The historic levels of federal funding in the Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARPA), enabled New York State to award millions of dollars to child care providers in an effort to keep programs open during the early years of the coronavirus pandemic. The infusion of these federal dollars was critical to the survival of many child care providers in our state, as the ongoing pandemic exacerbated long-standing inequities and financial instability in the child care sector.

The Raising New York coalition is a cross-sector group of parent, early childhood, education, business, and health organizations dedicated to supporting the learning potential and long-term outcomes for infants and toddlers who live in low-income households, children of color, children of immigrant families, children who are unhoused, children with developmental delays and disabilities, and other underserved groups. Raising NY has worked with the New York State Office of Children and Family Services (OCFS) to review data related to the distribution of federal emergency relief funding to child care providers in our state. Ensuring that our systems collect complete and disaggregated data and are transparent with that information is a cornerstone of our coalition’s work. We believe that improving long-term outcomes for infants and toddlers of color and those living in low-income communities requires specific attention to trends present in state-level data.

Our analysis focuses on three primary sources of federal emergency relief funding for child care providers — CARES II, CARES III, and the Child Care Stabilization Grant 1.0. The analysis includes information from 13,578 recipients of federal relief funding for child care in New York State and sheds new light on which providers were able to access CARES Act funding, the impact of improvements OCFS implemented between CARES III and stabilization grant distribution, and clear implications for future best practices.

Over the past two years, OCFS distributed $65 million to child care providers from CARES II funding, and $48.6 million from CARES III — both of which were allocated for staffing, property rental, materials, utilities, and other operational expenses. Additionally, OCFS also distributed $900 million to child care providers via the first Child Care Stabilization Grant, known as Stabilization 1.0, in the fall of 2021.
CARES II and CARES III Funding

CARES II was administered during the first months of the pandemic, beginning in the summer of 2020. It was structured as a reimbursement-based model which posed challenges for providers already experiencing financial difficulties. Many providers experienced delays in reimbursement, further exacerbating the impact of pre-existing thin margins and decreases in enrollment, as well as creating greater risk for some providers who accrued personal debt in order to meet the costs of their program.

CARES III, which also used a reimbursement-based model, provided grants for closed child care programs to reopen or to alter learning environments in adherence to social distancing requirements and remote learning needs. CARES III also provided funding for rent costs for school-based child care programs that were displaced from their original location due to the coronavirus pandemic. Lastly, CARES III funding included child care scholarships for essential workers with an income less than 300% of the federal poverty level.

OCFS worked closely with the NYS Child Care Resource & Referral (CCR&R) agencies to support the distribution of CARES II and CARES III funding in 2020 and early 2021.

Stabilization Grant Funding

In the late summer of 2021, New York State announced the administration of child care stabilization grants, which were intended to provide direct support to child care providers to stabilize and recover from the impact of COVID closures. OCFS made significant improvements to their distribution and data collection systems for stabilization grants based on lessons learned from administering CARES II and CARES III grants.

The agency met monthly with a small working group of diverse stakeholders during the planning and distribution of the stabilization grants. Stakeholders addressed questions and concerns directly from providers in the field and incorporated that feedback into the program.

OCFS leveraged stakeholder input to design an online portal to simplify grant applications and submission of funding reports. OCFS brought in a group of providers to pilot the portal in advance of its launch and share feedback. As a result, the portal launch went far more smoothly for providers than the CARES II and III portal launch.

OCFS was able to give stabilization funding directly to providers prior to expenses being incurred, which proved effective at getting the much needed dollars immediately into the hands of providers for a range of necessary and allowable uses.

OCFS worked proactively throughout the stabilization grant process with federal agencies to gain clarity on questions regarding the impact on public benefits, such as housing and Supplemental Nutritional Assistance Program (SNAP) and took steps to communicate clarifications to providers.
FINDING I: PROCESS IMPROVEMENTS MADE BETWEEN CARES II AND CARES III AND STABILIZATION 1.0 HELPED MORE PROVIDERS FROM MORE MODALITIES OF CARE ACCESS RELIEF FUNDING

The improvements that OCFS made had a significant impact on the ability of child care providers to access relief funding. Many more providers received stabilization grants than CARES II and CARES III grants — more than 98% of providers (those shown in the box in the chart below) included in our analysis received stabilization grant funding or a combination of stabilization grant and CARES II and/or III funding.

WHAT TYPES OF GRANTS DID THOSE PROVIDERS RECEIVE?

Grants Received among Matched Providers (n=13,578)
OCFS did not collect critical data on provider gender, race, and ethnicity during the CARES II and CARES III processes, so our analysis could not answer our questions about equitable access and distribution of those critical resources.

Demographic data was collected in the stabilization grant applications, which revealed that a large proportion of home-based child care programs, including group family day care and family day care, received stabilization grant funding. This is critical information to have, as home-based child care programs are more likely to be owned and operated by women of color and located in lower-income communities and immigrant communities.
### What was the gender, race, and ethnicity breakdown of stabilization grant recipients?

#### Funded Providers by Gender*

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>11,898</td>
<td>88%</td>
</tr>
<tr>
<td>Male</td>
<td>881</td>
<td>6%</td>
</tr>
<tr>
<td>Gender Non-conforming</td>
<td>10</td>
<td>0%</td>
</tr>
<tr>
<td>Decline to answer</td>
<td>34</td>
<td>0%</td>
</tr>
<tr>
<td>Other/ Something else</td>
<td>8</td>
<td>0%</td>
</tr>
<tr>
<td>Questioning</td>
<td>2</td>
<td>0%</td>
</tr>
<tr>
<td>Missing</td>
<td>745</td>
<td>5%</td>
</tr>
</tbody>
</table>

#### Funded Providers by Race/Ethnicity*

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Indian / Alaska Native</td>
<td>27</td>
<td>0%</td>
</tr>
<tr>
<td>Asian</td>
<td>371</td>
<td>3%</td>
</tr>
<tr>
<td>Black / African American</td>
<td>3021</td>
<td>22%</td>
</tr>
<tr>
<td>Latino</td>
<td>4267</td>
<td>31%</td>
</tr>
<tr>
<td>Multiracial</td>
<td>247</td>
<td>2%</td>
</tr>
<tr>
<td>Native Hawaiian / Pacific Islander</td>
<td>15</td>
<td>0%</td>
</tr>
<tr>
<td>White, not Latino</td>
<td>4885</td>
<td>36%</td>
</tr>
<tr>
<td>Missing</td>
<td>745</td>
<td>5%</td>
</tr>
</tbody>
</table>
FINDING 3: ADDITIONAL DATA COLLECTION FROM THE STABILIZATION GRANT 1.0 APPLICATIONS OFFERED INSIGHT INTO HOW PROVIDERS SPENT THE FUNDING AND WHERE THERE WERE THE GREATEST FINANCIAL NEEDS FOR EACH MODALITY OF CARE

A larger proportion of home-based programs, including family child care, group family day care, and some license-exempt care, spent money on rent, mortgage, and utilities than center-based programs, which spent more of the funding on personnel costs. This data can inform future financial investments and provide more targeted relief based on the unique needs of each modality of care.
LESSONS LEARNED & POLICY RECOMMENDATIONS

It is clear that CARES II, CARES III, and Stabilization Grant 1.0 funds have been critical in holding off the financial cliff for many providers, but our child care crisis is not over. Even prior to the devastating impacts of the coronavirus pandemic, the cost of providing care has been too often higher than the market rate, resulting in razor thin margins that make it difficult for providers to stay in the sector, let alone to attract new providers to the field.

It is possible that stabilization grants or a similar funding mechanism will be a part of the child care ecosystem for several years, particularly without movement on a comprehensive restructure of our child care system — from paying child care professionals a family-sustaining wage to ensuring equitable access for all families to high-quality, affordable child care. Any future grants to support child care providers must ensure that the providers that can benefit most have clear and easy access to resources.

We recommend:

Include key and impacted stakeholders in the planning stage of all grants and establish a continual feedback loop

In order to effectively address systemic inequities in the child care system, future funding opportunities should benefit the full diversity of the child care workforce, with priority given to communities and providers who live in historically underserved communities. Decision-making bodies must include a variety of stakeholders from the beginning. Given the continuing economic fragility of our child care system there can be unintended consequences that create destabilization. A diverse group of stakeholders can be critical when designing effective distribution programs that reach all providers.

Increase and expand the capacity of the online grant and application portal

The online grant application represents a
potential building block for transformation of our child care system and could be the vehicle through which New York delivers sustained funding (or, child care desert funding, ongoing grants, or wage supplements) to all child care providers. The portal is a centralized hub for the child care desert grants, Stabilization 2.0 Grants, and other upcoming funding opportunities, expanding the capacity and depth of the online portal will maximize efficiency and reduce confusion from providers and stakeholders.

Increase data collection and transparency

New York’s data collection and reporting system must track information that is vital to our understanding of the system itself. This should include tracking the race, ethnicity, primary language, and gender of child care providers, as well as the ages of children served in their program. Accurate and detailed data on providers and the children they serve, including age, race, and early intervention eligibility, is critical to informing efforts to increase equity for communities who continue to be marginalized by systemic racism and poverty.

Establish an equity-driven distribution process

Resources for child care should be distributed to providers that stand to benefit the most. Providers of color and those serving infants and toddlers, children with disabilities, and those who offer non-traditional hours of care are most likely to be under-resourced and at greater risk of closure. It is essential that we prioritize businesses owned and operated by providers of color who care for infants and toddlers, families with disabilities, families impacted by housing insecurity, families impacted by domestic violence, and others who are marginalized by systemic racism and poverty.

Ensure that relief funding does not impact eligibility for social services and other benefits

Future child care funding opportunities should remain separate from taxable income, which could impact access to public benefits such as Section 8 housing and Supplemental Nutrition Assistance Program (SNAP). Future grant opportunities should include guidance on benefit eligibility from the start in order to minimize confusion and concern for providers.

Provide necessary short-term financial relief while working toward transformation of the child care system

Beyond the policy recommendations outlined above, New York must work to significantly increase workforce compensation and benefits to ensure that we can maintain and expand the child care workforce, rebuild capacity, and eliminate child care deserts in order to provide culturally-responsive and high-quality care to all New York families. Future opportunities for limited financial relief must be paired with steps toward long-term investments in the sector. In particular, caring for infants and toddlers is — by necessity — the most expensive and staff-intensive care for providers. Both short-term grants and long-term investments in the child care sector must include a higher rate of compensation that will fully cover the costs for those caring for infants and toddlers. Additionally, providers who care for children with disabilities must also receive higher rates of pay so that they can obtain the resources and support to meet their needs. Higher rates of compensation are an essential component to ensuring ample capacity of this critically needed care for families.
ENDNOTES

1 Our analysis includes 13,578 of the 15,005 providers listed in the records shared with us by OCFS that we were able to match to public data found on NYC Open Data or Data.NY.Gov https://data.cityofnewyork.us/Health/DOHMH-Childcare-Center-Inspections/dsg6-ifzahttps://data.ny.gov/Human-Services/Child-Care-Regulated-Programs/cb42-qumz


5 https://ocfs.ny.gov/main/contracts/funding/COVID-relief/NYCARES.php

6 Detailed definitions of each program type are available at https://ocfs.ny.gov/programs/childcare/looking/brochure.php