



National Association for the
Education of Young Children



Supporting Your Child Care Business with Federal Relief Funds

A Resource for Child Care Providers in Centers and Family Child Care Homes

This resource is available to help child care providers as you plan and use federal relief grants to support the viability of your child care business.

Since March 2020, there have been multiple rounds of federal funding to help child care providers respond to the challenges of COVID-19. This funding was passed to support the development and learning needs of children, to give more families access to high-quality care in a variety of settings so they can return to work, and to better compensate providers. While the multiple rounds of funds have [different timelines](#) for when they must be spent, they all have one goal in common: **to help rebuild and provide stability for child care** in all **settings, everywhere**.

What Relief Funds are Available in My State?

States are continually making grant applications available to child care providers of all types of settings that can be used to support a wide variety of expenses. These funds may be called Stabilization Grants or go by another name in your state. No matter what they are called, these grant payments are an important opportunity to invest in your child care program and are unlike any other funding opportunity that child care has received before.

Each state will have different rules for when these funds must be spent, what the reporting requirements will look like, and how they will be taxed. One of the recent major sources of relief grants comes from the [American Rescue Plan Act](#), which gave each state funding to provide direct grant payments to child care providers. You can find more information about this specific funding opportunity in your state by [using this map](#).

If you have any questions on eligibility or how to apply for any grant opportunities, there are a few options you can reach out to, including your state or local:

- [Child Care Resource and Referral \(CCR&R\) agency](#)
- [Association for the Education of Young Child \(AEYC\) affiliate](#)
- Your local or state family child care association, shared services alliances, early childhood coalitions, or staffed family child care network

I'm Interested in or Have Recently Received a Relief Grant, Now What?

As you work through applying for and receiving a grant, consider how to use these dollars to invest in your program's immediate stabilization while laying the groundwork so you are set up to thrive in the longer-term. There are several categories that these funds can support, like covering personnel costs, upgrading materials and equipment, and reducing program costs for families, just to name a few.

Using these grant funds to support immediate expenses and pay back debt you took on in the context of the pandemic is an important way to alleviate some of the challenges you are undoubtedly experiencing right now, and items like materials and supplies are obvious ways to spend funds. It is also good business practice to consider investing in intermediate and long-term expenses that will set your program up for financial success and ensure affordable, accessible care exists in your community now and in the future.

Each program's needs will be different, so it is important to create an expense plan that considers your program's **immediate, intermediate, and long-term needs** in responding to COVID-19 and strengthening your program for the future. We recommend using these relief grants across three main categories to support your program's viability over time:

- Invest in your workforce (including YOU!)
- Reduce fixed costs
- Focus on quality program and practice

Invest in Your Workforce (including YOU!)

Average wages for a provider typically account for at least 50-60% of overall expenses because running a child care program is labor-intensive, highly-skilled work. As the pandemic has added to the pre-existing challenges of workforce recruitment and retention, with workers leaving the field temporarily or permanently to find higher paid work and benefits during a time of health and economic uncertainty, there is a need to use these grant payments to invest in your workforce, **including yourself, whether you are in family child care homes or in centers**. Meaningful compensation and access to health care for child care staff across all settings is needed to sustain the pipeline of the field and provide the stability and growth of your program. An increase in wages and benefits also benefits children's social and emotional, cognitive, and academic development, as they will be supported by a consistent, diverse, and high-quality early childhood education workforce. When you and your staff are paid a competitive wage and have access to benefits, you can turn your focus to the quality of the program and practice. For more information, read why [compensation matters most](#) for the success of a child care program.

Check out some of the examples below for ideas on how funds can be spent to invest in your workforce—including you. The following examples can help support the continuum of interventions, from immediate financial relief to industry solutions, but are not an exhaustive list.

I will support myself and my staff by spending relief funds to:

- Provide monthly bonuses for all employees, including myself
- Cover the cost of high-quality masks and COVID-19 testing for employees on a biweekly basis
- Establish a salary scale that supports permanent wage increases for all staff
- Pay recruitment bonuses and incentives for new staff
- Provide access to health, dental, and vision insurance
- Start retirement contributions for full-time staff
- Pay for professional staff development, training, and coaching services
- Fund scholarships and provide time off for staff to participate in higher education pathways and/or apprenticeships that lead towards credentials or degrees
- Cover transportation and/or child care costs for employees
- Enable paid, sick or family leave for assistants and/or paying for substitutes
- Cover licensing fees or the cost of background checks for current and future employees
- Provide health and safety training for staff, such as CPR and first aid, safe sleep, and emergency response trainings

The Administration for Children and Families has put out a [new resource on strategies](#) that states, communities, and early childhood programs may use to support the early childhood education workforce and address the issue of workforce shortages. These strategies include:

- Increase staff wages or provide one-time incentives, such as hiring or retention bonuses
- Provide benefits including paid leave, health insurance, child care, and retirement benefits
- Fund scholarships and time off for training/professional development or enrollment in educational coursework, apprenticeships, or other practice-based learning that leads towards a credential or degree
- Expand staffed family child care networks, shared services models, and substitute pools
- Provide staff wellness supports such as guaranteed breaks during the work day, access to adult-sized furniture in classrooms, mentoring and coaching, and/or mental health consultation for ECE staff and providers.

Reduce Fixed Costs

Fixed costs eat up another huge part of a program's operating expenses and must be paid to keep the doors open. The federal relief grants are generally very flexible and are a great way to help lower your largest expenses and any recurring payments to reduce your overhead costs. Making increased or advanced payments on fixed expenses can generate savings that can be put toward increasing the overall quality of your program.

Check out some of the examples below for ideas on how funds can help reduce your fixed costs. The following examples can help support the continuum of interventions, from immediate financial relief to industry solutions, but are not an exhaustive list.

I will reduce my program's fixed costs by spending relief funds to:

- Make payments toward mortgage or rent remaining on my program's lease or housing costs for family child care
- Pay off late utility bill fees or plan for upcoming heat, electric, phone, and WiFi bills
- Upgrade my program's liability/accident, transportation, or homeowner's business insurance
- Purchase and install updated technology to track attendance and enrollment data in real time
- Replace lost revenue due to closure or reduction in enrollment
- Establish a cash reserve for future emergency planning and response efforts

Taxes and Benefits

These grants to providers are not loans that need to be repaid; however, they may be subject to taxation. In most cases, these grants will provide a substantial benefit to help your program and your staff recover from the pandemic, despite tax implications. As you consider applying for a grant, you will need to determine a few things related to the taxing of these funds, which can vary from state to state. You will need to consider how much to set aside to cover the taxes associated with the grants and determine if receiving the grant could raise taxable income for you or your staff to a level that may impact the ability to receive public benefits that are based on income.

This document does not constitute tax advice and each state will have different taxing rules around these funds. It is best to consult a tax professional or reach out to a trusted child care intermediary in your community with the necessary financial background, like a CCR&R, AEYC affiliate, family child care association, shared services alliances, and/or staffed family child care networks, who can direct you to additional resources. You can also read through these resources available for providers to assess how grant funds may impact your taxes:

- The BUILD Initiative's [What are the Tax Considerations of the American Rescue Plan Act \(ARPA\) Child Care Stabilization Grants for Home-based Child Care Providers?](#)
- CCAoA's [Tips for Taxes: A Tip Sheet for CCR&R's on Child Care Taxes](#)
- Tom Copeland's [What Does it mean to Pay Yourself with Stabilization Grant](#)
- Home Grown's [Preparing for the 2021 Tax Season](#) resource for home-based child care providers, including guidance for handling relief funding.

Focus on Quality Program and Practice

There are so many ways to engage in and invest in the quality of your program. Fairly and appropriately compensating your child care workforce (including yourself!) is the first major step to growing the quality of your program along with making sure your program is financially sound. Providing high-quality care and education takes investment in other ways too and can help ensure children learn and develop the skills they need to succeed in life in a safe, healthy, nurturing, age-appropriate and culturally responsive environment. Building high-quality child care programs that aligns with the needs of children and their families will strengthen not only your program, but your entire community.

Check out some of the examples below for ideas on how you can use these funds to focus on your program's quality and practice. The following examples can help support the continuum of interventions, from immediate financial relief to industry solutions, but are not an exhaustive list.

I will support my program's quality by spending relief funds to:

- Enroll myself or a team member in a credential or degree program or future training
- Join an association or network for peer support
- Make minor facility improvements to mitigate virus spread, like adding touchless faucets and soap dispensers, installing new air purifying systems, and purchasing room dividers
- Cover the fees of joining a shared services alliance and/or staffed family child care network
- Support the health and mental health of children and employees through regionally or locally coordinated infant and early childhood mental health consultation services
- Upgrade our program's food and beverage services to increase nutritional quality
- Replace materials and equipment for eating, diapering, and safe sleep
- Sign up for business automation training and support services
- Improve program's child care management services
- Purchase new program materials and supplies that are developmentally appropriate, presented in different languages, and available for classroom or take-home use
- Engage families with culturally responsive activities
- Refresh indoor and outdoor equipment to facilitate developmentally appropriate learning
- Upgrade to new business software for tracking attendance, communicating with parents, and collecting reporting data to state agencies
- Reduce costs that are passed on to families, like tuition and copayments

Federal Relief Grant Planning Worksheet

Providers can use this worksheet to help identify how they will use federal relief funds to support their immediate, intermediate, and long-term needs for their programs under the three categories: investing in your workforce, reducing fixed costs, and raising the bar of program quality. No two providers have the same needs and goals for this funding, so these goals should be unique to your program. You can use the examples bulleted above to help get you started in planning. Think about what timeframes work for your program for immediate, intermediate, and long-term goals. For example, immediate could mean 0-6 months from receiving grant payments, intermediate could mean 6-12 months from receiving grant payments, and long-term could mean 1+ years from receiving grant payments. Include these timelines in the goals below to help you stay accountable. Remember that **goals and timelines can always be revised.**

You can always reach out to your local CCR&R, AEYC affiliate, family child care association, shared services alliances, and/or staffed family child care networks to discuss your program's goals and help you fill in this sheet.

Funding Category	Determined Need			Comments
	Immediate	Intermediate	Long-Term	Insights, ideas, suggestions
To Invest in My Workforce and myself, I will use these funds to:				
To Reduce My Fixed Costs, I will use these funds to:				
To Focus on Program Quality and Practice, I will use these funds to:				