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The Impact of Pandemic Relief Funds on California's Early Care and Education Programs and Workforce

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About CSCCE

Founded in 1999, the Center for the Study of Child Care Employment (CSCCE) is the national leader in early care and education workforce research and policy. We act on the premise that educators should be valued, respected, and guaranteed economic dignity and that the provision of early care and education is a public responsibility.

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Introduction

Early care and education (ECE) programs can provide a lifetime of benefits to children and families, but a lack of public support leaves these valuable services vulnerable to collapse during economic downturns (Brown & Herbst, 2021). The COVID-19 pandemic was a particularly intense emergency for ECE providers: closures due to illness or shelter-in-place ordinances immediately slashed their revenues, and reduced group sizes prohibited a return to normalcy. In California, the ECE sector found itself on the brink of collapse within months (Center for the Study of Child Care Employment, 2020), with many programs taking losses or doubling down on debt in order to stay open. On average, emergency regulations designed to ensure safe child care operations increased operating costs by 47 percent for centers and by 70 percent for family child care (FCC) providers (Workman & Jesse-Howard, 2020). Federal relief funding helped to attenuate the disaster by stabilizing child care businesses (Kim et al., 2022; National Association for the Education of Young Children [NAEYC], 2022).

Previously, we reported on the distribution and spending of the initial federal pandemic relief funds for child care in California (Kim et al., 2022). In this report, we explore the impacts of COVID-19 on child care businesses and the role of pandemic relief funding from 2021 to 2023, covering a period when the state received its largest share of federally allocated funds.

Main Findings

Business and Financial Challenges to Programs

- **Short-term pandemic funding did not fully address the chronic funding issues plaguing early care and education.** Only 19 percent of FCC providers and 28 percent of center directors reported no pandemic-related business challenges.
- **The challenges were not felt equally among programs and providers.** FCC providers were four times more likely than center directors to report being unable to pay themselves and to have taken on personal debt to cover program operations.

Program Receipt of Pandemic Relief Funds

- **There were disparities in the distribution of pandemic funding in California.** About one third (36 percent) of FCC providers and one half (50 percent) of center directors did not receive the state stabilization stipends for licensed providers, which were available to all licensed providers.
- **Distribution of pandemic funding favored state-subsidized programs.** Voucher-participating FCC providers and directors of voucher-participating centers were the most likely to report receiving pandemic funding.

Use of Pandemic Relief Funds

- **Programs used pandemic funds mostly to sustain operations.** More FCC providers (78 percent) and center directors (70 percent) used pandemic funds to cover staff salaries, compared to only 24 percent of FCC providers and 33 percent of center directors who used it to increase staff salaries or wages.
- **Stable public funding—especially through contracts—is needed to sustain program operations.** Compared to centers receiving vouchers or private funding, programs receiving Head Start and/or Title 5-funding were the least likely to report receiving federal Paycheck Protection Program or Small Business Administration loans during this time of crisis.

Background on Pandemic Relief Funds

In 2020 and 2021, the federal government allocated approximately $52.5 billion dollars in supplemental funding from the Child Care and Development Fund (CCDF) to help states, territories, and Tribes respond to the pandemic emergency and to shore up the child care sector (Government Accountability Office, 2024). **Table 1** provides an overview of funding allocated nationwide and to the state of California.[1]

California's total share of the supplemental CCDF funding was more than $5 billion. The Child Care Stabilization Funds appropriated through the American Rescue Plan Act (ARPA) of 2021 made up nearly one half (46 percent) of the supplemental CCDF funding. The Child Care Stabilization Funds were allocated to states based on a statutory formula used for allocating annual CCDF discretionary funding under the Child Care and Development Block Grant (CCDBG) Act of 1990. The funds were to be disbursed directly to child care programs in the form of grants with the aim of stabilizing the ECE sector during and after the pandemic (Office of Child Care, 2021a). States had discretion on how much to disburse to child care programs, but were encouraged to base grant amounts on the true cost of providing high-quality early care and education (Office of Child Care, 2021a).

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[1]While both states and Tribes received supplemental CCDF pandemic relief funding, this analysis focuses on the funding allocated to California.

TABLE 1. COVID-19 FEDERAL FUNDING STREAMS FOR THE EARLY CARE AND EDUCATION SECTOR

Funding Source	Total in the United States	Total in California	Deadline to Spend
Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020	$3.5 billion	$350 million	Sept 30, 2023
Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act of 2021	$10 billion	$960 million	Sept 30, 2023
American Rescue Plan Act (ARPA) of 2021, Supplemental CCDF Discretionary Funds	$15 billion	$1.4 billion	Sept 30, 2024
American Rescue Plan Act (ARPA) of 2021, Child Care Stabilization Funds	$24 billion	$2.3 billion	Sept 30, 2023
Total CCDF Funding	**$52.5 billion**	**$5.01 billion**	

Sources: Office of Child Care, 2020, 2021a, 2021b, 2021c; Smith et al., 2021

Stabilization grants were available to existing eligible child care businesses, including those that did not participate in the subsidy system, to help cover key operating expenses. Child care programs had discretion on how to use the funds. Allowable activities included paying for personnel costs, rent or mortgage, insurance, facility maintenance and improvements, health and safety training, and mental health support for children and early educators (Office of Child Care, 2021a). States could use up to 10 percent of the Child Care Stabilization Funds for administrative activities related to publicizing and disbursing the grants, to build the supply of child care, and to provide technical assistance to child care programs and providers on how to access and use the grants (Office of Child Care, 2021a).

As **Table 1** also shows, the rest of the supplemental CCDF funding was in the form of supplemental CCDF discretionary funds, which were allocated to states based on the same statutory formula used for allocating annual CCDF discretionary funding. The supplemental CCDF discretionary funds for California included:

- $350 million via the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 (Office of Child Care, 2020);
- $960 million via the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act of 2021 (Office of Child Care, 2021b); and

- $1.4 billion of supplemental CCDF Discretionary Funds via the American Rescue Plan Act (ARPA) of 2021 (Office of Child Care, 2021c).

The supplemental CCDF discretionary funds were in addition to the annual CCDF allocations, giving states substantial resources to address challenges posed by the pandemic (Government Accountability Office, 2024).

Supplemental CCDF discretionary funds were intended to be used for typical allowable CCDF activities under the CCDBG Act of 1990, but with added flexibilities to enable a robust pandemic response (Government Accountability Office, 2024). Initially, supplemental CCDF discretionary funding prioritized addressing the COVID-19 public health crisis. It covered costs related to cleaning and sanitation, providing financial assistance to ECE programs facing enrollment disruptions, providing care for children of essential workers, and providing financial support to families struggling to pay for child care (Office of Child Care, 2020; Office of Child Care, 2021b). Later allocations emphasized expanding access to high-quality early care and education by increasing workforce compensation, increasing provider rates, and implementing favorable provider payment policies, as well as expanding child care assistance for families through strategies like waiving or reducing parent copayments and broadening income eligibility thresholds (Office of Child Care, 2021c). States could use supplemental CCDF discretionary funds to support eligible ECE programs regardless of their participation in the subsidy system.

States used their discretion and allowable flexibility to design their own pandemic relief funding programs using the supplemental CCDF funding (Government Accountability Office, 2024). In California, some funds supported all licensed ECE programs—for instance, funding for cleaning and personal protective equipment (PPE) and short-term stipends through the state stabilization stipends for licensed providers (also called licensed child care facility stabilization stipends). However, eligibility for most pandemic-related funds was largely limited to programs that provide subsidized child care through contracts or vouchers (California Department of Social Services [CDSS], n.d.a, n.d.b), a practice shown to entrench existing inequities in the ECE system.

As a result, California's eligibility requirements for pandemic funding likely disadvantaged programs serving the majority of the state's young children. At the same time, the state struggled to quickly disburse the substantial funding inflows in a timely fashion (Schumacher, 2022). California has a limited supply of subsidized child care slots, and many eligible families lack access to subsidized care (California Department of Education, 2024; Pryor, 2024). Additionally, a significant portion of child care programs in the state receive no public funding (Montoya et al., 2022).

Most of California's ECE programs and providers are small businesses, so they could also access funding through the Small Business Administration's Paycheck Protection Program (PPP). This pandemic response loan program was created using appropriations under the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 (U.S. Department of the Treasury, n.d.). Small businesses could use PPP loans to pay their employees and to cover key expenses such as rent, mortgage, or utilities. The loans were forgivable if the business used the funds for allowable costs during a specified period of either 8 or 24 weeks, provided at least 60 percent of the funds were spent on payroll expenses, with the remainder used for other eligible expenses (U.S. Chamber of Commerce, 2021). A total of $2.3 billion in PPP loans was issued to ECE programs nationwide, and some 3,823 loans were issued to providers in California (Smith et al., 2021). Besides PPP loans, child care businesses could access other loans offered by the Small Business Administration under regular terms.[2]

About the Study

This report leverages survey data gathered during the spring of 2023 by the Center for the Study of Child Care Employment (CSCCE). We analyzed survey responses from 611 licensed family child care providers, 542 center directors, and 508 center teachers and assistants/aides (center teaching staff). We weight FCC provider and center director data by region, FCC size, and center infant/toddler license and funding type, using statewide data from the *2021 California Child Care Portfolio* (California Resource & Referral Network, 2023). We present state-level findings by educator role, program funding type, and educator race and ethnicity.[3]

[2] Small businesses had also access to the COVID-19 Economic Injury Disaster Loan, a non-forgivable loan program that had higher fixed interest rates than PPP loans, but our survey did not specifically ask participants about this loan.

[3] For program funding type, center-based programs with a contract through either Head Start, Early Head Start, or Migrant Head Start or a contract to operate a state-subsidized (Title 5) program were categorized as "Head Start/Title 5." Centers and home-based child care programs were also categorized based on whether they participate in the voucher program by accepting vouchers for subsidized care (i.e., "voucher-participating") or if they do not receive public funding and are funded entirely through private payments ("privately funded"). Some family child care providers may have a contract through the Early Head Start-Child Care Partnerships; these are few in number and are counted under "voucher-participating."

Results

Business Challenges for Programs

CSCCE's 2023 survey asked program administrators (i.e., FCC providers and center directors) to identify any business challenges they were currently facing. Pandemic-related business challenges persisted, even as California terminated the COVID-19 state of emergency (Severn, 2023). However, the percentage of both FCC providers and center directors reporting business challenges due to the pandemic in 2023 had decreased compared to our 2020 survey (Kim et al., 2022). This finding suggests a waning of the effects of the pandemic on ECE programs.

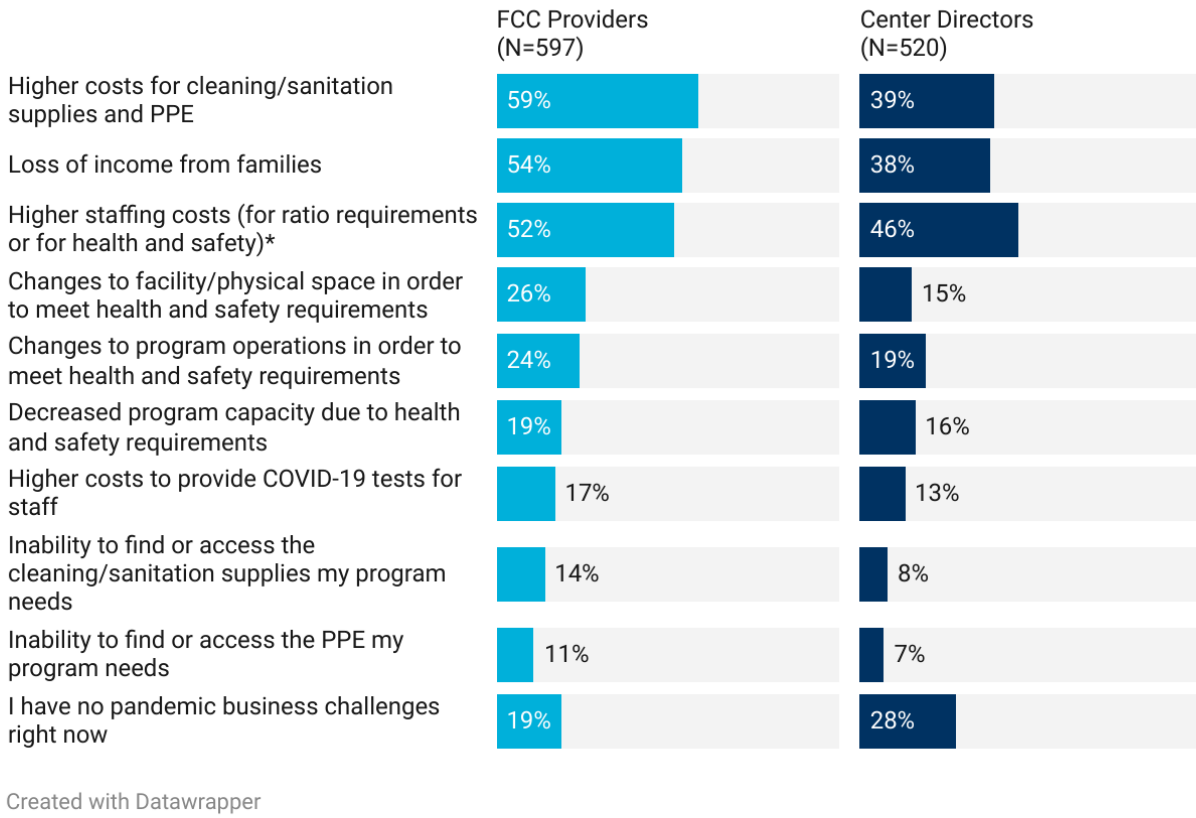
Pandemic-related business challenges affected a larger proportion of home-based programs than center-based programs. FCC providers were more likely than center directors to report currently having any of the business challenges listed (**Figure 1**). Additionally, only 19 percent of FCC providers said that they were not experiencing any pandemic-related business challenges, compared to 28 percent of center directors.

More than one half of FCC providers reported higher costs of cleaning and sanitation supplies and PPE, as well as loss of income from families as challenges (59 percent and 54 percent, respectively). This finding highlights the unique circumstances of this group of providers whose home is also their workplace and who must manage the health and safety of their own families as well as the families under their care. Our previous analysis found that across roles and settings, FCC providers were the most likely to be concerned about working long hours to clean and sanitize (Muruvi et al., 2023), but the additional cost to keep their living environment safe is also a consideration. At the same time, since FCC providers already operate with small group sizes, their incomes are more vulnerable to enrollment disruptions, such as families withdrawing from their program.

The survey also asked center teaching staff if they were experiencing any pandemic-related challenges. The majority (75 percent) of center teaching staff reported not experiencing any of the challenges listed. The challenges most commonly identified by teaching staff were changes to program operations (16 percent) and changes to facility/physical space to meet health and safety requirements (11 percent). Very few center teaching staff reported inability to access PPE or cleaning supplies as challenges (2 percent and 4 percent, respectively).

FIGURE 1. CURRENT BUSINESS CHALLENGES TO EARLY CARE AND EDUCATION PROGRAMS, BY ADMINISTRATOR ROLE

California Workforce Study, 2023



Source: Center for the Study of Child Care Employment, University of California, Berkeley
*Note: For FCC providers, this item was estimated only among respondents who reported having at least one paid assistant (N=265).

Financial Challenges for Programs

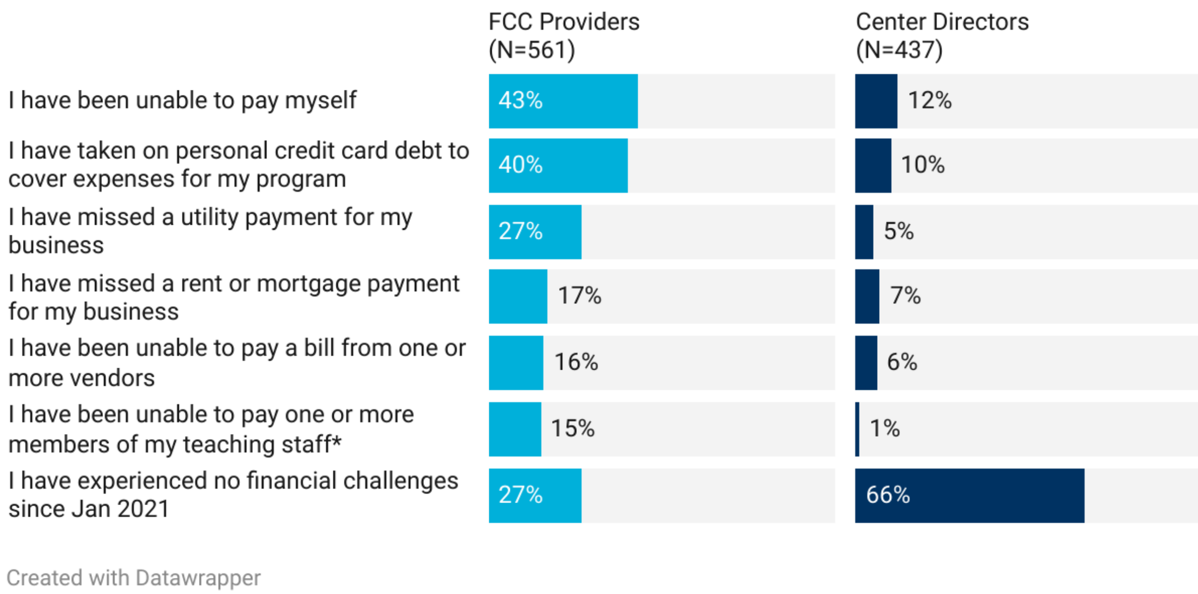
In addition to business challenges, the survey asked program administrators to identify financial challenges they had experienced since January 2021.

For all financial challenges examined, FCC providers reported experiencing difficulties at higher rates than center directors (**Figure 2**). A greater percentage of FCC providers compared to center directors were unable to pay themselves (43 percent and 12 percent, respectively) or had to take on personal debt to cover program operations (40 percent and 10 percent, respectively).

FCC providers were also more likely than center directors to miss paying bills or their staff's salaries. Only about one quarter (27 percent) of FCC providers reported experiencing no financial challenges, while two thirds (66 percent) of center directors reported no challenges in the previous two years.

FIGURE 2. FINANCIAL CHALLENGES TO EARLY CARE AND EDUCATION PROGRAMS SINCE JANUARY 2021, BY ADMINISTRATOR ROLE

California Workforce Study, 2023



Source: Center for the Study of Child Care Employment, University of California, Berkeley.
*Note: For FCC providers, this item was estimated only among respondents who reported having at least one paid assistant (N=253).

Between 2020 and 2023, financial challenges eased more for center directors than for FCC providers. In most cases, there was a decline or no change in the percentage of center directors reporting the financial challenges listed (Kim et al., 2022). For instance, there was a slight decrease between 2020 and 2023 in the percentage of center directors who indicated they were unable to pay themselves (from 15 percent to 12 percent), had missed rent or mortgage payment for the business (from 13 percent to 7 percent), or had missed a utility payment for the business (from 7 percent to 5 percent). The percentage of directors who took on credit card debt to cover program costs showed only a very slight increase from 9 percent in 2020 to 10 percent in 2023.

Among FCC providers, the percentage who took on personal credit card debt to cover program expenses was lower in 2020 compared to 2023 (31 percent and 40 percent, respectively). Additionally, a slightly smaller percentage of FCC providers reported missing a utility payment in 2020 (24 percent) compared to 2023 (27 percent). Meanwhile, the percentage who missed a rent or mortgage payment showed a slight improvement, from 21 percent in 2020 to 17 percent in 2023. There was no change in the percentage of FCC providers who were unable to pay themselves. These trends highlight the persistence of financial challenges among FCC providers, who increasingly rely on credit card debt or forgo paying themselves to support their business.

Program Receipt of Pandemic-Related Financial Support

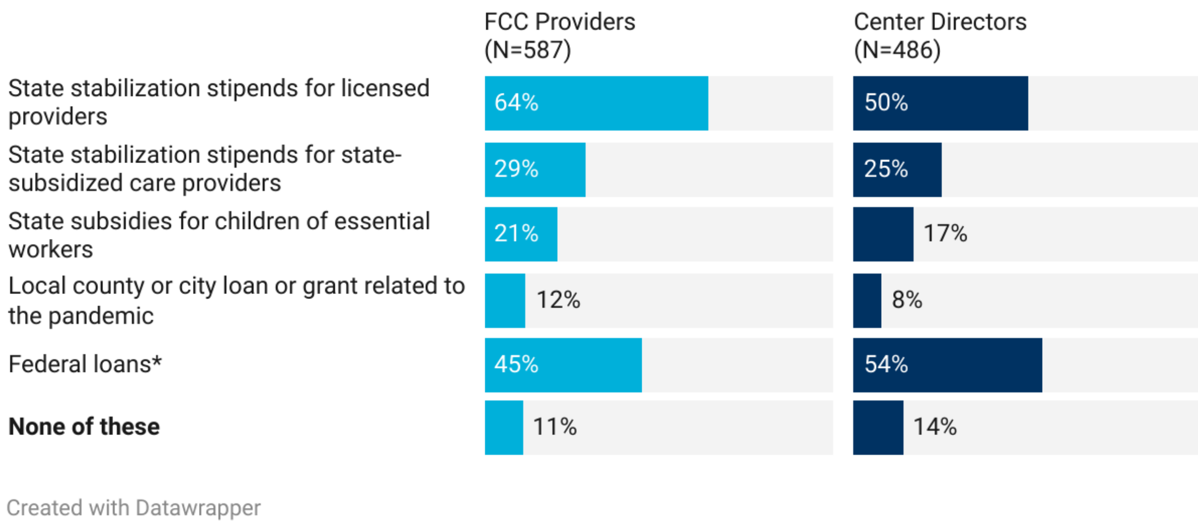
To understand how California distributed pandemic-related financial support to the ECE sector, the 2023 survey asked program administrators to identify the type of financial support they had received since January 2021. Only 11 percent of FCC providers and 14 percent of center directors indicated that they had not received any of the pandemic funding that we examined, suggesting that the majority of ECE programs received some form of pandemic-related financial assistance during this period.

First, we analyzed program administrators' responses regarding their receipt of pandemic-related funding provided as part of the supplemental CCDF funding, including local funds from the county or city. Our findings indicate that FCC providers were more likely than center directors to report receiving each type of funding (**Figure 3**). The most commonly received type of pandemic funding was the state stabilization stipends for licensed providers, also referred to as “licensed child care facility stabilization stipends.” Approximately two thirds (64 percent) of FCC providers and one half (50 percent) of center directors reported receiving these stipends. Notably, this finding means that a significant portion of program administrators *did not* receive these stipends, even though they were available to all licensed providers.

Nearly one third (29 percent) of FCC providers and one quarter (25 percent) of center directors reported receiving state stabilization stipends for state-subsidized child care providers. These funds were available only to providers offering subsidized child care through contracts or vouchers (CDSS, n.d.a, n.d.b), which may explain the relatively low participation rates. However, restricting eligibility to only those centers and providers receiving public funding likely excluded a large portion of California’s ECE programs (Montoya et al., 2022).

FIGURE 3. PROGRAM RECEIPT OF PANDEMIC-RELATED FINANCIAL SUPPORT, BY ADMINISTRATOR ROLE

California ECE Workforce Study, 2023



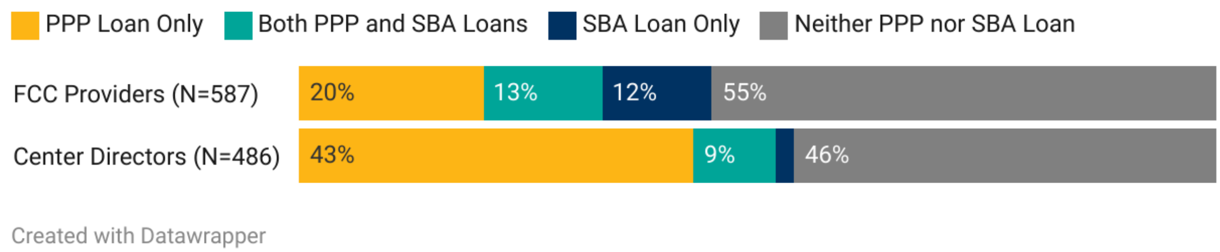
Source: Center for the Study of Child Care Employment, University of California, Berkeley
*FCC providers or center directors who reported receiving federal Paycheck Protection Program (PPP) loans or Small Business Administration (SBA) loans.

We also analyzed responses from program administrators on their receipt of Paycheck Protection Program (PPP) loans and general Small Business Administration (SBA) loans. The PPP was a short-term federal initiative designed to help small business owners retain staff and sustain operations during the pandemic. Compared to the standard SBA loans, PPP loans were forgivable and offered other favorable terms, such as no collateral or guarantee requirements, as well as a low fixed interest rate (U.S. Small Business Administration, n.d.a, n.d.b). As **Figure 3** also shows, center directors were more likely than FCC providers to report receiving a loan: 54 percent of center directors reported receiving either a PPP or SBA loan, compared to 45 percent of FCC providers.

FCC providers and center directors received notably different loan types (**Figure 4**). A greater proportion of both groups reported receiving PPP loans rather than SBA loans. However, center directors were twice as likely as FCC providers to report receiving only PPP loans (43 percent and 20 percent, respectively). In contrast, FCC providers were six times more likely than center directors to report receiving only SBA loans (12 percent and 2 percent, respectively).

FIGURE 4. PROGRAM RECEIPT OF FEDERAL PAYCHECK PROTECTION PROGRAM AND SMALL BUSINESS ADMINISTRATION LOANS, BY ADMINISTRATOR ROLE

California ECE Workforce Study, 2023



Source: Center for the Study of Child Care Employment, University of California, Berkeley

These results align with our previous report, which found that California center directors were more likely to receive PPP loans, while FCC providers were more likely to receive SBA loans (Kim et al., 2022). This difference may reflect a greater need among center directors for PPP loans to maintain payroll, compared to FCC providers. Indeed, a significant proportion (42 percent) of FCC providers in our sample worked alone.

However, it is also likely that FCC providers may have faced specific challenges in accessing PPP loans. Most of California FCC providers are women of color (Powell et al., 2021), and other independent, women-owned, and minority-owned small businesses also faced obstacles when applying for PPP loans (Government Accountability Office, 2022). In particular, the absence of a pre-existing relationships with a bank was identified as a significant barrier that delayed or hindered small businesses' access to these more favorable loans.

Center Receipt of Pandemic Funding, By Program Funding Type

We also examined receipt of pandemic relief funding by program funding type. For center-based programs, we compared distribution of funding across three program funding types: Head Start/Title 5-funded programs; programs that participate in the voucher subsidy program or other local public funding (voucher-participating); and programs that are entirely privately funded. In some cases, a center may receive funding from both vouchers and Head Start or Title 5; in these cases, we count them in the latter category only.

While three fifths (59 percent) of voucher-participating centers reported accessing state stabilization stipends for licensed providers, less than one half of Head Start/Title 5-funded programs (45 percent) and privately funded programs (46 percent) reported receiving this type of pandemic funding (**Figure 5**). Head Start/Title 5-funded programs and voucher-participating programs accessed state stabilization stipends for state-subsidized care providers at similar rates (44 percent and 41 percent, respectively). Based on eligibility requirements, none of the privately funded centers were asked if they received this funding.

FIGURE 5. CENTER RECEIPT OF PANDEMIC-RELATED FINANCIAL SUPPORT, BY PROGRAM FUNDING TYPE

California ECE Workforce Study, 2023

	Head Start/Title 5 (N=124)	Voucher-Participating (N=165)	Privately Funded (N=185)	Total (N=486)
State stabilization stipends for licensed providers	45%	59%	46%	50%
State stabilization stipends for state-subsidized care providers	44%	41%	0%	25%
State subsidies for children of essential workers	19%	30%	6%	17%
Local county or city loan or grant related to the pandemic	7%	9%	8%	8%
Federal loans*	24%	67%	61%	54%
None of these	21%	6%	15%	14%

Created with Datawrapper

Source: Center for the Study of Child Care Employment, University of California, Berkeley
*Center directors who reported receiving federal Paycheck Protection Program (PPP) loans or Small Business Administration (SBA) loans.

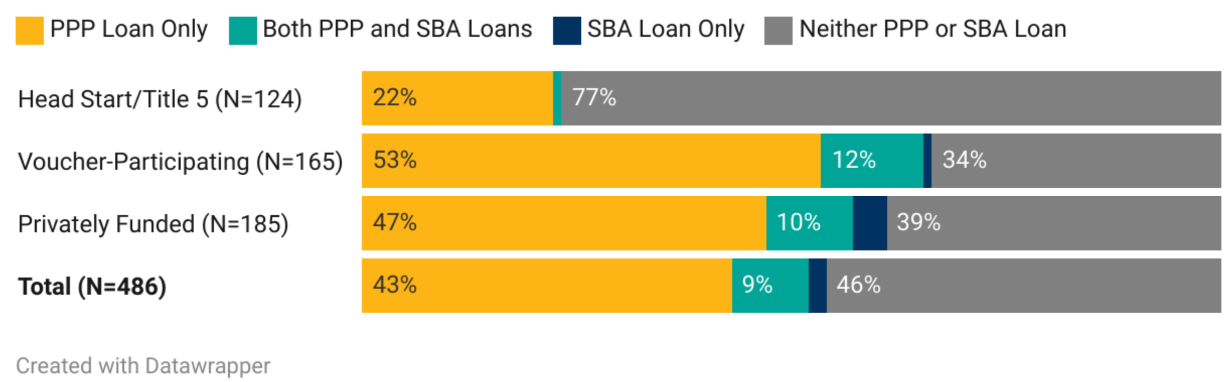
As **Figure 5** also shows, vouchers-participating centers were most likely and privately funded centers least likely to receive state subsidies for children of essential workers (30 percent and 6 percent, respectively). While this funding stream was available to all licensed ECE programs, receipt likely favored those already participating in the existing subsidy system, since California established the emergency child care program through this system (Aguilera, 2020; Bipartisan Policy Center, 2021).

Receipt of federal loans varied notably by center funding type. Rates of loan receipt were highest among voucher-participating centers (67 percent) and lowest among Head Start/Title 5-funded programs (24 percent).

We also analyzed how rates of loan receipt varied by loan type (**Figure 6**). Fewer than one-quarter (22 percent) of Head Start/Title 5-funded programs reported receiving PPP loans exclusively, and only 1 percent indicated receiving both SBA and PPP loans. By contrast, 53 percent of voucher-participating centers and 47 percent of privately funded centers reported receiving PPP loans exclusively. This disparity suggests reduced reliance on loan programs to meet payroll and operational costs among programs that receive stable public funding through contracts.

FIGURE 6. CENTER RECEIPT OF FEDERAL PAYCHECK PROTECTION PROGRAM AND SMALL BUSINESS ADMINISTRATION LOANS, BY PROGRAM FUNDING TYPE

California ECE Workforce Study, 2023



Source: Center for the Study of Child Care Employment, University of California, Berkeley

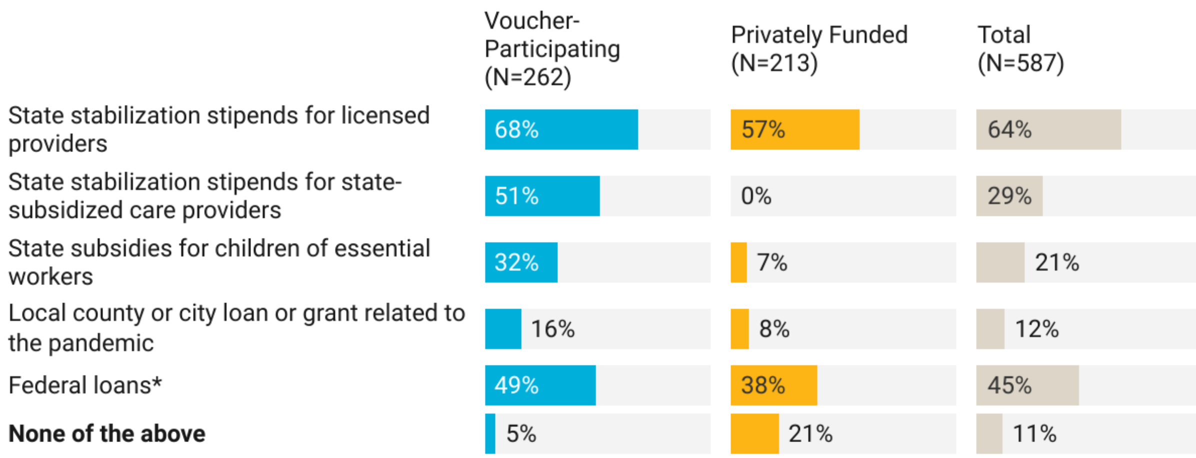
FCC Provider Receipt of Pandemic Funding, By Program Funding Type

For FCC providers, we compared the receipt of pandemic funding between those who participate in the voucher subsidy program (voucher-participating) and those who are entirely privately funded. Across all pandemic funding sources we examined, voucher-participating FCC providers were more likely to report receiving pandemic financial support than privately funded providers.

About two thirds (68 percent) of voucher-participating providers received the state stabilization stipends for licensed providers, compared to 57 percent of privately funded providers (**Figure 7**). The gap was even more pronounced for the state subsidies for children of essential workers funding: while one third (32 percent) of voucher-participating providers reported receiving these subsidies, less than one tenth (7 percent) of privately funded providers reported receiving this type of pandemic funding.

FIGURE 7. FCC PROVIDER RECEIPT OF PANDEMIC FINANCIAL SUPPORT, BY PROGRAM FUNDING TYPE

California ECE Workforce Study, 2023



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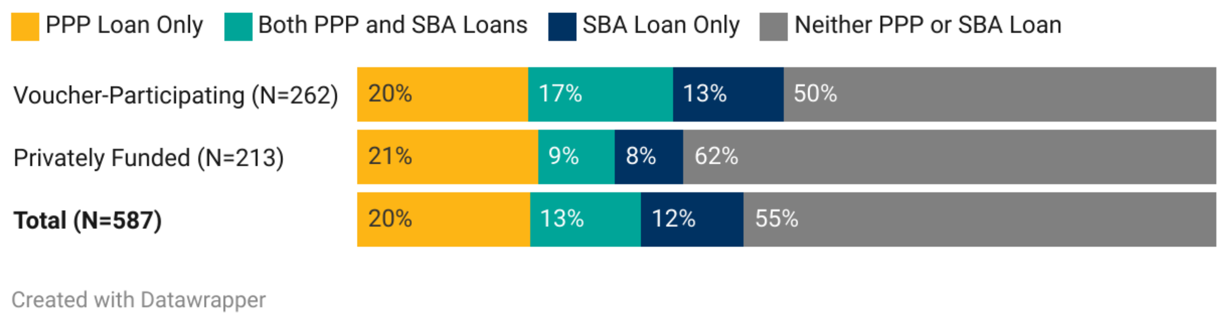
Source: Center for the Study of Child Care Employment, University of California, Berkeley
*FCC providers who reported receiving federal Paycheck Protection Program (PPP) loans or Small Business Administration (SBA) loans.

Additionally, voucher-participating FCC providers were more likely than privately funded FCC providers to report receiving any of the loans listed (49 percent and 38 percent, respectively; **Figure 7**). Further analysis of rates of loan receipt by loan type showed no differences in rates of receipt of PPP loans alone between voucher-participating and privately funded FCC providers (**Figure 8**). However, a greater percentage of voucher-participating FCC providers reported receiving SBA loans alone (13 percent) or in combination with PPP loans (17 percent), compared to privately funded FCC providers (8 percent and 9 percent, respectively).

FIGURE 8. FCC PROVIDER RECEIPT OF FEDERAL PAYCHECK PROTECTION PROGRAM AND SMALL BUSINESS ADMINISTRATION LOANS, BY PROGRAM FUNDING TYPE

California ECE Workforce Study, 2023



Source: Center for the Study of Child Care Employment, University of California, Berkeley

Early Educator Receipt of Pandemic-Related Payments

Guidance for pandemic relief funds for ECE programs recommended improved staff compensation and support, including: increased staff salaries and wages; provision of wage supplements or bonuses; hazard pay; funds for scholarships, apprenticeships and on-the-job coaching; and expanded staff benefits (Office of Child Care, 2021a, 2021c). States had a fair amount of discretion on how to distribute the supplemental CCDF funds, allowing them to give some of the funds to early educators directly or through local county or city agencies, bypassing child care program administration.

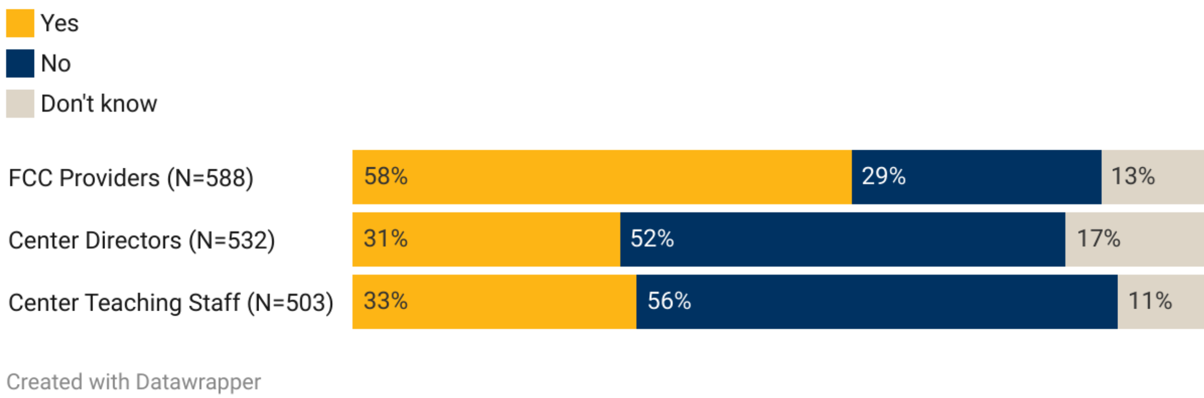
While California did not distribute pandemic relief funds directly to individual early educators, some of the relief funds allocated to counties, cities, and local agencies were given in direct payments to educators. Therefore, our survey asked FCC providers, center directors, and center teaching staff if they had received any pandemic-related payments—such as stipends or wage enhancements—from their local county or city agency (e.g., city government or local First 5) paid directly to them as an early educator since January 2021.

FCC providers were more likely to report receiving direct pandemic relief payments from their local county or city agency, compared to center-based staff (**Figure 9**). About three fifths of FCC providers reported receiving relief payments from a local authority, compared to one third (31 percent) of center directors and center teaching staff (58 percent, 31 percent, and 33 percent, respectively). Far fewer educators, however, indicated that they did not know whether they had received such payments (13 percent of FCC providers, 17 percent of center directors, and 11 percent of center teaching staff).

FIGURE 9. EARLY EDUCATOR RECEIPT OF PANDEMIC-RELATED PAYMENTS, BY ROLE

California Workforce Study, 2023

Since January 2021, have you received any pandemic-related payments, like stipends or wage enhancements, from your local county or city agency paid directly to you as an early educator/child care worker?



Source: Center for the Study of Child Care Employment, University of California, Berkeley

Our previous study found that FCC providers were more likely to remain open throughout the pandemic (Kim et al., 2022), which may explain why they were also more likely to report receiving individual pandemic relief payments. Additionally, the complexity of running a family child care business may make it challenging to separate business income from personal income. This overlap could mean that providers may have identified stabilization funds disbursed to support program operations as direct payments made to them as educators, or they may have conflated ECE stabilization funds with stimulus payments that were distributed nationally.

We further examined early educators' receipt of pandemic-related payments by educator race and ethnicity (**Figure 10**). Among FCC providers, Latina[4] and Black providers were the most likely to indicate direct receipt of pandemic payments (65 percent and 59 percent, respectively). Among center directors, Latina and White directors reported receiving

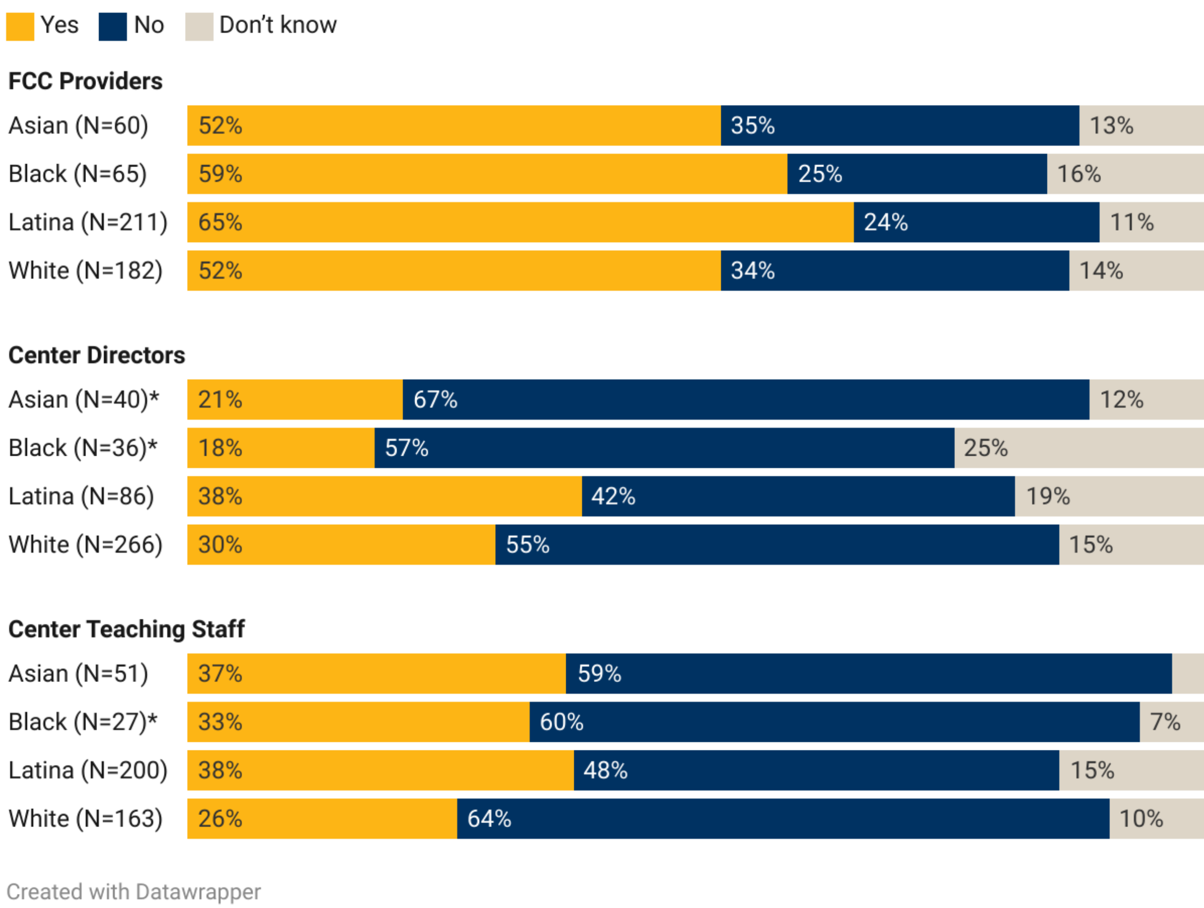
[4] Because the ECE workforce is overwhelmingly composed of individuals who identify as women, we use the gender-specific term "Latina" to describe members of the workforce who identify as part of the Latin American diaspora. However, we know that data collection has not always accounted for gender diversity beyond a male/female binary. We gratefully acknowledge the contributions of early educators who identify as men, nonbinary, or another gender identity and recognize that the gendered oppression of women in the ECE workforce is related to the gender-based oppression of nonbinary, trans, and genderqueer educators.

pandemic-related payments directly at a higher rate (38 percent and 30 percent, respectively) compared to Asian and Black directors (21 percent and 18 percent, respectively). Among center teachers, Latina and Asian teachers were the most likely to have received direct pandemic-related payments (38 percent and 37 percent, respectively) while White teachers were the least likely to report receiving these funds (26 percent).

FIGURE 10. EARLY EDUCATOR RECEIPT OF PANDEMIC-RELATED PAYMENTS, BY ROLE AND RACE AND ETHNICITY

California Workforce Study, 2023

Since January 2021, have you received any pandemic-related payments, like stipends or wage enhancements from your local county or city agency, paid directly to you as an early educator/child care worker?



Source: Center for the Study of Child Care Employment, University of California, Berkeley
*Interpret with caution due to small sample size (N<50).

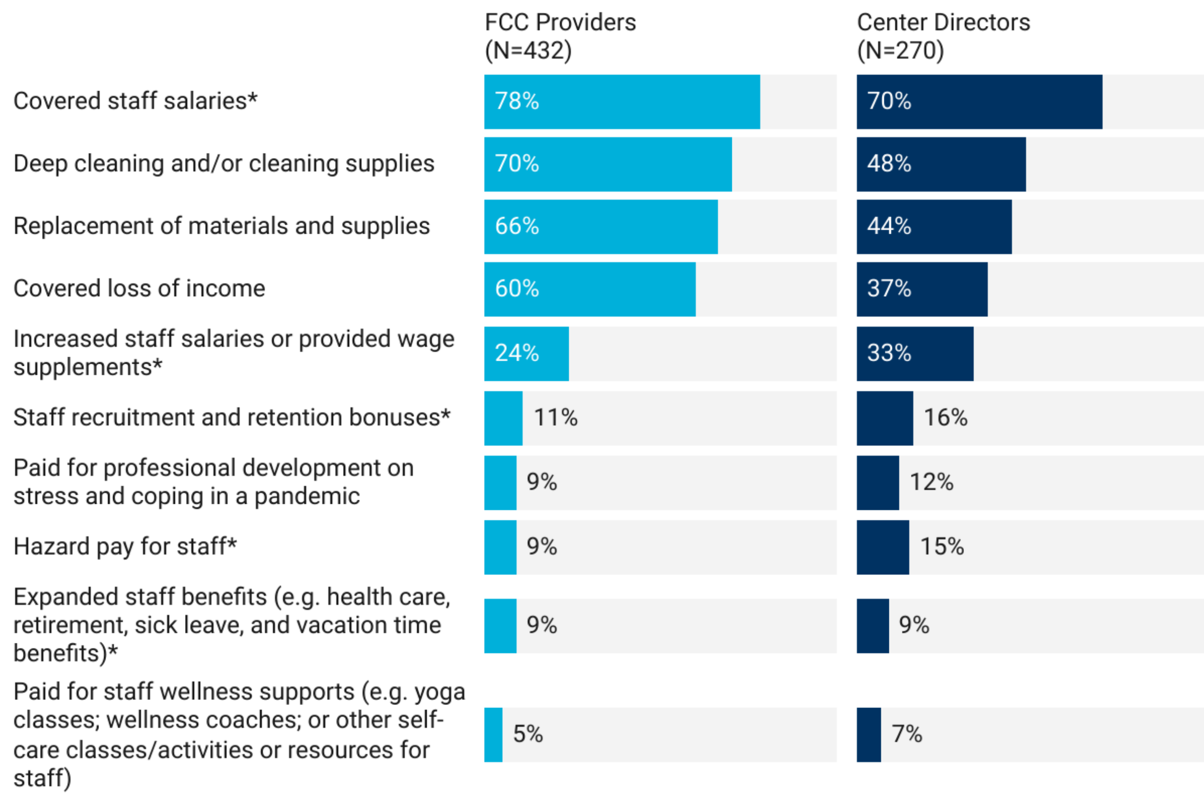
Program Use of Pandemic Relief Funds

By design, pandemic relief payments to ECE programs were flexible and aimed at counteracting drops in revenue (Office of Child Care, 2020, 2021a, 2021b, 2021c). As a result, program administrators could apply the funds with a fair amount of discretion. Our 2023 survey polled FCC providers and center directors who indicated they had received state stabilization stipends between 2021 and 2023, asking them how they used their pandemic relief payments. To estimate staff-related items for FCC providers, we considered only respondents who reported having at least one paid assistant.

Programs used funds mostly to cover operational expenses, particularly FCC providers (**Figure 11**). A greater percentage of FCC providers compared to center directors reported using the pandemic funding to cover staff salaries (78 percent and 70 percent, respectively), for deep cleaning services or supplies (70 percent and 48 percent, respectively), replacement of materials (66 percent and 44 percent, respectively), and covering loss of income (60 percent and 37 percent, respectively). Additionally, our analysis also showed that 58 percent of FCC providers used pandemic funds for mortgage payments, which is often the largest operating expense for these home-based providers (Government Accountability Office, 2023).

FIGURE 11. PROGRAM USE OF PANDEMIC RELIEF FUNDS, BY ADMINISTRATOR ROLE

California Workforce Study, 2023



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Source: Center for the Study of Child Care Employment, University of California, Berkeley
*Note: Staff-related items for FCC providers are only estimated among respondents who reported having at least one paid assistant (N=197).

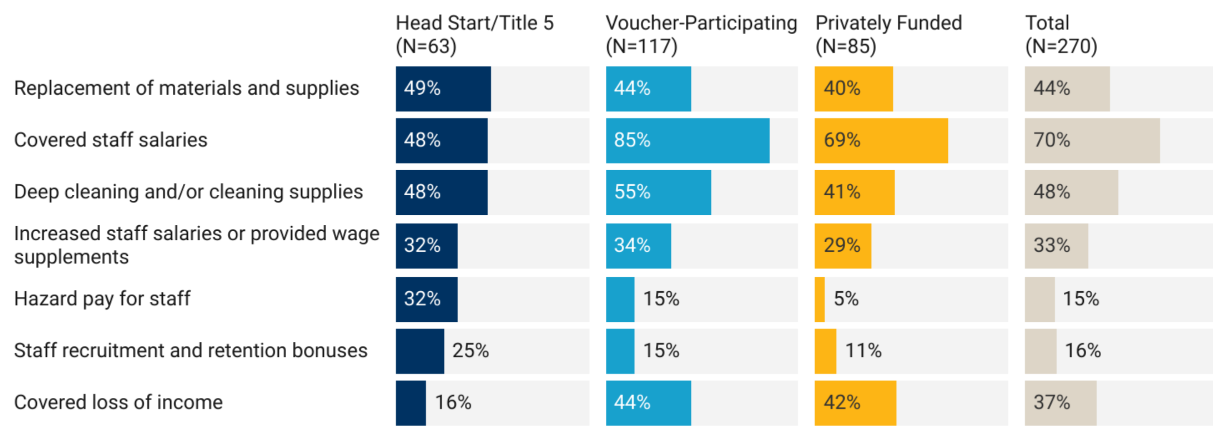
As **Figure 11** also shows, center directors were more likely to use pandemic relief funding on staff supports. For example, center directors were more likely than FCC providers to use the funds to increase staff salaries or wages (33 percent and 19 percent, respectively) and for recruitment and retention bonuses (16 percent and 11 percent, respectively). Center directors were also more likely than FCC providers to use pandemic relief funding for staff hazard pay (15 percent and 9 percent, respectively). Given the razor-thin margins of their businesses, it is not surprising that FCC providers had little capacity to increase compensation. These results align with our earlier findings about the intended uses for future relief funds, which program administrators reported in 2020 (Kim et al., 2022).

Center Use of Pandemic Relief Funds, By Program Funding Type

Programs funded through contracts (Head Start/Title 5-funded programs) and programs with no contracts (voucher-participating and privately funded programs) had marked differences in the use of pandemic funding (**Figure 12**). Voucher-participating programs and privately funded programs were more likely than Head Start/Title 5-funded programs to spend pandemic funding on program operations, such as covering staff salaries (85 percent, 69 percent, and 48 percent, respectively) or covering income losses (44 percent, 42 percent, and 16 percent, respectively).

FIGURE 12. CENTER USE OF PANDEMIC RELIEF FUNDS, BY PROGRAM FUNDING TYPE

California Workforce Study, 2023



Created with Datawrapper

Source: Center for the Study of Child Care Employment, University of California, Berkeley

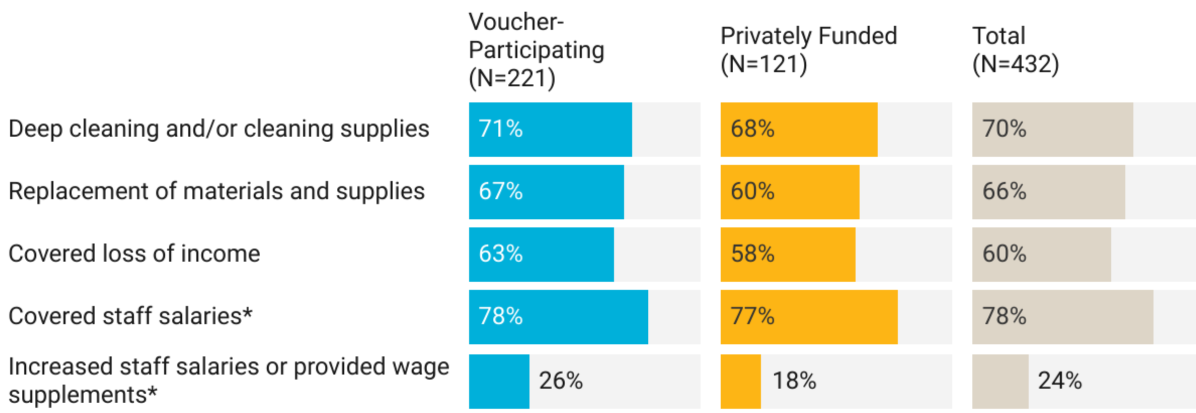
As **Figure 12** also shows, Head Start/Title 5-funded programs, on the other hand, were more likely than voucher-participating programs and privately funded programs to spend pandemic relief monies on staff supports, such as hazard pay (32 percent, 15 percent, and 5 percent, respectively) or staff recruitment and retention bonuses (25 percent, 15 percent, and 11 percent, respectively). The differences in the use of pandemic relief funds between Head Start/Title 5-funded programs and those with other funding sources underscore the operational stability provided by contract-based funding, even during times of crisis.

FCC Provider Use of Pandemic Relief Funds, By Program Funding Type

When asked about their use of pandemic relief funding, a somewhat greater proportion of FCC providers participating in the voucher program reported using funds for each expense category compared to their privately funded counterparts (**Figure 13**). Notably, 26 percent of voucher-participating FCC providers used pandemic funds to increase staff salaries or wages, compared to 18 percent of privately funded FCC providers.

FIGURE 13. FCC PROVIDER USE OF PANDEMIC RELIEF FUNDS, BY PROGRAM FUNDING TYPE

California Workforce Study, 2023



Created with Datawrapper

Source: Center for the Study of Child Care Employment, University of California, Berkeley
*Note: Staff-related items for FCC providers are only estimated among respondents who reported having at least one paid assistant, a total of 197 FCC providers: Voucher-participating FCC providers (N=147) and FCC providers not participating (N=39). Interpret the latter with caution due to small sample size.

Center Teacher Receipt of Financial Relief Payments Through Programs

To better understand how and to what extent child care centers had used the pandemic funds to support the existing workforce, the survey asked center teaching staff to indicate whether they had received any of the specified financial relief payments through their employer since January 2021. Respondents could choose more than one type of financial relief payment on the list.

The majority of center teaching staff (55 percent) reported that they did not receive any financial relief from their employer, and less than one tenth (7 percent) did not know whether they had received any such payment **(Figure 14)**. Overall, rates of receipt for the financial relief payments were low. Slightly more than one fifth (22 percent) reported receiving a wage supplement, such as hazard pay, or a stipend, while 12 percent reported receiving a recruitment or retention bonus, and 6 percent indicated that their benefits had been expanded. When examined by race and ethnicity, our results show that Black educators were most likely to report receiving a wage supplement, but least likely to report receiving a recruitment or retention bonus.

The apparently limited receipt of wage enhancements, wage supplements, and expanded benefits by teachers in our sample is consistent with the way in which the chronically underfunded ECE sector functions. Grappling with challenging financial situations, ECE programs are often left with no choice but to prioritize funding operations at the expense of increasing staff wages. As shown above, nearly three quarters of center directors reported using pandemic funding to cover staff salaries, but this does not necessarily mean that the wages were increased.

FIGURE 14. CENTER TEACHER RECEIPT OF PANDEMIC-RELATED PAYMENTS THROUGH THEIR CHILD CARE CENTER, BY RACE AND ETHNICITY

California Workforce Study, 2023

Since January 2021, have you received any financial relief payments through your current child care center?

	Asian N=50	Black N=27*	Latina N=200	White N=164	Total N=504
No - I did not receive any financial relief	56%	52%	54%	58%	55%
Yes - I received a wage supplement (hazard pay, stipend, or other wage increase)	26%	37%	20%	24%	22%
Yes - I received a recruitment or retention bonus	16%	7%	12%	11%	12%
Yes - my benefits were expanded (healthcare coverage, retirement, sick leave, or vacation time benefits)	6%	7%	5%	6%	6%
Don't know	2%	4%	11%	4%	7%

Created with Datawrapper

Source: Center for the Study of Child Care Employment, University of California, Berkeley
Note: Survey respondents could choose more than one type of financial relief payment.
*Interpret with caution due to small sample size (N<50).

Ongoing Impact of the COVID-19 Pandemic

The 2023 CSCCE survey included an open-ended question that asked all respondents to describe how the COVID-19 pandemic was still affecting them and/or their early care and education program. Their responses were coded and analyzed to identify themes.

Center directors mentioned decreased enrollment forcing them to close classrooms, reduce educator pay, and/or adjust staffing levels. Directors also reported staffing shortages and difficulties finding qualified staff, which resulted in waitlists for families needing care. Additionally, directors mentioned increased absences among both children and teaching staff, which they attributed to COVID-19. When staff were absent, finding coverage was difficult, causing some staff to work overtime or directors to step in to cover those absences.

Center directors said:

"The lack of enrollment. We had 48 spots and now only offer 24 and had to close a classroom."

"The lack of individuals who want to become part of the ECE field is making it nearly impossible for centers to find qualified staff."

"Lower enrollment, which reduced pay for teachers. Reduced staffing and working overtime to compensate."

"...Staff being out for extended times has affected coverage in classrooms. I have had to cover a lot of teachers being out due to COVID."

Many FCC providers expressed concerns about their own health as well as the health of their family members, the staff working in their programs, the children in their care, and the families of those children. They emphasized the need for vigilance to avoid spreading illness. FCC providers also highlighted how changes in parents' circumstances, particularly job losses and working from home, were significantly impacting their child care businesses. According to FCC providers, affordability was an issue for some parents, and child care is often one of the expenses parents cut back on during tough times. Since many FCC providers are paid based on the days a child attends, these cutbacks significantly impact their livelihood.

FCC providers said:

“I still have concerns about keeping myself and my family healthy."

“I have a lot of interested families, but they cannot afford it or cannot get subsidies.”

“Parents are fighting inflation issues and cutting days of child care to save money.”

“I need to be more cautious about clients' health to prevent the spread of COVID in my child care [program]."

"I have experienced a few children leaving the state with their families because of job loss. I have not been able to fill those openings with new children, so I have a significant loss of income."

Center teaching staff were also very concerned about health and safety and described living in a state of vigilance around the children. Most notably, center teaching staff highlighted how the end of "COVID sick pay," which allowed them to take paid time off for COVID-19-related illness, meant financial penalties for educators who wanted to do the right thing to prevent the spread of COVID-19—most staff are paid only for the hours and days that they work.

Center teaching staff said:

“I just had COVID this week and don’t have any paid time off. I stayed home from work so I didn’t infect my class and co-workers, and now I’m not going to be able to pay my bills."

"I need to keep a close eye on [the] children's health and take additional health and safety measures."

Respondents across all educator roles mentioned noticing differences in children's skills and behaviors, which they attributed to the pandemic. For center directors, these changes have led to the need for more staff time and support. Respondents commented on the impact of the pandemic on their own mental health and well-being and also on the mental health and well-being of the children in their care.

> *"Children's development has been affected.... They are behind in language development, motor skills, social skills, and lack enthusiasm for play, structured or free play."*
> *— FCC Provider*

> *"All of the teachers who have worked through the pandemic are burnt out and tired. They have lost their spark and joy for work."*
> *— Center Director*

> *"Since the pandemic, children's social and emotional skills are lacking. The children have a lot more behavioral issues than ever before, and it is requiring more staff to manage the children's basic needs."*
> *— Center Director*

> *"COVID-19 has made me more aware of children's mental health and social development."*
> *— Center Teacher*

Conclusion and Recommendations

Federal legislation in response to the COVID-19 pandemic helped shore up child care programs throughout the nation, providing billions of dollars in relief funding to the California early care and education sector (NAEYC, 2022). By Spring 2023, when we fielded our survey, ECE programs in California showed significant signs of recovery. The percentage of FCC providers and center directors reporting business challenges due to the pandemic had decreased compared to 2020 (Kim et al., 2022).

However, short-term pandemic funding did not fully address the chronic funding issues plaguing early care and education, and business and financial challenges persist. Child care programs continue to struggle with health- and safety-related challenges, loss of income, and staffing costs. Our findings further show that the challenges are not felt equally among programs and providers: a larger proportion of FCC providers reported business and financial challenges compared to center directors.

Although a greater percentage of FCC providers reported receiving pandemic funding than center directors, the funding did not appear to mitigate the entrenched financial challenges for these early educators. FCC providers were four times more likely than center directors to not pay themselves and to take on personal debt to cover program operations. Furthermore, ensuring the safety of their places of business—which are also their own homes—remained an important concern for FCC providers, and many identified the cost of cleaning supplies and PPE as ongoing challenges. Consequently, FCC providers were more likely to use their pandemic relief funding to cover these costs.

There was also evidence of disparities in the distribution of pandemic funding in California. Our study found that less than two thirds of child care programs received state stabilization stipends or subsidies, suggesting that a significant portion of programs had not received pandemic funding by Spring 2023. This shortfall existed despite federal efforts to make the funding process more flexible and to expand eligibility to cover as many providers as possible (Office of Child Care, 2021a, 2021b, 2021c). Notably, distribution of pandemic funding appeared to favor ECE programs that were already part of the state subsidy system. This finding underscores the need to look for ways to ensure any future funding effectively reaches all child care providers, including targeted outreach efforts to those outside the subsidy system. California lagged in its efforts to distribute the large influx of the short-term pandemic relief funds (Schumacher, 2022).

Our findings further confirmed the importance of stable public funding—especially through contracts—to sustain ECE program operations (Kim et al., 2022). Compared to centers receiving vouchers or private funding, programs receiving Head Start and/or Title 5 funding were the least likely to report receiving federal PPP or SBA loans during this time of crisis.

Although the pandemic has subsided and the influx of federal relief has ceased, the need to address child care funding remains critical. The pandemic funding experience offers valuable lessons that can help California design and implement policies ensuring adequate and equitable investments across the ECE sector. Consequently, we recommend that California policymakers:

- Allocate funding to the ECE sector to expand pandemic-era child care financial relief to support the full scope of California's ECE programs and workforce. California can learn from strategies adopted by other states, such as Massachusetts's Commonwealth Cares for Children (C3) Grants (Commonwealth of Massachusetts, 2024; Massachusetts Taxpayers Foundation, 2024) and Illinois' Smart Start Workforce Grants (Illinois Department of Human Services, n.d.), both of which involve investment of state funds in early care and education to build on grant programs started with pandemic relief funding.

- Design a subsidy reimbursement funding system that covers the true costs of care for programs, with the explicit understanding that funding will address existing disparities across program settings. Specifically, to produce equitable results, the new cost model being developed should ensure ECE programs (especially family child care) receive reimbursement rates that reflect living wages for all staff and are updated annually to reflect current economic conditions (California Department of Social Services, 2024).

- Enhance the California Early Care and Education Workforce Registry to make it a part of a comprehensive, regularly updated workforce data system that can provide current and accurate information about the state's ECE workforce and can facilitate efficient and equitable distribution of funds and other resources directly to early educators. Policymakers can learn from other states that have mandated registry participation and leveraged their registries to support their ECE workforce during the pandemic. Policymakers should capitalize on the work that registries have already achieved, such as the distribution of pay raises to early educators in San Francisco under the Workforce Compensation Initiative (San Francisco Department of Early Childhood, n.d.).

- Further investigate how state stipends and subsidies were allocated to providers and identify barriers that limited distribution efficiency and effectiveness, in order to inform development of an equitable system for publicly funding California's ECE sector.

- Provide adequate resources to address workforce well-being and concerns about child development and challenging behaviors, including mental health support and training opportunities for early educators.

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