



Covid crisis: Iowa must act now to stabilize our child care system

During the best of times, many working families with young children are pushed to the brink to afford quality, reliable child care, and many providers struggle to make ends meet. Working parents and providers are among those most harmed by the immediate Covid-19 crisis, and they will face serious challenges in the economic slowdown that's sure to follow.

In tough times like these, Iowa families and providers are relying on our state leaders to:

- Stabilize our child care system during the current crisis by giving families and providers as much flexibility as possible to weather the storm
- Take steps now to improve the system's underlying financial structure so we have a viable system as we move into recovery

To date, the Iowa Department of Human Services has provided limited financial help, focused on children in the state's Child Care Assistance program. It has wisely done away with limits on the number of days CCA will pay providers for children who are absent. It has also issued health and safety guidance to providers and helped coordinate emergency or pop-up centers to serve school-aged kids.

These are good first steps, but much more is needed from state leaders during this unprecedented crisis.

The federal CARES Act includes \$3.5 billion specifically for new Child Care Development Block Grant funds, of which Iowa is expected to receive \$30.5 million. These new CCDBG funds do not require matching funds from states and are not expected to fall under set-aside or direct service requirements. As such, they can be used in a variety of ways. The state is also slated to receive \$1.25 billion in general fiscal relief, of which some could be used for child care. In addition, the federal government has given states more flexibility in how to use existing federal child care funds during the crisis.

Here is what Iowa should do immediately:

Temporarily suspend redetermination of family eligibility for child care assistance

- Iowa has suspended SNAP eligibility redeterminations but has yet to act similarly for CCA. A suspension will ensure that temporary changes in family work participation, earnings or other Covid-19 factors do not hurt eligibility or cut more revenue from providers. It will also reduce administrative load at the department, giving staff more time to address emergency needs.

Expand CCA benefit eligibility for families

- By increasing the eligibility level for families entering the system—still among the nation's lowest at 145 percent of the federal poverty level, or \$31,494 annually for a family of three—we can widen the pool of children providers can enroll in care, bringing important financial stability

to providers and families alike. The federal Office of Child Care has confirmed that during the crisis states can broaden eligibility, use existing quality dollars to provide additional support for impacted families who currently use subsidies and apply for a waiver to serve families not otherwise eligible.

Establish a state emergency fund to help providers facing financial losses

- States also have new flexibility to help providers cover the costs of safely maintaining operations, hiring substitute caregivers, providing paid leave for staff and other expenses resulting from Covid-19. Iowa should establish an emergency fund for providers to help them cover these kinds of expenses. It should also include a mechanism to compensate providers for private-pay family absences and help for the centers that are currently closed to reopen as Iowans return to work. Support should be in the form of grants, not loans that will force already struggling providers—small businesses and nonprofits—to take on long-term debt.

Subsidize and deliver food and cleaning supplies to providers remaining open

- The state should bolster its health and safety guidance by giving providers operating during the crisis access to necessary nutrition, cleaning and health supplies so they can provide safe and proper care for the children of essential workers.

DHS should take these actions now, and when legislators return to Des Moines, they must act, too. They should move quickly to increase the reimbursement paid to providers participating in CCA. Insufficient child care supply is driven primarily by poor compensation, and the pandemic is exacerbating existing supply problems. The Iowa legislature is currently sitting on bills to increase CCA rates for all providers to the 50th percentile of the 2017 market rate, determined in the state's most recent survey. Given our new environment, we should permanently increase reimbursements to the federally recommended level—75th percentile of current market rate—and include triggers for automatic increases each time a new market rate study is completed. This smart strategy will support long-term recovery of the system.

Even before the pandemic, legislators and the Governor agreed child care was in crisis. We knew the cost of care was out of reach for too many parents—exceeding the cost of tuition at Iowa's state universities—and that providers were woefully underpaid, many qualifying for assistance themselves. The Covid pandemic only makes each of these challenges more acute. Iowans need our lawmakers to act and act quickly.

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