Center *for the* Study *of* Social Policy
Ideas into Action

WHERE DO WE GO FROM HERE?

How Temporary Investments in the Child Tax Credit & Child Care Impacted North Carolina Families, and the Road Ahead

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ABOUT CSSP

CSSP is a national, non-profit policy organization that connects community action, public system reform, and policy change. We work to achieve a racially, economically, and socially just society in which all children and families thrive. To do this, we translate ideas into action, promote public policies grounded in equity, support strong and inclusive communities, and advocate with and for all children and families marginalized by public policies and institutional practices.

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TABLE OF CONTENTS

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INTRODUCTION

In 2021, the United States tried something it had never done before: it sent monthly cash payments to families through the Child Tax Credit (CTC), joining the ranks of its peer countries who already have child allowance programs. For the first time, most families with children could rely on receiving a regular cash payment from the government to help with the tremendous cost of raising children. And the CTC marked a departure from many other government support programs by making the process to receive it relatively simple, without work reporting requirements, frequent re-certifications, and other time-consuming requirements that limit access, especially for Black, Latinx, Indigenous, and other families of color and immigrant families. The CTC expansion was also coupled with an infusion of funding to help support the child care sector, which had been struggling before the pandemic because of longstanding federal under-investment and was destabilized by closures during the pandemic. The investments in both the CTC and child care felt like an atmospheric shift in prioritizing families' needs.

But despite their positive impact on families, Congress has not yet taken action to extend investments in either the CTC or child care.

For families and child care providers in North Carolina, these supports were a lifeline, and their expiration has marked a return to hard times. Amara, a mother of three who lives outside of Greensboro, had struggled to pay the bills and afford child care before the pandemic. Like millions of parents and caregivers, especially Black parents like herself and other caregivers of color, these struggles only grew as COVID-19 ravaged the country and reshaped American life. The arrival of monthly CTC checks was a critical support to Amara's family, allowing them to pay their bills, and even have some breathing room in their budget for the first time. When Congress let the CTC expansion expire and a payment did not arrive for families in January 2022, it was at a bleak moment: the dead of winter, when utility bills are at their highest and families are recovering from the expenses of the holiday season, and another COVID wave was rapidly spreading and shutting down workplaces, schools, and child care programs. Amara acutely felt the pain of not receiving the CTC.

"We got that last payment in December then we had Christmas," Amara said. "Literally when the kids went back to school, COVID cases were spiking. My daughter's daycare was closed for almost a month, so I had to cut back hours. It was like, wow, all of this would happen when we don't get these payments anymore. It would've been very helpful getting it in January."

For child care providers, the short-term investments in their sector made a palpable difference in their ability to run their businesses, including helping them to invest in equipment to improve safety and health and pay off debt. Providers echoed a similar sense of uncertainty and frustration that the investments in families would not be permanent and worried what would happen once the short-term funding ran out. Barbara, who also lives in the Greensboro area and has been a home-based child care provider for over 20 years, knew first-hand how difficult it was to make a child care business work even before the pandemic, and was concerned about the impact of the funding running out on children, families, and providers. As she explained, every child deserves "quality care" and "every

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parent should be able to go to work and have no worries about their child, that their child is being well cared for, my child is not being harmed, my child is being loved and nurtured, and my child is thriving." But Barbara worried, "If these funds kind of dwindle away, which unfortunately I'm starting to feel that they probably will because that's how they do us, it's going to go back to you not getting the best quality teachers, that you're not able to go to school."

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As we detail in this report, the federal investments in the CTC and child care helped families and early educators get through the pandemic, and led them to feel supported by policymakers, and valued for their contributions to society. This was especially true for the Black, Latinx, and other families of color we interviewed and surveyed in North Carolina. While Black and Latinx families have historically been disproportionately excluded from supports and services that promote economic security and well-being, the families and caregivers of color we spoke with in North Carolina benefited from the short-term investments in both the Child Tax Credit and the child care sector.[1] To many, these investments meant the difference between barely surviving to actually thriving. For the first time—and for only a short time—families had a reliable, nearly universal support to rely on in the Child Tax Credit, which allowed them to flexibly meet their needs as they arose and evolved throughout the year; and child care providers at last had access to funding to help stabilize their businesses, provide nurturing care to their children, and allow them to support their own families.

In the absence of these programs, caregivers are back to square one, attempting to provide for their families while living in a society that continues to undervalue them and the work they do. The American Rescue Plan's historic investments, while short-term, offered a new way of thinking about how to best support families. The investments were crucial for both families and child care providers to survive the moment. But we must build on the lessons learned from these investments to develop robust permanent supports that work for families and communities moving forward—especially for Black, Latinx, and other families and communities of color who have been systematically disadvantaged by policymaking in the past. The findings from North Carolina are clear: to advance economic and racial equity, we must ensure that families and professional caregivers have the permanent, comprehensive support they need.

ABOUT THE RESEARCH

To learn about the impact of the Child Tax Credit (CTC) and child care investments on families and communities, CSSP conducted research in four states: Michigan, Mississippi, North Carolina, and Arizona.

The first two briefs in the series, analyzing how these temporary investments impacted families in Michigan and Mississippi, were published in March 2022 and June 2022, respectively. CSSP found that in both states, the CTC was broadly successful at helping families meet their basic needs and invest in their children as it put money directly into families' pockets. For the child care funding, CSSP found that in Michigan, much of the success of the investments were connected to a supportive state government infrastructure that incorporated families and child care stakeholders into the policymaking process, while in Mississippi, state capacity and communication challenges slowed the funds and diluted their impact. For more on the experience in Michigan, see *A 'Godsend': How Temporary Investments in the Child Tax Credit and Child Care Impacted Michigan Families.* For more on the experience in Mississippi, see *'We Don't Have that in Mississippi": How Temporary Expansions of the Child Tax Credit & Child Care Demonstrate the Importance of Federal Investments & Oversight*.

This brief analyzes how these temporary investments impacted families and communities in North Carolina. In North Carolina, we conducted 10 semi-structured interviews with low- and moderate-income families of color in the state between February 2022 and March 2022. The interviews were in-depth conversations conducted virtually for 75-90 minutes. Among the 10 interviewees, eight identified as African-American, one as Hispanic or Latina, and one as multiracial; six had incomes between $0 and $25,000 and four had incomes between $25,001 and $55,000. All ten interviewees identified as women. Additionally, we conducted interviews with child care providers and other stakeholders in the child care sector, including government officials, system leaders, and advocates, to get additional perspectives on systemic problems in child care and the extent to which those were being addressed by current investments.

In December 2021 and January 2022, we also fielded a survey of parents and caregivers to understand their experiences with the CTC and child care. To field the survey, we partnered with the North Carolina Partnership for Children, which worked with other state partners to circulate the online survey to families in their networks with a particular goal of reaching low- and moderate-income families and families of color. In total, 204 parents or caregivers of children under 18 completed the survey, of whom 179 had children under the age of 5. The survey respondents were disproportionately low and moderate income. While median income in North Carolina was $56,642 in 2020, 31 percent of survey respondents had incomes below $25,000, 16 percent had incomes between $25,000 and $35,000, 21 percent had incomes between $35,000 and $50,000, 14 percent had incomes between $50,000 and $75,000, and 19 percent had incomes over 75,000. Compared to the North Carolina population as a whole, our survey respondents were also disproportionately Black and Latinx or Hispanic. Among survey respondents, 27 percent identified as Black, 31 percent as Latinx or Hispanic, and 36 percent as White. All survey respondents were asked questions about their experience with the CTC, while only parents or guardians of children under 5 were asked about their experiences with child care.

INVESTMENTS IN THE CHILD TAX CREDIT AND CHILD CARE IN NORTH CAROLINA UNDER THE AMERICAN RESCUE PLAN

Congress passed the American Rescue Plan Act (ARPA) in March 2021 to address the immediate economic crisis caused by the pandemic. The investments included those aimed at bolstering financial security for families and shoring up the child care profession and sector. To understand the impact of ARPA spending on the health and wellbeing of families and children, our research focused on two features: the expanded Child Tax Credit and the increased investments in child care. The ARPA investments were preceded by two previous pandemic-related investments in child care—the CARES Act in March 2020 and the Coronavirus Response and Relief Supplemental Appropriations Act (CRSSA) in December 2020.

ARPA made temporary improvements to the CTC for 2021—making it fully available to families with no or low incomes for the first time, raising the annual benefit levels to $3,600 for children up to age six and $3,000 for children ages six to 17, and making the CTC available via advanced monthly payments between July and December 2021. The ARPA expansion meant that 926,000 children in North Carolina who were previously ineligible for the full CTC benefit were now eligible—including 300,000 Black children and 241,000 Latino children.[2] As of December 2021, the expanded Child Tax Credit was reaching 61.2 million children nationwide, and more than 1.1 million CTC payments went out to North Carolina families, who received an average payment of $436 per family.[3] As of this writing, Congress has not extended the expansion and the monthly payments expired in December 2021. Parents can claim the second half of their 2021 CTC when filing taxes in 2022. If the expansion of the CTC were made permanent, researchers estimate it would cut child poverty in North Carolina by 48 percent for Latino children, 47 percent for Asian children, 42 percent for Black children, and 40 percent for White children.[4]

ARPA also increased investments in child care, both to provide relief for child care providers who either closed or were on the verge of closing during the pandemic as well as to support states in making child care more affordable and accessible to families. North Carolina received $805 million for Child Care Stabilization grants, intended to go directly to providers to cover the costs of everything from payroll to rent to equipment. It also received an additional $502.8 million in supplemental Child Care and Development Block Grant (CCDBG) funding.

The ARPA funding in North Carolina was met by an eagerness in the state to boost early educators' wages, as low wages have caused staffing shortages across the sector. Many early educators wind up leaving child care for work in the public school system or other industries because of the low pay. In North Carolina, where as one advocate told CSSPthe state is "set up for providers to access free education and to get their associate's, their bachelor's, and master's for free," once the requirements are met or degrees are completed, it is difficult to retain these workers in child care. To the disappointment of advocates, the state program, Child Cares WAGE$ program, which provides education-based salary supplements to low-paid teachers, directors, and family child care providers working with children ages birth to five, was left out of the final version of the 2021 budget.[5] While the ARPA funding will certainly help boost pay for a time, more sustained funding is needed to raise provider's pay over the long term.

In November 2021, North Carolina allocated its $502.8 million of CCBG funding through its state budget process. The allocation included a variety of investments in the sector, including: between $206 million and $215 million "to reduce the child care subsidy waitlist," first for children in foster care and then for eligible families on the waitlist; $30 million to cover parent copayment fees for families eligible for subsidized care only through the end of 2021; $50-59 million to modernize child care licensing and subsidy management technology; $207 million to build supply of qualified child care teachers with staff bonuses and other teacher pipeline programs; and $16 million in federal Child Care Entitlement to States grant, which unless designated, becomes part of the child care subsidy assistance program.[6]

Overall, North Carolina got the funds out of the door to relieve child care providers and families while staying focused on advancing equity in the sector. Before the application process opened for the stabilization funds, the North Carolina Division of Child Development and Early Education (DCDEE) spoke with child care providers to better understand what worked and what did not work in distributing funds, which is what guided DCDEE's communication, outreach, and technical assistance to providers. Through the first wave of stabilization grants, which are distributed quarterly so that providers can plan financially, $336 million was distributed to 3,961 child care centers and family child care homes in North Carolina, and 90 percent of eligible child care programs applied and received grants from the fund.[7]

The stabilization grant formula was divided into two parts: a fixed cost grant and a compensation grant.[8] The fixed cost component offered a base amount determined by the number of children a program is licensed to serve, the star rating, and the type of center, with bonuses for the number of children served enrolled in the child care subsidy program. The compensation component was aimed at boosting pay for providers by offering an opt-in grant to provide either bonuses or salary/benefit increases for part-time and full-time staff. The providers who opted-in to the grant were required to adopt a salary schedule going forward.

North Carolina worked to "embed an equity approach" in its stabilization grant formula, as a DCDEE representative told CSSP. It did this both by successfully incentivizing investments in higher pay for child care professionals—88 percent of providers who received a stabilization grant in the first wave used the funding as compensation for their workforce[9]—and by offering a bonus to providers for the number of children on subsidies that they serve. Additionally, the state responded to requests that it build out its data infrastructure to advance equity in the sector by contracting with Salesforce to develop an online stabilization grant application platform that provides analytics and collects demographic information. With the demographic information, it can later disaggregate and determine who did not apply for a stabilization grant, any resulting inequitable trends, and specifically whether Spanish-dominant childcare providers or family childcare homes applied.

Finally, the way that the state engaged and communicated with child care providers and other stakeholders reflected the value it placed in the child care sector as a "bedrock of the economy," and emphasized the importance of advancing equity through policymaking. In the process of rolling out the stabilization grants, DCDEE worked closely with provider networks to ensure providers knew about the funding opportunity. DCDEE also conducted interviews with providers prior to the application for funding opening, which found that providers felt they did not have clear communication on how much money they were going to receive or who to go to for questions. In response to the findings, DCDEE set up a customer service team, contracted with a communications firm to support outreach efforts, and worked with early childhood networks, such as Smart Start and the Child Care Resource and Referral network, to offer regular sessions for providers, state office hours, webinars, and tech support sessions leading up to the application roll out. DCDEE also did user testing to make sure that the application process was not a barrier for providers. Because DCDEE asked, listened, and responded to the providers' concerns, the end result was that providers had a relatively easy experience applying for the stabilization grants. The DCDEE representative told CSSP that this active communication with providers will continue in years to come: "The number of touchpoints that we've had with our provider communities is amazing and is unprecedented… Consistent communication between the state and the field that are not going to go away. That expectation is going to outlast COVID."

FINDINGS FROM OUR RESEARCH: THE EXPANDED CHILD TAX CREDIT

Lessons Learned: "[The CTC] Just Helped Me Survive"

"The Child Tax Credit has definitely been a blessing for us the last year," said Rachelle, who works two jobs in early education to provide for her five-year-old daughter. "Because in the times that I've been able to receive the CTC, not only did I see a change in my daughter and myself as a family unit, but also the children and families in the community that I serve. It could have been a new pair of shoes, or it could have been a trip to the zoo. And that really boosts their emotional state, their ability to look at themselves and feel like, okay, I can do this."

Families that we interviewed in North Carolina have felt the impact of living through nearly two full years of a pandemic. Because of COVID-19's many variants, child care programs have experienced rolling closures, causing several of the parents we spoke with to resign from or be forced out of their jobs because they either did not have access to paid leave or they ran out of time off when their children's child care arrangements fell through. Some parents secured remote work, which made it easier to handle last-minute changes in their children's care arrangements, but still struggled to balance being a parent while also working to earn an income. The sustained nature of the pandemic has meant that caregivers have been stretched thin from navigating crisis after crisis for the last two years, trying to provide for their families while not knowing what would come next.

Elena, a mom of two who spoke with CSSP, told us that before the pandemic, she and her husband were already struggling to support their newborn daughter while paying off bills and student loan debts. Shortly after the pandemic began, Elena used up all of her paid time off to care for her daughter, and then her whole family caught COVID, racking up more missed work hours, which ultimately led to her getting fired from her job.[11] Two years into the pandemic, Elena and her husband have welcomed their second daughter to their family, whom Elena provides care for while her two-year-old goes to child care and her husband works full-time at a large company.

Ultimately, that stress trying to make ends meet transferred to the rest of the family, including Elena and their two young daughters. "[the girls] can see when Dad was kind of struggling and he wasn't there 100%. It started with him and then it just kind of affected the family too."

For Elena and her husband—and millions of other parents of color who disproportionately experienced job loss during COVID—the weight of losing a second income is a heavy burden.[12] Elena's family, and other families like hers, have to, as Elena put it, "think twice" about priorities in their budget, such as "choosing [either] daycare or to go a little lower on groceries or gas," and often face a severe mental health toll that impacts everyone in the family. For Elena's family, that burden initially fell on her husband, as she explained, "because he's the only one working, so he'll either get extra hours or cover other people and just try to improve his sales… [which led to] a time period where he was struggling with depression and the stress was just getting to him." Ultimately, that stress trying to make ends meet transferred to the rest of the family, including Elena and their two young daughters. "[the girls] can see when Dad was kind of struggling and he wasn't there 100%. It started with him and then it just kind of affected the family too."

The expanded Child Tax Credit came at just the right time to help alleviate some of that stress for families like Elena's and other families of color in North Carolina. Among families interviewed by CSSP, all reported receiving the Child Tax Credit, and among respondents to CSSP's survey, 79 percent reported receiving at least one monthly payment between July and December.

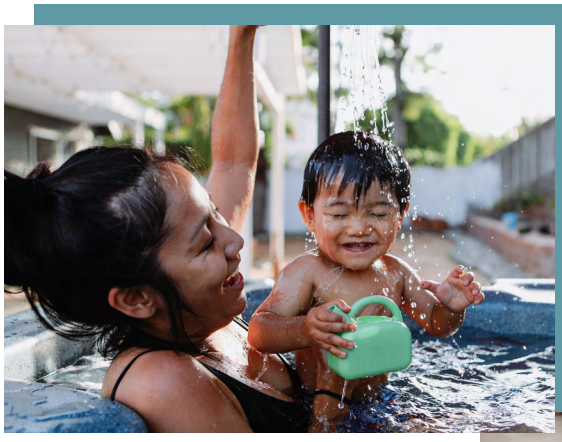
In North Carolina, the families we interviewed most frequently spoke about using their Child Tax Credit payments on their household's basic needs like rent or gas, on their children's needs like haircuts and school uniforms, on family leisure like trips to visit relatives and to the zoo, and on saving for their future like contributions to an emergency fund or to pay off debt.

For many caregivers, the CTC "just helped me survive" especially in the context of rising inflation across the country. They frequently talked about how prices were rising for groceries, gas, and housing, and how the CTC helped them weather the price increases for necessities. Amber, who has a four-year-daughter, noted how the CTC helped her afford gas. "[The CTC] made things a lot more comfortable to where I didn't worry about how am I going to make it to the end of the month because my daughter goes to a school that's 20 minutes away… doing that twice a day, five days a week takes a toll on my gas tank. So that in itself was a great help for that"

Elena also described using the CTC to pay for gas, groceries, and other basic needs. "Oh, Lord Jesus," she said. "We were able to pay off some bills, because sometimes we fall behind on bills, get groceries, because we've also been trying to eat healthier, but some of the healthier options are more expensive, so then we would run out of food stamps, and then we would have to put our money towards that. [And] for gas because my husband works out of the city, so he does a lot of driving back and forth. So it helped everything overall, in every aspect."

The families we spoke to also emphasized how the CTC helped them purchase essential items for their children. As Zara, who cares for her three-year-old daughter, two-year-old son, and newborn daughter, put it: "If my son didn't need Pampers, it was my daughter needing clothes. It was always something useful that that money went for."

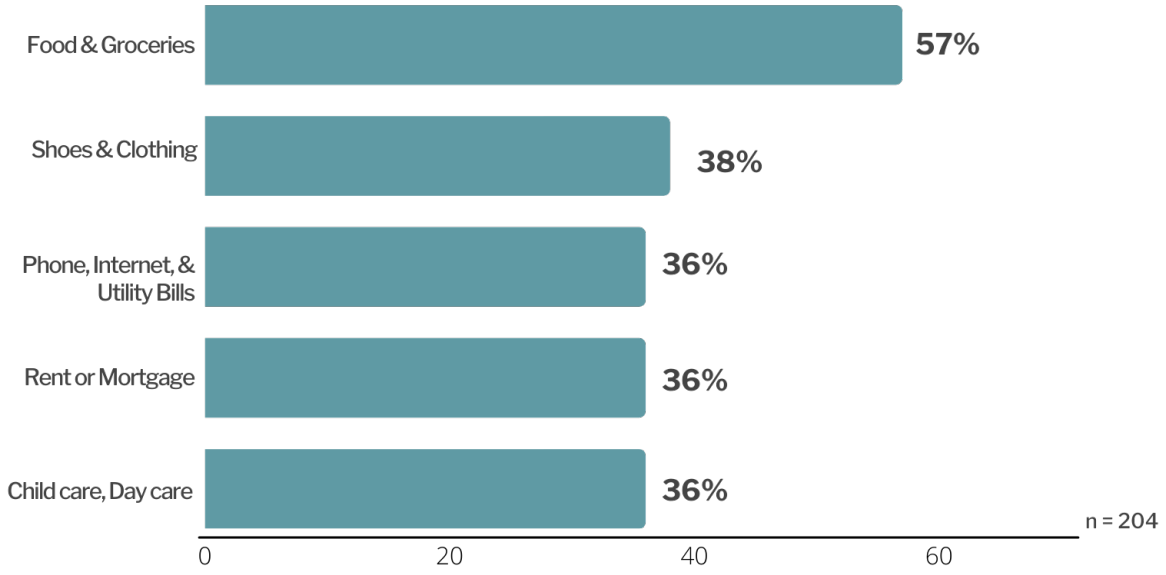
Similarly, Amara, a mom of three, felt that the CTC was especially helpful as the winter season came along, when kids needed new, warmer clothes and the holiday season quickly approached. "Having that extra come in right before Christmas, that helped get some of the things that we wanted to get for them for Christmas," she said. "Clothing, kids grow, so if one of them had a growth spurt, it was the extra that was needed to go grab them a pair of shoes, or coats."



Our survey data reflected that families in North Carolina used the CTC on their households' everyday necessities and used the unconditional cash payment to meet multiple basic needs at once. The survey showed respondents' top five uses of the CTC were on basic needs: food and groceries (57 percent), shoes and clothing (38 percent), phone, internet and utility bills (36 percent), rent or mortgage (36 percent), and child care/day care (36 percent), see Figure 1. These top categories are the exact same as what caregivers in Michigan and Mississippi reported, aligned with national trends.[13]

Figure 1. North Carolina Families' Top 5 Uses of the CTC Were on Basic Needs

When asked, "How have you used your monthly Child Tax Credit Payments? I used it to pay for: (please check all that apply)."



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In addition to these essentials, several caregivers talked about using their CTC payments to ensure their children had opportunities to socialize with other children and partake in "normal life" again as pandemic restrictions eased, recognizing the toll that two years of social distancing had taken on their children's development. For Amara's family, the CTC helped pay for her twelve-year-old son to join a track team, "giving him something to do because we've been in the house," and pay for their four-year-old to take a dance class.

"[The CTC helped] allow the kids to have outside activities," Amara said. "Sometimes I think those things are viewed as extras but it's really needed for the kids' social engagement if they don't have access to go to daycare or the fact that we've been in-home for the pandemic."

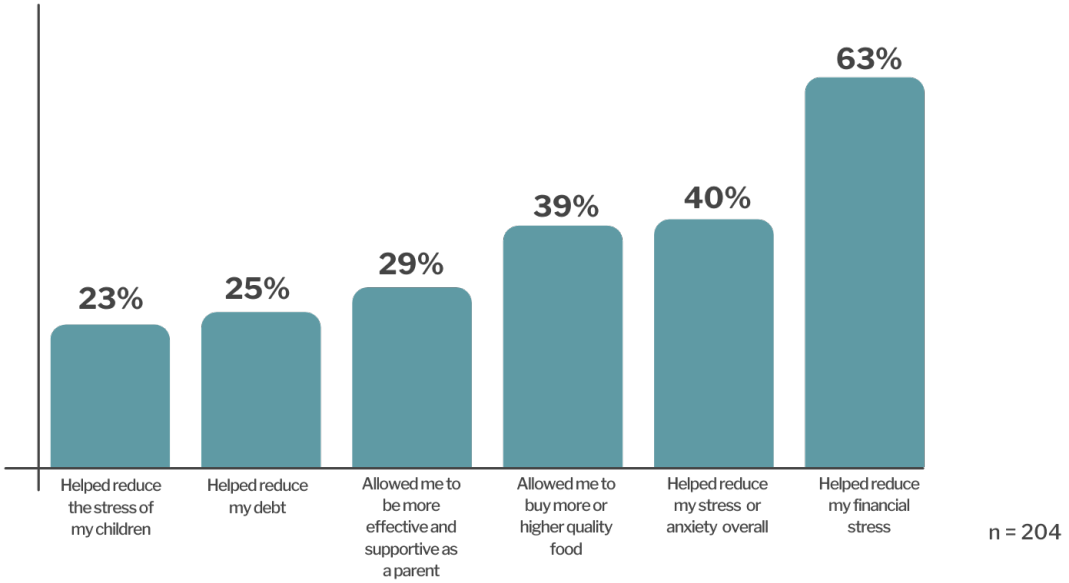
"[The CTC helped] allow the kids to have outside activities. Sometimes I think those things are viewed as extras but it's really needed for the kids' social engagement if they don't have access to go to daycare or the fact that we've been in-home for the pandemic."

Rachelle also used the CTC payments to ensure that her five-year-old had access to enriching and quality family activities that would be a "good social boost" for her daughter. Rachelle explained to CSSP, "I would sit down and ask her, 'What's something you want to do?' She would say, "Well, I want to see my great auntie who's in Alabama." So the next month, that's what we planned to do… We would sit down and discuss everything we want to do. One month we bought new clothes and things that she needed. The next month, [we] went to see my great aunt. And the following month we did different things, like the museum… [The CTC] was a good boost to let her know, there are some things that me and your mommy can do together. It won't be a lot of time, but it'll be when there's extra money for it."

The result was that the expanded CTC promoted family well-being. When asked how the CTC affected daily life, the most common answer to the question was "helped reduce my financial stress" (63 percent) [see Figure 2]. Caregivers reported that it also "helped reduce my stress or anxiety overall" (40 percent) and "helped reduce the stress of my children" (23 percent) [see Figure 2]. Additionally, 29 percent of caregivers said the CTC "allowed me to be more effective and supportive as a parent."

Figure 2. North Carolina Families Reported that the CTC Helped Reduce Stress & Promote Family Well-Being

Top six answers among North Carolina caregivers when asked, "How did the CTC affect daily life? Please check all that apply."



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Finally, the impact of the CTC was not limited to the six months families received it. Many caregivers in North Carolina talked about how they used their Child Tax Credit, when possible, to save for the future, helping ensure that they would have what they needed in the months, if not years, to come. Using the CTC to save for the future was especially important for the Black and Hispanic caregivers we spoke with, given the large wealth gap that exists for them, and other caregivers of color compared to White caregivers.[14] For those who could afford to save some of their CTC, it meant that they could begin to invest in their family's future, be it through material goods or deposits in a savings account.

Some caregivers paid rent upfront for several months, others "stocked up to the wall" on baby formula and diapers, while still others purchased clothes for their children in their next sizes. "One of the things I spent money on, I paid up my rent for six months," Eve, a mom to five children, said. "I put $500 towards my utility bills. I made sure that my car was suitable to get us back and forth. I was able to fix these little things. But now that I have the money, it was like okay now I can do the things that I need to do."

Others used the CTC payments for more traditional forms of saving. Jamila, a mom to a three-year-old daughter, explained, "When I first got it, I said we aren't going to use it. We're going to save it because my daughter has a savings account… We started doing that and then I was like okay, we could use this another way. I started to split, give myself a hundred, put a hundred in her savings account, and give a hundred to her dad." As time went on, she found it helpful that she could shift from saving the money to using it for her daughter's needs. "My goal was to save it as much as possible, not use it unless it was needed, but it got harder closer to the end of the year."

"Certain things, certain benefits you can only use it on this. So not having a restriction and really being able to gauge what our family needed that month without worry was super beneficial…. It was whatever we needed that month or if we just wanted to save it."

For Jamila and others, the unrestricted nature of the cash benefit was especially critical, allowing them to save when they could and meet different needs as they arose. Similarly, Amara and her husband are trying to build wealth to leave behind for their children one day, working as delivery drivers for DoorDash and Instacart in addition to their full-time positions.

"Certain things, certain benefits you can only use it on this," said Amara. "So not having a restriction and really being able to gauge what our family needed that month without worry was super beneficial…. It was whatever we needed that month or if we just wanted to save it."

For a short six months, families had breathing room. They could pay their bills on time, eat higher quality food, and just enjoy life with their children, knowing that each month a check would arrive to ease their burden. Since then, caregivers across the state and country have been scrambling to make ends meet once more.

Challenges in the Expanded CTC: Short-Term Nature of Investment Caused Stress for Families, Especially as it Expired

"Oh my God, y'all are just stopping the funds," said Eve, a mom to five children. "Like no notice, you know? Yes, they talked about it in the news. Yes, somebody's mentioned it on the radio, but it's one of those things like, you have to learn how to gradually ease somebody into something versus just snatching it away from them."

When the Child Tax Credit payment did not show up for families in January 2022, it changed the calculus behind many parents' budgeting. Without the extra support from the CTC, caregivers of color interviewed by CSSP had to pick up seconds jobs, go further into credit card debt, and cut back on visits to friends and family as gas prices rose.

The end of the CTC payments backed Rachelle into a corner, forcing her to make tradeoffs between how much time she spends with her five-year-old daughter and how much time she spends earning an income. She decided to pick up a second job working at a child care center, on top of her full-time job as a preschool teacher. Rachelle said that while "things aren't easy with a second job because I don't have that much more time," she wanted to continue to provide her daughter the opportunities she was able to during the CTC payments – like taking her daughter to museums, visiting family, and celebrating birthdays. She did not want to "keep saying, 'No, we can't'" to her daughter, so the second job means, "we have less time together, but we have a little bit more money coming to put in different areas."

Even with the second job, however, there are some things they cannot do now. As Rachelle explained, her daughter has told her, 'I miss my grandma, I want to see my aunties,' but driving the four and a half hours to see relatives is not easy with the rise in gas prices.

For the caregivers CSSP spoke with, this benefit cut-off felt abrupt because they did not receive direct outreach letting them know that the expanded CTC was a short-term program or that the checks were ending. Their primary concern was whether the program would continue into the future or not.

"It's concerning that a program was created and then it only lasted a short period of time," said Jordyn, who has a young daughter. "So you had people kind of banking on this and then it wasn't available. It's kind of like you had the rug swept out from underneath your feet. If you're going to do a program, do it." When asked what she would change about the CTC, Amara replied quickly, "Them continuing it… It's something I think that they really should continue, or it should've never stopped."

Rachelle agreed, as she lamented the end of the CTC expansion and the boost it brought to both her family and her community. "You could see it in the parents and the children, the confidence… and actually not feel[ing] ashamed," she said. "Even in my community, because most of us have lower incomes, we were getting along easier, we were happier to talk and greet each other in the hall."

If the expanded CTC were to continue into the future, caregivers felt it would have a huge impact on their families' ability to not just survive, but to thrive. Caregivers thought that if the CTC were made permanent, their families would be able "to participate in more of the things that our community has to offer," save up for emergencies, and work less overtime and "actually get to eat dinner with my family."

"[Making the CTC permanent] would just impact our quality of life as a whole," Rachelle said. "Money is not the answer to everything, but it definitely helps us to figure out ways to make solutions easier to access."

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In large part, that was the challenge with a short-term program—it left families who had relied on it hanging in the balance, waiting for Congress to take action to extend it or make it permanent, which has not happened.

Parents also identified other challenges that arose from quickly standing up such a significant new program using existing administrative resources and infrastructure. In North Carolina, as in Mississippi and in Michigan, caregivers felt that the IRS could have done a better job with communications and customer service around the program. Most of the caregivers found out about the program through informal networks of friends, family, and work connections – but more formal outreach about the CTC failed to reach many of them. While most caregivers CSSP spoke with did not have any issues receiving their payments, for those who had to do more in-depth troubleshooting, the IRS was largely unhelpful.

Lesa, who has a two-year-old son, suspected someone was fraudulently claiming her Child Tax Credit, which made her especially angry, "because what you took [from] me, you also took from my son." She tried to contact the IRS, sending in paperwork and waiting for hours on the phone, but she never heard back from anyone about her case. Fortunately, a local parenting group pointed Lesa to GetYourRefund.org for help filing her taxes and receiving the CTC.

"I went [to] this website, GetYourRefund.org and the man was so nice," Lesa told CSSP. The volunteer tax preparer who Lesa connected to through GetYourRefund.org helped Lesa problem solve the fraudulent claim, file taxes, and get her refund on a debit card, which she preferred to a check in the mail.

Lesa's experience is both a testament to how strained the IRS has been after years of underfunding, and to the importance of partnerships with non-governmental organizations like Code for America, which built GetYourRefund.org.[15] It takes both time and resources for an agency to build up its customer service capacity after years of budget cuts, and the IRS did not have enough of either as it was rolling out the expanded CTC. Partnerships with national organizations like Code for America as well as state and local organizations have been crucial to getting the word out and helping families navigate the new benefit, but even then, some families have struggled to access the CTC.

In particular, families highlighted problems that unfolded when the IRS changed the way it was delivering the CTC from one month to the next. For example, Eve, a mom of five and a survivor of domestic violence, had last filed taxes with her ex-husband, using her bank account information and his mailing address. She had been receiving the CTC payments via direct deposit to her bank account, but when there was a switch-up in delivery method one month, she was left without the CTC. "One of the payments ended up being a paper check and it got sent to [my ex-husband]," Eve explained. "And so that month I did not receive that payment. So you sitting here counting and waiting like, I'm running to the mailbox or I'm checking my bank account." Consistency and reliability of payment delivery is crucial to reduce confusion, increase access, and improve the experience of recipients.

While caregivers' struggles receiving the CTC generally did not diminish their appreciation for the CTC, or affect their view that the CTC was a critically-important new program, the expiration of the CTC did raise serious concerns for the parents of color we spoke to.

Reflecting on the expiration of the program, some expressed just how unfair it felt that their family's economic security should depend on politics. As Amara explained, "Politics is one of those things that's like you have certain people in the office that really have never experienced what the people that need these things experience… So I think they're looking at the negative aspect of it and just basing it off of prejudice."

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Other caregivers echoed Amara's frustration with policymakers' disconnect from the reality of low-income families' lives. "And the thing I wish, I wish that some of these people could go somewhere, sit in an apartment and get [by on a few hundred dollars a month]," Amber said. "Because then they wouldn't be screaming that everybody's on welfare and people are lazy and things like that. That's like, you try it."

Caregivers wanted the CTC expansion to be made permanent, so that they could rely on the payments and build them into their families' budgets. "These programs shouldn't be, this party's in office, we're going to get it. This party's not in office, we're not going to get it," said Jordyn. "Make it like Medicare, all right, everybody gets, it doesn't matter who's in."

FINDINGS FROM OUR RESEARCH: ARPA CHILD CARE INVESTMENTS

Lessons Learned: Child Care Investments Have a "Big Effect" on Addressing Longstanding Issues for Families and Child Care Providers

"When I got pregnant with my [oldest] daughter, I finally got on the waiting list [for a child care subsidy]," said Zara, a mom of three who gave birth to her third child just weeks prior to talking to CSSP. "I didn't get the voucher until she was about a year and a half. I used to have to take her to work with me, find different people to watch, or call off because I didn't have no babysitter...Even though I got the voucher a year and a half later, it still took me at least [another] six months before I was able to find a daycare that didn't have no wait list."

In North Carolina, families were struggling to find affordable and accessible child care for their children long before the onset of the pandemic. According to the Center for American Progress, 44 percent of people in North Carolina live in a child care desert, or an area with more than three times as many children as licensed child care slots, with Hispanic/Latino families more likely to experience child care deserts.[16] On average statewide, there are roughly five infants competing for every available licensed child care space, and in 10 North Carolina counties, there are 10 or more infants competing for every licensed space.[17] Urban areas are characterized by long waitlists to get into a child care program, as described by Zara. In rural areas, high quality care is even rarer—30 counties have five or fewer four- or five-star programs that serve infants and toddlers.[18]

Jordyn describes where she and her two-year-old daughter live as a "rural community, kind of like a poor community." Jordyn's mom watches her daughter while she goes to work, in part because Jordyn feels that there are not enough child care options in her area, and none that suit her needs and preferences for her daughter.

"One of the downfalls to, at least this area, is there are more children than there are daycares," Jordyn said. "There are more children on waiting lists than daycares can support because they just don't have the staff."

The pandemic only exacerbated families' struggles finding child care that meets their needs, as centers closed and instituted new COVID capacity rules. The pandemic also worsened staffing shortages, an underlying product of the low-pay and poor workplace conditions in child care. "The teacher shortage has impacted everybody," Jamila, who has a three-year-old daughter, said. "Sometimes, they don't get a chance to update the app now or I'll go and ask a question and they're like, 'I didn't know.' Before, I felt like they were more in the know. It's just not been the most stable, I guess, environment as far as staffing goes."

Meanwhile waiting lists for child care subsidies, which enable families with lower incomes to afford care, grew dramatically early in the pandemic. In March 2020, there were almost 16,500 children on the waiting list for subsidies in North Carolina. A year later in March 2021—the month the American Rescue Plan was signed into law—there were 19,600 children on the waiting list.[19]

Like many other families of color, Amara struggled with child care for her three children before the pandemic, and COVID only created new challenges to finding stable care for her children. Before the pandemic hit, Amara's husband got laid off and she worked remotely while trying to find child care for her youngest daughter, "so that my husband could start working as well to bring in more income, and get us out of the hole." But when the pandemic broke out, the child care program where they hoped to enroll their youngest child kept changing their start date, which further delayed her husband's ability to start work. When their youngest daughter finally joined her older sister in going to a child care program, a COVID exposure shut down the youngest daughter's program for 10 days. Suddenly, Amara's whole family were stuck at home together, monitoring symptoms. Amara resigned from her job, because she could not take any more days off and "it was either resign or be terminated, which you don't want on your consumer report."

To help them survive, her husband started working nights and Amara found a temp job—but before they knew it, their daughter's child care shut down again for another 10 days. So, Amara remained unemployed for much of the pandemic, until March 2022 when she found a new job working in insurance.

Amara is not alone in her experience of child care challenges disrupting her ability to work and earn an income for her family. Our survey data found that among respondents, 60 percent of parents with children under 5 said that child care related challenges have "sometimes" or "often" disrupted their ability to work; see Figure 3. Fifty-eight percent of parents said they had reduced work hours at some point in the past due to child care challenges, and 39 percent answered they had quit a job in the past due to child care challenges; see Figure 4.

Figure 3. Child Care Challenges Disrupt Ability to Work for 60 Percent of North Carolina Parents with Young Children

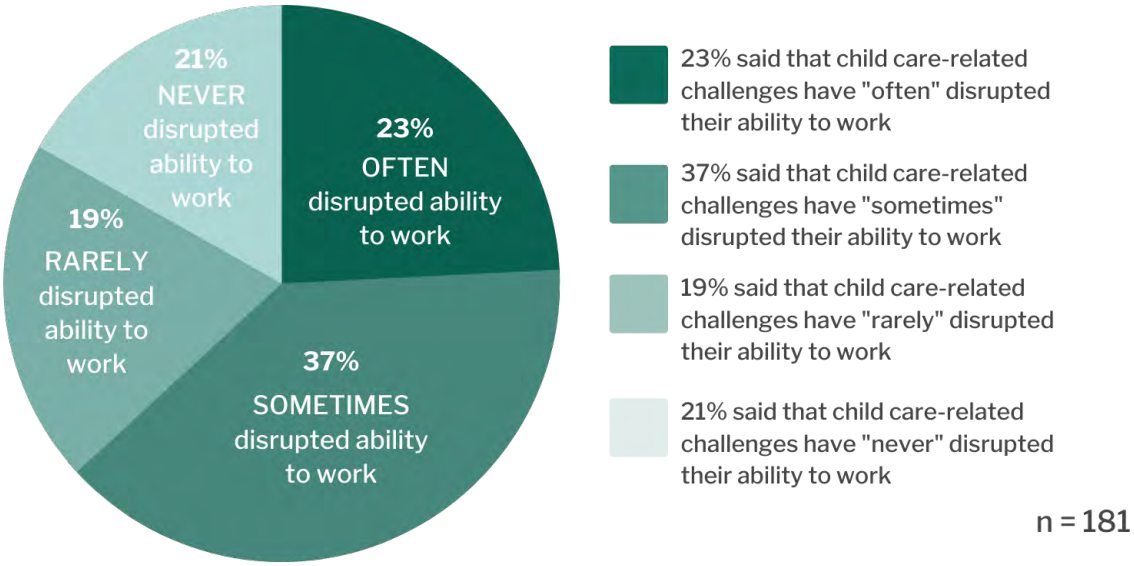

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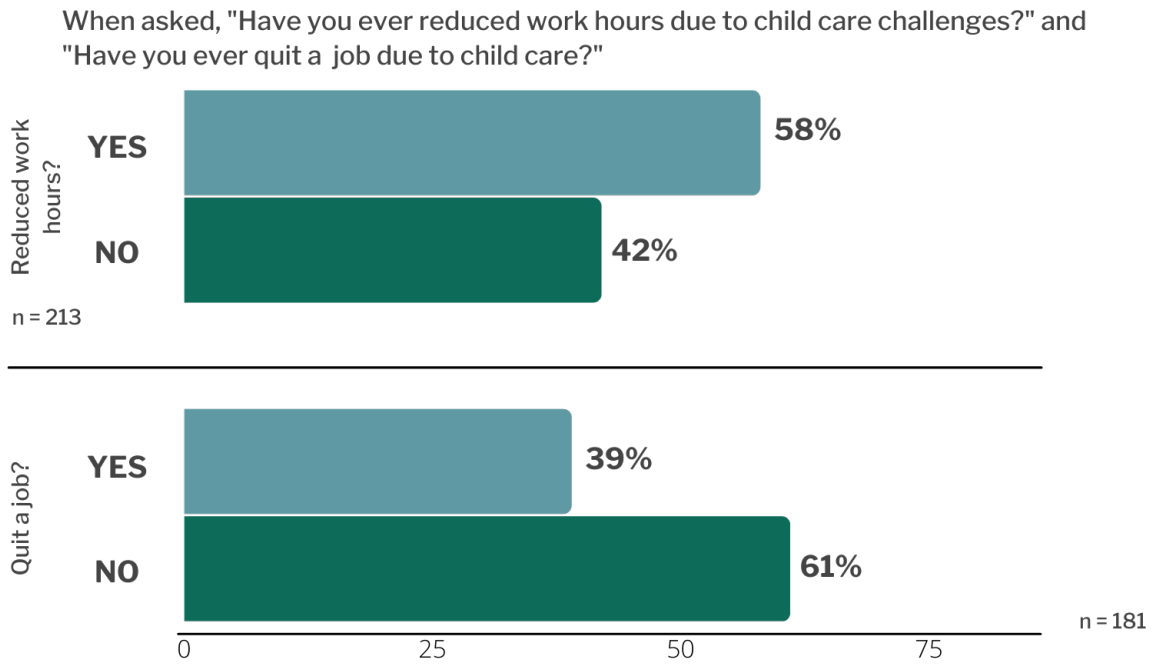
Figure 4. Child Care Challenges Make it Difficult for North Carolina Parents to Work Consistent Hours or Jobs



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While many of the parents of color that CSSP spoke with have struggled with child care disruptions, caused both by pandemic-relatedand pre-existing challenges in the sector, others have had difficulty finding child care that aligns with their work schedules. For example, Zara, who works at Wendy's to support her three children, said she needs more child care availability on the weekends so she's able to work more hours. "If [only] they had daycare on the weekends," said Zara. "I know they work Monday through Friday, but some jobs require weekends, and weekends is the toughest when you need a babysitter for you to work your weekend job."

"[Paying out-of-pocket] was affordable when we were getting the Child Tax Credit, because it was that cushion to where if we knew nothing else, we [knew that we] had that covered and we could pay up three weeks in advance. Now that that has stopped, it's affordable compared to what we could be paying and especially for what she's learning and what she's doing. But even still, $135 it can add up quickly."

When parents do find child care during the hours they need it, they often struggle to afford it. Amara explained that because of the limited spaces in Head Start and the long wait list for child care subsidies, she and her husband paid out of pocket for their four-year-old to attend a private program. "[Paying out-of-pocket] was affordable when we were getting the Child Tax Credit, because it was that cushion to where if we knew nothing else, we [knew that we] had that covered and we could pay up three weeks in advance," said Amara. "Now that that has stopped, it's affordable compared to what we could be paying and especially for what she's learning and what she's doing. But even still, $135 it can add up quickly."

Several other caregivers remarked that child care was their largest expense every month. As Lesa explained, she spent $220 a week for child care for her two year old, which became so unaffordable that she eventually pulled him out of the program. “I felt like the daycare that he was in, it was just too expensive… That's $880 a month. That's more than my rent. That's more than my cable bill.”

Difficulties finding affordable care that works in their schedules have led many of the caregivers CSSP spoke with to turn to Friend, Family, and Neighbor care (FFN), which aligns with national trends that show Black and Hispanic families utilize FFN care at higher rates than White families.[20] Relying on themselves, grandparents, coworkers, and godparents to care for their children has felt both more feasible and desirable given the shortage of child care slots at the times they need and the steep costs. Our survey data reflect this too. When asked what type of child care arrangement your family currently uses on a day-to-day basis, the two most common answers to the question were stay-at-home parent (33 percent) and friend or family member (25 percent) [see Figure 4].

The ARPA investments in North Carolina have helped mitigate the struggles of parents and child care providers, two years into a deepening child care crisis. By March 2022, only 6,000 children remained on the waiting list for a subsidy—a sharp decline from the previous two years, and a result of the ARPA funds at work in the state.[21] For caregivers like Zara who have access to a child care subsidy, it “helps me out a lot” by giving breathing room to afford to pay other bills, too, because “[the subsidy] gives me time to get the money together by the end of the month to pay what I need to pay by the beginning of the month, when [other bills are] due.”

Child care providers have also benefited from the ARPA funds. For providers and advocates alike, the additional investments in child care felt like the recognition that they had long thought their profession deserved. Barbara, a home-based provider for more than two decades, was grateful both for the funding and for the newfound respect for her profession.

“I'm thinking, oh wow, so now I'm essential,” Barbara told CSSP. “Now you see the importance of early childhood educators. Because I'm in the home and a lot of times they say we're babysitters, no, we're not babysitters. We're the foundation of early childhood education.”[22]

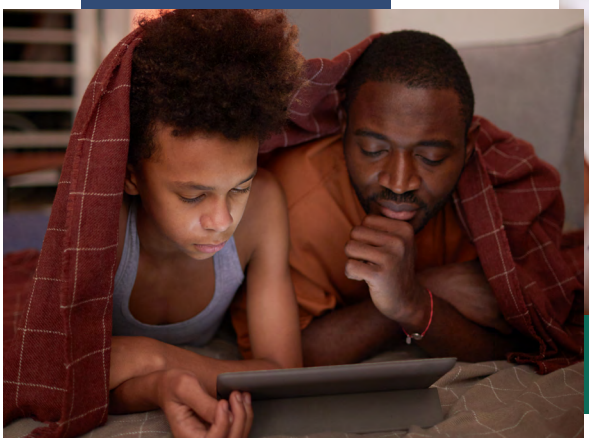
Barbara and Carolyn, another home-based provider in North Carolina who has been working in the field for over 20 years, both felt especially glad that home-based providers like themselves had been invited to apply for the funding and it was not limited to just the large, center-based child care providers in the state. As Carolyn explained, “just to be remembered, for them to consider a small family childcare homes and small businesses… [because] oftentimes we're kind of overlooked. So that is absolutely fantastic.”

For Carolyn, it was not just the funding itself that led to her feeling recognized and valued, but the extra effort the state took to make it easy to apply for the grants and answer any questions they might have. “Just to have incorporated the small family childcare homes, and made things easier to access for us, and just including us, that was big. That was big.”

Both Barbara and Carolyn used the ARPA funding to make improvements to their businesses and to adequately pay themselves for the work that they do. The funding was used to pay for big repairs to their businesses—from getting a new front door to fixing a large plumbing problem—and to pay down debts, save for retirement, and give themselves a bonus to help make up for the years, if not decades, of being chronically underpaid for their work.

As Carolyn explained “It's been fantastic to be able to... just not having to worry about, "Okay, am I going to have enough to meet all of the financial obligations."

Barbara has seen the impact on child care centers in her town too, as some centers have used the funding to upgrade their equipment and offer scholarships for parents who cannot afford child care but earn too much to receive a subsidy. In short, she explained, the funding, “has a big effect on the child care right now.”



Challenges in ARPA Child Care Investments: The Road Ahead to Strengthen a System that "Is Very Broken"

Even with the help from the American Rescue Plan's investment in child care and with North Carolina's action to make that funding available to families and child care providers, there is still much to be done to strengthen a child care sector that leaves so many scrambling.

While the ARPA funds are sustaining providers and families for the time being, many child care stakeholders we spoke to in North Carolina were concerned about what would happen when the money runs out. Kendra, an early childhood advocate, spoke to CSSP about her fears that the state would fail to step in and continue funding child care when the federal government's investments stopped. Kendra thought that what held the state back from investing its own dollars was the fear of creating unsustainable long-term investments, or "liabilities, I think they would say," which Kendra thought "outweighed their willingness to think of what they could use [funds] for in a better way."

The likelihood of funding running out was also top-of-mind for child care providers. As Barbara put it, "So you're giving us all these things and we're making all these great strides, and implementing all these wonderful things, and when these funds stop, what do you want us to do?" She worried that providers who had been able to increase their own pay or afford health insurance for the first time as a result of the grants would no longer be able to afford higher pay or health insurance when they ended. She also worried about families experiencing longer waits for subsidies once again, and programs not having the resources to buy new equipment. "So I mean, where do you go?... Are we no longer going to be essential when the pandemic is over? Because before the pandemic, we weren't. The funds weren't there for us."

> "So you're giving us all these things and we're making all these great strides, and implementing all these wonderful things, and when these funds stop, what do you want us to do? ...Where do you go?... Are we no longer going to be essential when the pandemic is over? Because before the pandemic, we weren't. The funds weren't there for us."

Providers and advocates were both clear that "the funds need to continue." As Carolyn explained, "The stabilization grants are great to kind of take the edge off of some of the financial hardships." She continued, saying "I think long term, being able to just kind of spread it out to boost the wages for early childhood educators, period... You know, you read about it. 'Oh, they don't pay [early childhood educators] much...' You hear about that, but to actually see that and see what that looks like, that is unbelievable. You got a two or three-year-old looking at you, and your teeth are decayed because you can't go to the dentist."

With continued, sustained funding, the state could also do more to advance racial equity in the child care sector—more effectively supporting both providers and families. As a representative for DCDEE told CSSP, while the state improved outreach to Spanish-speaking providers with the stabilization grants, developing its first-ever Spanish translation contract for ongoing outreach materials, their website is still in English-only, and DCDEE is not yet able to provide webinars with automatic Spanish subtitles or translations: "That's not something we've been able to prioritize just due to capacity and other types of systemic restrictions in North Carolina at the government level. There's a lot more we can do," a DCDEE representative told CSSP.

Aisha, an advocate in the state, emphasized that much more needed to be done to "better serve Black and Brown communities" and in particular, support young children who are English language learners. As she explained, child care stakeholders are focused on advocating for such programs and emphasizing "the importance of dual language programs and how we need more of them to be able to close the gap for Black and Brown communities."

Ultimately, permanent investments are necessary to truly stabilize the child care sector, ensure families have access to the responsive and culturally appropriate care they need, and providers receive support and are paid wages that reflect the vital services they provide. But there is no doubt that the short-term funding brought progress. Eliza, an advocate who spoke with CSSP, said that the while ARPA spending may seem like a temporary solution from afar, the impact can be an entire community saying, "Yes, we believe in this. We think [child care is] worthy of public dollars and [let's] have a state appropriation every year go toward that. It starts to, I think, shift mindsets about responsibility for the care and education of young children in a society or in a community, which is quite powerful."
The American Rescue Plan's temporary investments in the CTC and child care have provided crucial lessons and insights into what is needed to build a foundation that will enable Black, Latinx, and all families to thrive. The experience in North Carolina is a case study for just how helpful it can be when the federal government invests in families and caregivers—and illustrates the damage caused by allowing such programs and investments to lapse.

CONCLUSION

For too long, families of color like Amara's, Rachelle's, and Elena's have not had the support they need because of how historical and present-day racism and sexism has shaped policy to undervalue families and the care work that is done to raise children, whether paid or unpaid. The experience with ARPA funding represented a brief departure from that mistreatment. As families and caregivers wait on Congress to re-invest in the Child Tax Credit expansion and the child care sector, we risk once again ignoring families' needs and undervaluing their contributions.

The U.S. needs public policies that provide families the full range of the supports they need, on a permanent basis. Families need society to help share the financial burden of raising the next generation, by providing a regular cash benefit they can use flexibly to meet their needs—whether for gas, groceries, children's activities, or saving for a rainy day. They also need a robust child care infrastructure that simultaneously values early educators and ensures families can find and afford high quality child care—for the hours they need it, with providers who offer culturally responsive nurturing care . While giving families cash can help cushion the exponential costs of child care, it won't solve the structural problems in the child care sector that are rooted in racism and sexism and have led to limited options for families, and low wages and high turnover for child care providers. And while families need a robust child care infrastructure that provides affordable and accessible child care, they also need greater flexibility to cover the many other costs of raising children. As we learned in North Carolina, when the federal government provides investments in both family economic security and the child care sector, parents and professional caregivers can begin to shift from a scarcity mindset, moving from one crisis to another, to supporting their families comprehensively.

The ARPA investments helped both families and caregivers breathe a sigh of relief amid the pandemic. Now that the monthly CTC payments have lapsed and the ARPA child care investments are waning, families and professional caregivers are left hanging in the balance, wondering what comes next. Families and early educators in North Carolina and all over the United States cannot wait any longer for Congress to act. They need dual, long-term federal investments in child care and income supports so that families of color and all families have what they need to not just survive, but to live full lives and pursue their goals.

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[19] North Carolina Department of Health and Human Services Division of Child Development and Early Education, "Summary of Subsidized Child Day Care Services, Mar 2020 Service Month\Apr 2020 Payment Month," accessed June 2022, https://ncchildcare.ncdhhs.gov/Portals/0/documents/pdf/A/April_2020_Subsidy_Expenditure_Report.pdf?ver=0bEQQIGH9bTAphs6ubfTRQ%3d%3d. North Carolina Department of Health and Human Services Division of Child Development and Early Education, "Summary of Subsidized Child Day Care Services, April 2021 Service Month\May 2021 Payment Month," accessed June 2022, https://ncchildcare.ncdhhs.gov/Portals/0/documents/pdf/M/May_2021_Subsidy_Expenditure_Report.pdf?ver=qPhlMDoftlG1VErQv0p9IA%3d%3d.

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[22] While even people who provide informal care to young children in the evenings or on weekends are often nurturing their development, child care providers with years of experience and training routinely express resentment that their work is not respected as a profession. See, Anderson, Siri and Elisa Minoff. "The Child Care Paradox. How Child Care Providers Balance Paid and Un-paid Caregiving." Center for the Study of Social Policy, June 2022. Available at: https://cssp.org/resource/the-child-care-paradox/.