for families earning more than 150% of SMI.	**Sec. 23001(f)(4)(E).** Establishes a sliding scale for parent copayments in which copayments are based on a percentage of a family's income. Families with a family income of no more than 75% of SMI would pay no copayment. For families earning 75-100% SMI, the copayment would be between 0-2% of income; for 100-125% SMI, a copayment of 2-4%; for 125-150% SMI, a copayment of 4-7%; and for 150-250% SMI, a copayment of 7%.
Sec. 23001(f)(4)(G). Requires states' child care plans to assure that children receiving assistance will receive such assistance for not less	**Sec. 23001(f)(4)(G).** Requires states' child care plans to assure that children receiving assistance will receive such assistance for not less

than 24 months, and the child's eligibility determination and redetermination shall be implemented in such a manner that supports child well-being and reduces barriers to enrollment, including continuity of services. (Subsection (m)(2) specifies children under 6 already receiving assistance under CCDBG will automatically be deemed eligible and may continue to use the child care provider of the family's choice.) **Sec. 23001(h).** In FY2022-2024, participating states would receive an allotment based on the Child Care and Development Block Grant (CCDBG) Act formula and would be required to use 50% of funds on expanding access to child care subsidies (with priority for children in families with incomes less than 85% SMI) and increasing payment rates to support the cost of providing high-quality child care services; 25% on improving child care quality and supply; and 25% on either increasing subsidies and payment rates or improving quality and supply (as determined by the state).	than 12 months, and the child's eligibility determination and redetermination shall be implemented in such a manner that supports child well-being and reduces barriers to enrollment, including continuity of services. (Subsection (m)(2) specifies children under 6 already receiving assistance under CCDBG will automatically be deemed eligible and may continue to use the child care provider of the family's choice.) **Sec. 23001(c), (g)(2).** Specifies how total funding for the new birth through five child care and early learning entitlement program will be used for certain purposes as follows: [*Note: While funding amounts are specified, rather than designating a percentage of funds, the specified amounts are roughly equivalent to the percentages in the Budget text.*] In FY2022 ($24 billion): ● $11,460,000,000 for assistance for direct child care services ((h)(1)(A)) ● $5,730,000,000 for activities to improve the quality and supply of child care services ((h)(1)(B)) ● $4,125,600,000 for assistance for direct child care services ((h)(1)(A))) or activities to improve the quality and supply of child care services ((h)(1)(B)) ● $1,604,400,000 for assistance for direct child care services ((h)(1)(A)), activities to improve the quality and supply of child care services ((h)(1)(B)), or administration ((h)(1)(C)) ● $960,000,000 for Indian Tribes and Tribal Organizations ● $120,000,000 for Territories In FY2023 ($34 billion): ● $16,235,000,000 for (h)(1)(A) ● $8,117,500,000 for (h)(1)(B)

	• $5,844,600,000 for (h)(1)(A) or (B) • $2,272,900,000 for (h)(1)(A), (B), or (C) • $1,360,000,000 for Indian Tribes and Tribal Organizations • $170,000,000 for Territories In FY2024 ($42 billion): • $20,055,000,000 for (h)(1)(A) • $10,027,500,000 for (h)(1)(B) • $7,219,800,000 for (h)(1)(A) or (B) • $2,807,700,000 for (h)(1)(A), (B), or (C) • $1,680,000,000 for Indian Tribes and Tribal Organizations • $210,000,000 for Territories
Sec. 23001(g)(2). In FY2025-2027, states receive reimbursement from the Federal government for 90% of the cost of child care assistance, at the FMAP rate for child care quality and supply activities, and 50% for administrative expenses. States must reserve between 5 and 10% of total funds for activities that increase the quality and supply of eligible child care providers.	**Sec. 23001(g)(2), (h)(2)(C)(i)(I).** In FY2025-2027, states receive reimbursement from the Federal government for 95.440% of the cost of child care assistance; at the FMAP rate multiplied by 1.06045 for child care quality and supply activities; and 53.022% for administrative expenses. [*Note: These amounts appear different in summary documents. In order to account for sequestration, a 1.06045 multiplier was added to bill text. In practice, states will receive reimbursement for 90% of the cost of child care assistance; at the FMAP rate for child care quality and supply activities; and 50% for administrative expenses.*] States must reserve between 5 and 10% of total funds for activities that increase the quality and supply of eligible child care providers.
Sec. 23001(j)(2). Imposes a maintenance-of-effort (MOE) requirement based on FY21 state spending on child care.	**Sec. 23001(j)(3).** Imposes a maintenance-of-effort (MOE) requirement based on an average of state spending on child care in the preceding three fiscal years. This spending can be counted in meeting state match requirements.

Preschool Services Program	
Sec. 23002(b). For FY2022-2028, appropriates such sums as may be necessary to provide the federal share of the cost of universal, high-quality, free, inclusive, and mixed delivery preschool services on a voluntary basis. Reserves not less than 4% for payments to Indian Tribes; not more than 0.5% for the territories distributed on the basis of relative need; 0.5% for eligible local entities that serve children in families who are engaged in migrant or seasonal agricultural labor; and $165 million for FY2022, $200 million for FY2023, and no more than 2% for FY2025-2028 for federal activities including administration, monitoring, technical assistance and research.	**Sec. 23002(b).** Appropriates $4 billion in FY2022, $6 billion in FY 2023, and $8 billion in FY2024, and such sums as may be necessary in FY2025-2027 to provide the federal share of the cost of universal, high-quality, free, inclusive, and mixed delivery preschool services. In FY2022, appropriates the following amounts to remain available until Sept. 30, 2027: $2.5 billion for payments to Indian Tribes and Tribal Organizations; $1 billion for payments to territories distributed on the basis of relative need; and $300 million for eligible local entities that serve children in families who are engaged in migrant or seasonal agricultural labor. Additionally, the following amounts are provided for federal activities including administration, monitoring, technical assistance and research to remain available until Sept. 30, 2027: $165 million in FY2022, $200 million in each of FY2023-FY2024, $208 million in FY2025, $212 million in FY2026, and $216 million in FY 2027.
Sec. 23002(c)(2). In FY2022-2024 requires the Secretary to pay 100% of state expenditures, and in subsequent years, reduces the federal share while increasing the non-federal share (commonly known as the “state match”) as follows: 90/10% in FY2025; 80/20% in FY2026; 70/30% in FY2027; and 60/40% in FY2028. (Sec. 23002(f) specifies a state’s non-federal share can include funds spent to expand half-day kindergarten programs to full-day and limits current spending on prekindergarten programs at 50% for these purposes.)	**Sec. 23002(c)(2).** In FY2022-2024 requires the Secretary of HHS, in collaboration with the Secretary of Education to provide funding to states with approved plans using a formula that considers the proportion of children below age 6 whose families have a family income at or below 200% of the poverty line and the existing Head Start investments in preschool in the state. For FY2025-2027, directs the Secretary to pay an amount equal to 95.440% of state expenditures, and in subsequent years, reduces the federal share (thus increasing the non-federal share, commonly known as the “state match”) as follows: 79.534% in FY2026; and 63.627% in FY2027. (Sec. 23002(f) specifies a state’s non-federal share can include funds spent to expand half-day kindergarten programs to full-day and limits current spending (based on the average spending amount for FY2019-2021) on prekindergarten

	programs at 100% for these purposes.)
Additionally, directs the Secretary to pay an amount equal to 50% for activities in (c)(4) (described below), with a maximum payment equal to 10% of state expenditures for preschool services.	Additionally, directs the Secretary to pay an amount equal to 53.022% for activities in (c)(3) (described below), with a maximum payment equal to 10% of state expenditures for preschool services. [*Note: These amounts appear different in summary documents. In order to account for sequestration, a 1.06045 multiplier was added to bill text. In practice, the federal government will pay 90% of state expenditures in FY2025-2027, 75% in FY2026, 60% in FY 2027, and 50% of state-level expenses in FY2025-FY2027.*] The Secretary may reallot funds appropriated for FY2022-2024 from states without an approved application to those with an approved application. Further, funds that are unobligated on Oct. 1, 2024 may be realloted to states with an approved application and without unobligated funds.
Sec. 23002(c)(4). Requires states that receive funding to administer the state's preschool services program; support a continuous quality improvement system; provide outreach and enrollment support for families of eligible children, including specific outreach to families of underserved populations; support data systems building; support staff of eligible providers in pursuing credentials and degrees; support activities that ensure access to inclusive preschool programs for children with disabilities; provide age-appropriate transportation services; and conduct or update the state's statewide needs assessment.	**Sec. 23002(c)(3).** Requires states that receive funding to administer the state's preschool services program; support a continuous quality improvement system; provide outreach and enrollment support for families of eligible children, including specific outreach to families of underserved populations; support data systems building; support staff of eligible providers in pursuing credentials and degrees; support activities that ensure access to inclusive preschool programs for children with disabilities; provide age-appropriate transportation services; and conduct or update the state's statewide needs assessment.
Sec. 23002(c)(6), (7). To be eligible for funding, requires states to submit a plan that must, among other requirements, certify it has developmentally appropriate, evidence-based preschool standards in place; support a mixed-delivery preschool system and facilitate the	**Sec. 23002(c)(5), (6).** To be eligible for funding, requires states to submit a plan that must, among other requirements, certify it has developmentally appropriate, evidence-based preschool standards and describe how it will facilitate the participation of Head Start and

participation of Head Start and other programs offered by eligible providers; ensure children with disabilities have access to and participate in inclusive preschool programs; describe how it will coordinate services and funding with services and funding for other federal, state, and local child care and early childhood development programs; and ensure a highly-qualified early childhood workforce. Additionally, the plan must include an assurance that all preschool services will be universally available without additional eligibility requirements; high-quality, free, and inclusive; meet state preschool education standards within 1 year of receiving funding; offer programming that meets the duration requirements of at least 1,020 annual hours; adopt policies and practices to conduct outreach and provide expedited enrollment, including prioritization, to children experiencing homelessness, children in foster or kinship care, children in families who are engaged in migrant or seasonal agricultural labor, children with disabilities, and dual language learners; and distribute preschool seats equitably among child care, including family child care providers, Head Start agencies and schools. Each states' plan shall stay in effect for 3 years. **Sec 23002(c)(6)(B), (d)(3).** Specifies states must prioritize establishing and expanding programs within and across high-need communities by awarding subgrants or contracts to providers operating or with capacity to operate within such communities. States must include in their state plans a description of the research-based methodology used to identify high-need communities as determined by factors outlined in the bill.	other programs offered by licensed child care providers; ensure the state preschool program does not disrupt the stability of infant and toddler care throughout the state; distribute new preschool slots equitably among child care, including family child care providers, Head Start agencies and schools; and ensure a highly-qualified early childhood workforce. Additionally, the plan must include an assurance that all preschool services will be universally available without additional eligibility requirements; high-quality, free, and inclusive; meet state preschool education standards within 1 year of receiving funding; offer programming that meets the duration requirements of at least 1,020 annual hours; adopt policies and practices to conduct outreach and provide expedited enrollment, including prioritization, to children experiencing homelessness, children in foster or kinship care, children in families who are engaged in migrant or seasonal agricultural labor, children with disabilities, and dual language learners; and ensure children with disabilities have access to and participate in inclusive preschool programs. Each states' plan shall stay in effect for up to 3 years. **Sec 23002(d)(3).** Specifies states must prioritize establishing and expanding programs within and across high-need communities by awarding subgrants or contracts to providers operating or with capacity to operate within such communities. The state must use a research-based methodology approved by the Secretary to identify high-need communities as determined by factors outlined in the bill.
Grants to Localities and Head Start Expansion in Non-Participating States	
Sec. 23001(i). For FY2022-2027, establishes Birth through Five Child Care and Early Learning Grants to be awarded to localities in states that have not applied or been approved for payments under the	**Sec. 23001(i)(1)-(2), (4).** For FY2023-2027, establishes Birth through Five Child Care and Early Learning Grants to be awarded, in accordance with rules established by the Secretary, to localities in

entitlement program. Sec. 23001(g)(1)(A)(i)(IV) designates $9.6 billion annually for these purposes. Eligible localities include cities, counties, or other units of general local government, as well as Head Start grantees, with priority given to localities seeking to serve underserved populations.	states that have not received payments under the entitlement program. Sec. 23001(c)(4) designates $950 million annually for these purposes. Eligible localities include cities, counties, or other units of general local government, as well as Head Start grantees. Entities serving a high percentage of individuals from underserved populations would be prioritized for localities and Head Start expansion grants (explained further below). **Sec. 23001(i)(3).** Directs the Secretary of HHS to award grants to a Head Start agency in a state that has not received payments under the entitlement program to carry out the purposes of the Head Start Act. Sec. 23001(c)(5) appropriates $2.85 billion in FY2023-FY2027 for these purposes. Additionally, subsection (i)(2)(E) allows the Secretary to recoup any unused localities grant funding for Head Start grants.
Sec. 23002(e). For FY2023-2028, authorizes grants to localities in states that, as of Oct. 1, 2023, have not applied or been approved for payments under the universal preschool program. Sec. 23002(b)(2)(F) designates $1.25 billion annually for these purposes. Eligible localities include cities, counties, or other units of general local government, a local educational agency, or a Head Start agency, with priority given to localities serving high-need communities.	**Sec. 23002(e)(1)-(2), (4).** For FY2023-2027, authorizes the Secretary, in consultation with the Secretary of Education, to award grants, in accordance with rules established by the HHS Secretary, to localities in states that have not received payments under the universal preschool program. Sec. 23002(b)(2)(F) designates $1.9 billion annually for these purposes. Eligible localities include cities, counties, or other units of general local government, a local educational agency, or a Head Start agency. Entities serving communities with a high percentage of children from families with incomes at or below 200% of the poverty line would be prioritized for localities and Head Start expansion grants (explained further below). **Sec. 23002(e)(3).** Directs the Secretary of HHS to award grants to a Head Start agency in a state that has not received payments under the universal preschool program to carry out the purposes of the Head Start Act. Sec. 23002(b)(2)(G) appropriates $1.9 billion annually for FY2023-2027 for these purposes. Additionally, subsection (f)(2)(D)

	allows the Secretary to recoup any unused localities grant funding for Head Start grants.
Sec. 23002(b)(2)(E). From amounts appropriated for universal preschool, designates $2.5 billion annually for FY2022-2027 to improve compensation for Head Start staff.	**Sec. 23002(b)(2)(E).** Appropriates $2.5 billion annually for FY2022-2027 to improve compensation for Head Start staff.
Supply of Care	
Sec. 23001(f)(4)(H). Requires states' child care plans to assure they will prioritize increasing access to and the quality and supply of child care for underserved populations, including, at a minimum, low-income children; children in underserved areas; infants, toddlers, and children with disabilities; children who are dual language learners; and children who receive care during nontraditional hours.	**Sec. 23001(f)(4)(H).** Requires states' child care plans to assure they will prioritize increasing access to and the quality and supply of child care for underserved populations, including, at a minimum, low-income children; children in underserved areas; infants, toddlers, and children with disabilities; children who are dual language learners; children experiencing homelessness; children in foster or kinship care; children who receive care during nontraditional hours; and vulnerable children, as defined by the lead agency.
Sec. 23001(h). In FY2022-2024, participating states would be required to use 25% of funds on improving child care quality and supply and 25% on either increasing subsidies and payment rates or improving quality and supply (as determined by the state). In FY2025-2027, states must reserve between 5 and 10% of total funds for activities that increase the quality and supply of eligible child care providers.	**Sec. 23001(h).** In FY2202-2024, the bill appropriates specific amounts for improving the quality and supply of child care services. In FY2025-2027, states must reserve between 5 and 10% of total funds for activities that increase the quality and supply of eligible child care providers.
Sec. 132001. 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; whether a provider has a waiting list and, if so, the average length of time parents are on the waiting list	**Provisions related to the Child Care Information Network are not included.**

and how to join the list; the type of child care, differentiated between licensed and license-exempt; and information about languages spoken by staff. Funds could also be used to simplify subsidy application processes. Additionally, requires the Secretary to maintain current information on child care providers who are qualified to receive the HHS Participating Child Care Provider Certification for a calendar year (qualifications for the certification are outlined in the bill). In FY2022-FY2026, appropriates $50 million per year for HHS for administrative expenses for CCINs and the certification program and such sums as may be necessary for lead agency CCIN grants. **Sec. 132003.** Appropriates $17.5 million per year for FY2022-FY2026 to provide technical assistance to lead agencies to support state CCINs. This includes assistance to start new licensed child care businesses or reopening a closed child care facility in areas where there is a child care shortage or risk of a shortage; to state and local governments to incentivize public-private partnerships; and to support child care business technical assistance. Funds can also be used to provide technical assistance to states to increase child care availability and affordability. **Sec. 132004.** Provides $200 million per year for FY2022-FY2026 for grants to the lead agencies of Indian Tribes and Tribal Organizations to develop a CCIN, coordinate with HHS on the Participating Child Care Provider Certification, and conduct infrastructure projects to improve the safety of child care facilities. Of the funds appropriated, up to $1 million could be used to conduct consultations with Indian Tribes and Tribal Organizations to determine how to better conduct consumer outreach and education and provide timely availability for child care slots; improve child care infrastructure; and inform best	

practices and guidelines for carrying out grant activities.	
Quality	
Sec. 23001(f)(4)(B). Within 3 years of receiving funds, requires states to create a tiered system for measuring the quality of child care providers that, among other requirements, includes a set of standards for determining a provider's tier of quality; includes different standards for care during nontraditional hours; and provides sufficient resources and supports for providers not at the highest tier to progress toward higher quality standards. **Sec. 23001(f)(4)(C).** Requires states' child care plans to certify that within 6 years of enactment their implemented policies and financing practices will ensure all families of eligible children can choose care at the highest quality tier. **Sec. 23001(f)(4)(J).** Requires states' child care plans to include an assurance that within 3 years of receiving funds it will have licensing standards for child care providers and a pathway to licensure available to and appropriate for providers in a variety of settings, to ensure providers eligible under the CCDBG Act have a pathway to become eligible providers for the entitlement program. Sec. 23001(b)(2)(E)(ii) specifies CCDBG-eligible providers would be deemed eligible for 3 years after their home state receives funding.	**Sec. 23001(f)(4)(B).** Within 3 years of receiving funds, requires states to create a tiered system for measuring the quality of child care providers that, among other requirements, includes a set of standards for determining a provider's tier of quality; includes different standards for care during nontraditional hours; and provides sufficient resources and supports for providers not at the highest tier to progress toward higher quality standards. **Sec. 23001(f)(4)(C).** Requires states' child care plans to certify that within 6 years of enactment their implemented policies and financing practices will ensure all families of eligible children can choose care at the highest quality tier. **Sec. 23001(f)(4)(J).** Requires states' child care plans to demonstrate that it consulted or will consult with organizations representing child care directors, teachers, or other staff; early childhood education experts; and families; to develop, within 2.5 years of receiving funds, licensing standards for child care providers and a pathway to licensure available to and appropriate for providers in a variety of settings, that will offer CCDBG-eligible providers a pathway to become eligible providers for the entitlement program and assure an adequate supply of child care. Sec. 23001(b)(5)(B) specifies CCDBG-eligible providers would be deemed eligible for 3.5 years after their home state receives funding. Plans must also describe the timeline the state will use to ensure sufficient time for these providers to comply with licensing standards and remain eligible 3.5 years after the State first receives funding.

Sec. 23001(h). In FY2022-2024, participating states would be required to use 25% of funds on improving child care quality and supply and 25% on either increasing subsidies and payment rates or improving quality and supply (as determined by the state). In FY2025-2027, states must reserve between 5 and 10% of total funds for activities that increase the quality and supply of eligible child care providers.	**Sec. 23001(h).** In FY2202-2024, the bill appropriates specific amounts for improving the quality and supply of child care services. In FY2025-2027, states must reserve between 5 and 10% of total funds for activities that increase the quality and supply of eligible child care providers.
Facilities	
Sec. 23001(h)(2)(C)(ii)(III). From a portion of the quality child care amount, requires states to provide support, including through awarding facilities grants, for remodeling, renovation, or repair of a building or facility to the extent currently allowed by CCDBG. In FY2022-2024 and in subsequent years with the Secretary's approval, allows states to provide facilities grants for construction, permanent improvement, or major renovation of a building or facility primarily used for providing child care services. **Sec. 132002.** Provides $15 billion in FY2022 to be available through FY2026 for grants to states, which states will use to help providers acquire, construct, renovate or improve 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 $15 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.	**Sec. 23001(h)(2)(C)(ii)(III)**. From a portion of the quality child care amount, requires states to provide support, including through awarding facilities grants, for remodeling, renovation, or repair of a building or facility to the extent currently allowed by CCDBG. In FY2022-2024 and in subsequent years with the Secretary's approval, allows states to provide facilities grants for construction, permanent improvement, or major renovation of a building or facility primarily used for providing child care services. **Specific funding for child care facilities is not included.**
Providers and Workforce	
Sec. 23001(f)(4)(A). Requires states' child care plans to certify that within 3 years of receiving funds, payment rates for child care	**Sec. 23001(f)(4)(A).** Requires states' child care plans to certify that within 3 years of receiving funds, payment rates for child care

assistance will be sufficient to meet the cost of child care based on an approved cost estimation model or cost study and correspond to differences in quality based on the state's tiered system for measuring quality. Specifies the cost estimation model or cost study must include estimates for providers at each tier of the state's tiered system for measuring quality and variations in the cost of child care services by geographic area, type of provider, and age of child, and the additional costs associated with providing inclusive child care services. Additionally, states must certify payment rates enable providers not at the highest tier to increase quality. **Sec. 23001(f)(4)(A)(ii)(II)(cc), (D).** Requires states' child care plans to certify payment rates will ensure that wages for staff of child care providers, at a minimum, provide a living wage, are equivalent to wages for elementary educators with similar credentials and experience, and are adjusted annually for cost-of-living increases. States must also certify that within 3 years of receiving funds, they will have a wage ladder for staff that meets these requirements. **Sec. 23001(h)(2)(B).** In FY2025-FY2027, requires states to ensure parents of eligible children can access services through a grant or contract or a certificate. Grants or contracts must, at a minimum, support providers operating expenses to meet and sustain required health, safety, and quality and wage standards. Certificates would be issued directly to providers on behalf of a parent to be used as a payment or deposit for child care services. **Sec. 23002(a)(6).** Defines "eligible providers" for the purposes of	assistance will be sufficient to meet the cost of child care based on an approved cost estimation model or cost study and correspond to differences in quality based on the state's tiered system for measuring quality. Specifies the cost estimation model or cost study must include rates for providers at each tier of the state's tiered system for measuring quality and variations in the cost of child care services by geographic area, type of provider, and age of child, and the additional costs associated with providing inclusive child care services. Additionally, states must certify payment rates enable providers not at the highest tier to increase quality. States must update the cost estimation model at least every 3 years. **Sec. 23001(f)(4)(A)(ii)(II)(cc), (D).** Requires states' child care plans to certify payment rates will ensure that wages for staff of child care providers, at a minimum, provide a living wage, are equivalent to wages for elementary educators with similar credentials and experience, and are adjusted annually for cost-of-living increases. States must also certify that within 3 years of receiving funds, they will have a wage ladder for staff that meets these requirements. **Sec. 23001(h)(2)(B).** In FY2025-FY2027, requires states to ensure parents of eligible children can access services through a grant or contract or a certificate. Grants or contracts must, at a minimum, support providers operating expenses to meet and sustain required health, safety, and quality and wage standards and address underserved populations. Certificates would be issued directly to a parent to be used as a payment or deposit for child care services. **Sec. 23002(a)(6).** Defines "eligible providers" for the purposes of

universal preschool as local educational agencies that are licensed by the State or meet comparable health and safety standards; Head Start agencies; a licensed center-based provider, family child care provider, or community- or neighborhood-based network of licensed family child care providers; or a consortium of such entities. **Sec 23002(c)(6)(M), (d).** Requires states' plans to certify subgrant amounts are sufficient to enable eligible providers to meet program requirements and provide for increased staff payment amounts. Additionally, specifies subgrants or contracts with providers will be for at least 3 years; requires the amount to reflect variations in the cost of services by geographic area, type of provider, and age of child, and the additional costs associated with providing inclusive child care services; and requires enhanced payments to providers offering comprehensive services, health and development screenings, and service referrals for children and families they serve. Priority would be given to programs in high-need communities. **Sec. 23002(c)(6)(J), (K)(v)-(vi).** Requires states' plans to provide assurances that it will: ● Partner with at least 1 institution of higher education to facilitate degree attainment for staff of preschool programs; ● Provide salaries and set salary schedules for preschool staff that are equivalent to salaries of elementary school staff with similar credentials and experience; and ● At a minimum, provide a living wage for all staff of such providers; and ● Require educational qualifications for teachers in the preschool program including, at a minimum, requiring lead teachers to have a baccalaureate degree in early childhood education or a related field within 7 years of enactment of this Act (excluding individuals employed by an eligible child care provider or early	universal preschool as local educational agencies that are licensed by the State or meet comparable health and safety standards; Head Start agencies; a licensed center-based provider, family child care provider, or community- or neighborhood-based network of licensed family child care providers; or a consortium of such entities. **Sec 23002(c)(5)(J), (d).** Requires states' plans to certify subgrant amounts are sufficient to enable eligible providers to meet program requirements and provide for increased staff payment amounts. Additionally, specifies subgrants or contracts with providers will be for at least 3 years; requires the amount to reflect variations in the cost of services by geographic area, type of provider, and age of child, and the additional costs associated with providing inclusive child care services; and requires enhanced payments to providers offering comprehensive services, health and development screenings, and service referrals for children and families they serve. Priority would be given to programs in high-need communities. **Sec. 23002(c)(5)(B).** Requires states' plans to provide assurances that it will: ● Provide salaries and set salary schedules for preschool staff that are equivalent to salaries of elementary school staff with similar credentials and experience; and ● At a minimum, provide a living wage for all staff of such providers; and ● Require educational qualifications for teachers in the preschool program including, at a minimum, requiring lead teachers to have a baccalaureate degree in early childhood education or a related field within 6 years of a state receiving funds (excluding individuals employed by an eligible child care provider or early education program for a cumulative 3 of the last 5 years from

education program for a cumulative 3 of the last 5 years from the date of enactment and with necessary content knowledge and teaching skills). **Sec. 132005.** Through FY2022, would provide $10 million to establish a Child Care Wage Grant program to reimburse states for the costs of providing child care wage grants to qualified child care providers. (For FY2023-FY2026, the bill appropriates such sums as may be necessary for reimbursements for the grants.) Providers would use the funds to supplement the wages of child care employees or owners up to $16,000 per year for those working on a full-time basis or $10,000 for those working on a part-time basis.	the date of enactment and with necessary content knowledge and teaching skills). **Provisions related to a Child Care Wage Grant program are not included.**
Tax	
Sec. 137102-137103. Extends through 2022 the American Rescue Plan Act (ARPA) modifications to the Child Tax Credit (CTC) making the CTC fully refundable, increasing the amount of the credit to $3,000 for children ages 6-17 and to $3,600 for a child under age 6, and reducing 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 in effect through 2025. Also indexes the amounts for inflation and directs the Secretary of the Treasury to continue providing the CTC through advance monthly payments and to maintain an online portal to allow taxpayers to opt-out of receiving advance payments and update information to determine taxpayers' maximum eligible credit. Extends through 2025 a $500 nonrefundable tax credit for dependents other than child dependents and indexes the value of this credit for inflation.	**Sec. 137102.** Extends through 2022 the American Rescue Plan Act (ARPA) modifications to the Child Tax Credit (CTC) making the CTC fully refundable, increasing the amount of the credit to $3,000 for children ages 6-17 and to $3,600 for a child under age 6, and reducing 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 in effect through 2025. Also extends through 2022 the ARPA provision of CTC advance payments with some amendments, including to specify that payments should be made monthly and to place income restrictions on which taxpayers are eligible for advance payments **Sec. 137103.** Makes the CTC fully refundable after 2022. **Sec. 137104.** Appropriates funds to remain available until Sept. 30, 2026 as follows:

Sec. 137104. Makes the CTC fully refundable after 2025. **Sec. 137201.** Makes permanent ARPA modifications to the Child and Dependent Care Tax Credit (CDCTC) and indexes for inflation both the maximum credit amount and the phaseout threshold. For tax year 2021, the ARPA amended the CDCTC to make the credit fully refundable; increase the maximum credit rate to 50%; 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); increase the phaseout threshold from $15,000 to $125,000; 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. **Sec. 137202.** Makes permanent the ARPA increase in dependent care assistance program contribution limits (from $5,000 to 10,500 or from $2,500 to $5,250 in the case of a separate return by a married individual) and indexes the amounts for inflation. **Sec. 137301.** 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 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 set at $2,500 per quarter per employee and will be adjusted for inflation after 2022. Health plan expenses allocable to qualified wages are included in wages. Gross income is increased by the amount of the credit.	• $3.963 billion for the IRS to administer the CTC and advance CTC payments, and • $1 billion for the Department of Treasury to support efforts to increase enrollment of CTC eligible families, for advance CTC payments, and for other tax benefits. **Sec. 138515.** For tax years 2022-2025, amends the Employer-Provided Child Care Credit to increase from 25% to 50% the percent of qualified child care expenditures that can be claimed as a credit and increase the maximum amount of the credit from $150,000 to $500,000. Qualified child care resource and referral expenditures that can be taken into account each year are capped at $1.5 million. (Current law allows a credit of 10% of such expenses.) **Provisions related to the CDCTC, dependent care assistance programs, and a payroll tax credit qualified child care wages are not included.**

Sec. 137401. Extends through 2022 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. 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. Amounts will be indexed for inflation.	**Sec. 137201.** 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. 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. Amounts will be indexed for inflation.