

On May 10, 2021, the Office of Child Care (OCC) issued guidance ([CCDF-ACF-IM-2021-02](#)) for states, territories, and Tribes on requirements and recommendations for the almost \$24 billion in child care stabilization funding included in section 2202 of the American Rescue Plan (ARP) Act (Public Law 117-2). This overview summarizes key areas described in the guidance and includes page references for relevant sections in the guidance.¹

Lead Agency Use of Funds (p. 2-3)

- Child Care and Development Fund (CCDF) lead agencies must use stabilization funds to address the financial burdens faced by child care providers during COVID-19 and the instability of the market as a whole.
- Lead agencies may only spend their allocations in the following broad categories:
 - Specified activities for administrative expenses, supply building, and technical assistance. States and territories may set aside up to 10% and Tribes may set aside up to 20% of their allocations for these expenses; and,
 - Subgrants to qualified providers. States and territories must spend at least 90% and Tribes must spend at least 80% of their allocations on these expenses.

Exemptions from CCDF Spending Requirements (p. 4)

- Stabilization grant funds are exempt from the following CCDF spending requirements:
 - Cap on administrative expenses (5% for states and territories and 15% for Tribes)
 - Minimum spending on quality improvement activities (9% for states and territories, 8% for Tribes, and an additional 3% targeting infants and toddlers)
 - Minimum spending on direct child care services (70% of funds after setting aside funds for quality and administrative activities)

Set-Aside for Administrative Expenses, Supply Building, and Technical Assistance (p. 4-7)

- States and territories may set aside up to 10% and Tribes may set aside up to 20% of stabilization funds for certain activities to support stabilization implementation.
- These activities include:
 - Administering child care stabilization subgrants
 - Carrying out activities to increase the supply of child care
 - Providing technical assistance and support for subgrant applications
 - Publicizing the availability of stabilization subgrants
 - Providing technical assistance to providers receiving stabilization subgrants
- Set-aside funds may be administered by the CCDF lead agency or through intermediaries
- Set-aside funds may not be used to provide direct child care services

¹ As with the guidance, the information in this overview only applies to the funds appropriated at section 2202 of the ARP Act. OCC will issue separate information memoranda for the supplemental CCDF Discretionary funds appropriated at section 2202 and the permanent increase for the CCDF Mandatory and Matching funds appropriated at section 9801 of the ARP Act. All guidance documents will be available on the OCC COVID-19 resource page at <https://www.acf.hhs.gov/occ/training-technical-assistance/office-child-care-covid-19-resources>.

Qualified and Eligible Child Care Providers (p. 7-11)

- Remaining funds (at least 90% for states and territories and at least 80% for Tribes) must be used for subgrants to qualified child care providers.
- A provider must be a “qualified provider” at the time of subgrant application to receive a stabilization subgrant. A qualified provider is an eligible child care provider as defined in the ARP Act *and* either:
 - Open to provide child care services, *or*
 - Temporarily closed due to public health, financial hardship, or other reasons related to the COVID-19 public health emergency.
- Two options for a provider to be considered “eligible” as defined by the ARP Act:
 - Option A: Provider is CCDF-eligible, including meeting all CCDF health and safety requirements, at date of application.
 - Option B: Provider was licensed, regulated, or registered and met all applicable state and local health and safety requirements as of the date of enactment of the ARP Act (March 11, 2021).
- Providers eligible through option A can become CCDF-eligible at any time to be eligible for a stabilization subgrant. Restrictions around the date of enactment (March 11, 2021) do not apply to CCDF-eligible providers.
- Lead agencies have discretion to choose which providers are included in their subgrant programs and are strongly encouraged to include child care centers, family child care homes, and school-age programs.

Requirements for Administering Child Care Stabilization Subgrants (p. 12-21)

Applications for Child Care Stabilization Subgrants (p. 12-14)

- Must create subgrant applications and post on lead agency website.
- As part of the applications, providers must certify they will meet the following 3 requirements throughout the life of their subgrant:
 - When open and providing services, implement policies in line with guidance and orders from states, territorial, Tribal, and local authorities, and, to the greatest extent possible, implement policies in line with guidance from the Centers for Disease Control and Prevention (CDC);
 - For each employee, pay at least the same amount in weekly wages and maintain the same benefits. May not involuntarily furlough employees from the date of application submission through the duration of the subgrant; and,
 - To the extent possible, provide relief from copayments and tuition payments for families enrolled in the program, and prioritize relief for families struggling to make payments.
- Lead agencies determine how they will monitor if a provider is meeting the certifications.
- Applications must be accepted on a rolling basis and should be processed on a timely basis.
- Lead agencies may adjust application processes throughout the funding period.

Determining Stabilization Subgrant Amounts (p. 14-16)

- Provider subgrant amounts must be:
 - Based on a provider’s stated current operating expenses, including costs associated with providing or preparing to provide child care services during the pandemic; and,
 - To the extent practicable, cover sufficient operating expenses to ensure continuous operations for the life of the subgrant.

Overview of ARP Act Child Care Stabilization Guidance

Prepared by the Office of Child Care

- Lead agencies have wide discretion in how subgrant amounts are formulated and should limit the burden on child care providers. Options include:
 - Use a cost estimation model to allow providers to more easily estimate operating expenses;
 - Use lead agency formulas based on general cost estimates for enrollment and age of children and region of operation;
 - Conduct a survey of providers to identify operating costs in an area; or,
 - Collect information from providers describing their current operating expenses (e.g., tax returns).
- Lead agencies do not have to determine operating expenses on an individual basis but must have a process for providers to affirm and state their operating expenses.
- Subgrant amounts should reflect the significant resources in the ARP Act and be large enough to stabilize struggling providers.
- Subgrant amounts may be higher than private pay rates and prices.
- Subgrants must be paid to providers in advance of provider expenditures, unless the provider is reimbursing themselves for expenses incurred before enactment.

Use of Intermediaries

- Lead agencies may award subgrants directly to qualified child care providers or through intermediaries.
- Agreements with intermediaries must meet CCDF requirements at 45 CFR 98.11.
- Any expenses incurred by the intermediaries that are not part of the subgrants will count against the set-aside of either 10% for states and territories or 20% for tribal lead agencies.

Process for Awarding Subgrants (p. 16-18)

- Lead agencies have flexibility in how they award their subgrants.
- Guidance includes the following recommended models:
 - Prioritizing small child care programs, such as limiting applications in the first 2 weeks after the application is posted to providers with fewer than 20 employees;
 - Recurring subgrants, such as recurring payments to providers through the funding period;
 - Multiple subgrant programs, such as designating a portion of subgrant funds to cover increased wages and health benefits for staff; or,
 - Providing bonuses or supplemental funding for providers meeting certain needs of families, such as targeting funds for providers serving children during nontraditional hours, children with disabilities, children from families with low incomes, or infants and toddlers.
- May choose to adjust subgrant award process and are encouraged to do so based on feedback from providers, parents, and communities.

Use of Subgrant Funds (p. 18-21)

- Qualified providers must spend subgrant funds on at least one of the following expenses:
 - Personnel costs
 - Rent, utilities, facilities maintenance, and insurance
 - Personal protective equipment, cleaning, and other health and safety practices
 - Equipment and supplies
 - Goods and services

- Mental health services for child care provider staff and children
- Providers may choose to use subgrant funds to reimburse themselves for expenses incurred after the declaration of the public health emergency in January 2020. These expenses must be for the list of allowable uses of subgrant funds.

Provider Reporting and Monitoring (p. 21)

- Subgrant reporting requirements are at the discretion of the lead agency and should balance the need to collect information to ensure funds are being spent correctly and not overburdening providers.
- To align with expected federal reporting requirements, lead agencies should collect the following information from child care providers receiving subgrants:
 - Provider address, including zip code
 - Race and ethnicity of child care center director or family child care owner
 - Gender of center director or family child care owner
 - If the provider is open to provide services or temporarily closed due to COVID-19 at the time of application
 - How subgrant funds were used
 - Documentation to show they met certifications

Non-Supplantation Requirement (p. 22-23)

- Funds must be used to supplement, not supplant, federal, state, and local public funds expended for child care services for eligible individuals.
- Lead agencies may not supplant Temporary Assistance for Needy Families (TANF) funding paid for child care services, either directly or transferred to CCDF, or Social Services Block Grant (SSBG) funds used for child care.
- Any reduction in drawing down federal matching funds due to a cut in state spending on maintenance of effort (MOE) or state match will trigger a presumption of supplantation.
- Lead agencies may propose an alternative rationale for declines in federal, state, or local funding through a detailed justification in writing via email to OCC Regional Program Managers.

Requirements for Obligating and Liquidating Funds (p.23-24)

- Key dates for stabilization funds:
 - December 11, 2021- Lead agency must notify the Administration for Children and Families (ACF) if it is unable to obligate 50 percent of the CCDF stabilization funds.
 - April 1, 2022 - Notify ACF if any funds cannot be obligated by September 30, 2022. Identified funds will be recaptured by ACF and reallocated to other lead agencies.
 - September 30, 2022 - All stabilization funds must be obligated by states, territories, and Tribes.
 - September 30, 2023 - All stabilization funds must be liquidated by states, territories, and Tribes.

Using CCDF Plans to Provide Information on Child Care Stabilization Grants (p. 24-25)

- States and territories: Use question 4.1.8e in their FY 2022–2024 CCDF Plan to describe stabilization grants.
- Tribes: Submit amendments to their FY 2020–2022 CCDF Plan and enter a description of their child care stabilization grants in question 3.1.2j(3) Other Quality Activities.

