



Policy solutions that work for low-income people

## Statement for the Record

### House Ways and Means Worker and Family Support Subcommittee Hearing:

#### The Child Care Crisis and the Coronavirus Pandemic

Tuesday, June 23, 2020

Chairman Danny Davis and Ranking Member Jackie Walorski, the Center for Law and Social Policy (CLASP) is grateful for the opportunity to submit this statement for the record of the hearing on the Child Care Crisis and Coronavirus Pandemic held by the Worker & Family Support Subcommittee of the House Ways and Means Committee on June 23, 2020.

CLASP is a national, non-partisan, anti-poverty organization that has advocated for policy solutions that support the needs of people with low incomes for over fifty years. We develop practical yet visionary strategies for reducing poverty, promoting economic opportunity, and addressing barriers faced by people of color. We work at the federal, state, and local levels to fight poverty and promote equity. CLASP has deep expertise in child care and early education, including on policies that improve access to high-quality child care and financing strategies. We have been closely tracking the impact of the Coronavirus pandemic on child care through research and analysis, as well as our direct work with state child care administrators and advocates, and we know that the current state of child care is dire.

Child care is an absolutely essential industry. It lets parents work, it helps children learn and grow, and it undergirds the economy. Yet, years of inadequate public investment have led to a child care system that is financially unstable and inequitable. Families struggle to afford care at the same time that child care workers make very low wages. And while federal child care assistance, through the Child Care Entitlement to States (CCES) and the Child Care and Development Fund (CCDF), provides vital work support for families with low incomes, assistance reaches only one in six eligible children.<sup>1</sup>

The pandemic has exacerbated the gaps in our child care system. Many child care providers have shuttered or are operating under reduced enrollment. A survey by the National Association for the Education of Young Children from April found more than 100,000 providers from across the country have closed and those who are open are typically operating at 50 percent or less of their usual enrollment.<sup>2</sup> This matters because child care, which was already operating on very thin margins, is primarily financed with parent fees—which many families are now unable to pay. Hundreds of thousands of programs right that cannot meet fixed costs or pay workers may be unable to reopen. The damage to the sector is already severe: data from the Bureau of Labor Statistics report reveal that — despite small gains in May and June — the child care industry has lost 258,300 jobs since February — roughly a quarter of all jobs across the sector nationwide. This unprecedented decline comes after months of sustained increases in child care jobs in 2019 and early 2020.<sup>3</sup> Since women of color hold a disproportionate share of child care jobs, these job losses likely impact these women and their families most of all.

Permanent child care closures will hurt children, families, and workers—and hold back our economic recovery. The supply of child care in communities with low incomes and communities of color, which was already lacking before the pandemic, is likely to be hardest hit.<sup>4</sup> Indeed, early data regarding the impact of the pandemic demonstrate that half of households with low incomes are not sure they will be able to return to their previous

child care arrangement, compared to one-quarter of middle- and upper-income households.<sup>5</sup> This will have devastating consequences for parents who need to work and their children who will be left with potentially unsafe options as states and communities reopen.

Child care is also an essential part of racial, gender, and economic justice. If child care businesses go under, it is women—and especially women of color—who will pay the price.<sup>6</sup> The economic security of these women and their families will be jeopardized if we do not shore up the child care providers who employ them or their own child care businesses. And the impact will not be limited to women within the industry itself—access to child care increases labor force participation, especially for women. Child care is a necessity for all parents and caregivers, but especially for mothers, who are more likely to be primary caregivers than fathers.<sup>7</sup> Research shows that mothers are more likely to work when they have access to stable child care and have help affording it. For example, the U.S. Department of Health and Human Services (HHS) study showed that increasing Child Care and Development Block Grant (CCDBG) spending would increase employment rates of working mothers with low incomes.<sup>8</sup>

Congress took a critical first step in supporting child care by providing \$3.5 billion for CCDBG in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.<sup>9</sup> This allowed states to continue payments to some child care providers and to support the increased operating costs of programs that are currently open.

But the investment to date falls far short of meeting the need. CLASP, the National Women’s Law Center, and Dr. Aaron Sojourner estimate the monthly costs of covering the most urgent needs for child care at nearly \$10 billion.<sup>10</sup> Funding for child care in the Health and Emergency Recovery Omnibus Emergency Solutions (HEROES) Act would be an important down payment to address the growing child care crisis. But that investment also will not save the child care sector from collapse.

**CLASP applauds the committee for introducing the *Child Care for Economic Recovery Act*.** We particularly appreciate the significant and much-needed funding increase in mandatory dollars which would provide essential stability to the sector. Mandatory investment is critical for state decision making and provider investment, allowing states to make long-term improvements that have multi-year fiscal impacts and significantly increase the quality and availability of child care with more interest from providers who know their funding will be guaranteed. This bill, paired with the *Child Care is Essential Act*, which many members of this committee support, would provide significant relief at a level appropriate to meet the current need and would lay a foundation for a stronger, more equitable child care system that was already in crisis before the pandemic.

**Long-term, mandatory investments lead to higher quality, more accessible, and more equitable child care.**

When children and families have access to high-quality child care and early education it helps them thrive in the short and long term. Parents with access to affordable, dependable child care are less likely to face child care interruptions that can result in absences or other schedule disruptions in the workplace. Consequently, receiving child care assistance is associated with a variety of improved employment outcomes for parents, including higher employment rates and greater job retention.<sup>11</sup> Participating in a high-quality child care program also benefits children directly by offering stable, nurturing environments where children’s learning and development are supported. Research shows high-quality child care programs have a positive impact on very young children’s health and development.<sup>12</sup>

Despite its crucial importance for children and parents, most families in need of child care had trouble finding, accessing, and affording it even before the pandemic. This is especially true for families with low incomes. In 33 states, the cost of full-time, center-based child care is higher than the average cost of in-state college tuition.<sup>13</sup> In 2018, annual child care costs for an infant in center-based care ranged from an average of \$5,760 in Mississippi to \$24,081 in the District of Columbia.<sup>14</sup> Child care consumes a particularly large part of the budgets of families who are poor. For households with incomes below the federal poverty level who pay for child care, child care costs average 30 percent of their income, compared to 18 percent for families with incomes between 100 and 200

percent of poverty and 7 percent for families making over 200 percent of poverty.<sup>15</sup> Parents without access to affordable child care may have to use less safe, lower-quality care in order to put food on the table, or tighten their budget elsewhere to pay for unaffordable care. In some cases, they may have to choose between work and their children's care.

At the same time that families struggle to afford care, child care workers are paid very low wages.<sup>16</sup> This is because child care is a labor-intensive industry by design, with labor costs comprising the largest share of a child care providers' expenses.<sup>17</sup> Having sufficient staff available to provide the supervision and individualized care that children need is a critical component of high-quality child care. Research shows that both child development and caregiving quality improve when provider-to-child ratios and group sizes are better.<sup>18</sup>

The costs associated with high-quality child care are essential to ensure that children are cared for in safe settings that support their growth and development. Currently, however, those costs are borne by parents and providers because public investments fall short of sufficiently supporting the child care industry. Providing mandatory funding for child care through the Child Care Entitlement to States is essential to child care and an important way to address the crisis in the short and long term. Mandatory funding provides stability for the program ensuring states and providers that money will continue to be provided year after year, instead of relying on annual appropriations processes which often fall short of meeting need. Additionally, since child care costs are incurred upfront on a weekly or monthly basis, direct assistance at the time the payment is due, is vital for families and also allows providers to receive the funds they need to run their businesses at the time when their expenses occur.

**CLASP is supportive of the significant expansion of tax credits, particularly those that support families with low incomes, in the *Child Care for Economic Recovery Act*.** Tax credits, paired with significant investments in direct assistance for child care, can provide great benefits to families, especially when they are designed to provide support for families with low incomes, who are often left out of tax credits even though they could benefit the most. The enhancements to the Child and Dependent Care Tax Credit (CDCTC) in the *Child Care for Economic Recovery Act* could go a long way in providing additional support for families. Currently families with low incomes get essentially no benefit from the CDCTC because it is not refundable. Making the CDCTC fully refundable, as the new bill proposes, would ensure that the families making the lowest incomes could fully benefit from it.

Tax credits alone, however, will not meet the child care needs of families and do not address the current reality of the child care crisis that has resulted from the pandemic. Unless they are refundable, tax credits only work for families who have tax liability and many families have lost jobs or significant wages as a result of the pandemic, leaving them in a position where they would not even be eligible for these credits. Furthermore, tax credits often don't benefit families until they file their taxes the next year, but the need for assistance and relief is immediate.

**CLASP is also supportive of the important investments in child care infrastructure in the *Child Care is Economic Recovery Act*.** Addressing needs related to supply of child care, like ensuring there are safe locations to provide child care and that there are a sufficient number of well-paid child care providers, will go a long way in improving the child care system. We firmly agree that child care is part of the infrastructure necessary to allow parents to work and the economy to grow.

**Immediate relief and significant investment are needed to address the child care crisis and ensure the stability and long-term success of child care in this country.** It is our vision that we live in a world where, through increased federal investments, child care is affordable and available to all families when and where they need it. We ask that the committee permanently increase the Child Care Entitlement to States and provide enhanced tax credits that directly benefit families with low incomes to help make this vision a reality.

CLASP thanks the committee for holding this important hearing, acknowledging the dire need for child care assistance in the Coronavirus crisis and beyond, and introducing legislation to move the needle on the issue now

and into the future. We are grateful for the opportunity to provide a statement for the record and look forward to continued work with the committee.

Sincerely,

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