Bipartisan Policy Center

What's in the American Rescue Plan for Parents

By Linda Smith, Kathlyn McHenry, and Frannie Einterz

The American Rescue Plan Act, signed into law on March 11, 2021, includes several provisions that will help parents, children, and families. The legislation includes historic levels of funding for child care programs, changes to the tax code to help families afford child care, and funding for a variety of other important programs that support families and their children. In addition to direct support for families, states and local governments were provided with several sources of flexible funds which they may use to offer assistance to families with young children.

- ✓ Child care subsidies and tax supports
- ✓ Paid family leave
- ✓ Nutrition support
- ✓ Home visiting services
- ✓ Prevention and treatment of child abuse and neglect
- ✓ Support for homeless children, children with disabilities, and tribal youth and families

CHILD CARE SUPPORT FOR WORKING PARENTS

Child Care Subsidies

The ARP includes a historic level of funding for child care to help more low-income families access and afford care and aid child care businesses through the remainder of the crisis. These funds will not only allow more families to access a child care subsidy, but will have spillover impacts to families who pay for child care. Specifically, the legislation includes $39 billion in a one-time appropriation to the Child Care and Development Block Grant, split into two sections, and a separate, permanent increase to the mandatory Child Care Entitlement to States. These combined appropriations represent an increase of roughly 211% above currently enacted levels.

In addition to the funding, the legislation allows states to relax income requirements associated with the program for certain workers deemed essential during the response to the COVID-19 crisis. This means that states may use their funds to help families who may not have otherwise qualified for the program, but need child care assistance in order to work or search for a job in an essential field.

Child and Dependent Care Tax Credit

The ARP includes several historic changes to the tax code, including by significantly restructuring the Child and Dependent Care Tax Credit for 2021 to help working families. The CDCTC is a tax policy intended to help offset a portion of families' child care or dependent care expenses by reducing their federal income tax liability. To be eligible for the CDCTC, families must incur child or dependent care expenses that allow them to work, making it a valuable component of returning to work and ensuring our economy can thrive in the long term.

However, as we have written before, the structure of the credit fails to meaningfully help low-income families afford child care. The ARP makes several changes for 2021 intended to address many of these structural inefficiencies, including:

- Increase the qualified expenses limit from $3,000 to $8,000 for one child or dependent and from $6,000 to $16,000 for two or more, and increase the maximum credit rate from 35% to 50%. In effect, the maximum credit one could earn is increased to $4,000 per child or dependent, with a maximum of $8,000 total.
- Increase the income level at which the rate begins to decrease from $15,000 to $125,000. This means more families can access a greater credit amount.
- Begin to phase-out the credit when a taxpayers' income reaches $400,000. In effect, taxpayers making above $440,000 are ineligible for the credit.
- Finally, and most impactful for low-income families, the CDCTC is made fully refundable. This change means that families who do not have any tax liability can still receive a credit.

The Urban-Brookings Tax Policy Center estimates that the largest beneficiaries of these changes would be the lowest-income households, who would see about 30% of the benefit of the CDCTC expansion during 2021. Middle-income households would see a quarter of the benefit. While the Tax Policy Center describes a handful of families in the highest-income quintile also would get a benefit, their tax cuts are estimated to be very small. Together, these provisions will provide much needed and long-awaited improvements to the credit for low-and middle-income families who struggled to pay for child care even before the pandemic.

Employer-Provided Dependent Care Assistance

For 2021, the ARP temporarily increases the maximum amount of qualifying child care expenses that taxpayers can exclude from their income under this program from $5,000 to $10,500. A DCAP often takes the form of a flexible spending account and may cover expenses including child care, preschool, summer camp, and before or after school programs. It is important to note, however, that for each dollar contributed to a DCAP, a taxpayer must reduce their maximum qualified expenses for the CDCTC credit by the same amount. Therefore, if a taxpayer contributes to DCAP, they cannot take full benefit of the CDCTC, even despite the qualifying limits for both programs increasing for 2021.

School-Aged and Summer Care

The ARP includes $123 billion for the Elementary and Secondary School Emergency Relief Fund, or ESSER, grants to state educational agencies, previously authorized by the CARES Act. The legislation requires both state and local educational agencies to use a certain amount of funds on summer enrichment and afterschool or out-of-school-time programming.

State activities. After sub-granting at least 90% of their funding to local educational agencies, state agencies are required to reserve funds for the following purposes, which, according to the Congressional Research Service, will amount to over $8.5 billion in total funding across all states and the District of Columbia:

- 5% for evidence-based interventions to address learning loss, such as summer learning, extended school day or school year, or comprehensive afterschool programs;
- 1% for evidence-based summer enrichment programs; and
- 1% for evidence-based comprehensive afterschool care programs.

Local activities. Local educational agencies are required to use at least 20% of the funds they receive to address learning loss. Remaining funds may be used for a wide range of activities to address needs arising from COVID-19, as well as any activity authorized by the Elementary and Secondary Education Act. Under the ESEA, an LEA may use funds to provide early education services in public schools, preschool centers, or community-based preschool programs.

Paid Family Leave

The ARP extends through September 30, 2021, most paid family leave provisions established under the Families First Coronavirus Response Act. Under the FFCRA, beginning in April 2020, employers were entitled to dollar-for-dollar payroll tax credits if they offered their employees paid leave needed to address concerns with the COVID-19 pandemic. It is important to note that employers are no longer mandated to offer this emergency paid leave as was first enacted under the FFCRA, and their participation remains voluntary.

Workers whose employers offer this benefit are eligible for 12 weeks (2 unpaid, and 10 paid at two-thirds of regular wages) of emergency family leave to care for their child whose school or place of care was closed due to COVID-19, or if they are caring for someone, including a family member, who is subject to a quarantine or isolation order.

The ARP will also reimburse employers for providing their employees with an additional 10 days of emergency paid sick leave, which resets on April 1, 2021. The ARP also expands eligibility to state and local governments that provide these benefits.

DIRECT FAMILY SUPPORTS

Homeless Children and Youth

From the funding appropriated for the ESSER as outlined above, the Secretary of Education is required to reserve $800 million to identify homeless children and youth and provide them with wrap-around services and assistance needed to attend school and fully participate in school activities. The Department of Education announced it will award these funds “expeditiously” and will coordinate these resources with supports provided through the McKinney-Vento Homeless Assistance Act as well as other activities supporting homeless children and youth.

Maternal, Infant, and Early Childhood Home Visiting

The ARP includes $150 million for the Maternal, Infant, and Early Childhood Home Visiting program, and the emergency funding will remain available until September 30, 2022. The program is usually funded at $400 million annually; these additional funds are almost a 40% increase. Under MIECHV statute, tribes usually receive a 3% set-aside from the $400 million, but ARP makes no specifications about funding for the Tribal Home Visiting Program. While it is possible the proportion tribes receive from ARP will remain consistent with current MIECHV law, guidance from HRSA and ACF should be forthcoming.

According to ARP, eligible recipients can use emergency funding in the following ways:

- Offering virtual home visits;
- Providing hazard pay or staff costs associated with providing or administering virtual home visits;
- Training to help home visitors conduct effective virtual visits, which may include training on intimate partner violence screenings;
- Supplying families with technology required for home visitors to successfully facilitate remote visits;
- Providing emergency supplies to eligible families, including diapering supplies, infant formula, food, hand soap and sanitizer, and gift cards to purchase fresh groceries; and
- Coordinating with diaper banks and reimbursing them if they provide emergency supplies.

Individuals with Disabilities Education Act

The following funds were provided for supplemental IDEA grant awards for the duration of fiscal year 2021, to help families recover from the pandemic and to help schools safely reopen and sustain operations.

- $2.58 billion for IDEA Part B grants to states, a formula grant for states to offer public education for children with disabilities between the ages of 3 and 21.
- $200 million for IDEA Part B, Section 619, a preschool formula grant for states to support children ages 3 to 5.
- $250 million for IDEA Part C, the program for infants and toddlers with disabilities and their families; states are responsible for ensuring that appropriate early intervention services are made available to all eligible birth-through-2-year-olds with disabilities and their families.

Child Abuse Prevention and Treatment

The legislation includes $350 million for programs authorized under the Child Abuse Prevention and Treatment Act. It includes $250 million in funding for community-based prevention programs to strengthen and support families as they deal with increased and ongoing challenges such as financial hardships and isolation. The remaining funding will ensure that state child welfare agencies have the necessary resources to prevent, investigate, and treat child abuse and neglect.

Child Tax Credit

The CTC is another major tax credit available to families with children that has been expanded for 2021, in addition to the CDCTC expansion described above. The CTC was developed to help mitigate the financial burdens on families with children and is promoted as a way to fight child poverty. The ARP expands the CTC for 2021 from $2,000 to $3,000 per child, with an additional $600 for each child under age six, and allows children aged 17 to receive the credit. The credit is also made fully refundable, meaning that families without any tax liability can receive it. Lastly, the legislation directs the IRS to begin offering the credit as a periodic payment in July.

According to a distributional analysis by the Institute on Taxation and Economic Policy, the largest beneficiaries of these policies will be the lowest income families. Specifically, the proposal would support families who earn $21,300 a year or less with an average benefit of $4,570, representing a 37.4% income boost.

TRIBAL FAMILIES

The ARP includes a historic level of funding for tribes, with over $31 billion allocated for tribes across multiple programs, including public health provisions. Within the $39 billion child care subsidy funding through CCDBG and stabilization grants described earlier, the HHS Secretary is required to set aside no less than 2% for eligible American Indian/Alaska Native children. Under annual CCDBG appropriations, tribes usually receive about 2.75% of that funding. If this holds true for these one-time funds, tribes would receive the equivalent of over $1 billion. In addition to the one-time relief funding, the increase in CCES mandatory funding also includes an annual $100 million set-aside for tribes and tribal organizations. This is a change from previous CCES statute which generally provided between 1% and 2% of the total mandatory appropriation for tribes.

Separate from the funding for tribal child care, the ARP appropriates $900 billion for the Bureau of Indian Affairs with $772 billion set-aside for tribal government services, public safety and justice, social services, and child welfare assistance. The ARP also includes $20 million for the preservation and maintenance of tribal languages in the form of emergency grants.

Finally, ARP appropriates $850 million for the Bureau of Indian Education to support Bureau-funded schools and Tribal Colleges and Universities. There is also $190 million appropriated to the Department of Education to support and improve educational opportunities for AI/AN children and youth, including teacher training, professional development, and maintenance of early education and child care programs.

CHILD AND FAMILY NUTRITION

Pandemic Electronic Benefit Transfer

The ARP continues the Pandemic EBT program, first established under the Families First Coronavirus Response Act of 2020, for the duration of the health emergency. The P-EBT allows school children who would have received a free or reduced-price lunch at school to receive emergency nutrition benefits on an EBT card to purchase food. The CRRSA extended the program to children who were enrolled in a child care facility and whose family received SNAP benefits at any time since October 1, 2020. In January, the USDA announced it was increasing the benefit amount by 15% and offering reimbursement for an afterschool snack; the daily value is now $6.82 per child.

SNAP and WIC

The ARP includes $880 million to deliver access to more fruits and vegetables for mothers and their infants under the Special Supplemental Nutrition Program for Women, Infants, and Children program. It also extends the 15% increase in Supplemental Nutrition Assistance Program benefits for all participants through September 30, 2021. This equates to about $27 per month, per person.

OTHER POSSIBLE NON-DIRECT SUPPORTS

Head Start

The ARP appropriates $1 billion for Head Start and Early Head Start programs to remain available through FY22. The Secretary of HHS may reserve funds for administrative purposes, but shall allocate all remaining amounts to Head Start agencies for one-time grants, based on the program's funded enrollment. The legislation does not give specific guidance on how the funds should be used to support children and families, such as by either expanding or supplementing services.

Coronavirus State and Local Fiscal Recovery Funds

The legislation includes $350 billion in funds for state and local governments, territories, and tribes, to mitigate their fiscal impact of COVID-19. These funds represent nearly one-fifth of the total cost of the legislation, and may cover costs incurred through December 31, 2024, to:

- Respond to negative economic impacts due to COVID-19, including offering assistance to households, small businesses, and nonprofits and to aid impacted industries; and
- Respond to workers performing essential work during the crisis, such as providing premium pay (up to $13/hour) or offering grants to employers whose workers are essential.

This program is like, but broader than, the Coronavirus Relief Fund originally established under the CARES Act. Twenty-three states invested a portion of their Coronavirus Relief Funds from the CARES Act to support child care in 2020.

Governor's Education Relief Funds

In addition to the ESSER described above, Governors were provided over $4 billion under the ARP for the Governor's Emergency Education Relief Fund. This program was developed under the CARES Act for the purposes of responding to COVID-19. Governors may provide subgrants to local educational agencies and other education-related entities that the Governor "deems essential" for carrying out emergency educational services. This includes providing child care and early childhood education, offering social and emotional supports, and protecting education related jobs. During 2020, with the first round of funds, several states invested GEER funds to support child care.