



The 2022 Child Care Relief Fund

Child Care Workforce Support Provider Decision Tool

The COVID-19 pandemic has put an enormous strain on child care businesses. Owners and staff have had to work harder, longer hours, and under challenging circumstances. CCRF 2022 funds provide an opportunity to reward hard-working employees as well as a means to attract and retain staff in a competitive job market so they can sustain their businesses and safely serve children and families.

In this document, we will go through several choices that providers can make to support their staff using CCRF 2022 funds, while at the same time being realistic for your business.

What can 2022 Child Care Relief Funds be used for?

The [2022 Child Care Relief Fund](#) is a one-time opportunity available to cover expenses necessary to maintain or resume operation of your program, including for fixed costs and increased operating expenses. Providers may choose how to allocate their funds across several categories including on rent or mortgage, utilities, payroll and personnel (including if your program closes due to COVID-19), PPE, and cleaning supplies/services, and must provide relief from tuition or copayments to the extent possible. More examples of allowable expenses can be found on our [FAQ page](#).

Child care providers should consider dedicating 2022 CCRF funds to offer enhanced compensation and benefits packages to recruit and retain child care staff.

Providers could offer staff one-time or time-limited compensation enhancements such as:

- Hiring bonuses
- Retention bonuses
- Wage supplements

Providers could also consider temporary enhancements to their employee benefits packages, including:

- Free/reduced cost child care benefit
- Paid time off
- Teacher classroom supply stipends/reimbursements
- Professional development assistance/tuition reimbursement
- Health insurance/assistance with premiums
- Retirement contributions

For more information on allowable expenses, see [TWC's Child Care Relief Funding 2022 webpage](#).

Create a plan for using CCRF 2022 funds

There are multiple factors to consider when planning how you will use your award. Take a look at your business and identify any areas where you think you might need this relief funding the most. Keep in mind that the funds can function like a reimbursement for expenses that were already incurred, going back to September 1, 2021, and may be used for expenses through May 31, 2023.

Now more than ever, you may be thinking more about the culture of your workplace and ways to reward and invest in staff and attract qualified staff to your program. There are many reasons why you should offer enhanced compensation and/or benefits to your staff, and here are a few of them:

- **Employee Satisfaction:** Offering benefits lets your employees know they are valued and that you support them. Happy and healthy employees are more engaged employees!
- **Retention:** Benefits can help you retain and attract qualified staff. When positions are vacant, you may be forced to turn away families seeking care. When there are fewer well-trained employees on staff, the stress of managing more responsibilities can take a toll upon existing staff, causing additional strain and turnover.
- **Recruitment:** Offering benefits and/or increased compensation such as hiring bonuses can help you become more competitive in a tight labor market. When recruiting new staff, such benefits can serve as the deciding factor between two job offers.

- **Cost Savings:** Offering benefits could have financial consequences for your business through reduced training costs, increased enrollment stability, less administrative time spent on recruitment and hiring. Employee turnover costs companies' money and time, and you could lose out on filling your classrooms without enough qualified staff to care for children.

In addition to temporary increases in compensation, you can also use your award to pay staff during temporary program closures, for example, if your program needs to close due to COVID-19.

Use the following tools to understand what you might be able to offer your employees

First, decide if you want to offer a one-time benefit or make a repeated investment in your employees throughout the award period. Keep in mind that your CCRF 2022 can be used on expenses through May 31, 2023, and this timeline should factor into your decision making, especially when aiming to make repeated investments.

Depending on what you choose, some options will have longer term impacts on your employees and on your business than other options. For example, you could make a one-time investment in tuition reimbursement for your employees — even though this is a one-time impact on your budget, offering this will have a long-term impact on your employee, who will gain valuable skills and knowledge they can use far into the future.

The policies in the “long-term impact” category could have a greater return on investment than in the “short-term impact” category, meaning you could see benefits in the future if you make these type of investments in your staff. Use the tool below to understand what impact various options can have on you and your employees.

Potential Impacts of Options on Staff Retention

	SHORT-TERM IMPACT	LONG-TERM IMPACT
One-time Investment	Bonuses/Rewards Teacher classroom supply stipends/reimbursement	Professional development assistance Tuition reimbursement
Repeated Investment*	Temporary pay increase	Paid time off Free/reduced cost child care benefit for staff Health insurance/assistance with premiums Retirement contributions

* *Keep in mind that repeated investments require repeated sources of income to be sustainable, and that your CCRF award is for eligible expenses through May 31, 2023.*

PRO TIP To learn more about each option, click on the links within the chart.

Supplemental pay is reported in a separate part of the W-2 that you provide your employees at the end of the year instead of under regular wages.

Supplemental pay is taxed at a different rate and most payroll taxes are not included.

After picking out a policy — or maybe a few — to support your employees, you will want to understand how these options will impact your budget. That is, how much will whatever you decide to do cost? Will you have to factor in this cost for one month, for four months, or think about a sustainability approach after your award period has ended? The policy you thought might be the best for your employees might not work for your budget or your long-term goals. Using the last example, tuition assistance might not work with your budget after your award period ends, but perhaps offering to pay for a professional development course, which could cost less, would be a better all-around decision. Use the tool below to understand how the various options included above could impact your budget.

The Cost to Support Your Employees

	SHORT-TERM IMPACT	LONG-TERM IMPACT
More Expensive Investment	Temporary pay increase Bonuses/Rewards	Health insurance/assistance with premiums Retirement contributions Tuition reimbursement
Less Expensive Investment	Teacher classroom supply stipends/reimbursement	Paid time off Free/reduced cost child care benefit for staff Professional development assistance

Now, you should have a good idea of what policy you could offer your employees, one that makes sense for your business and for your staff.

How to offer enhanced compensation

There are several ways you can choose to supplement your employee’s regular compensation with the one-time CCRF 2022 awards. Because of the one-time nature of these funds, it might make the most sense for your business to offer time-limited or one-time benefits to your employees rather than increasing their salary for the long-run. For instance, supplemental compensation is pay that is above and beyond regular pay which can include: bonuses or rewards, premium or hazard pay, and temporary pay increases.

Some ideas of how you can offer temporary wage supplements with the CCRF 2022 through May 31, 2023 are below.

Bonuses

A bonus or reward is a one-time lump sum payment that boosts your employees' overall income with no obligation to offer additional bonuses or rewards in the future.

Bonuses can be useful in attracting new employees to your organization or to retain existing employees and reward them for their hard work. Below are two common examples of bonuses that child care providers could think about issuing their staff.

- **Hiring Bonuses:** If you are looking to attract child care professionals to your organization, you may want to consider bonuses and incentives for new hires. For example, you could create a system where the new employee gets a one-time \$1,000 bonus after 3 months or 6 months of working, or even after the first year of working. You could also offer a bonus in several different chunks to encourage the employee to stay with you, similar to retention bonuses explained below.
- **Retention Bonuses:** Retention bonuses can be an opportunity for you to reward your existing employees who have been loyal to you or with you for years. This option is similar to a hiring bonus but would be given to employees who have been employed with you for a longer period of time. You may also want to consider offering retention bonuses alongside hiring bonuses so that your longer-term employees do not feel left out or forgotten. For example, you could offer employees a bonus of \$100 for each year they have been with you, as a way to encourage employees to stay longer.

A reward is a very similar idea to a bonus and are given for specific reasons without any obligation to offer them again in the future. For example, a monetary reward could be given to employees going above and beyond to help clean classrooms or coming in early to help welcome children one by one due to safety protocols.

Bonuses are often issued separately from an employee's regular paycheck, so that it is very clearly separate income.

Temporary pay increases

A temporary pay increase is when you choose to increase the salary or hourly wages for your employee, but it is intended to last only for a short duration of time with a clear end date. With your CCRF 2022 award, you might choose to offer a temporary pay increase through the end of the award timeline (May 31, 2023), through the end of the summer, or dating back to September 2021 due to

extra efforts staff have been making. While temporary pay increases could have a powerful impact on ensuring positive staff morale and retaining staff members, they also need to be implemented carefully.

When considering increasing employee pay, either short- or long-term, it is important to be aware of the associated costs so that you, as a business owner, can be prepared to cover them. To determine the increase in costs associated with raising employee pay, you will need to compare your current costs with your new costs, including both rates of pay and payroll taxes. It is important to communicate to your staff that this is a temporary benefit.

For more information, see the guide [How Can I Give Temporary Pay Increases or Bonuses?](#)

Premium or Hazard Pay

Providers could consider offering employees premium or hazard pay to offer staff members compensation in addition their base pay for working during these challenging times and keeping children and other co-workers safe. This type of pay could be offered in a variety of forms, including through either a bonus or a temporary pay increase. You might want to recognize your employees for going above and beyond during the COVID-19 pandemic, for keeping your classrooms safe and healthy, or for being there for other coworkers or covering shifts if someone gets sick. A provider choosing to offer premium, or hazard pay would want to document the reasons why employees would be offered this one-time benefit and that the employee should not expect this benefit to continue in the future.

How to offer employee benefits

When thinking about your current compensation package, do you provide benefits to your employees? Could those benefits be improved? While compensation is often a top factor in an employee's choice to enter and stay in a job, benefits are also a critical piece of their decision and can provide them with a lot of extra income. The CCRF 2022 presents a great opportunity to offer or improve your employee benefits packages. Examples of benefits you can offer your staff are below. You will want to make sure that if you decide to change your employee benefits packages, you share information that allows your employees to see the value in the benefits, easily understand them, and know how they can access what you are offering.

Free/reduced cost child care benefit for staff

Oftentimes, child care teachers and staff have their own children whom they need to find care for which can impact their ability to come to work and be present when you need them. It is also a major cost for your employees who have children. Offering discounted child care tuition for your staff's own children is a great benefit that most child care programs may find easy to implement. Not only will this benefit give staff peace of mind, but it can also help them to afford the expense of child care which is a usually a drain on their personal budget, and help them make room for other important expenses, essentially giving them more take-home pay.

Providers who want to offer this benefit could offer a flat-rate discount off of child care tuition at your business, and you could consider offering a larger discount for employees that have been with you for a longer period of time. For example, you could give a 4% discount to employees for each year that the employee has stayed with you, up to 16% total. So, an employee with you for 2 years could receive an 8% discount, and an employee who has been with you for 10 years would receive a 16% discount. You could offer a flat rate discount for any employee who has been with you longer than a year. You may also want to consider a limit for the number of children that each staff member can receive a discount for, such as 2 children per staff member. Having your staff's children at your child care business is great, but you don't want all of your clients to be your employees if you are offering a discounted price. As a reminder, if you are using CCRF to cover the cost of the discount you are offering, you will need to document these costs.

If you have any questions, do not hesitate to request a free Business Coach for assistance.

Paid time off

Paid time off (PTO) is one of the most common benefits and widely appreciated amongst staff. This can include paid holidays, vacation, and sick days. Especially given the hard work and long hours staff have had to put in during COVID-19, this benefit could be a very welcome addition. Offering PTO can help businesses remain competitive and attract qualified staff, even when they are unable to offer top wages for the position. Having the opportunity to access PTO can improve staff's overall well-being which can help reduce stress and burnout, especially in a job as demanding as child care.

Providers who wish to offer additional PTO could do so just for 2022, for instance through an additional paid vacation day that must be taken before the end of 2022. They could also offer additional sick days, which many employees would likely appreciate due to the ongoing pandemic. Any additional PTO should be clearly documented allowing staff to know how much will be available, how it will accrue, how it will carry over between years (if at all), and when the benefit will end.

Professional development assistance/ tuition reimbursement

CCRF 2022 funds can be a great opportunity to help pay for your staff to advance their skills. Staff professional development is an integral part of the child care business model. Not only are there requirements around staff trainings, but the more knowledge your staff have in child development, the better the experience will be for the children in care. Many staff may be seeking to deepen their knowledge, earn a credential or a degree. Many providers find they can provide these benefits for staff through participating in programs such as [Texas Rising Star](#) or the [T.E.A.C.H. Texas Scholarship program](#).

Retirement contributions

Retirement plans allow employees to build financial savings to help them meet their personal long-term financial goals. While employees who opt in will need to contribute their desired amount of salary per pay period, the benefits that are provided by these plans are 1) business and individual tax savings and 2) the ability to receive a set amount, or a match to their contribution, by their employer. This will allow their contributions to grow faster, setting them up for higher earnings during their retirement. With this option, you will have to consider the one-time nature of the CCRF 2022 and how and if you will address these contributions after the award period ends. Also, note that for eligibility for using CCRF funds requires these be official retirement programs for your company (rather than providing funds for employee's own retirement accounts).

Investing in staff in this way can support both the growth of your business and your staff, which are the core of any strong child care program. These programs can also make you a more sought-after provider for families and help to combat reduced enrollment over time. It can also help you on the path to documenting and building your quality through Texas Rising Star (and gaining the financial benefits from the program as well).

There are a number of retirement options including, individual and company 401Ks, SEP IRAs, and SIMPLE IRAs. A business coach can help you weigh your options.

Health insurance/assistance with premiums

Health insurance is highly sought after by employees and job candidates and will likely attract them to your business. Data from the [U.S. Department of Health and Human Services](#) indicates that child care staff are much less likely to be insured compared to other educators, which makes issues of recruiting and retaining educators even more difficult for providers. If there is any one benefit worth offering to your employees, health insurance is definitely one to consider. In addition to medical, this benefit can include dental, vision, and prescription coverage. With this benefit option, you will have to consider the one-time nature of the CCRF 2022 and how you will address these contributions after the award period ends.

Typically, you would find a benefits provider and offer your employees certain benefits from that provider. You could cover a portion of the cost and the employee would pay a set amount per pay period toward the cost of their plan. Another option is to simply coordinate the health plan coverage for your staff, offering coverage without financially contributing to the employee’s elected coverage.

No or low cost	To arrange a group insurance plan for your staff without paying any premiums. This places 100% of the plan cost upon the employee.
Higher cost	To cover a portion of the insurance premium for your employees. Typically, this portion begins at 50%. This places the remaining portion of the plan cost upon the employee. Employees can add family members to the plan at their own expense.
Highest cost	To cover a portion of the insurance premium for the employee plus dependent(s) (typically a spouse or child).

Another option to consider is offering a Health Savings Account (HSA) or Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) to your employees. An HSA is a savings account owned by your employee for the purposes of helping them save money for qualified, out-of-pocket medical expenses. HSA contributions can be used as an income tax deduction for your business and provide lower cost benefits that can work with existing health care programs. Alternatively, QSEHRAs are agreements where employees pay for their own health expenses and you, as their employer, reimburse them. This arrangement requires employers to first design a plan and set reimbursement allowances, employees will then pay for their own health insurance and medical bills and provide proof of their expenses, then the employer will reimburse the employee up to the set limit.

To promote safety within your classrooms, you could also cover the cost of COVID-19 tests for employees as a way to help encourage them to get tested.

Other low-cost ways to support your staff with CCRF 2022 funds

Incentives and rewards

Although 2022 Child Care Relief funding provides a time-limited opportunity to offer financial incentives and rewards that you may or may not have been able to offer in the past, this doesn't need to be a major portion of your award to make a major impact on your staff. Simple, cost-effective gestures, such as a simple monthly or weekly pizza party during the week or providing some meal delivery gift cards once a week or month to your employees can go a long way toward making your staff feel more appreciated. You could also consider a gas or transit benefit to help employees cover the costs of transportation to and from work.

The CCRF funds could also be used for substitutes or temporary staff members to provide mental health days on a rotating basis for your staff, or to compensate your fees when you close an extra day, to allow staff to have that day off that isn't vacation, isn't sick leave, but just a day to collect themselves and get back into stride in such a challenging time.

Teacher classroom supply stipends/reimbursement

You may have staff that pay out-of-pocket for supplies purchased for students to use or that benefit the classroom overall. If this happens, you could offer your staff a one-time stipend to cover the costs of classroom supplies or to purchase new supplies that will make the classroom a more inviting and exciting place for both teachers and children. Staff seeking reimbursement should produce an original receipt for their purchases to receive reimbursement.

Do you have systems in place to implement workforce supports?

Are all of your employees on payroll?

As a child care business owner, you should already be very familiar with regular payroll, where you're providing regular compensation to your staff for their work on an hourly, weekly, or annual basis. Regular payroll is taxed for income as well as unemployment, social security, and other programs.

You can also use your CCRF 2022 to pay your employees during temporary program closures, for instance, if you need to close due to COVID-19.

It is important to make sure that all of your employees are on payroll and classified correctly. Otherwise, you can be liable for:

- 100% of the employer taxes you should've been contributing all along.
- A portion of the employee's contribution to payroll taxes. (Yes, you read that right: the employer has to pay a portion of the taxes they would never have paid in the first place.)
- Subject to criminal fines for thousands of dollars.
- The price of any missed benefits and other compensation such as paid time off that the worker didn't get as a contractor.

For more information on how to classify your staff, see the guide [When is Someone a Contractor or an Employee?](#)

Benefits are important for attracting and retaining staff and child care providers should aim to incorporate them whenever possible. You should be an informed consumer as you research your options and understand what's available and what questions you should be asking.

If you have any questions about how to choose and implement benefits for your employees, you can request a free Business Coach.

Are you paying yourself regularly?

Too many child care owner/operators and owner/directors don't see a regular income from their business. You work hard, but don't pay yourself regularly. As a staff person of the child care program, you can and should pay yourself regularly. You can also use your CCRF 2022 to pay yourself during temporary program closures, for instance, if you need to close due to COVID-19.

There are many reasons to pay yourself regularly, but we are going to point to the two most significant ones right now:

- 1.** Regular pay is better for you and your family. Yes, you want to keep your child care business afloat, but you also need money to pay your own expenses and costs — rent or mortgage, utilities, food, etc. — which must be paid on a regular basis. Having the cash on hand to pay them will help you keep up with your bills and avoid using credit cards until you do pay yourself.
- 2.** The 2022 Child Care Relief Fund allows for regular staff payment and benefits as allowable costs. You are allowed to use these funds for your pay.

For more information on how to start paying yourself regularly, see A Guide for Sole Proprietors.

Making the decision to pay yourself is the first leap. After that, these are the basic steps to 'make good' on your promise to yourself:

1. Open a business bank account
2. Know what is coming in and going out. Use your budget and cash flow to help inform the amount that you will pay yourself
3. Commit to an amount, even if it is low
4. Keep track of your draws, even on a simple piece of paper or spreadsheet
5. Be mindful of your anticipated tax obligations and set some money aside to cover taxes

Do you have a budget?

Budgeting for how these changes will impact your business is important. An annual budget is a critical tool for managing your child care business. It will also help you understand how the CCRF 2022 funds can cover any changes in your operating expenses due to employee compensation, and plan for how else you will use your award through May 31, 2023. A strong budget can help you plan ahead for what you will spend and monitor your actual revenue and expenses to keep you on track for both your CCRF 2022 and your ongoing costs and revenue. You can start building your budget in 4 easy steps:

1. Gather Documentation
2. List Income
3. List Expenses
4. Track Annuals and Build the Next Month

For resources related to budgeting, see:

- [Building a Monthly Budget in 4 Easy Steps](#)
- [Keep Your Cash Flow Positive](#)
- [How do I set my rates for my child care business?](#)

Do you understand your taxes?

It is important to understand how your changes to employee benefit packages and compensation will impact your taxes at the end of the year. You will also want to keep in mind that the CCRF 2022 is considered taxable income. Before deciding on benefit levels and packages, you will want to consider how much in taxes you might have to pay and consider that in your decision making process.

For example, to calculate the amount of payroll taxes owed on a \$1000 bonus paid separately from normal wages, you can calculate the taxes owed on your employee's bonus using a flat percentage of 22% for supplemental pay, regardless of your employee's income tax withholding rate:

$$\$1000 \times \text{Social Security Tax } 6.2\% (0.062) = \$62.00$$

Alternatively, you can combine their bonus with their regular pay. In this instance, you can treat the combined amount as if it were one payment and calculate the payroll taxes the same as you would for regular pay:

$$\$1000 \text{ bonus} + \$1200 \text{ paycheck} = \$2200 \text{ combined payment}$$

Payroll Taxes:

$$\$2200 \times \text{Social Security Tax } 6.2\% (0.062) = \$136.40$$

$$\$2200 \text{ wages} \times \text{Medicare Tax } 1.45\% (0.0145) = \$31.90$$

$$\$2200 \times \text{FUTA Tax } 6\% (0.06) = \$132.00$$

$$\$2200 \times \text{Texas UI Tax } 0.21\% (0.0021) = \$4.62$$

$$\text{TOTAL payroll taxes on combined payment} = \$304.92$$

$$\text{TOTAL amount (including taxes) on payroll} = \$2504.92$$

When calculating withholding amounts for bonuses when combined with regular pay, you would combine the payroll tax amounts with the federal income tax withholdings per your employee's withholding rate.

For resources related to taxes see [How Does Relief Funding Affect Your Taxes?](#)

If you have any questions, do not hesitate to [request a free Business Coach](#) for assistance.

How will you communicate changes to your employees?

As with any action you take that affects pay, a bonus, reward, or temporary pay increase should be given via a formal written communication to your employee, either by letter or email that includes:

1. Why they are receiving the one-time bonus.
2. How much the bonus is.
3. When they will receive the funds.
4. That the payment is one-time in nature and will not impact their salary or typical compensation.

A simple communication to an employee, might be:

Dear,

Thank you so much for your additional efforts over the past six months through the COVID-19 pandemic. It has been a difficult time for everyone, and your contributions helped ensure that the children in our care stayed safe and continued to learn.

In gratitude for these efforts, we are going to award you a one-time bonus in the amount of \$XXXXX, which will be paid out in full on your next pay period on MONTH, DAY, YEAR.

Thank you again for your efforts.

Sincerely,

.....

As you can see, the communication could be very simple and short, but it is important to record the terms. If you are using a bonus as an incentive for staying at your business, you should also put it in writing at the time you make the commitment. In this case, an example letter you might give to an existing employee or new employee communicating a bonus might be:

Dear

Thank you for your commitment to work [or for continuing to work at] our child care center. In our efforts to keep the best staff members, we are offering you the potential to earn a bonus at the end of six months, provided you continue to have satisfactory or better performance and remain employed with our organization during this time. The bonus will be \$XXX paid out in your payroll as of the date six months from now, on MONTH DAY, YEAR.

We are excited for your continued work and contributions with our child care center.

All the best,

.....

For temporary pay increases, you want to ensure that in no way are you making a commitment to a permanent pay increase. Employees should understand they would return to their original wage levels after the temporary pay increase period ends. Once again, make sure there's something in writing that tells the employee clearly what the terms of this agreement are, specifically:

- 1.** The amount of the temporary pay increase
- 2.** Why they are receiving it
- 3.** How long it will last
- 4.** What the employees pay will go to once the increase ends
- 5.** That the increase is dependent upon continued satisfactory performance.

A letter to an employee communicating a temporary pay increase might be:

Dear

I'd like to confirm that we are temporarily increasing your salary by X%, as we've discussed, in recognition of your extra efforts through the COVID-19 pandemic and recovery. This moves you from \$Y an hour to \$Z an hour. This is a temporary pay increase and will start on MONTH DAY, YEAR and end on MONTH DAY, YEAR (with your continued satisfactory performance or better and employment with our organization).

We look forward to being able to compensate you at a higher level during this period to reflect your extra efforts.

Sincerely,

.....

Need help?

You can get free individualized guidance from a business coach who knows child care. Your free professional business coach can meet with you on your own schedule virtually to:

- Help you define and reach goals to increase revenue and decrease costs
- Assist you in applying for funds
- Offer best practices and tools to operate your child care business
- Create action steps to help you move forward with confidence

We encourage you to take advantage of this no-cost, professional coaching for centers and family care providers that could make a big difference to your child care business. Do not hesitate to [request a free Business Coach for assistance](#) or email us at coaching@ecebizcoach.org.

For any other questions about the 2022 Child Care Relief Fund, please email CCReliefFunds@trelliscompany.org or call 1-833-613-3192.