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THE ROLE OF CHILDCARE SMALL BUSINESSES IN SUPPORTING PARENTS AND THE AMERICAN WORKFORCE

HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

OF THE

UNITED STATES SENATE

ONE HUNDRED EIGHTEENTH CONGRESS

SECOND SESSION

APRIL 10, 2024

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THE ROLE OF CHILDCARE SMALL BUSINESSES IN SUPPORTING PARENTS AND THE AMERICAN WORKFORCE

WEDNESDAY, APRIL 10, 2024

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Washington, DC.

The committee met, pursuant to notice, at 2:31 p.m., in Room 428A, Russell Senate Office Building, Hon. Jeanne Shaheen, chairman of the committee, presiding.

Present: Senators Shaheen [presiding], Cardin, Rosen, Hickenlooper, Ernst, and Hawley.

OPENING STATEMENT OF SENATOR SHAHEEN

The CHAIR. [Technical problems]—opening statements, and then we introduce the witnesses. And I should just announce for everybody in the audience, since it is Wednesday and a small business hearing, there is a vote in the middle of course, so at some point Senator Ernst and I and others will probably go out and vote and then hopefully come back.

I also have a hearing, another hearing going on at the same time, so I may have to leave for a while for that. But we have worked it out, so we will still be able to listen to all of you. Today, the committee is going to examine the urgent need to address America's broken childcare business model.

In my home State of New Hampshire, an estimated 73 percent of families need childcare, yet it remains unaffordable for far too many families. This forces—the average yearly cost for center based infant care topped $15,000 in 2022. This forces an estimated 16,500 Granite Staters each month to sit out of the labor force.

That results in lost economic activity for both the State and for individual families. And in the State where our unemployment rate has been below 3 percent for several years now, that takes a huge bite out of the workforce we need to keep businesses operating.

The childcare shortage now costs America $122 billion a year in lost wages, productivity, and revenue, and families are losing $78 billion every year in the time that it takes to search for work and lost earnings. Families across America are relying on us to help childcare providers stay open and provide affordable care options.

In the United States, most childcare businesses operate on less than 1 percent profit margin, and they all have to thread a very delicate balance between charging families enough to operate, but

not too much so that they can afford a spot. This business model not only affects small business childcare owners, but also their employees, as childcare workers are chronically underpaid.

There are only 10 States where the median childcare worker salary offers them a living wage, and many States fall far too short of that standard. Now, to put that in perspective, and I know we are preaching to the choir here, particularly among our witnesses, but the average hourly wage of a fast food worker in 2022 was $0.11 higher than that of a childcare worker.

Yesterday, the Small Business Majority, a national small business advocacy group, released the results of a survey of small business owners across the nation where almost 60 percent report a lack of access to childcare as an impediment to their business growth.

Right now, the repercussions of the childcare crisis are being felt across every sector of our economy. We need to act swiftly to stabilize the childcare industry. I look forward to hearing from our witnesses today.

And with that, I will yield to Ranking Member Ernst for her opening statement.

STATEMENT OF SENATOR ERNST

Senator ERNST. Good afternoon, and thank you, Chair Shaheen, and to all of our witnesses for being here today. We truly appreciate it.

As I travel from river to river across Iowa, I constantly hear from working families who need more childcare options. In every one of our 99 counties, childcare availability has a direct impact on our employers and economic growth.

But folks, the answer to this challenge is not a Washington driven, pricy, one size fits all solution. Common sense fixes and a favorable regulatory environment can increase access to childcare for working families and provide stability for small childcare providers. Bidenomics and high cost of living has forced families to pay higher prices for childcare.

National daycare and preschool costs are up nearly 5 percent since just last year. In Iowa, the cost of tuition, school fees, and childcare have increased by 3.6 percent just since last year. Meanwhile, our small business childcare providers are facing higher operating costs and struggling to find workers.

Skyrocketing food, energy, and rent prices make it tougher to keep their doors open, even as parents work harder than ever to make ends meet. I am proud to have consistently worked to expand access to childcare, especially in our rural areas.

I have worked with Senator Marshall and Senator Braun on Expanding Childcare In Rural America Act to allow childcare providers in rural agricultural communities the ability to access USDA business development grants so we can support working families.

And here on the Small Business Committee, Senator Rosen and I have worked across the aisle to pass our Small Business Childcare Investment Act out of committee, which would allow nonprofit and faith-based childcare providers access to SBA loans.

I am also closely tracking the SBA's recent announcement that it is exploring expanding the 7(a) and 504 loan programs to non-

profit childcare centers. This is a major change that should not be made without Congressional input.

For that reason, I would have hoped to have had the opportunity to speak with someone who works for the SBA about the specifics. But despite outreach from my staff and I, SBA failed to specify whether they planned to include faith based nonprofits. I fully intend to find out.

No two families or two States are alike. Parents should be empowered to choose the best care option for their families. State leaders must ensure that a range of childcare options flourish, whether it is home based childcare, daycare at a local church, or an after school center, every single child should be in an environment where they are safe, healthy, and loved.

I am proud that Governor Reynolds, in my home State of Iowa, is setting an example we can all learn from. She incentivized employers to provide childcare and encouraged local governments to collaborate with businesses of all sizes to address their community's childcare shortages.

These initiatives created thousands of new childcare slots exactly where Iowans need them. This approach is what we need in every single State in the country to deploy, and I look forward to hearing from our witnesses on how we can expand childcare choice and enable childcare small businesses and entrepreneurs to thrive.

Thank you, Madam Chair. I yield.

The CHAIR. Thank you, Senator Ernst. And again, thank you to all of our witnesses. We earlier had Administrator Guzman from the SBA, Senior Advisor to the Administrator, Diedra Henry-Spires. I don't know if she's still here. There she is. Thank you very much for joining us.

Our first witness is Cindy Cisneros. She is the Vice President of Education Programs for the Committee for Economic Development of the Conference Board. Ms. Cisneros leads the organization's portfolio of education policy work, including early childhood, K-through-12, and post-secondary education.

Ms. Cisneros received her bachelors in Political Science and Economics from the University of California, Berkeley, and she holds a master's in Public Administration from the John F. Kennedy School of Government at Harvard University.

Ms. Amy Brooks is the Executive Director of the Early Care and Education Association in Lebanon, New Hampshire. Through her work at ECEA, Ms. Brooks supports innovative efforts in New Hampshire and Vermont that address early childhood education workforce, recruitment, and retention.

I was able to visit Ms. Brooks' career cultivator last summer, and I have to say, I thought it was one of the most innovative programs to train childcare teachers that I have seen in the last 30 years. So, that is very exciting.

Her training program attracts more workers to the childhood education field by combining classroom based learning, mentoring, and hands on experience in a childcare facility. And I hope that we will be able to get you to describe the program while you are here.

Ms. Brooks holds both bachelor's and master's degrees in Elementary Education and Teaching from Lyndon State College and Champlain College, respectively. I am also pleased to welcome our

other two witnesses, and I will ask Senator Ernst if she would like to introduce them.

Senator ERNST. Okay, so I want to—oh, excuse me. I want to welcome Ms. Cisneros and Ms. Brooks, and thank you both for joining us. And I will introduce the rest of our witnesses who are testifying today.

And I will start with Ms. Rachel Greszler. She is a Senior Research Fellow in workforce and public finance at the Heritage Foundation. And this Greszler is a Senior Research Fellow, again, at the Heritage Foundation. Prior to joining Heritage in 2013, Ms. Greszler served as a Senior Economist on the Joint Economic Committee for seven years.

She earned several master's degrees from Georgetown University and a bachelor's degree from the University of Mary Washington, where she currently serves on the Board of Visitors. So, thank you for doing that.

And then we also have Dr. Laurie Todd-Smith. And Dr. Laurie Todd-Smith is the Director of the Center for Education and the Center for the American Child at the America First Policy Institute.

Previously, Dr. Todd-Smith served as Director of the Women's Bureau at the U.S. Department of Labor, where she focused on increasing childcare access for working parents and advocated for paid family leave.

As senior education and workforce advisor to Governor Phil Bryant, Dr. Todd-Smith spearheaded several legislative initiatives to improve early childhood care and education in Mississippi. Notably, she is also a former early childhood and public elementary school teacher.

Dr. Todd-Smith earned a doctorate in Education from Mississippi State University, a master's degree from Western New Mexico University, and a bachelor's degree from the University of Arizona.

And I have also worked with Dr. Todd-Smith on the issue of childcare in the former Administration, and I want to thank you for working with my team and I on those initiatives. So, I do want to thank all of our witnesses here today. And we will recognize they are working mothers or grandmothers.

And as someone who was also a working mom, I want you to understand and know that I know firsthand the care and work it takes to juggle childcare while providing for a family. My daughter is also a new mother, I am a brand new grandmother, and she right now is going through some of those struggles in finding childcare for her newborn infant.

So, thank you so much for taking the time to share your thoughts with our committee today and how we can empower States to develop family first childcare solutions. Thank you all very much for joining us. Thank you, Jeanne.

The CHAIR. Thank you, Senator Ernst. Ms. Cisneros, we will begin with you, and we will go right down the panel. So, would you like to begin.

STATEMENT OF CINDY CISNEROS, VICE PRESIDENT OF EDUCATION PROGRAMS, COMMITTEE FOR ECONOMIC DEVELOPMENT, THE CONFERENCE BOARD, NEW YORK, NEW YORK

Ms. CISNEROS. Good afternoon. My name is Cindy Cisneros, and I am the Vice President of Education Programs at the Committee for Economic Development of the Conference Board that serves as its public policy center and is a nonprofit, nonpartisan, business member driven organization. CED does not lobby or endorse specific legislation.

Our business leaders know that a skilled workforce is paramount to economic prosperity. From CED's perspective, access to quality, affordable childcare is a two generation strategy. Across the country, the need for childcare is most related to mothers in the workforce.

While there was a decline in working mothers in the spring of 2020 with the onset of the COVID pandemic, the U.S. labor force participation rate for mothers of children of all ages is now higher than it was in 2019, before the pandemic.

In 2019, CED released to study, Childcare and State Economies, which reviewed the use of childcare by families and the economic impact on States. We found that childcare as an industry had a total economic impact of $99.3 billion. Currently, we are in the process of updating that study.

The pandemic hit childcare businesses harder than overall services sector. In the spring of 2020, revenue dropped by 36 percent for centers, and childcare employment declined by more than 30 percent.

That was a loss of 290,000 jobs. With funding from Congress between March 21 and March 2021—or 2021, sorry, sending an additional $52 billion to the States for childcare, the market was actually able to rebound. In 2022, there were about 624,000 childcare businesses in the U.S., 76,800 center based employers, and 547,000 childcare homes.

While childcare centers represent 12.3 percent of childcare businesses, they serve about three-quarters of the children in care and earn about 86 percent of industry revenue. Since 2020, 3,900 net new childcare centers were added relative to the pre-pandemic period. Center based revenue increased by about 40 percent to $58.9 billion in 2022.

Home based revenue increased by about 13 percent to $96 billion in 2021, the most available data. While the number of centers grew, the number of family childcare homes declined by 17,200 compared to 2019.

By the second quarter of 2023, childcare wages increased 27 percent to $31,797. Home based providers earned an average of $17,472, with net earnings of $10,400 after operational costs. However, childcare wages are low compared to other service related jobs and communities.

Childcare is a business, small business. Whether it is center based or home based, operating funds for each program are largely derived from parent fees. On average, the share of children from birth to 14 in paid care declined from 20.2 percent in 2019 to 19 percent in 2022. This is about 1.2 million fewer children in

childcare. The price of care varies by State, by setting, and by age of the child.

A report CED released in just January found a large gap between the incomes of families who pay for childcare in those who do not. The income gap suggests that the price of care, when considered in the context of other household expenses like rent or mortgage, makes childcare unaffordable for many families.

It is difficult to estimate the impact of the increase in Federal funds on the sector's revenue and recovery because of the way that the U.S. Census Bureau reports the data. For example, we don't know how much of the revenue earned by programs is from parent payments compared to Federal relief funds.

It is not clear whether program revenue and higher wages are sustainable once the supplemental Federal funds are expended this September. We have the following three recommendations.

First, a broader discussion of how the country invests in childcare is warranted. We need an integrated review of the whole early care and education landscape to understand gaps and develop strategies.

Second, to help fill the gap between what parents can afford to pay and a livable wage, we can take a look at what Louisiana has done with a workforce tax credit that is earned. And third, we can expand support for small business development centers. Thank you.

[The prepared statement of Ms. Cisneros follows.]

Cindy Cisneros
Vice President of Education Programs
Committee for Economic Development of The Conference Board
U.S. Senate Committee on Small Business and Entrepreneurship
April 10, 2024

Good afternoon. My name is Cindy Cisneros, and I serve as the Vice President of Education Programs at the Committee for Economic Development (CED) of The Conference Board (TCB). I am pleased to have the opportunity to contribute testimony in support of this Senate hearing today about the role of child care small businesses in supporting parents and the American workforce.

CED is the public policy center of The Conference Board and is a national nonprofit, nonpartisan, business member-driven organization that conducts well-researched analysis and proposes reasoned solutions in the nation's interest to policy challenges facing our country. CED does not lobby nor endorse specific legislation. One of our key areas of focus is education, and CED has an extensive, more than 50-year history of research and public policy recommendations in the early learning arena—related to both child care and public pre-kindergarten (pre-K) programs.

Our business leaders know that a skilled workforce is essential to economic stability and prosperity. CED's research supports the view that for the U.S. to ensure its competitive edge, it is critical that the nation increase the number of students who graduate high school ready for college or careers. While there is room for improvement in the nation's K-12 education system, business leaders understand that there is a correlation between school readiness developed in the earliest years and school success. This makes access to high-quality child care and public pre-kindergarten programs an imperative.

From CED's perspective, access to quality, affordable child care is a two-generation strategy. It helps fuel economic growth and vitality throughout states and communities by supporting employees so that the workforce is productive and businesses thrive. It also promotes a safe environment for children while parents work and in a setting that promotes their healthy development. Both are important. Clearly an important key is funding for child care, from all sources, public and private. Private investment is an essential part of addressing funding for child care needs.

Across the country, the need for child care is most related to mothers in the workforce. Since the Spring of 2020 when the COVID-19 public health pandemic resulted in stay-at-home restrictions and layoffs, the U.S. labor force participation of mothers has rebounded to exceed the labor force participation rate prior to the pandemic.[1] Mothers of children of all ages—those with children under age five, with school-age children, and with children from birth to age 14, are now working at higher rates compared to 2019.[2]

- In 2023, 70.8% of mothers with children under age five were in the labor force compared to 68.8% in 2019.[3]
- In 2023, 79.4% of mothers with school-age children (ages 5-14) were in the labor force compared to 77.7% in 2019.[4]
- In 2023, 73.9% of mothers with children ages 0-14 were in the labor force compared to 71.5% in 2019.[5]

Mothers with very young children are also working.

- 68.5% percent of mothers with two-year old children are working.[6]
- 61.6% percent of mothers with children under age one are working.[7]

Single mothers of young children are working at greater rates than married mothers (72.8% of single mothers with a two-year old are working compared to 66.6% of married mothers),[8] however, both are substantial. And, both point to a potential need for child care.

The reality today is that 14.4 million children under age six have working parents (either in married couple families or single parent families).[9] Whether families have access to child care impacts their ability to participate in work and to be productive in the workplace as well as the healthy development of their children while they are at work.

In 2019, CED released a study, *Child Care in State Economies*,[10] which reviewed the use of child care by families and the impact of child care on state economies. At that time, we found that child care as an industry plays a significant role in state and regional economic growth throughout the country. The industry, which includes both center-based child care and home-based child care, had a total economic impact in 2016 of $99.3 billion. This includes $47.2 billion in revenue and another $52.1 billion in spillover in other industries (related productivity).[11] We are currently in the process of updating the 2019 report to estimate economic impact in today's economy. For example, industry revenue in 2023 was nearly $70 billion. The 2019 report will be updated in a three-part series in 2024, with Part 1 released in January of 2024.[12]

CED's 2019 *Child Care in State Economies* report; the 2022 4-part series, *The Economic Role of Paid Child Care in the U.S.*; and CED's current 3-part series updating the 2019 report analyze the use of market-based care (that is, paid child care services—the number of child care businesses, employment within those businesses, and revenue) at the national and state levels. To do so, we utilize the U.S. Census Bureau Economic Census and County Business Pattern data, the Census Bureau's Quarterly Service Survey (QSS) program, as well as the Census Bureau Non-employer Statistics data (*i.e.*, data related to home-based businesses (sole proprietors) that report income earned for child care services). Both nonprofit and tax-paying entities are reflected.

Child Care Businesses. In 2022, there were 624,312 child care businesses in the U.S. (76,847 center-based employers and 547,465 child care homes) earning revenue of $68.5 billion.[13] This means that child care centers represent about 12.3% of child care businesses, while family child care homes represent 87.7%. However, center-based programs serve about three-quarters of all children in organized care and generated 86% ($58.9 billion) of the industry's total revenue.[14] Child care centers employed about 957,500 wage and salary workers, paying out a total of $27 billion in employee compensation (an average of $28,185 per worker).[15] In contrast, home-based providers earned $9.6 billion in revenue and are largely sole proprietors earning on average about $17,472 (with net earnings of $10,400 after operational costs).[16]

In the second quarter of 2020, which reflects the initial impact of the COVID-19 pandemic, there was a 36% drop in revenue for child care centers, falling to an annual rate of $33.1 billion from a high of $51.6 billion recorded in the first quarter of 2020.[17] This abrupt decline in revenue reflects the initial financial impact of the pandemic faced by the child care sector. Total U.S. wage and salary employment dropped by 14% in March and April of 2020, a decrease of 22 million jobs; the child care sector incurred a 36% revenue reduction.[18] For home-based providers, there was a 10.4% drop in revenue from $9.45 billion in 2019 to $8.46 billion in 2020.[19]

Since the Spring of 2020, the child care industry has rebounded. About 3,900 net new child care centers (5.3% increase) were added relative to the pre-pandemic period.[20] Center-based revenue increased from $42.7 billion in 2020 to $58.9 billion in 2022.[21] Home-based revenue increased from $8.5 billion in 2020 to $9.4 billion in 2021 (the most recent data available released in March 2024).[22]

With regard to child care center employment, in the Spring of 2020, there was a 31% reduction in staffing (a loss of about 290,000 jobs) in child care centers.[23] The number of child care employees is now roughly the same compared to 2019 but below pre-COVID projected industry trends.[24] The average number of employees per child care center was 14 in 2019 (which dropped to 9.8 in the Spring of 2020) and in 2022 was 12.8 (slightly below pre-COVID center-based staffing).[25] While staffing per center is down, wages for staff have increased. By the second quarter of 2023, total wages paid in center-based employment increased to an annual rate of $30 billion, marking a 31% increase from pre-pandemic levels.[26] Average annual wages per child care worker increased 27% from $24,969 to $31,797 in the second quarter of 2023.[27]

With regard to family child care homes, in contrast to the increase in the number of centers, the 2021 home-based child care business data released by the Census Bureau in March 2024 found a drop in home-based providers of 17,235 compared to 2019.[28] This decline continues a trend over the past decade. For example, in 2010, there were 752,212 home-based providers,[29] compared to 547,465 in 2021 (a decline of 27.2% in home-based care).[30] Because home-based care is often less expensive for families, the decline in family child care providers not only reduces parent choices for child care but also could make care unaffordable for more families.

The revenue rebound in the child care industry along with the increased pay for workers looks strong. However, there is much we do not know. Between March of 2020 and March of 2021, Congress appropriated $52 billion in supplemental child care funding to states.

- **The Coronavirus Aid, Relief, and Economic Security (CARES) Act** (P.L. 116-136)[31]
  The CARES Act appropriated an additional $3.5 billion to states for child care.
- **Coronavirus Response & Relief Supplemental Appropriations (CRRSA)** (P.L. 116-260)[32]
  CRRSA appropriated an additional $10 billion to states for child care.
- **American Rescue Plan (ARP) (**P.L. 117-2)[33]
  ARP appropriated an additional $14.99 billion for Child Care & Development Fund (CCDF) Supplemental Discretionary Funds, available until September 30, 2024; and $23.97 billion for child care stabilization grants, available until September 30, 2023 (of which 90% was required to be passed through to child care providers).

It is difficult to estimate the precise impact that the increase in Federal funds had on the sector's revenue and wage recovery. At a minimum, states passed through $21.5 billion to providers from ARP stabilization funds, but it is also possible that states used some of the CRRSA and CARES Act funding for child care provider stabilization. The expenditure of these funds by states has not yet been publicly reported. Generally, there is a lag time as to when the states report the expenditure of child care funds and when the U.S. Department of Health and Human Services posts such information to the agency's web site, with Government Accountability Office (GAO) not expecting a full accounting until 2025 or 2026.[34]

When revenue data is released in the Census Bureau's Quarterly Service Survey (QSS), it is not differentiated by source (e.g., total revenue from the quarter is reported, but with regard to child care businesses, the data does not differentiate how much of the revenue is a result of parent payments compared to government funds).[35] A similar situation describes wage data. Wages are reported; however, it is unclear how much of the wage increases are a result of state efforts to utilize some of the $52 billion in supplemental child care funding for strategies to increase child care staff recruitment and retention (*e.g.*, bonuses, "hero grants", retention grants that were awarded by states).[36]

Child care is a business. Whether that business is center-based or home-based it is still a business. Operating funds for each program are largely derived from parent fees. The reason it is important to understand better

the role that the supplemental Federal child care funds have played as a part of overall industry revenue is that it is not clear whether program revenue, or the increase in wages is sustainable (*i.e.*, after the additional Federal money is expended by the deadline of September 2024).

In January 2024, CED released the first of a three-part series, *Child Care in State Economies, 2024 Update, Part 1: Recent Trends in Paid Child Care Usage*.[37] The report found that while paid child care use has rebounded since the Spring of 2020, there were still nearly 1.2 million fewer children age 0-14 in paid care in 2022 compared to 2019 (a decline of nearly 10%).[38]

The share of children age 14 and younger in paid child care declined from 20.2% in 2019 to 19% in 2022.[39] With fewer children in paid care, industry revenue should have declined, not risen. Because parent payments comprise the operating budget of child care programs, with fewer children in care, it is surprising that wages would have increased by an average of 27% per worker.[40] However, we know from the data that industry revenue grew as well as wages. Congress made a policy decision to allocate $52 billion to the states to stabilize the child care market so that parents could work and have access to child care for their children. While we do not have specific data about the role that the additional Federal funds played, it does appear that funding was used by states as intended—to stabilize the market and implement innovative strategies to support higher wages to promote recruitment and retention of child care workers.[41]

What is less clear is whether the current state of the child care market is sustainable. The last of the Federal supplemental child care funds are to be spent by September 30, 2024.[42]

Use of Paid Child Care in More Detail. The use of paid child care varies greatly across states. For example, across the recovery years of 2021-2022, the U.S. average percentage of children under age five in paid care was 27.2%.[43] However, the use of paid care varied from a low of 11.1% in Hawaii to a high of 46.7% in Nebraska.[44] The District of Columbia reported the highest overall share at 52.7%.[45] The share of young children in paid care declined from 29% in 2018-2019 to 27.2% in 2021-2022.[46] Yet there were 17 states and DC in which the share of children in paid care was at or above the pre-pandemic share of children in paid care.[47] In contrast, the remaining 33 states remain below their pre-pandemic share of children in paid care.[48] Eleven of these states have gaps that remained five percentage points or more below their pre-pandemic level: Maine (-23.9 points), New Hampshire (-11.6 points), Arizona (-10.7 points), Wisconsin (-9.8 points), Michigan (-9.6 points), Georgia (-9 points), Connecticut (-9 points), South Carolina (-8.2 points), Louisiana (-6.2 points), Oregon (-6.2 points), and Missouri (-5.7 points).[49]

Labor Force Participation in More Detail. The U.S. labor force participation rate by mothers of all ages of children (0-4, 5-14, and 0-14) exceeds pre-pandemic levels (2019).[50] However, in 19 states, the labor force participation rate of mothers with children under age five is lower than it was in 2019.[51] In 20 states, the labor force participation rate of mothers with school-age children is lower than it was in 2019.[52] See appendix tables for state labor force participation rates of mothers from 2019-2023.

Child Care Wages in More Detail. The business model for child care centers is challenged to keep rates low enough for parents to pay but high enough to hire and retain high-quality staff. Staffing is the highest cost of operating a child care center.[53] For most programs, parent fees comprise the operating budget. The current market model for child care has led to a child care workforce that earns low wages with a median of $13.71 per hour or $28,520 per year.[54] Low wages lead to high turnover and little incentive for individuals in the child care workforce to access higher education coursework which increases their knowledge about child development, age appropriate activities, and ways in which to meet the needs of individual children.

Much of the Federal financial assistance allocated by States to child care providers was structured to either

maintain employment or increase wages paid to child care providers.[55] While the average annual wage per worker across the private services sectors increased by 18.5% by the second quarter of 2023, average wages per child care worker increased by 27% compared to pre-pandemic levels.[56] Nevertheless, wages for child care workers remain low compared to other service occupations.

For example, even though child care wages have increased compared to the pre-pandemic period, they are still low compared to other jobs in many communities that pay more with little training or education required. On average (all May 2022 figures from Bureau of Labor Statistics (BLS)), hotel desk clerks earn about $13.90 per hour (about $28,910 per year),[57] parking lot attendants earn about $14.70 per hour (about $30,570 per year),[58] retail sales workers at the mall earn $14.71 per hour (about $30,600 per year),[59] telemarketers earn about $14.92 per hour ($31,030 per year),[60] hair stylists earn about $16.01 per hour (about $33,290 per year),[61] and receptionists earn about $16.33 per hour (about $33,960 per year).[62] While important jobs, these individuals are not entrusted with the lives and development of young children.

Child Care Affordability. The price of child care varies by setting and by the age of the child. For 2022, the annual median price for center-based infant care across the U.S. was $12,024, for four-year-old children the median price was $9,998, and for school-age child care (before and after school) the median price was $5,175.[63] For home-based care, the annual median price was $9,100 for infants, $8,183 for four-year-old children, and $4,875 for school-age children.[64]

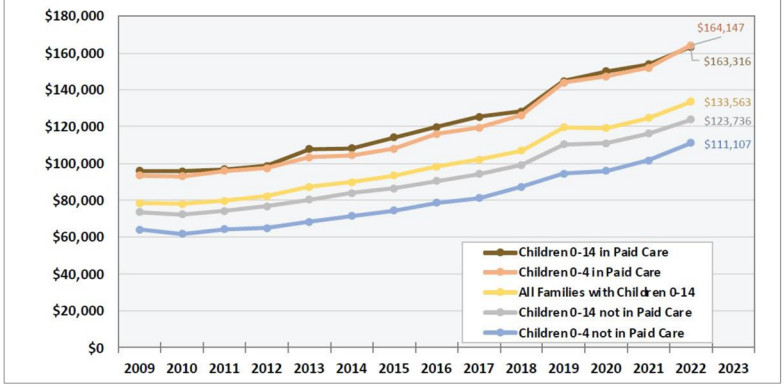
The supply of child care is uneven across communities, which is understandable as child care is a business. Although there were about 624,312 market-based child care providers in the country as of 2022,[65] child care centers open in areas where a market analysis shows that the population is dense enough and has sufficient income to support revenue to sustain a viable business model—one that supports staffing and other costs of operating a business. Of concern, particularly in rural areas where the economics of operating a child care center may not be viable, is the decline in family child care homes throughout the country (declining by 204,747 from 2010 to 2021, a drop of 27.2%).[66]

One reason that CED used the Census Bureau Economic Survey compared to state licensing data for home-based providers is that market-based care reflects a combination of care arrangements—both those that operate under a state licensing framework and those that are legally operating but not subject to regulation. For example, in New Hampshire, a child care license is needed for anyone operating a family child care home for up to six children from one or more unrelated families.[67] But in Iowa, a family child care home is not required to become registered until six children are in care[68] (which does not mean that home-based providers are not caring for fewer than six children, it just means that state regulation does not apply until six unrelated children are in the home). Iowa home-based operators caring for fewer than six unrelated children can choose to become registered, but they are not required to do so.

Fundamentally, the supply of child care is related to economics. For home-based providers, the hours are long and the fees charged to parents—while typically less than the rates charged by child care centers—do not offer an economic incentive to stay in business. The fact is that average revenue was about $17,472 per year for home-based providers in 2022,[69] below the Federal poverty level for even a family of two.[70] A vast number of jobs pay more, particularly in a good economy.

U.S. Census Bureau data continues to show that the use of paid child care remains closely related to family income. CED's Child Care in State Economies report, Part 1, released in January 2024 found large income gaps between families who pay for child care and families who do not.[71]

Figure 15: Average Family Income by Paid Child Care Usage



Source: IPUMS-CPS, University of Minnesota and RegionTrack calculations

In 2022, families with children under age five who used paid child care had an average household income of $164,147.[72] Families with children under age five who did not use paid child care had an average income of $111,107—an income gap of $53,040.[73] Families with children ages 0-14 who used paid child care had an average household income of $163,316 whereas families with children age 0-14 not using paid care had an average income of $123,736—an income gap of $39,580.[74]

The income gap between families who pay for child care and families who do not suggests that the price of care, when considered in the context of other family expenses, may play a role in whether families choose to use paid care. For example, it could be that after families pay basic expenses for housing, utilities, food, car payments, gas, and other expenses such as health care insurance, the price of care to access the licensed market is not affordable.

Conclusion

The supply of child care and the cost are challenges for families. The economic model for child care makes it difficult for home-based providers to stay in the business and for child care centers to hire and retain high-quality staff, which also impacts choices for parents.

Solutions exist. While there is no easy way to make quality child care more available and affordable, there are a variety of approaches to address child care supply and cost. Options include:

1) **Review Current Child Care Financing and Increase Child Care Investments in Systems that Better Support the Economic Model of Child Care.**

A broader discussion of how this country invests in child care and early education across programs is warranted. There are multiple funding streams, and child care is not the only setting in which young children spend time. An integrated review of the whole early care and education landscape would be helpful to understand gaps and develop strategies to address those gaps with all key stakeholders including public and

private partners. Private investment is an essential part of overall child care funding.

At the Federal level, subsidies are provided to enable low-income families to access child care. The cost of center-based care for an infant was about 16.1% of annual household income and for a four-year old is about 13.3% in 2022.[75] The U.S. Department of Health and Human Services allocates funding through the Child Care and Development Block Grant (CCDBG) annually.[76] While Congress has increased funds during the past few fiscal years, for Fiscal Year 2019 GAO found that available Federal funding supported only about 16% of children eligible under Federal standards (up to 85% of state median income) and 23% of children eligible under state standards (*i.e.,* states set eligibility below the maximum allowed under Federal law).[77]

CED's *Child Care in State Economies (2019)* report found that every dollar increase in Federal child care funding leads to an additional $3.80 in net economic gains to states,[78] as additional families can obtain and retain employment based on the availability and affordability of child care for young children.

2) Invest in Strategies to Better Support the Child Care Workforce.

To help fill the gap between what parents can afford to pay and a livable wage for individuals working in child care, CED's research has considered the adoption of a tax credit investment in the early educator workforce that would incent individuals to obtain certifications (such as a Child Development Associate credential) or an Associate's degree in early childhood education or a Bachelor's Degree in early childhood education by pairing these achievements with a tax credit designed to increase overall wages. At the state level, Louisiana adopted the first school readiness tax credit[79] in 2007.

Such a credit, if considered at a national level, could be tied to individuals working in high-quality programs (as defined by states, such as working in programs that participate in state quality rating and improvement systems or other systems that are tied to quality). The tax credit would be voluntary and earned by individuals within the field who achieve state determined benchmarks (*e.g.*, a child development associate credential, an infant/toddler credential, a preschool credential, an Associate's degree in early childhood education). In this way, the Federal government could provide the resources for state designed (and verifiable) strategies to invest in the workforce who not only is entrusted with the care and education of our next generation, but also supports all other workforces (employees across industries who have young children depend on a high-quality child care workforce).

High-quality child care costs more than parents can pay. A tax credit strategy could help fill the gap by serving as a wage supplement and ensure that a strong workforce with the knowledge and competencies needed to promote healthy child development is in place.

3) Expand the Capacity of Small Business Development Centers (SBDCs) with Staff Who Understand the Child Care Business Model (for both child care centers and family child care homes).

Child care is a business. Many who operate within the child care industry have a great deal of knowledge about child development but not about business practices that best maximize economic viability. This is true for centers and family child care homes. When the Child Care and Development Block Grant was reauthorized in 2014, Congress included language to require business technical assistance.[80] The type of assistance available or offered varies by state. Given that SBDCs are located throughout the country, in both urban and rural areas, it makes sense for SBDCs to partner with state child care agencies to offer hands-on business technical assistance related specifically to the child care industry (which requires different types of support for child care centers compared to child care homes).

Thank you for your time today. I have attached tables by state that I hope will be helpful to you in better understanding market-based care. I am pleased to answer any questions that you have.

Endnotes

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Appendix Tables

Labor Force Participation of Mothers, Children Under Age 5

Labor Force Participation of Mothers, School-Age Children (Ages 5-14)

Labor Force Participation of Mothers for Children Birth – Age 14

Miscellaneous Family and Child Data, 2022 American Community Survey

Share of Children Under Age 5 in Paid Child Care

Share of School-Age Children (Ages 5-14) in Paid Child Care

Share of Children Birth – Age 14 in Paid Child Care

Child Care Sector Economic Profile by State (2022)

Labor Force Participation of Mothers with Children Under Age 5 2018 - 2023						
State	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
United States	**67.4%**	**68.8%**	**68.4%**	**68.1%**	**70.4%**	**70.8%**
Alabama	64.0%	66.2%	65.5%	64.1%	73.3%	71.5%
Alaska	59.8%	52.2%	63.0%	63.1%	65.5%	70.8%
Arizona	65.8%	64.9%	69.0%	58.0%	66.3%	71.4%
Arkansas	71.3%	76.4%	68.1%	67.6%	68.6%	68.7%
California	65.1%	67.3%	63.2%	64.4%	69.1%	67.7%
Colorado	66.8%	72.4%	69.9%	73.4%	72.8%	71.8%
Connecticut	76.6%	69.9%	79.1%	66.3%	76.1%	73.7%
Delaware	76.6%	79.6%	64.4%	80.4%	77.6%	79.6%
District of Columbia	82.1%	82.2%	81.4%	84.9%	84.8%	87.8%
Florida	65.6%	65.0%	65.8%	66.6%	64.7%	71.5%
Georgia	65.8%	63.5%	63.1%	69.2%	66.5%	64.6%
Hawaii	61.2%	65.0%	62.1%	67.3%	69.0%	68.3%
Idaho	58.2%	70.9%	69.0%	60.4%	62.2%	65.1%
Illinois	79.5%	73.1%	76.4%	78.3%	81.1%	74.6%
Indiana	66.8%	67.7%	75.5%	65.5%	71.4%	74.9%
Iowa	79.3%	81.1%	79.2%	83.8%	75.0%	73.9%
Kansas	69.2%	76.7%	73.5%	69.8%	66.2%	78.8%
Kentucky	63.4%	68.7%	72.0%	62.8%	77.3%	73.2%
Louisiana	62.5%	65.6%	71.4%	67.8%	63.6%	66.4%
Maine	79.9%	76.0%	71.7%	78.0%	72.9%	68.6%
Maryland	75.3%	74.3%	73.5%	65.5%	76.1%	79.2%
Massachusetts	76.5%	77.5%	79.1%	77.9%	84.4%	85.0%
Michigan	70.0%	72.1%	69.5%	69.8%	71.3%	74.0%
Minnesota	79.7%	81.5%	73.6%	74.5%	79.8%	80.5%
Mississippi	64.2%	65.9%	70.4%	67.1%	74.2%	70.5%
Missouri	76.2%	67.4%	68.2%	69.6%	71.1%	67.9%
Montana	68.1%	74.1%	67.5%	75.1%	75.2%	76.2%
Nebraska	81.1%	83.8%	78.9%	82.9%	78.4%	74.2%
Nevada	65.9%	69.2%	68.6%	69.9%	70.9%	68.0%
New Hampshire	74.6%	75.6%	74.6%	67.6%	67.4%	70.2%
New Jersey	71.2%	72.0%	59.0%	66.8%	75.2%	76.1%
New Mexico	63.6%	70.0%	62.0%	65.4%	60.4%	61.6%
New York	62.3%	64.1%	62.4%	62.8%	69.4%	69.5%
North Carolina	62.4%	64.5%	67.8%	69.2%	66.0%	71.6%
North Dakota	77.2%	79.1%	76.5%	78.8%	78.9%	70.1%
Ohio	71.6%	70.4%	66.7%	69.1%	75.3%	70.7%
Oklahoma	61.5%	64.2%	65.4%	68.2%	71.0%	66.8%
Oregon	68.0%	66.1%	67.5%	66.0%	71.4%	69.0%

Labor Force Participation of Mothers with Children Under Age 5 2018 - 2023						
State	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Pennsylvania	72.3%	78.4%	75.1%	76.1%	75.0%	65.8%
Rhode Island	72.4%	73.0%	77.8%	71.1%	78.4%	69.7%
South Carolina	64.6%	66.3%	66.7%	64.5%	64.8%	72.1%
South Dakota	77.4%	85.7%	78.1%	76.6%	77.1%	80.0%
Tennessee	60.0%	71.0%	71.1%	66.0%	65.3%	60.6%
Texas	60.7%	61.7%	63.1%	63.3%	66.9%	68.8%
Utah	61.0%	67.1%	61.5%	63.3%	56.8%	61.6%
Vermont	77.2%	76.9%	75.9%	82.8%	77.3%	78.3%
Virginia	69.4%	71.1%	68.9%	63.8%	68.6%	74.8%
Washington	62.6%	67.4%	70.0%	74.4%	64.0%	65.5%
West Virginia	62.4%	63.4%	62.4%	59.2%	66.3%	76.3%
Wisconsin	76.4%	78.0%	75.7%	77.9%	73.2%	76.2%
Wyoming	63.5%	63.8%	66.2%	61.6%	69.7%	66.0%

Source: IPUMS-CPS, University of Minnesota and RegionTrack Calculations. Labor force participation of mothers age 18-54, seasonally adjusted. Pink shading represents states where the labor force participation of mothers has declined since 2019.

Labor Force Participation of Mothers with School-age Children (ages 5-14) 2018 - 2023						
State	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
United States	**76.9%**	**77.7%**	**75.8%**	**75.7%**	**77.8%**	**79.4%**
Alabama	68.9%	74.0%	77.3%	70.5%	70.5%	75.4%
Alaska	80.6%	77.2%	79.4%	78.2%	78.4%	80.9%
Arizona	74.3%	81.5%	77.0%	72.0%	71.6%	78.8%
Arkansas	79.1%	73.8%	71.8%	72.0%	79.6%	79.3%
California	70.5%	72.1%	67.1%	70.7%	74.7%	74.8%
Colorado	78.4%	83.6%	77.1%	79.0%	77.1%	81.4%
Connecticut	82.0%	84.1%	82.1%	77.7%	82.5%	82.7%
Delaware	79.0%	81.1%	80.3%	75.8%	79.5%	80.2%
District of Columbia	86.7%	80.8%	81.4%	79.8%	86.8%	81.7%
Florida	76.7%	79.5%	74.0%	73.8%	75.8%	77.3%
Georgia	75.7%	75.7%	76.5%	77.7%	75.2%	78.5%
Hawaii	78.7%	80.1%	74.5%	77.5%	73.7%	70.5%
Idaho	77.0%	71.8%	72.4%	71.6%	73.2%	80.2%
Illinois	76.5%	77.4%	78.4%	79.2%	84.8%	82.5%
Indiana	76.4%	76.3%	75.1%	75.7%	79.2%	80.6%
Iowa	86.2%	89.1%	87.4%	91.6%	86.1%	88.1%
Kansas	83.4%	85.8%	85.3%	77.4%	80.7%	86.7%
Kentucky	78.3%	69.2%	75.3%	79.3%	78.3%	83.0%
Louisiana	76.1%	74.7%	70.6%	71.3%	75.2%	78.7%
Maine	80.6%	77.6%	81.5%	80.5%	82.7%	84.7%
Maryland	83.1%	85.0%	77.3%	77.6%	85.8%	82.2%
Massachusetts	84.1%	82.5%	80.9%	80.2%	81.2%	83.0%
Michigan	76.9%	78.1%	76.3%	72.5%	76.7%	80.5%
Minnesota	87.1%	87.6%	87.2%	86.6%	83.9%	89.0%
Mississippi	81.0%	77.2%	75.3%	78.8%	76.9%	79.8%
Missouri	78.9%	83.3%	83.6%	79.0%	81.9%	84.8%
Montana	81.5%	81.7%	82.7%	83.9%	86.0%	82.6%
Nebraska	88.3%	85.6%	82.6%	84.9%	89.1%	88.4%
Nevada	78.2%	80.1%	74.2%	70.9%	71.8%	77.9%
New Hampshire	87.7%	85.5%	83.2%	82.1%	82.6%	81.4%
New Jersey	77.0%	77.7%	77.4%	75.1%	79.5%	82.6%
New Mexico	73.7%	74.1%	72.5%	70.9%	74.0%	73.8%
New York	75.9%	74.8%	73.3%	73.3%	77.1%	80.9%
North Carolina	79.2%	80.0%	73.8%	73.6%	76.5%	75.1%
North Dakota	81.6%	85.5%	88.9%	82.1%	83.8%	85.7%
Ohio	80.0%	78.1%	80.1%	80.4%	79.9%	80.0%
Oklahoma	68.0%	73.3%	70.5%	72.9%	76.4%	81.2%
Oregon	83.2%	78.9%	76.3%	76.4%	74.3%	78.1%

Labor Force Participation of Mothers with School-age Children (ages 5-14) 2018 - 2023						
State	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Pennsylvania	80.4%	81.4%	79.8%	77.7%	80.5%	78.8%
Rhode Island	84.1%	84.5%	79.9%	81.9%	83.5%	79.4%
South Carolina	69.8%	77.9%	79.9%	74.2%	72.7%	76.5%
South Dakota	82.0%	87.4%	87.1%	84.3%	90.1%	96.3%
Tennessee	72.0%	72.8%	75.3%	74.3%	73.5%	76.8%
Texas	75.2%	73.8%	75.2%	74.7%	77.2%	77.7%
Utah	71.6%	71.7%	75.5%	80.5%	68.2%	75.3%
Vermont	84.8%	84.4%	89.2%	84.4%	83.3%	86.9%
Virginia	76.7%	78.0%	75.6%	76.6%	81.7%	81.5%
Washington	75.5%	79.8%	73.2%	76.5%	76.1%	78.6%
West Virginia	73.5%	73.8%	76.4%	72.1%	74.4%	74.9%
Wisconsin	88.6%	87.4%	83.5%	81.6%	83.6%	85.1%
Wyoming	85.8%	87.2%	82.4%	79.6%	80.7%	80.2%

Source: IPUMS-CPS, University of Minnesota and RegionTrack Calculations. Labor force participation of mothers age 18-54, seasonally adjusted. Pink shading represents states where the labor force participation of mothers has declined since 2019.

Labor Force Participation of Mothers with Children Birth to 14 2018 - 2023						
State	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
United States	**70.6%**	**71.5%**	**70.5%**	**70.4%**	**72.5%**	**73.9%**
Alabama	65.9%	69.0%	71.9%	66.1%	68.7%	71.6%
Alaska	70.3%	65.3%	66.9%	67.5%	68.1%	71.4%
Arizona	66.5%	72.5%	70.8%	62.5%	66.8%	73.4%
Arkansas	72.2%	71.8%	68.5%	68.8%	72.8%	71.7%
California	65.6%	67.4%	64.0%	65.5%	70.1%	70.5%
Colorado	73.0%	76.2%	72.9%	74.3%	73.6%	74.6%
Connecticut	76.0%	76.9%	79.5%	72.1%	77.5%	78.1%
Delaware	75.9%	78.6%	72.6%	74.8%	76.8%	77.5%
District of Columbia	81.9%	79.3%	78.2%	78.3%	83.5%	81.7%
Florida	70.9%	71.1%	68.5%	69.7%	70.7%	74.0%
Georgia	69.3%	69.3%	70.2%	71.7%	69.7%	69.6%
Hawaii	69.6%	72.2%	68.6%	69.8%	68.8%	68.2%
Idaho	64.6%	66.9%	66.7%	65.5%	66.6%	69.8%
Illinois	74.5%	73.4%	73.6%	75.8%	79.0%	76.6%
Indiana	70.2%	69.5%	73.8%	68.5%	72.0%	73.9%
Iowa	79.7%	81.1%	79.4%	84.9%	83.8%	82.2%
Kansas	75.3%	76.2%	77.2%	72.4%	73.0%	81.9%
Kentucky	72.8%	66.6%	70.4%	68.9%	72.0%	73.2%
Louisiana	68.2%	70.3%	69.7%	68.2%	68.5%	72.1%
Maine	76.7%	75.6%	72.9%	78.2%	75.7%	76.4%
Maryland	77.0%	77.7%	74.5%	72.7%	77.3%	81.1%
Massachusetts	78.8%	77.0%	78.1%	77.8%	79.5%	82.0%
Michigan	72.5%	73.5%	70.6%	68.3%	71.9%	75.9%
Minnesota	80.8%	80.6%	79.7%	79.0%	81.3%	84.2%
Mississippi	72.1%	70.8%	71.1%	69.8%	72.8%	73.7%
Missouri	77.4%	78.0%	77.6%	77.3%	77.1%	74.6%
Montana	71.0%	75.4%	74.2%	78.0%	80.7%	77.2%
Nebraska	83.0%	80.9%	79.8%	80.6%	83.9%	80.9%
Nevada	71.2%	72.3%	68.6%	67.4%	69.5%	73.7%
New Hampshire	79.1%	78.1%	78.1%	76.2%	76.8%	73.2%
New Jersey	71.8%	73.8%	67.5%	69.8%	75.2%	76.2%
New Mexico	65.3%	68.5%	65.5%	66.5%	66.7%	69.1%
New York	68.9%	68.0%	67.4%	68.7%	72.1%	74.6%
North Carolina	70.0%	71.2%	69.3%	68.5%	72.2%	70.3%
North Dakota	74.7%	80.3%	80.7%	78.3%	79.4%	77.3%
Ohio	73.1%	72.8%	72.5%	72.8%	75.4%	75.6%
Oklahoma	62.9%	64.8%	65.7%	65.7%	68.8%	74.8%
Oregon	75.2%	72.2%	71.6%	72.0%	72.2%	76.3%

Labor Force Participation of Mothers with Children Birth to 14 2018 - 2023						
State	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Pennsylvania	74.7%	77.2%	76.1%	75.0%	74.8%	72.2%
Rhode Island	75.3%	76.7%	73.5%	74.9%	79.1%	73.7%
South Carolina	66.3%	71.3%	73.6%	69.8%	68.0%	73.1%
South Dakota	80.4%	85.0%	81.0%	78.7%	81.9%	84.1%
Tennessee	64.6%	70.5%	69.0%	68.5%	68.9%	71.5%
Texas	66.5%	66.0%	67.3%	67.6%	70.7%	71.6%
Utah	60.6%	63.7%	64.5%	67.4%	60.8%	67.5%
Vermont	78.4%	79.8%	84.2%	80.4%	79.4%	80.9%
Virginia	69.9%	71.3%	71.8%	70.1%	73.7%	75.3%
Washington	66.5%	71.4%	69.3%	71.8%	67.7%	69.6%
West Virginia	66.1%	66.6%	67.8%	66.2%	68.8%	72.2%
Wisconsin	80.8%	82.3%	77.7%	77.3%	76.0%	78.2%
Wyoming	70.3%	73.7%	72.1%	70.4%	70.2%	70.7%

Source: IPUMS-CPS, University of Minnesota and RegionTrack Calculations. Labor force participation of mothers age 18-54, seasonally adjusted. Pink shading represents states where the labor force participation of mothers has declined since 2019.

Miscellaneous Child & Family Data						
States	**Children Under Age 3**	**Children under Age 6**	**Children Under Age 6 Living in Poverty**	**Children Under 6 with working parents**	**Single mother families with children under 5 living in poverty**	**Children Under 5 Living in Poverty**
United States	10,658,295	22,133,354	3,784,124	14,415,594	36.2%	17.4%
Alabama	161,391	345,530	85,928	213,806	50.2%	25.6%
Alaska	29,675	55,282	10,244	31,502	42.4%	20.2%
Arizona	228,165	477,267	82,439	288,402	31.1%	17.7%
Arkansas	106,437	217,161	52,993	127,988	41.5%	26.5%
California	1,227,335	2,539,850	387,291	1,617,412	29.6%	15.4%
Colorado	177,322	367,980	40,475	239,664	30.7%	10.9%
Connecticut	107,381	217,689	27,706	156,436	29.3%	13.6%
Delaware	30,297	65,333	8,705	48,162	27.6%	13.3%
District of Columbia	23,815	46,000	6,341	33,309	14.8%	14.7%
Florida	627,384	1,327,553	247,134	874,127	36.8%	19.5%
Georgia	369,835	749,621	131,987	500,492	31.1%	18.0%
Hawaii	44,223	94,001	11,053	59,705	26.3%	12.3%
Idaho	63,922	136,395	18,728	76,279	23.7%	14.2%
Illinois	391,134	813,447	135,348	558,101	34.7%	16.8%
Indiana	233,574	482,675	87,910	308,179	43.9%	18.2%
Iowa	102,360	217,883	28,954	163,732	37.9%	13.8%
Kansas	100,962	211,094	31,832	139,052	45.6%	15.4%
Kentucky	147,964	312,308	68,377	191,370	43.6%	23.1%
Louisiana	164,189	327,212	84,232	233,414	48.5%	25.4%
Maine	37,365	74,571	8,616	51,439	16.3%	11.3%
Maryland	200,994	421,263	47,693	299,416	24.4%	11.5%
Massachusetts	198,647	411,201	43,930	296,619	27.6%	10.7%
Michigan	309,412	647,383	126,426	413,244	41.4%	19.8%
Minnesota	192,122	397,244	45,457	285,657	39.8%	11.5%
Mississippi	99,319	202,792	52,404	133,091	44.5%	25.4%
Missouri	205,675	429,852	79,678	291,530	36.1%	19.0%
Montana	33,656	71,216	9,182	45,477	24.2%	13.0%
Nebraska	72,374	146,715	21,600	102,335	42.8%	14.6%
Nevada	102,460	210,270	35,019	134,984	32.3%	17.2%
New Hampshire	34,953	75,371	5,607	52,299	26.2%	8.4%
New Jersey	290,194	612,671	81,281	415,621	27.6%	13.5%
New Mexico	58,110	131,499	29,583	80,529	44.2%	22.6%
New York	609,664	1,252,604	230,239	833,827	30.7%	18.5%
North Carolina	336,971	707,416	128,240	456,819	36.5%	18.3%
North Dakota	27,335	56,622	6,622	39,065	51.2%	11.9%

Miscellaneous Child & Family Data						
States	**Children Under Age 3**	**Children under Age 6**	**Children Under Age 6 Living in Poverty**	**Children Under 6 with working parents**	**Single mother families with children under 5 living in poverty**	**Children Under 5 Living in Poverty**
Ohio	381,877	793,442	151,059	543,080	42.5%	18.9%
Oklahoma	137,276	289,813	61,448	177,967	45.8%	21.6%
Oregon	117,806	244,016	35,000	158,665	38.8%	15.1%
Pennsylvania	391,317	797,079	125,356	547,622	31.6%	16.2%
Rhode Island	28,110	61,839	6,862	44,736	24.4%	10.0%
South Carolina	166,128	343,337	70,222	223,819	42.2%	20.5%
South Dakota	34,204	68,072	11,541	49,914	38.8%	17.8%
Tennessee	232,525	478,685	96,078	291,661	40.8%	20.0%
Texas	1,091,987	2,289,114	472,407	1,365,640	42.1%	20.9%
Utah	135,493	278,349	28,321	147,525	37.0%	10.4%
Vermont	16,775	34,151	5,037	25,613	57.0%	15.6%
Virginia	285,726	577,526	81,236	386,761	33.1%	14.4%
Washington	244,131	510,789	54,489	307,678	27.8%	10.8%
West Virginia	49,832	104,001	30,227	62,485	51.2%	30.1%
Wisconsin	180,086	372,435	49,282	262,481	33.0%	13.8%
Wyoming	18,406	37,735	6,305	26,863	36.9%	16.9%
Puerto Rico	55,874	123,521	77,802	79,219	71.9%	62.4%

Source:
U.S. Census Bureau, 2022 American Community Survey, 1-Year Estimates

Share of Children Under Age 5 in Paid Child Care
2018 - 2022

State	2018	2019	2020	2021	2022
United States	28.6%	29.4%	25.0%	26.5%	27.9%
Alabama	20.4%	31.0%	32.3%	27.9%	15.0%
Alaska	17.5%	17.0%	17.2%	14.8%	18.8%
Arizona	30.9%	28.9%	25.2%	17.0%	21.5%
Arkansas	30.2%	25.2%	22.0%	21.0%	25.3%
California	24.8%	23.9%	20.7%	22.5%	25.0%
Colorado	34.8%	27.6%	19.8%	27.9%	26.5%
Connecticut	38.8%	39.5%	25.1%	14.0%	46.4%
Delaware	30.5%	23.7%	29.3%	23.3%	30.7%
District of Columbia	43.0%	45.4%	30.9%	44.8%	60.7%
Florida	25.9%	26.2%	19.2%	23.4%	25.0%
Georgia	28.2%	34.7%	19.9%	17.6%	27.4%
Hawaii	14.0%	13.9%	17.5%	13.9%	8.4%
Idaho	18.4%	19.3%	19.0%	22.4%	23.3%
Illinois	34.2%	32.1%	34.7%	24.1%	34.1%
Indiana	31.0%	27.8%	28.8%	29.8%	33.9%
Iowa	38.5%	38.3%	49.2%	39.8%	39.7%
Kansas	34.8%	29.7%	37.4%	42.5%	30.6%
Kentucky	24.1%	22.2%	21.6%	27.3%	20.7%
Louisiana	33.6%	29.2%	24.5%	24.9%	25.4%
Maine	45.5%	51.0%	11.9%	23.4%	25.2%
Maryland	35.7%	33.4%	33.8%	35.3%	36.2%
Massachusetts	37.9%	36.8%	28.9%	39.0%	41.1%
Michigan	36.1%	33.6%	24.8%	24.9%	25.7%
Minnesota	41.1%	38.9%	39.4%	37.1%	46.4%
Mississippi	31.8%	24.0%	20.9%	31.5%	32.4%
Missouri	29.4%	39.0%	30.8%	27.1%	29.9%
Montana	22.5%	24.1%	29.0%	36.8%	32.7%
Nebraska	33.5%	47.0%	40.7%	49.9%	43.4%
Nevada	23.1%	30.6%	11.6%	17.4%	28.9%
New Hampshire	34.9%	46.4%	40.6%	35.1%	23.0%
New Jersey	33.1%	32.9%	15.6%	29.6%	29.5%
New Mexico	22.1%	13.5%	5.1%	11.3%	16.5%
New York	28.5%	33.9%	20.9%	25.9%	29.1%
North Carolina	22.7%	21.1%	21.7%	29.1%	24.3%
North Dakota	36.3%	47.2%	32.3%	44.7%	38.1%
Ohio	23.2%	29.5%	22.9%	32.8%	33.1%
Oklahoma	22.4%	20.3%	23.1%	20.2%	15.6%
Oregon	35.3%	39.9%	27.7%	33.0%	29.8%
Pennsylvania	27.9%	25.9%	31.2%	33.3%	32.9%

Share of Children Under Age 5 in Paid Child Care
2018 - 2022

State	2018	2019	2020	2021	2022
Rhode Island	24.8%	35.1%	29.4%	31.5%	19.3%
South Carolina	28.5%	26.9%	19.7%	21.0%	17.9%
South Dakota	49.1%	40.5%	32.5%	47.4%	42.8%
Tennessee	23.9%	26.6%	16.2%	25.3%	21.4%
Texas	25.1%	27.5%	24.4%	23.3%	26.5%
Utah	19.2%	20.2%	8.2%	18.7%	15.2%
Vermont	32.3%	30.3%	37.7%	47.1%	32.1%
Virginia	29.2%	40.9%	40.0%	29.0%	32.4%
Washington	31.0%	30.6%	39.4%	31.3%	24.9%
West Virginia	20.2%	12.1%	19.6%	13.7%	22.7%
Wisconsin	42.6%	32.8%	28.9%	31.7%	24.1%
Wyoming	33.8%	27.0%	35.0%	30.5%	28.2%

Source: IPUMS-CPS, University of Minnesota and RegionTrack calculations.

Share of School-age Children (Ages 5-14) in Paid Child Care
2018 - 2022

State	2018	2019	2020	2021	2022
United States	15.9%	16.0%	12.8%	13.0%	15.0%
Alabama	11.5%	12.8%	10.6%	7.8%	7.5%
Alaska	8.4%	6.3%	9.1%	12.5%	14.3%
Arizona	21.5%	16.7%	12.9%	7.7%	17.0%
Arkansas	13.8%	14.2%	10.7%	5.0%	12.0%
California	14.6%	14.6%	12.3%	12.1%	12.6%
Colorado	19.3%	19.3%	10.3%	12.6%	19.3%
Connecticut	15.3%	28.9%	17.1%	18.2%	26.7%
Delaware	22.8%	11.5%	11.1%	13.5%	11.4%
District of Columbia	23.4%	27.7%	24.8%	18.5%	30.1%
Florida	16.7%	15.6%	11.1%	14.0%	13.2%
Georgia	11.2%	12.1%	6.3%	11.0%	12.8%
Hawaii	12.8%	12.8%	9.4%	5.4%	9.0%
Idaho	9.4%	11.8%	8.5%	11.8%	8.6%
Illinois	18.1%	15.1%	14.2%	12.7%	19.2%
Indiana	10.6%	19.4%	15.4%	13.4%	17.3%
Iowa	13.5%	20.4%	13.2%	27.7%	20.9%
Kansas	15.5%	18.2%	11.1%	10.7%	16.1%
Kentucky	12.0%	11.0%	8.4%	6.1%	10.7%
Louisiana	17.9%	14.0%	12.5%	10.3%	8.9%
Maine	21.5%	24.0%	18.9%	13.6%	18.5%
Maryland	20.4%	17.6%	15.7%	15.8%	21.7%
Massachusetts	20.9%	21.3%	17.4%	15.6%	20.7%
Michigan	21.4%	16.5%	12.1%	13.7%	14.4%
Minnesota	26.9%	14.7%	16.4%	20.5%	28.9%
Mississippi	9.1%	10.8%	8.1%	8.7%	11.5%
Missouri	13.2%	19.6%	16.4%	12.5%	12.4%
Montana	12.5%	13.2%	13.5%	11.4%	14.8%
Nebraska	26.5%	21.5%	20.0%	24.6%	18.9%
Nevada	17.6%	12.5%	9.2%	8.7%	12.9%
New Hampshire	25.9%	29.6%	17.5%	19.2%	14.7%
New Jersey	14.7%	19.2%	13.9%	20.0%	13.4%
New Mexico	7.5%	8.4%	3.1%	7.2%	5.2%
New York	15.0%	17.3%	13.5%	13.7%	13.9%
North Carolina	19.8%	12.6%	12.3%	14.3%	12.5%
North Dakota	18.4%	23.4%	19.9%	24.3%	22.8%
Ohio	17.6%	16.2%	11.3%	13.2%	15.9%
Oklahoma	8.0%	10.5%	6.3%	9.8%	7.6%
Oregon	18.8%	22.7%	15.3%	11.8%	17.8%

Share of School-age Children (Ages 5-14) in Paid Child Care
2018 - 2022

State	2018	2019	2020	2021	2022
Pennsylvania	18.5%	14.1%	17.7%	11.4%	19.3%
Rhode Island	18.0%	23.2%	24.8%	15.6%	9.7%
South Carolina	17.5%	20.6%	12.3%	12.9%	14.4%
South Dakota	21.8%	24.7%	14.5%	15.8%	18.8%
Tennessee	11.7%	11.7%	9.8%	11.7%	18.7%
Texas	12.8%	14.2%	12.2%	13.9%	12.7%
Utah	11.4%	4.8%	6.4%	4.0%	6.7%
Vermont	22.9%	18.9%	26.1%	24.8%	20.8%
Virginia	15.8%	21.9%	20.0%	12.5%	24.6%
Washington	15.6%	25.1%	15.6%	14.1%	16.5%
West Virginia	7.3%	3.7%	11.9%	9.8%	8.6%
Wisconsin	22.8%	18.0%	12.3%	12.9%	19.3%
Wyoming	14.8%	15.5%	10.6%	14.9%	10.1%

Source: IPUMS-CPS, University of Minnesota and RegionTrack calculations.

Share of Children Birth to Age 14 in Paid Child Care
2018 - 2022

State	2018	2019	2020	2021	2022
United States	20.0%	20.2%	16.6%	17.2%	19.0%
Alabama	14.6%	19.3%	17.4%	14.4%	9.9%
Alaska	11.5%	10.2%	11.3%	13.2%	15.8%
Arizona	24.3%	20.1%	16.4%	10.2%	18.3%
Arkansas	18.8%	17.9%	13.8%	9.3%	16.1%
California	17.9%	17.6%	14.9%	15.2%	16.3%
Colorado	23.3%	21.7%	12.9%	17.4%	21.6%
Connecticut	22.9%	32.3%	19.6%	17.0%	31.8%
Delaware	25.2%	14.9%	17.1%	16.4%	17.3%
District of Columbia	30.8%	33.9%	26.8%	28.4%	41.2%
Florida	19.7%	19.0%	13.5%	16.9%	16.8%
Georgia	16.7%	18.9%	10.6%	13.0%	17.3%
Hawaii	13.2%	13.2%	11.7%	8.1%	8.8%
Idaho	12.7%	14.3%	11.6%	14.9%	13.0%
Illinois	23.2%	20.6%	20.6%	16.4%	23.9%
Indiana	17.7%	22.1%	19.9%	18.8%	22.4%
Iowa	22.6%	26.4%	23.9%	31.9%	27.2%
Kansas	22.3%	22.3%	19.7%	20.4%	20.8%
Kentucky	16.0%	14.8%	12.5%	12.4%	13.7%
Louisiana	23.1%	18.6%	16.4%	15.6%	14.3%
Maine	27.3%	32.9%	16.6%	17.5%	20.8%
Maryland	25.6%	22.2%	21.7%	22.3%	26.2%
Massachusetts	26.3%	26.2%	21.0%	22.9%	26.5%
Michigan	26.1%	22.1%	16.3%	17.3%	17.8%
Minnesota	31.9%	22.5%	24.0%	25.4%	34.3%
Mississippi	16.0%	15.3%	11.8%	16.1%	18.6%
Missouri	18.2%	25.0%	20.3%	16.9%	18.8%
Montana	15.9%	16.6%	18.3%	18.3%	19.9%
Nebraska	28.8%	29.8%	27.7%	32.1%	25.7%
Nevada	19.4%	18.6%	10.0%	11.4%	17.7%
New Hampshire	28.7%	34.7%	25.4%	24.7%	17.4%
New Jersey	20.3%	23.6%	14.4%	22.8%	18.0%
New Mexico	11.8%	9.9%	3.7%	8.4%	8.5%
New York	19.5%	22.8%	16.0%	17.8%	18.9%
North Carolina	20.9%	15.2%	15.1%	18.6%	16.1%
North Dakota	25.0%	31.4%	24.5%	31.6%	28.7%
Ohio	19.3%	20.4%	14.9%	19.2%	21.3%
Oklahoma	12.4%	13.7%	12.0%	13.2%	10.1%
Oregon	24.6%	27.7%	19.0%	17.5%	21.2%

Share of Children Birth to Age 14 in Paid Child Care
2018 - 2022

State	2018	2019	2020	2021	2022
Pennsylvania	21.3%	17.9%	22.0%	18.2%	23.9%
Rhode Island	20.1%	27.1%	26.2%	20.4%	12.7%
South Carolina	20.2%	22.6%	14.6%	15.4%	15.5%
South Dakota	31.2%	29.1%	21.2%	26.3%	26.7%
Tennessee	16.1%	16.4%	11.9%	16.1%	19.6%
Texas	16.8%	18.0%	15.8%	16.9%	17.0%
Utah	13.7%	9.4%	6.9%	8.3%	9.5%
Vermont	26.2%	21.9%	29.4%	30.8%	24.3%
Virginia	21.0%	28.5%	26.7%	18.0%	27.3%
Washington	21.0%	26.8%	22.8%	18.8%	19.1%
West Virginia	11.2%	6.7%	14.2%	11.0%	13.5%
Wisconsin	28.3%	22.7%	17.5%	18.7%	20.8%
Wyoming	21.0%	19.0%	18.2%	19.7%	15.4%

Source: IPUMS-CPS, University of Minnesota and RegionTrack calculations.

Child Care Sector Economic Profile by State (2022)

Region	Total						Non-Employers**					Employers						
	Estab-lish-ments	Total Revenue (mil.)	Total Employ-ment	Total Earnings (mil.)	Average Revenue	Earnings per Worker	Estab-lish-ments	Total Revenue (mil.)	Proprietor Earnings (mil.)	Average Revenue per Estab.	Earnings per Proprietor	Estab-lish-ments	Total Revenue (mil)	Employee Compen-sation (mil.)	Employ-ment	Average Revenue	Workers per Estab.	Earnings per Employee
United States	624,312	$68,496.6	1,504,990	$32,671.9	$109,715	$21,709	547,465	$9,565.6	$5,683.9	$17,472	$10,382	76,847	$58,931	$26,988	957,525	$766,866	12.5	$28,185
Alabama	7,542	555.6	17,795	10,982.2	73,676	617,147	6,554	94.5	48.9	14,425	7,462	988	461.1	294.6	11,241	466,927	11.4	26,211
Alaska	1,153	133.5	2,985	70.8	115,819	23,712	1,004	23.6	14.2	23,537	14,158	149	109.9	56.6	1,981	738,680	13.3	28,554
Arizona	10,432	805.0	22,563	462.6	77,174	20,501	9,614	144.1	81.0	14,985	8,428	818	661.0	381.5	12,949	808,536	15.8	29,465
Arkansas	4,815	277.7	15,496	315.0	57,678	20,325	4,007	58.4	37.0	14,584	9,232	808	219.3	278.0	11,489	271,390	14.2	24,195
California	99,806	9,285.2	168,197	3,758.5	93,032	22,346	90,830	2029.1	964.5	22,340	10,619	8,976	7,256.1	2,794.0	77,367	808,387	8.6	36,113
Colorado	7,985	1,265.1	23,214	640.0	158,432	27,568	6,971	146.2	84.9	20,972	12,173	1,014	1,118.9	555.1	16,243	1,103,442	16.0	34,175
Connecticut	6,789	1,551.0	20,296	479.9	228,473	23,644	5,884	130.5	67.2	22,175	11,418	905	1,420.6	412.7	14,412	1,570,119	15.9	28,636
Delaware	1,226	189.6	4,835	123.7	154,661	25,594	922	32.4	17.7	35,093	19,191	304	157.3	106.0	3,913	517,298	12.9	27,102
Dist. of Columbia	1,121	408.2	4,343	150.5	364,090	34,665	848	15.2	8.5	17,973	10,006	273	393.0	142.1	3,495	1,438,223	12.8	40,649
Florida	37,497	3,457.7	93,641	1,945.6	92,213	20,777	32,963	555.2	283.1	16,844	8,588	4,534	2,902.5	1,662.6	60,678	640,193	13.4	27,399
Georgia	25,378	1,996.4	58,550	1,096.3	78,666	18,724	22,744	306.4	155.8	13,472	6,852	2,634	1,690.0	940.4	35,806	641,655	13.6	26,265
Hawaii	1,203	102.6	4,555	140.5	85,257	30,845	805	18.7	10.5	23,254	13,014	398	83.9	130.0	3,750	210,586	9.4	34,672
Idaho	2,579	317.8	6,662	126.8	123,229	19,039	2,050	40.3	24.6	19,681	11,990	529	277.5	102.2	4,612	524,498	8.7	22,172
Illinois	32,469	3,010.7	66,176	1,451.4	92,726	21,933	29,759	602.0	325.3	20,230	10,930	2,710	2,408.7	1,126.2	36,417	888,824	13.4	30,924
Indiana	10,530	1,424.1	23,363	470.7	135,238	20,148	9,232	192.0	96.6	20,800	10,464	1,298	1,232.0	374.1	14,131	949,170	10.9	26,475
Iowa	9,561	1,270.6	21,695	419.6	132,894	19,341	8,715	246.1	152.3	28,234	17,474	846	1,024.5	267.3	12,980	1,211,046	15.3	20,594
Kansas	6,160	736.3	12,847	252.4	119,534	19,651	5,693	154.3	86.5	27,102	15,200	467	582.0	165.9	7,154	1,247,535	15.3	23,193
Kentucky	5,880	600.8	17,242	326.7	102,177	18,949	4,868	67.5	31.5	13,862	6,468	1,012	533.3	295.2	12,374	527,099	12.2	23,859
Louisiana	11,260	673.3	23,066	372.6	59,799	16,156	10,077	140.5	68.7	13,944	6,813	1,183	532.8	304.0	12,989	450,569	11.0	23,404
Maine	2,325	308.2	6,890	180.9	132,590	26,258	1,671	47.4	30.1	28,346	18,043	654	260.9	150.8	5,219	399,040	8.0	28,888
Maryland	12,195	2,059.4	27,700	670.4	168,871	24,204	10,807	289.3	152.4	26,768	14,101	1,388	1,770.1	518.1	16,893	1,275,283	12.2	30,668
Massachusetts	9,645	2,714.2	35,748	1,127.1	281,415	31,529	7,628	267.0	123.6	35,001	16,210	2,017	2,447.2	1,003.5	28,120	1,213,436	13.9	35,685
Michigan	16,527	1,715.0	33,600	681.8	103,771	20,292	14,852	278.0	154.7	18,715	10,417	1,675	1,437.0	527.1	18,748	858,179	11.2	28,114
Minnesota	12,093	2,446.4	27,877	693.4	202,303	24,875	10,849	387.2	205.9	35,686	18,977	1,244	2,059.2	487.6	17,028	1,655,961	13.7	28,633
Mississippi	7,737	414.7	17,297	292.8	53,606	16,928	6,906	92.1	47.8	13,332	6,917	831	322.7	245.0	10,391	388,302	12.5	23,582
Missouri	10,530	1,748.9	26,866	552.8	166,094	20,578	9,177	162.1	93.0	17,669	10,138	1,353	1,586.8	459.8	17,689	1,173,003	13.1	25,994
Montana	1,892	213.4	4,886	99.9	112,762	20,440	1,369	31.4	18.1	22,938	13,189	523	182.0	81.8	3,517	347,771	6.7	23,263
Nebraska	5,424	558.5	14,461	289.7	102,974	20,031	4,678	117.6	69.6	25,139	14,888	746	440.9	220.0	9,783	591,220	13.1	22,490
Nevada	6,547	584.8	11,233	194.2	89,328	17,290	6,206	89.8	49.0	14,468	7,894	341	495.0	145.2	5,027	1,452,725	14.8	28,888
New Hampshire	1,510	248.8	6,418	166.8	164,755	25,990	1,048	19.4	10.7	18,471	10,226	462	229.5	156.1	5,370	496,408	11.6	29,067
New Jersey	15,785	1,751.2	52,571	1,302.9	110,941	24,783	13,407	206.3	99.3	15,385	7,404	2,378	1,544.9	1,203.6	39,164	649,678	16.5	30,732
New Mexico	2,999	144.4	8,704	191.5	48,146	22,004	2,537	35.5	20.1	14,010	7,928	462	108.8	171.4	6,167	235,598	13.3	27,795
New York	43,637	4,128.3	113,840	2,931.9	94,605	25,754	37,765	744.0	393.1	19,701	10,408	5,872	3,384.3	2,538.8	76,075	576,339	13.0	33,372
North Carolina	14,459	1,465.6	43,901	1,020.5	101,362	23,244	11,934	198.0	110.3	16,594	9,241	2,525	1,267.6	910.2	31,967	502,002	12.7	28,472
North Dakota	2,426	261.6	6,045	127.8	107,832	21,145	2,094	62.3	44.6	29,767	21,305	332	199.3	83.2	3,951	600,208	11.9	21,060

Continued

(Cont.) Child Care Sector Economic Profile by State (2022)

State	Total						Non-Employers**					Employers						
	Estab-lish-ments	Total Revenue (mil.)	Total Employ-ment	Total Earnings (mil.)	Average Revenue	Earnings per Worker	Estab-lish-ments	Total Revenue (mil.)	Proprietor Earnings (mil.)	Average Revenue per Estab.	Earnings per Proprietor	Estab-lish-ments	Total Revenue (mil)	Employee Compen-sation (mil.)	Employ-ment	Average Revenue Per Estab.	Workers per Estab.	Earnings per Employee
Ohio	19,763	$2,379.0	51,311	$1,068.3	$120,379	$20,820	16,974	$299.9	$150.7	$17,665	$8,877	2,789	$2,079.2	$917.6	34,337	$745,553	12.3	$26,723
Oklahoma	6,054	380.1	15,807	299.6	62,783	18,954	5,172	105.2	67.7	20,338	13,085	882	274.9	231.9	10,635	311,608	12.1	21,809
Oregon	7,218	906.3	18,541	483.1	125,563	26,058	5,722	121.6	68.1	21,252	11,906	1,496	784.7	415.0	12,819	524,602	8.6	32,375
Pennsylvania	14,312	2,608.6	55,344	1,397.8	182,263	25,257	10,488	173.7	88.3	16,565	8,416	3,824	2,434.9	1,309.6	44,856	636,689	11.7	29,195
Rhode Island	1,634	151.5	5,209	131.2	92,722	25,193	1,333	29.7	15.0	22,272	11,219	301	121.8	116.3	3,876	405,238	12.9	29,999
South Carolina	7,825	827.2	17,849	332.1	105,705	18,609	7,005	100.1	55.5	14,284	7,924	820	727.1	276.6	10,844	886,445	13.2	25,511
South Dakota	2,438	276.5	5,712	116.2	113,442	20,344	2,186	70.1	42.3	32,052	19,332	252	206.5	73.9	3,526	820,167	14.0	20,971
Tennessee	12,348	1,195.4	26,816	531.0	96,808	19,803	11,162	176.0	105.2	15,767	9,421	1,186	1,019.4	425.9	15,654	859,679	13.2	27,206
Texas	61,632	5,096.2	139,859	2,581.0	82,688	18,455	55,836	795.8	401.0	14,252	7,182	5,796	4,300.4	2,180.0	84,023	741,966	14.5	25,946
Utah	4,694	265.7	12,285	247.8	56,608	20,172	4,013	83.0	49.8	20,688	12,406	681	182.7	198.0	8,272	268,434	12.2	23,939
Vermont	1,255	149.8	3,623	103.3	119,427	28,501	1,012	32.8	24.9	32,367	24,617	243	117.1	78.3	2,611	482,749	10.8	30,006
Virginia	14,762	3,026.3	37,206	829.5	205,005	22,296	12,998	246.6	123.3	18,971	9,484	1,764	2,779.8	706.3	24,208	1,575,599	13.7	29,175
Washington	9,309	2,177.1	28,328	840.0	233,869	29,652	7,264	315.5	169.0	43,430	23,268	2,045	1,861.7	670.9	21,064	910,241	10.3	31,853
West Virginia	2,065	226.7	6,056	121.4	109,776	20,052	1,627	40.1	24.7	24,646	15,186	438	186.6	96.7	4,429	426,000	10.1	21,839
Wisconsin	8,827	1,165.5	26,163	628.4	132,040	24,020	7,372	178.9	105.8	24,265	14,352	1,455	986.6	522.6	18,791	678,190	12.9	27,813
Wyoming	1,065	87.6	3,509	79.2	82,276	22,582	833	19.9	11.7	23,857	14,066	232	67.7	67.5	2,676	292,485	11.6	25,232

Source: Census Bureau – Non-employer Statistics, Bureau of Labor Statistics, Bureau of Economic Analysis, and RegionTrack calculations

Notes: Total employment on a job-equivalent basis is equal to wage and salary employment plus the number of proprietor establishments. Total earnings is equal to proprietor's earnings plus employee compensation.

** Data for non-employers in 2022 is estimated using data for 2021, the most recent year available.

The CHAIR. Thank you. Ms. Greszler.

STATEMENT OF RACHEL GRESZLER, SENIOR RESEARCH FELLOW IN WORKFORCE AND PUBLIC FINANCE, THE HERITAGE FOUNDATION, WASHINGTON, D.C.

Ms. GRESZLER. Thank you for the opportunity to be here today. As a mom of six young kids, the youngest of whom just started kindergarten this year, I have been navigating childcare for the past 15 years. It is not easy.

But instead of having all the answers, what I have realized is that there often aren't straightforward answers, at least not ones that apply universally across different childcare providers and across different families whose preferences and needs can vary over time.

In my testimony today, I would like to discuss the current landscape for working parents, the Government's role in childcare, and to suggest some ways that policymakers can expand childcare options.

While many families have a parent who stays home with kids, the majority of parents, 80 percent of them, are participating in the workforce. And parents' employment has actually increased significantly compared to non-parents since the pandemic.

Particularly surprising is the fact that women with children under age six have experienced the biggest gains, nearly ten times as much as any other group. And this happened even as the number of childcare workers has declined by 11 percent, which might suggest that the COVID–19 childcare funds did not necessarily increase supply.

A likely explanation, though, for that rising employment parents, despite a decline in the number of childcare workers, is that increased workplace flexibility and remote work has enabled more family care, and that is a success for many families because 73 percent of parents with young kids say that they would prefer to either have a parent or relative care for their kids.

According to the Census Bureau, only about one-fifth of all parents and one-third of parents with kids under age five have someone other than a relative caring for their kids. While advocates of a Federal childcare entitlement claim that more kids in childcare centers and more parents in employment would be an "investment," those arguments ignore the impact of parents caring for kids.

Importantly, the Nobel laureate, whose work is most often cited by advocates of Federal childcare entitlement actually said that he "has never supported universal preschool, and that while Government care can potentially compensate for the home environments of disadvantaged kids, no public preschool program can provide the lifetime benefits of parental love in a well-functioning family."

Since family care is parents' greatest preference, and because center based childcare is scarce in rural areas, a Federal entitlement would do more to drive up costs and limit the supply of care than to help families achieve the care that they want and need.

The childcare entitlement in the Build Back Better Act would have been inaccessible to most faith based and in-home providers, and those are precisely the type of providers we need more of. In-

home providers are significantly more affordable, more flexible in their infrastructure—a home and a caregiver exists everywhere across America.

Yet since 2005, the number of in-home providers has plummeted by more than half. In large part, this is because of excessive licensing requirements and administrative burdens.

Time prevents describing all the major things that childcare providers must do, everything from fire codes and space requirements, down to the tedious requirements of prohibiting duct tape, and specifying rigid drink offering schedules, but a study of licensed in-home providers in Illinois found that in addition to providers spending 51 hours a week caring for children, they spent 18 hours performing unpaid administrative work.

While there is no silver bullet to childcare struggles, there are things policymakers can do to help increase childcare options. First is ensuring that existing Federal funds can be used at families' providers of choice.

That includes making Head Start funds portable and not precluding in-home and faith-based providers from Federal funds. Second, Federal lawmakers could make it easier for employers to provide childcare benefits by amending the Fair Labor Standards Act to treat childcare the same way that we treat health insurance and other benefits. Third is more parents desire flexible work and minimal formal childcare.

Policymakers should codify a bright line test for independent contractors and allow a safe harbor for in-home babysitters who prefer not to be treated like formal household employees.

And lastly, State and local lawmakers should consider establishing multiple levels of licensing standards with a goal of increasing those in-home, faith based, and employer provided childcare. As more Americans desire flexible work, childcare providers also need more flexibility to meet parents' desires.

The biggest takeaway that I would like to convey is that there is no one size fits all solution, and State and local communities are best equipped to help families. Federal lawmakers can do more to help parents and kids by removing barriers that prevent families from achieving the work in childcare that is best for them than by creating new programs. Thank you.

[The prepared statement of Ms. Greszler follows.]

The Heritage Foundation

CONGRESSIONAL TESTIMONY

The Role of Child Care Small Businesses in Supporting Parents and the American Workforce

Testimony before the

Committee on Small Business and Entrepreneurship

U.S. Senate

April 10, 2024

Rachel Greszler
Senior Research Fellow in Workforce and Public Finance
The Heritage Foundation

My name is Rachel Greszler. I am the Senior Research Fellow in Workforce and Public Finance at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

As a working mother of six kids, the youngest of whom just started kindergarten this past year, I have been navigating childcare for the past 15 years. Instead of having all the answers, however, I have learned that childcare is complex; while there are things that can help families, there is no silver bullet solution. I have also learned that different families have different childcare preferences and needs, and even within families, preferences and needs can vary as work and family circumstances change over time. What is most important is that families are free to pursue what is best for them.

In my testimony today, I would like to: (1) discuss the current landscape for parents, children, and childcare providers; (2) consider the government's potential role in families' unique childcare preferences; and (3) suggest ways that policymakers can help to expand childcare options so that more families can achieve the childcare they desire.

The Current Environment for Working Families

While in a significant share of families with young children one parent stays home with the kids, in the majority of families, both parents are, or the only parent is, working. Parents' employment, currently at 80.3 percent, is roughly on par with total prime-working-age (25 to 54) employment

of 80.7 percent.[1] While not all employed parents work full-time and while some have older children who do not need childcare, high employment rates among parents mean that many parents must navigate formal or informal childcare arrangements.

Parents' Employment Has Increased Since the Pandemic. Despite the struggles that parents faced with childcare and school closures, and counter to the media narrative that many mothers were forced to drop out of the workforce, parents'—and particularly mothers'—employment has increased since the COVID-19 pandemic. While overall employment (as measured by employment-to-population ratios) is down by 1.6 percent since the start of the pandemic, parents' employment has increased 0.7 percent.[2]

TABLE 1

Employment Change By Gender, Presence of Children, and Age of Children

DIFFERENCE BETWEEN ACTUAL EMPLOYMENT LEVELS AND COUNTERFACTUAL EMPLOYMENT TREND*, SINCE FEBRUARY 2020

Group	Employment Change
All workers	-1.4%
Men	-2.1%
Women	-0.8%
Workers with children	0.7%
Workers without children	-2.1%
Men with children under 18	0.1%
Women with children under 18	1.4%
Men without children under 18	-2.6%
Women without children under 18	-1.6%
Workers with children under 6	1.6%
Men with children under 6	0.3%
Women with children under 6	3.0%

*Counterfactual trend shows what employment would have been if the employment-to-population ratios for each specified group of workers remained steady at their February 2020 levels.
SOURCES: Unpublished tabulations from the Bureau of Labor Statistics, Current Population Survey, and Bureau of Labor Statistics, "Databases, Tables & Calculators by Subject," https://www.bls.gov/data/home.htm (accessed April 4, 2024).

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[1]The total employment rate for the age 16+ population is 60.1 percent (February 2024). Sources include both published and unpublished data from the Bureau of Labor Statistics' Current Population Survey. Published data available for download at https://www.bls.gov/data/home.htm.
[2]Employment among workers without children ages 17 and younger at home is down by 2.1 percent (February 2019 to February 2024). Data based on author's calculations of unpublished data from the Bureau of Labor Statistics Current Population Survey. For full documentation, see Rachel Greszler, "What Is Happening in This Unprecedented U.S. Labor Market? April 2023 Update," Heritage Foundation *Backgrounder* No. 3764, April 27, 2023, https://www.heritage.org/jobs-and-labor/report/what-happening-unprecedented-us-labor-market-april-2023-update.

Particularly surprising is the fact that employment among women with children under age six is up by 3.0 percent since the start of the pandemic, which is nearly 10 times as large as the gains of any other demographic group, and compares to declines in employment among most demographic groups, including a 2.1 percent decline in employment among workers without children.

Despite the increase in employment among women (and men) with young children, employment of childcare workers declined by 11.4 percent between 2019 and 2023.[3] These two realities would seem to contradict one another—more women working would typically be associated with more workers providing childcare. A potential reckoning of these otherwise conflicting realities may be attributed to increased workplace flexibility and remote work along with some people moving closer to family resulting in a shift toward more home-based and family-provided childcare.

Most Parents Prefer Care by—and Most Kids Are Cared for by—Family Members. A 2021 survey by the Institute for Family Studies asked parents of children under age five about their ideal work and childcare preferences. The most common preference—representing 31 percent of parents—is for parents to work flexible hours and share childcare duties. Subsequent preferences included: 28 percent prefer one parent to stay home full time to care for children; 14 percent prefer that a relative cares for children; 14 percent prefer that one parent stays home part time while using part-time childcare; 11 percent prefer using full-time center-based childcare; and 4 percent prefer that a nanny cares for children. In total, fully 73 percent of parents said they prefer exclusively parental or relative care and only 15 percent prefer full-time non-relative childcare.[4]

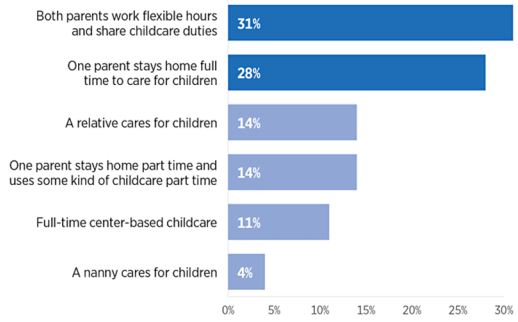
[3]Employment among childcare workers was down 11.4 percent, though employment among childcare and preschool administrators was up 22.4 percent. In total, childcare employment was down 8.5 percent between 2019 and 2023. Bureau of Labor Statistics, "Occupational Employment and Wage Statistics," data from May 2019 and May 2023, https://www.bls.gov/oes/current/oessrcst.htm (accessed April 4, 2024).

[4]Wendy Wang and Jenet Erickson, "Homeward Bound: The Work–Family Reset in Post-COVID America," Institute for Family Studies *Research Brief*, August 2021, https://ifstudies.org/ifs-admin/resources/final-ifsparentsreport.pdf (accessed March 28, 2024).

CHART 1

Post-COVID-19 Childcare Preferences Shift Toward Home, Family, and Work Flexibility

PREFERENCES OF PARENTS WITH CHILDREN AGES 0 TO 4



NOTE: Percentages do not sum to 100 due to rounding.
SOURCE: Wendy Wang and Jenet Erickson, "Homeward Bound: The Work-Family Reset in Post-COVID America," Institute for Family Studies, August 2021, https://ifstudies.org/ifs-admin/resources/final-ifsparentsreport.pdf (accessed March 13, 2023).

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That 2021 survey of parents with young children accords relatively well with a much larger Census Bureau Household Pulse Survey of all parents. According to the most recent Census survey, only 39 percent of parents who live with at least one child aged 17 or younger have formal childcare arrangements. [5] Parents with younger kids are far more likely to have formal childcare arrangements, including 65 percent of parents with kids under age five, 46 percent of parents with kids ages five to 11, and only 13 percent of parents with kids ages 12 to 17.[6]

Of the 39 percent of who have formal childcare arrangements, 22 percent have a relative caring for their children. About 8 percent use center-based childcare; 5 percent use a non-relative individual (such as a nanny or babysitter); 5 percent use before care, aftercare, or summer camp; 5 percent use preschool; 3 percent use a family daycare provider; and 1 percent use Head Start.

Among parents with kids under age five, 35 percent report using no formal childcare; 32 percent have a relative caring for their children; 23 percent use center-based childcare; 14 percent use preschool; 9 percent have non-relative care; 5 percent use a family daycare; 2 percent use before care, aftercare, or summer camp; and 1 percent use Head Start.

[5]Casey Eggleston, Yeris H. Mayol Garcia, Mikelyn Meyers, and Yazmin Garcia Trejo, "Most Parents Don't Have Any Formal Childcare Arrangements," U.S. Census Bureau, November 29, 2023, https://www.census.gov/library/stories/2023/11/child-care.html (accessed March 28, 2024).
[6]For parents with multiple-age kids, 50 percent reported having a formal childcare arrangement. Ibid.

TABLE 2

Childcare Arrangements of Families with Children

	With Children Under Age 18	With Children Under Age 5
No formal childcare	61%	35%
Relative cares for kids	22%	32%
Center-based childcare	8%	23%
Preschool	5%	14%
Non-relative care	4%	9%
Family daycare	3%	5%
Before/after school programs and summer camps	5%	2%
Head Start	1%	1%

SOURCE: Casey Eggleston, Yeris H Mayol Garcia, Mikelyn Meyers, and Yazmin Garcia Trejo, "Most Parents Don't Have Any Formal Childcare Arrangements," U.S. Census Bureau, November 29, 2023, https://www.census.gov/library/stories/2023/11/child-care.html (accessed March 28, 2024).

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With roughly two-thirds of families using non-center-based childcare, the Bipartisan Policy Center conducted a 2022 survey of parents who use informal childcare, which the center defines care from a parent, relative, friend, neighbor, or nanny.[7] Nearly two out of three parents (62 percent) who use informal childcare say that formal childcare is unappealing to them, and a little more than one out of three parents (38 percent) say that formal childcare is inaccessible.[8] Overwhelmingly, 93 percent of parents who use informal childcare are satisfied with their childcare arrangements. Parents who use informal care say that safety, trust, and flexibility are their greatest concerns, and among the main reaons they choose informal childcare. Notably, even if formal childcare was free and convenient, more than half of parents (57 percent) would still prefer their informal childcare arrangements.[9]

Dwindling Supply Is Major Source of Childcare Struggles

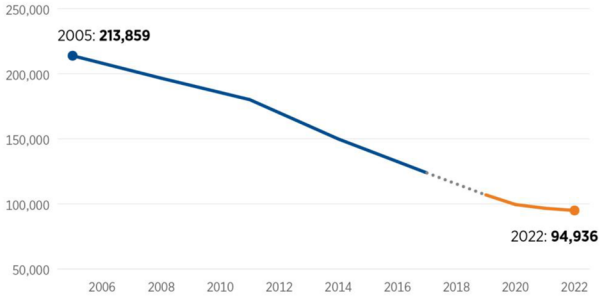
Perhaps even more significant of a struggle than the cost of childcare for families is the dwindling supply of childcare. The same 2022 survey by the Bipartisan Policy Center found that roughly 55 percent of parents say that childcare is very or somewhat limited.[10] In particular, family-provided or in-home childcare has declined precipitously over the past two decades. Between 2005 and

[7]Bipartisan Policy Center, "Understanding Employed Parents Using Informal Child Care," June 2022, https://bipartisanpolicy.org/download/?file=/wp-content/uploads/2022/08/BPC_One-Third_June-2022_Analysis-002.pdf (accessed March 28, 2024).
[8]Ibid.
[9]Ibid.
[10]Ibid.

2017, the number of in-home childcare providers plummeted 42 percent.[11] And more recently, Childcare Aware estimates that family childcare providers fell another 11 percent between 2019 and 2022.[12]

CHART 1

Family Childcare Homes Have Declined Since 2005



NOTES: Some data points have been interpolated. Data comes from two different sources, and thus the apparent decline in providers between 2017 and 2019 could be due to differences in surveys. The important metric is the declining trend across both surveys.

SOURCES:

- 2005–2017 data: National Center on Early Childhood Quality Assurance, "Addressing the Decreasing Number of Family Child Care Providers in the United States," revised March 2020, https://childcareta.acf.hhs.gov/sites/default/files/public/addressing_decreasing_fcc_providers_revised_march2020_final.pdf (accessed April 4, 2024).
- 2019–2022 data: Child Care Aware, "Catalyzing Growth: Using Data to Change Childcare 2022, Annual Childcare Landscape Analysis," https://www.childcareaware.org/catalyzing-growth-using-data-to-change-child-care-2022/ (accessed April 2, 2024).

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Family childcare, or in-home childcare, should—at least conceptually—be widely available as many parents who stay home with their own children may also have the capacity and desire to care for other children and earn money at the same time. Similarly, empty-nesters and grandparents who have experience raising children may be willing and able to care for children in their homes.

[11]National Center on Early Childhood Quality Assurance, "Addressing the Decreasing Number of Family Child Care Providers in the United States," revised March 2020, https://childcareta.acf.hhs.gov/sites/default/files/public/addressing_decreasing_fcc_providers_revised_march2020_final.pdf (accessed April 4, 2024).

[12]Child Care Aware, "Catalyzing Growth: Using Data to Change Childcare 2022, Annual Childcare Landscape Analysis," https://www.childcareaware.org/catalyzing-growth-using-data-to-change-child-care-2022/#:~:text=The%20number%20of%20licensed%20centers,pre%2Dpandemic%20levels%20in%202022. (accessed April 2, 2024).

The economics of in-home care—with providers using their existing homes—enable roughly 25 percent lower costs, on average, than center-based care. [13] And in-home providers are often more likely to be able to accommodate part-time childcare needs, such as after-school care.

Excessive licensing requirements and regulations are almost certainly part of the reason for the decline in in-home childcare. Becoming a licensed provider is not easy: In addition to implementing potentially costly structural changes to one's home and undergoing multiple inspections, regulations also dictate which toys providers can and cannot offer, which types of beverage can or must be provided at which time intervals, into what size different pieces of food must be cut, which type of tape can and cannot be used in the classroom, and which types of food containers must be used and how they must be labeled. A study of Illinois's licensed in-home providers found that in addition to providing 51 hours per week of paid childcare, the providers spent another 18 hours performing unpaid administrative work.[14]

Even when government funds are available to subsidize the startup or provision of childcare, in-home childcare providers face greater administrative burdens in applying for government funds and complying with conditions attached to them. As navigating government regulations and funding conditions is not easy, individual innovators—as opposed to politicians and bureaucrats—are already helping to expand options for families. For example, Tootris is an online company that helps parents to find care, helps childcare providers to economize their administration, and helps employers to establish childcare benefits for employees.[15] And the Carefully app provides a zero-cost, shared-care option in which parents can "build a family, friends and neighbor network of parents you know and trust to share care and provide mutual aid."[16]

On-site childcare at places of employment can benefit workers and employers alike by limiting parents' time spent commuting from childcare to work (and kids' time away from parents), by providing peace of mind to parents that their children are nearby (and potentially allowing parents to visit kids during breaks), and by providing a valuable benefit that helps employers to attract workers. Yet, the licensing requirements and potential legal liabilities for employers to provide on-site childcare are a significant barrier. As mentioned in the solutions section below ("Solutions for More Accessible, Affordable, and Flexible Childcare"), local and state lawmakers should consider different types or levels of licensing standards, including a set of regulations tailored to aid in the availability of on-site, employer-sponsored childcare.

Childcare Is Not One-Size-Fits-All

[13]Child Care Aware, "The US and the High Price of Child Care," 2019, https://www.childcareaware.org/our-issues/research/the-us-and-the-high-price-of-child-care-2019/ (accessed August 12, 2020). The cost data are for 2018 and pull from "methodology #3" in the report, which uses an "average of program-weighted averages."
[14]Jordan Norton and Joellyn Whitehead, "Illinois Salary and Staffing Survey of Licensed Child Care Facilities: Fiscal Year 2019," Illinois Network of Child Care Resource and Referral Agencies, prepared for the Illinois Department of Human Services, https://www.dhs.state.il.us/OneNetLibrary/27897/documents/Child%20Care/FY2019SSS.pdf (accessed April 6, 2024).
[15]Tootris, "About Tootris," https://tootris.com/edu/about/company/ (accessed April 3, 2024).
[16]Carefully, "What Is Carefully?" https://www.carefullyapp.com/ (accessed April 3, 2024).

Families have unique desires and needs regarding parents' work and children's care, and communities have unique needs and capabilities for the provision of childcare. Preferences for childcare arrangements vary across race, education, and income. Only 14 percent of Hispanic families say that full-time paid childcare is the best arrangement for them, compared to 19 percent of white parents, 20 percent of Asian parents, and 25 percent of black parents. [17] College graduates are about twice as likely to prefer full-time paid childcare (27 percent) as non-college grads (14 percent).

The biggest difference in preferences is by income level, with 31 percent of families earning more than $100,000 per year preferring full-time paid childcare, versus 17 percent for families making between $50,000 and $99,999, and only 15 percent of families making less than $50,000. In large part, this difference in preferences across income levels is the result of parents with stronger preferences for parental care sacrificing more paid labor in order to be home with children.

Proposed National Childcare Entitlement Would Fail to Meet Parents' Desires. The 2021 Build Back Better Act included a "Birth Through Five Child Care and Early Learning Entitlement" that would have provided federal grants to states to cover a majority of parents' costs[18] for childcare at federally sanctioned childcare providers. Only childcare providers that conformed to strict federal childcare standards and regulations, and which eventually achieved "top tier" status, would qualify for the funds.[19] In practice, it would be difficult or impossible for relatives, in-home, and faith-based childcare providers to participate in the proposed federal childcare entitlement. Faith-based childcare providers, which incorporate a religious ministry component and are often located in houses of faith, make up about half of all center-based childcare providers.[20]

The multitude of federally mandated requirements would significantly drive up the cost of care and limit the availability of non-federally sanctioned childcare. This could shift taxpayer subsidies away from lower-income families or disadvantaged children and toward affluent families and advantaged children.[21]

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[17]Wendy Wang, Margarita Mooney Suarez, and Patrick T. Brown, "Familia Sí, Guardería No: Hispanics Least Likely to Prefer and Use Paid Child Care," Institute for Family Studies, May 26, 2021, https://ifstudies.org/blog/familia-si-guarderia-no-hispanics-least-likely-to-prefer-and-use-paid-child-care (accessed April 6, 2024).

[18]Based on a sliding scale, parents making 75 percent or less of their state's median income would pay nothing for childcare, parents making 100 percent of their state's median income would pay no more than 2 percent of their income for childcare, and parents making 150 percent or more of their state's median income would pay no more than 7 percent of their income for childcare.

[19]Rachel Greszler, "Government Childcare Subsidies: Whom Will They Help Most?" The Heritage Foundation *Issue Brief* No. 5231, October 20, 2021, https://www.heritage.org/sites/default/files/2021-10/IB5231.pdf.

[20]A December 2020 survey of working-parent households found that 31 percent used center-based childcare, and 53 percent of those families used centers affiliated with a faith organization. Suzann Morris and Linda K. Smith, "Examining the Role of Faith-Based Child Care," Bipartisan Policy Center, May 2020, https://bipartisanpolicy.org/download/?file=/wp-content/uploads/2021/06/ECI-Faith-Based-Brief_RV2-1-1.pdf (accessed April 8, 2024).

[21]Ibid.

TABLE 2

Taxpayer Childcare Subsidies Likely to Skew Toward High-Income Families

	Massachusetts	Mississippi	Mississippi
Income Level	$200,000	$50,000	$30,000
Family Description	• Married couple • Two children • Two earners	• Married couple • Two children • Two earners	• Married couple • Two children • One earner
Total Potential Taxpayer Subsidies	$31,100	$17,500	$0

SOURCE: Author's calculations based on taxpayer subsidies specified in the most recent draft legislative text for the proposed $3.5 trillion reconciliation package, and family incomes and childcare costs as detailed in this Heritage Foundation report. Figures have been rounded to the nearest 100.

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Moreover, as the proposed federal childcare entitlement would predominantly subsidize center-based childcare that is the preference of only 10 percent to 15 percent of parents and which is not available in rural areas, more parents would struggle to find the care they want or need. Consequently, children could be pushed into childcare settings that are not their parent's preferences. The potential adverse effects of such shifts for children and parents are evident in subsidized childcare programs in Quebec,[22] the U.S.,[23] and elsewhere.[24]

Childcare in Rural America. Center-based childcare is both less accessible and less desirable in rural areas of America. Economies of scale prevent center-based childcare from being an affordable option in many rural areas where the demand for care is lower and less consistent. Moreover, parents in rural areas are more likely to work irregular hours that are outside of typical center-based care schedules.

Yet, public funding for childcare, namely through the Child Care Development Block Grant (CCDBG) primarily subsidizes center-based childcare. A 2018 Urban Institute report on childcare for families in rural areas noted that "many families may be inadvertently disadvantaged by a subsidy system that focuses primarily on center-based care and it may undercut the core CCDBG

[22]Michael Baker, Jonathan Gruber, and Kevin Milligan, "Universal Childcare, Maternal Labor Supply and Family Well-Being," National Bureau of Economic Research *Working Paper* No. 11832, December 2005, https://www.nber.org/system/files/working_papers/w11832/w11832.pdf (accessed April 6, 2024).
[23]Chris M. Herbst and Erdal Tekin, "Child Care Subsidies, Maternal Well-Being, and Child-Parent Interactions: Evidence from Three Nationally Representative Datasets," National Bureau of Economic Research *Working Paper* No. 17774, January 2012, https://www.nber.org/system/files /working_papers/w17774/w17774.pdf (accessed April 6, 2024).
[24]Jonas Himmelstrand, "Swedish Daycare: International Example or Cautionary Tale?" Institute of Marriage and Family Canada, September 10, 2015, https://www.imfcanada.org/archive/1107/swedish-daycare-international-example-or-cautionary-tale (accessed April 6, 2024).

principle of parental choice."[25] In particular, the report found that 3 percent or fewer of low-income young children with working parents live outside of metropolitan areas in California, Connecticut, Delaware, the District of Columbia, Maryland, Massachusetts, New Jersey, and Rhode Island. But more than 40 percent of low-income young children with working parents live in non-metropolitan areas in Iowa, Maine, Mississippi, Montana, New Hampshire, New Mexico, North Dakota, South Dakota, Vermont, and Wyoming.[26]

With center-based childcare generally not practical in rural communities, policymakers should remove obstacles and barriers that impede existing public childcare funds from reaching in-home and faith-based providers. Two bipartisan bills co-sponsored by Senator Joni Ernst (R–IA)—the Expanding Childcare in Rural America (ECRA) Act of 2023 and the Small Business Child Care Investment Act—would expand access for rural childcare providers to existing public subsidies and funds. To the extent that these bills simply enable childcare providers to qualify for existing programs, they could help to expand rural childcare access without imposing new costs or risks on taxpayers, so long as they incorporate childcare providers into existing programs.

Caution Against Considering Government Childcare an "Investment"

Advocates of universal—that is, government-subsidized—childcare argue that it is an investment in parents and children because it enables parents to work more—earning more money, paying more in taxes, and building their careers—and it improves children's life outcomes.

Argument Ignores Value of Caregiving. Advocates of government-subsidized childcare cite statistics about the lost wages of parents who drop out of the labor force or who cut back on work in order to care for children. Thus, they claim, government-subsidized childcare that allows parents to earn income is an "investment" yielding earnings, tax revenues, and measured economic output. But that analysis is one-sided because it measures the income, taxes, and output of a woman who works as a paid childcare provider, yet assumes that the economic impact of a woman who performs the exact same role caring for her own children is zero. It is inconsistent for proponents of government-provided paid family leave and government-provided childcare to simultaneously recognize the inherent value of parents staying home with children when calling for paid family leave, while ignoring that value when attempting to push more parents away from caring for their children and into formal employment.

Alleged Benefits for Children Overrated. Advocates of government-subsidized childcare claim that it will produce large returns, on the magnitude of $9 for every $1 invested. They argue that it provides large benefits to children and families and could even "pay for itself" through higher government tax revenues. Those claims are based on two boutique preschool programs that provided wrap-around services to the households of a few dozen highly at-risk African American

[25]Julia R. Henly and Gina Adams, "Insights on Access to Quality Child Care for Families Living in Rural Areas," Urban Institute, October 2018, https://www.urban.org/sites/default/files/publication/99149/insights_on_access_to_quality_child_care_for_families_living_in_rural_areas_1.pdf (accessed April 4, 2024).
[26]Ibid.

children five decades ago.[27] The Nobel Prize–winning author of economic studies on those programs, James Heckman, explained why such high returns are not applicable on a wide-scale basis:

> I have never supported universal pre-school. The benefits of public preschool programs are the greatest for the most disadvantaged children. More advantaged children generally have encouraging early family lives. The "intervention" that a loving, resourceful family gives to its children has huge benefits that, unfortunately, have never been measured well. Public preschool programs can *potentially* compensate for the home environments of disadvantaged children. No public preschool program can provide the environments and the parental love and care of a functioning family and the lifetime benefits that ensue.[28] (Emphasis in original.)

Universal government Pre-K programs, such as Head Start[29] and Tennessee's Voluntary Pre-K initiative,[30] have also produced little, if any, lasting positive results, and have sometimes had adverse effects on children.[31] Considering the weak evidence of positive impacts from large-scale government childcare and Pre-K programs, it is highly unlikely that the very costly proposed programs could pay for themselves, especially considering that the proposals would drastically drive up the costs of childcare.

Government's role in families' work and childcare decisions should not be to push parents into or out of the workforce, but to create an environment that optimizes families' ability to achieve the work and childcare that they believe is best for them.

Solutions for More Accessible, Affordable, and Flexible Childcare

As the number of working parents remains high and the number of licensed childcare providers has been declining, many parents have found alternative or informal childcare solutions. Flexible

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[27]Lindsey M. Burke and Salim Furth, "Research Review: Universal Preschool May Do More Harm than Good," Heritage Foundation *Backgrounder* No. 3106, May 11, 2016, https://www.heritage.org/education/report/research-review-universal-preschool-may-do-more-harm-good.

[28]Archbridge Institute, "Nobel-Prize Winning Economist Dr. James Heckman on Social Mobility, the American Dream, and How COVID-19 Could Affect Inequality," Medium, April 23, 2020, https://medium.com/archbridge-notes/nobel-prize-winning-economist-dr-5550da1df5c3 (accessed April 6, 2024).

[29]In 2012, the Department of Health and Human Services conducted a scientifically rigorous evaluation of the Head Start program's effects on children through the third grade, finding that it had little or no impact on parenting practices, and little impact on the cognitive, social-emotional, and health outcomes of participants. See Lindsey M. Burke and David B. Muhlhausen, "Head Start Impact Evaluation Report Finally Released," Heritage Foundation *Issue Brief* No. 3823, January 10, 2023, https://www.heritage.org/education/report/head-start-impact-evaluation-report-finally-released.

[30]A Vanderbilt University evaluation of Tennessee's Voluntary Pre-K initiative—considered a model of government-funded preschool—found no significant differences between the control group and the preschool group on any achievement measures by the end of kindergarten, and some negative performance and behavior effects for Pre-K participants beyond kindergarten. Mark W. Lipsey, Dale C. Farran, and Kelley Durkin, "Effects of the Tennessee Kindergarten Program on Children's Achievement and Behavior Through Third Grade," *Early Childhood Research Quarterly* (2018), https://cdn.vanderbilt.edu/vu-my/wp-content/uploads/sites/1147/2018/05/14112750/Effects-of-the-Tennessee-Prekindergarten-Program-on-Childrens-Achievement-and-Behavior-through-Third-Grade.pdf (accessed April 6, 2024).

[31]Burke and Furth, "Research Review: Universal Preschool May Do More Harm than Good."

work arrangements are a key component for many parents to achieve the childcare arrangements they desire, and thus, are a part of future childcare solutions.

Another part of the solution is addressing the supply and cost of childcare as many families still struggle to find the type of childcare they are comfortable with at a cost they can afford. Unlike many goods and services that become increasingly abundant and affordable over time due to technological gains and rising incomes, childcare is both labor-intensive and requires significant structural investments. Childcare cannot be automated or outsourced, and children cannot be altered to take up less space, to require fewer feedings and diaper changes, or to forgo things like cribs and a roof over their heads.

While childcare will remain relatively expensive—whether paying for childcare or forgoing income to watch children—there are ways that policymakers can help to increase the supply and reduce the cost of childcare, and help more families to achieve the care that works best for them.

Rolling Back Unnecessary Regulations That Do Not Improve the Quality of Care. Childcare licensing and regulations have set an increasingly high barrier to establishing and maintaining home-based childcare. In certain states, non-licensed care is illegal. In Maryland, a mom cannot pay a friend to watch her children after school for a few days a week in the friend's home without that friend having to become a licensed childcare provider, and becoming a licensed provider is excessively time-consuming and costly.

In addition to eliminating unnecessary regulations, state and local childcare licensing authorities should consider establishing multiple tiers of licensing certifications. In particular, the different tiers could include standards geared towards expending in-home, faith-based, and on-site employer childcare. Multiple tiers could enable more providers to open their doors, and families could choose the type of care they want with the knowledge of what each tier of licensing includes.

Head Start Portability. Policymakers should update the federal Head Start program to function more like the existing Child Care Development Fund (CCDF). The CCDF, part of the federal Child Care Development Block Grant, is a federal–state partnership that provides funding to low-income families to access childcare. Eligible families are provided vouchers through the CCDF to pay for tuition at a childcare center of their choice, including family-run childcare centers, relative care, and faith-based providers, but demand for CCDF vouchers typically exceeds the supply.[32] In contrast, the federal Head Start program is more widely accessible, but often less desirable as it has proven ineffective and mired in fraud.[33] Moreover, although the per pupil cost of Head Start—over $14,000 per year—exceeds the average cost of childcare in most states, the

[32]Office of Child Care, "OCC Fact Sheet," Office of the Administration for Children and Families, U.S. Department of Health and Human Services, June 29, 2020, https://www.acf.hhs.gov/occ/fact-sheet-occ (accessed April 6, 2024).
[33]Jonathan Butcher and Jude Schwalbach, "Head Start's Contagion of Fraud and Abuse," Heritage Foundation *Backgrounder* No. 3467, February 28, 2020, https://www.heritage.org/education/report/head-starts-contagion-fraud-and-abuse.

program often operates for only a few hours a day, meaning it is of little help to working families who need childcare.[34]

To help parents to receive the type of early childcare and education that works best for them, policymakers should allow parents to take their child's share of Head Start funding to a childcare or preschool provider of their choice.

Eliminate Barriers to Employers for Offering Early Childhood Education and Care Benefits. Employers who provide childcare benefits—such as on-site preschool or childcare programs, or subsidies for back-up childcare—can be a huge benefit to working parents and can also help employers to increase employee retention. The Bipartisan Policy Center survey found that 52 percent of parents who currently use informal care said they would consider using formal care if it were located inside their workplace or their spouse's workplace.[35]

Yet, under the Fair Labor Standards Act (FLSA), employers who provide any kind of on-site childcare or childcare subsidies must include the value of those benefits in employees' "regular rate" of pay calculations.[36] This complicates and increases costs when workers who are paid hourly work overtime because, instead of just paying the worker 1.5 times their wage, employers also have to add on 1.5 times the hourly value of any childcare subsidy, even though those subsidies are usually fixed benefits.

Policymakers should exclude childcare benefits from the "regular rate" of pay calculations, just as the law already excludes similar benefits, such as retirement contributions and accident, health, and life insurance benefits.[37] This would particularly benefit lower-income to middle-income workers who are more likely to receive hourly wages and thus be subject to the current impediment. The bipartisan 2023 Empowering Employer Child and Elder Care Solutions Act (H.R. 3271) would accomplish this.[38]

Allowing a Safe Harbor for "Household Employees" Who Prefer to Be Independent Workers. Currently, if an individual or family pays someone more than $2,700 per year (the equivalent of $52 per week) for work performed in his or her, or the family's, home, the individual or family is required to pay, withhold, and submit multiple taxes. This process requires registering as an employer with the state and federal government, hanging official employee-rights notices in one's home, and can include registering with, and submitting tax payments to, the state and federal unemployment insurance systems, state and federal income tax systems, and the Social Security Administration. In addition to the tax burden, compliance with all the different rules and taxes is both confusing and burdensome, and mistakes can lead to significant tax bills for both the household "employer" and "employee." Under the current rules, a family could not even hire an after-school babysitter at $15 per hour for three hours two days per week without exceeding the $2,700 threshold and having to treat that babysitter as a legal employee.

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[34]Dan Lips, "Improving the Value of Head Start for Working Parents," Foundation for Research on Equal Opportunity, December 23, 2019, https://freopp.org/improving-the-value-of-head-start-for-working-parents-739472566ec1 (accessed August 31, 2020).
[35]Bipartisan Policy Center, "Understanding Employed Parents Using Informal Child Care."
[36]U.S. Code 29 USC 207(e)(4).
[37]Ibid.
[38]H.R. 3271, Empowering Employer and Child and Elder Care Solutions Act, 118th Congress, https://www.congress.gov/bill/118th-congress/house-bill/3271?s=1&r=85 (accessed April 6, 2024).

The process of hiring and treating someone as a "household employee" is overly complex and burdensome. Meanwhile, the demand for more flexibility, and part-time care and shared care (such as co-ops and nanny-shares) has almost certainly grown as remote work and independent work have become more common. In shared situations, it can become extremely complex and confusing to know who is and who is not an employer. The childcare provider may travel to different households; families may not know whether they will cross the $2,700 per year threshold, and childcare workers might find their status as an employee versus a contractor varying from one week to another, or from one household to the next.

Congress should create a safe harbor to allow individuals performing household work to choose to be treated as contractors instead of household employees.[39]

Allowing More Flexible Childcare Arrangements. Recent changes in work, including more remote work and flexible or independent work options, have increased the demand for part-time, flexible, and lower-cost childcare arrangements. Most center-based childcare programs do not allow part-time or flexible attendance because of the high fixed costs of center-based care. Small, in-home providers face lower fixed costs and can often offer more part-time and flexible options.

State policymakers should consider ways that they can eliminate barriers to more flexible childcare, including creating optional accreditation standards—which could offer multiple levels of accreditation—in lieu of mandatory licensing so that providers can choose (and fully disclose to families) what type of care they provide. And policymakers should not enact unnecessary regulatory barriers to new types of childcare arrangements, such as parent co-ops.

Letting Families Keep More of Their Own Money. Childcare is expensive and can seem unaffordable, which often leads to calls for government-funded, or universal, childcare and preschool. Part of the reason it is so hard for families to pay for childcare, however, is that they pay so much in taxes. In 2022, Americans spent more on taxes than they did on food, housing, transportation, and health care *combined*.[40] Taking even more from households to pay for government-funded early-childhood programs—which would cost significantly more than existing private and not-for-profit ones—would leave households with less money to spend on what is best for them and few, if any, choices about childcare.[41] On the other hand, reducing households' tax burdens, including their payroll tax burdens, would leave families with more choices to decide what works best for them, and with greater control over their futures.

Creating Universal Savings Accounts So Families and Childcare Providers Can Save for Any Purpose Without Restrictions or Penalties. It can be hard for families to have enough

[39]This choice would allow individuals to receive higher base pay as contractors because of the compliance and tax savings for the households they serve. While those households would have to report any income that they pay to individuals that exceeds $600 in a year, they would only have to provide a single document—Form 1099-MISC—as opposed to registering with, meticulously tracking, reporting, and sending taxes to as many as five government entities.

[40]Author's calculations based on data from the Bureau of Economic Analysis Consumer Expenditure Survey for 2022, and the Federal Reserve's data on total federal, state, and local tax expenditures. In 2022, the average consumer unit spent $51,786 on food, housing, transportation, and health care combined. In 2022, total federal, state, and local taxes equaled $6.95 trillion. Dividing total taxes by the 134 million consumer units equals $51,850.

[41]Rachel Greszler and Lindsey M. Burke, "Why Uncle Sam Would Make a Bad Nanny," Heritage Foundation *Commentary*, March 1, 2019, https://www.heritage.org/education/commentary/why-uncle-sam-would-make-bad-nanny.

money to save and invest for their future goals and unexpected life circumstances, but another—sometimes equally significant—barrier can be the fear of those savings becoming inaccessible due to penalties for early withdrawals. It can also be difficult for small businesses, like childcare providers, to offer employer-sponsored retirement savings plans. Policymakers should advance universal savings accounts so that Americans can save and invest in a single, simple, and flexible account, for any purpose and without penalties or additional taxes being owed upon withdrawal.[42] The creation of such accounts would make it easier for employers to provide a singular contribution to fund any type of benefit or savings vehicle that their employees desire. Universal savings accounts have been particularly helpful to lower-income and moderate-income households in Canada and the U.K. where a majority of account holders are lower-income.[43] By enabling parents and childcare workers to save in one place and to withdraw funds without penalty or double taxation, these accounts could help families to pay for childcare or preschool programs, and could help childcare workers to save for their goals and to be better prepared for many life events.

Expanding the Allowable Uses of 529 Savings Accounts to Include Preschool and Homeschooling Expenses. Historically, 529 savings plans could be used to save for, and pay for, the college expenses of a designated beneficiary, without paying taxes on the accrued investment returns in the accounts. However, as part of the Tax Cuts and Jobs Act of 2017, Congress expanded the allowable uses of a 529 plan to include K–12 expenses, such as private-school tuition. Parents can use these plans to pay for up to $10,000 per year per student from kindergarten through college. Congress should further expand the allowable uses of 529 accounts to include preschool, childcare, and homeschooling costs. Although parents would not have many years to save in a 529 account before a child reaches preschool age, other people, such as grandparents, could contribute to a designated beneficiary's account.

Summary

While many families want to have their children cared for by a parent or family member, and improved workplace policies and independent work options have enabled more parents to achieve the family care that they desire, there are still many families who either need to, or want to, send their children to a childcare provider. Finding the care that families desire at a cost that they can afford can be extremely challenging, and there are limits to how much more affordable childcare can become because it will always be labor-intensive.

The single most impactful way to increase the supply and reduce the cost of childcare is for state lawmakers to eliminate unnecessary licensing requirements that do not significantly improve the safety and care of children. Allowing providers to choose among different levels of childcare licensing would expand childcare options and could be particularly helpful in increasing the number of in-home and on-site employer childcare providers.

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[42]Adam N. Michel, "Universal Savings Accounts Can Help All Americans Build Savings," Heritage Foundation *Backgrounder* No. 3370, December 4, 2018, https://www.heritage.org/taxes/report/universal-savings-accounts-can-help-all-americans-build-savings.

[43]Organization for Economic Co-operation and Development, "Encouraging Savings Through Tax-Preferred Accounts," *OECD Tax Policy Study* No. 15, 2007, https://www.oecd-ilibrary.org/taxation/encouraging-savings-through-tax-preferred-accounts_9789264031364-en (accessed April 6, 2024).

Federal lawmakers can help more families to find the care they need, in an environment they want, at a cost they can afford, by allowing families to use Head Start funds at a provider of their choice; by not discriminating against in-home, relative-provided, and faith-based childcare providers in the distribution of federal funds; by eliminating barriers to employer-provided childcare and to babysitting care; and by making it easier for families to keep and save more of their incomes.

How to care for their children is one of the most important decisions that parents make, and helping to ensure that families can pursue the childcare environments that work best for them should be a priority for policymakers.

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The CHAIR. Thank you. Ms. Brooks.

STATEMENT OF AMY BROOKS, EXECUTIVE DIRECTOR, EARLY CARE AND EDUCATION ASSOCIATION, LEBANON, NEW HAMPSHIRE

Ms. BROOKS. Good afternoon, Chair Shaheen, Ranking Member Ernst, and members of the committee. Thank you for this opportunity to speak as a former childcare business owner, and now on behalf of a group of 120 licensed family and childcare business owners in—based in Vermont and New Hampshire.

And as a former elementary school teacher, I quickly learned that many of the children in my class had their first experience in language and literacy building when they entered kindergarten.

With little access to high quality childcare in my community, I resigned after eight years teaching third grade and opened a childcare business in an effort to disrupt the cycle of catching up in elementary school. My husband and I used his life insurance policy to put it down in a building in order to keep a low mortgage payment.

We worked long hours and dedicated ourselves to this business, as most small business owners do, but it wasn't before long that I had to raise tuition just to cover rising operational costs. I lost some middle income customers that were caught between qualifying for adequate assistance and being able to afford the care.

Over time, the only way to absorb rising costs was to keep payroll costs low. No other element of operating my business could be adjusted. What makes up the budget of a childcare business? On average, payroll costs make up 80 percent of the budget, leaving little room for cost cutting.

For example, in a classroom of 16 three year olds, a program that is open from 6.30 a.m. to 5.30 p.m., it requires 125 payroll hours to cover that group. At only a $15 wage, it amounts to $118 per week, per child. And that does not include payroll taxes, workers comp, no benefits, no paid professional development, or any other operational costs.

That is the model now. Low wages keep costs low in order to make childcare more affordable for families. This has led to market rates that reflect this model and not the true cost of care. I sold my business after 20 years and now lead a network called the Early Care and Education Association, made up of 120 licensed center and family based providers.

I work with these childcare businesses on a daily basis, and they tell me they are struggling to reach a break-even point. Although our innovative workforce training career cultivator is bringing new people into the field, wages and benefits remain a barrier to recruiting and retaining staff.

We need approximately 100–225 trained staff in my region just to reach the full capacity of licensing that we have. And they struggle to compete with the other businesses that are able to pass on the cost of competitive wages to their customers. While many businesses are turning to automation and remote work to bear the rising costs, childcare businesses have fewer options, no self-checkout, no remote, no hybrid options.

Quality childcare is reflected by low teacher child ratios, proper training, adequate wages, and benefits for staff. Affordable, high quality childcare has a direct correlation to better outcomes for children entering the public school system, fewer Title I reading referrals, and behavioral interventions, as well as earlier diagnosis and interventions, and this leads to better outcomes for families.

It means less missed work due to childcare issues and better performance, and more retention of highly trained employees after parental leave. The economist James Hackman has quantified that investment into high quality early childhood programs for young children at risk can have a 13 to 1 return on investment and I have seen this firsthand.

Over my 20 years in operating a childcare business, I work closely with early intervention in my school district to identify and address problems early, and in many cases, eliminate the future need for costly special services.

This is exactly the reason I left public school to open a childcare business with high quality early education services, giving all children in my care a chance to enter school prepared to learn and disrupt the cycle of catching up. I have recently heard from an OR nurse and several nursing staff that have reached out for help and have exhausted their search for childcare.

My region includes five medical centers, including Dartmouth-Hitchcock Medical Center, which is the only level one trauma center in New Hampshire, and it employs 8,000 people. A survey of the childcare businesses in my region this past January revealed that more than 750 slots are unused due to lack of staffing.

The workforce in these childcare businesses underpin the workforce in our community. Recent surveys, as the Senator remarked in her opening statement, have shown that 16,000 men and women per month are not able to enter the workforce in New Hampshire due to the lack of access to affordable childcare.

Additional investment should reflect the true cost of care and include higher qualifying income limits for families with a child under three. Families with children under three incur extra costs due to a child's—the young child's needs. The result of this investment would be for parents to finally afford the true cost of care.

Childcare businesses can raise wages, invest in paid professional development opportunities, and potentially expand operational hours. Thank you, Senator Shaheen, for this opportunity to speak on behalf of the childcare industry in my region.

[The prepared statement of Ms. Brooks follows.]

Testimony of Ms. Amy Brooks
Executive Director
Early Care and Education Association
Lebanon, NH

Good afternoon Chair Shaheen, Ranking Member Ernst, and members of the Committee,

Thank you for this opportunity to speak as a former child care business owner and now on behalf of the 120 licensed family and center-based child care businesses in the Upper Valley region of Vermont and New Hampshire.

As a former elementary school teacher, I quickly learned that many children in my class had their first experience in language and literacy- building when they entered Kindergarten. Despite thriving factories and an active hospitality industry at the time, there was little high-quality child care.

I resigned after 8 years teaching in public school and opened my own child care business in an effort to disrupt this cycle of catching up in elementary school.

My husband and I used his life insurance policy to put down on a building in order to keep a low mortgage payment. We worked long hours and dedicated ourselves to this business as most small business owners do, but quickly found that we had to keep operational costs down in order to keep from raising tuition.

I acted as plumber, maintenance department, office clerk, doing all of my own office work and did the landscaping and snow plowing myself. But It wasn't long before I had to raise tuition just to cover rising operational costs that were outside of my control. I lost some middle income customers that were caught between qualifying for adequate assistance and being able to afford care. Over time, the only way to absorb rising costs was to keep payroll costs low. No other element of operating my child care business could be adjusted. My story is not unique. Sadly, it is more the norm than the exception.

What makes up the budget for a child care business? As you may know, on average, payroll costs make up 80% of the budget leaving little room for cost cutting. For example; a classroom of 16- 3 year olds, in a program that is open 6:30 to 5:30 requires 125 payroll hours to cover that group. At a $15.00/hr wage that amounts to $118.00 per child per week. This does not include payroll taxes or worker's comp, no benefits, no vacation or PTO, no Professional Development hours. Or any other operational costs.

That is the business model now, low-wages keep costs low, in order to make child care affordable for families. This has led to a market rate that reflects this model and not the True Cost of Care.

I sold my business after 20 years and was hired to lead a network called the Early Care and Education Association made up of 120 licensed center-based and family-based businesses in the Dartmouth College region of NH and VT. I was able to quickly build relationships with these child care businesses because I knew, first hand, what they are going through and how difficult it is to provide a quality level of child care service, while struggling to maintain a professional workforce, all the while unable to pay a living or competitive wage and with few or no benefits.

Quality child care is reflected by a child centered safe environment, low teacher/child ratios, proper training, and adequate wages and benefits for staff. It has an impact both on the current workforce in our communities and on children and families over their lifespan. Affordable high-quality child care has a direct correlation to better outcomes for children entering the public school system (fewer Title 1 Reading referrals, fewer behavioral interventions as well as earlier diagnosis and early intervention as shown in the Perry Preschool Project) and this leads to better outcomes for families. It means less missed work due to child care issues, focused performance at work, and more retention of highly-trained employees after parental leave.

The economist James Heckman has quantified that the investment into high quality early childhood programs for young children at risk can have a return of 13 to 1. $13 dollars of benefit for every dollar spent.[1]

I have seen this first hand. Over my 20 years in operating a child care business, I worked closely with early intervention and our school district to identify and address problems early and in very many cases, eliminate the future need for costly special services. This is exactly the reason I left public school to open a child care business with high-quality early childhood services: to give all children in my care a chance to reach elementary school prepared to learn and to disrupt the cycle of catching up.

I have received calls from parents in the last few months, one from an OR nurse waiting for an infant slot. Her husband is a surgeon and both are desperately needed back at work. Other callers include pediatric nursing staff that have reached out for help and have exhausted their search for care. You see, my region includes 5 medical centers, Including Dartmouth-Hitchcock Medical Center and Geisel School of

[1] "13% ROI Research Toolkit", The Heckman Equation, available at https://heckmanequation.org/resource/13-roi-toolbox/.

Medicine which is the only Level 1 Trauma Center in NH and employs more than 8,000 people.

A local Town Manager has called trying to help his Town Planner find infant care. A survey of the child care businesses in my region, this past January, revealed that more than 750 slots are unused due to lack of staffing, plus there is a need for at least 1500 more slots in addition to those 750. The workforce in these child care businesses underpin the workforce in the community and without them, the economy suffers. Our region also includes many other employers who have communicated through the regional Corporate Council and the Upper Valley Business Alliance that childcare is one of the two top barriers to having the workforce that they need.

Let me share something that most everyone else knows, but I realized shortly after opening my child care business. Parents raising young children are usually in their 20's and 30's and have some of the highest costs of living and are just on the bottom rungs of the salary scale. They have new mortgages or 2 or 4 bedroom rental costs, a car loan, school loans or technical training debt. On top of this, are child care costs. It takes two incomes for a family in our region to pay these bills.

For parents with children under 3 there are the added costs of special formula, baby food, lost time at work due to illness or well-child appointments and the cost of diapers; on average children under 3 use 6,000 diapers per year! All of these contribute to a child care business' struggle to CHARGE the actual cost of care to parents and in many cases today to grandparents as well.

Lower and middle income families need a boost, temporary, but something to help them during these years of raising very young children. And child care businesses need to be able to charge what it actually costs to operate.

Currently some families in my region travel up to one hour out of the way to access a childcare slot. Families dream of child care that meets their needs for location, culture and programming or just where they are the most comfortable. For now, most low and moderate income families just try to find a slot and then figure out if they can afford it. A child care program an hour away may be their ONLY choice.

Child Care businesses are an important part of NH's economy. Surveys in 2022 and 2023 have shown that up to 16,000 men and women a month are not able to enter the workforce because of lack of access to affordable child care. I work with these center-based and family-based child care businesses on a daily basis and they tell me they are **struggling to reach** the breakeven point due to lack of staffing. A recent ECEA survey that we conduct annually indicated that we need approximately 225 trained staff in my region to reach full capacity and they struggle to compete with other businesses that are able to PASS ON that cost of offering a competitive wage

to their customers. While many small businesses are turning to automation and resource diversification to bear rising costs of payroll and supplies, the child care business model has fewer options. No self-checkout. No pre-ordering. No remote or hybrid options.[2]

Presently the workforce child care assistance funds are income and employment based and go directly to the business on the parents' behalf. This means they are not taxed for the parent, and parents in instability, homeless or unsupported can easily access this support quickly. They do not have to "front" these costs on their own or find themselves ill equipped to budget for annual child care costs with a single source of money.

Additional investment should reflect the True Cost of Care, and include higher qualifying income limits for families with a child under 3. What is needed is to fund the actual cost of providing this care.

The result of this investment would be for parents to finally afford the true cost of care; child care businesses can raise wages, invest in quality improving paid professional development opportunities and potentially expand operational hours.

Thank you Senator Shaheen for this opportunity to speak on behalf of the child care industry in the greater upper valley region. You are familiar with the struggle of these small businesses. It was a pleasure to share some time with you last fall demonstrating the "collective power" of a child care business network with a demonstration of our very successful workforce training "career cultivator".

[2] "The State of Child Care in New Hampshire: End of One-Time Federal Investments May Reduce Industry Stability", New Hampshire Fiscal Policy Institute (Feb. 2, 2024), available at https://nhfpi.org/resource/the-state-of-child-care-in-new-hampshire-end-of-one-time-federal-investments-may-reduce-industry-stability/.

The CHAIR. Thank you very much. Dr. Todd-Smith.

STATEMENT OF LAURIE TODD-SMITH, DIRECTOR, CENTER FOR EDUCATION OPPORTUNITY AND CENTER FOR THE AMERICAN CHILD, AMERICA FIRST POLICY INSTITUTE, MADISON, MISSISSIPPI

Dr. TODD-SMITH. Hello and thank you for the opportunity to be here today. As you heard earlier, I have had a long and rewarding career at every level of the education continuum.

I have been a preschool teacher, public school teacher, childcare director, researcher, policy advisor, and then Director of the Women's Bureau at Department of Labor. I am also a grandparent of a two year old sweet little girl named Evie Marie.

So, of all my years of experience in this field, I have really come to believe that early childhood education is the most important U.S. policy we could focus on, and I so appreciate this committee focusing on that today and being part of this conversation.

As you know, the first five years of life play a critical role in the development of shaping future learning and success with children. The research on brain development is very clear. The interactions that children have, whether they are good or bad, are very meaningful and critical in their brain development.

When I think back to my time as a kindergarten teacher, as you mentioned, I vividly remember the stark differences in the children that I served. Some would come to the first day of school ready to read and talking and knowing all their colors, and others had never held a book, and others had never eaten with silverware at the table or been read to.

And so, there was quite a gap there with what is happening in the schools, or in prior to coming to kindergarten. I learned firsthand very early in my career that these supportive environments facilitate optimal growth and adverse conditions have lasting repercussions.

When we think about what is doing—what is best for the business of childcare, the focus needs to be on early health and wellness, strengthening families, and supporting parents who are essential drivers of young children's well-being.

This means advancing the whole family through a two generational strategy that allows each member of the family to thrive. One of the most successful ways that the early childhood field has seen improvements is through a State system approach to aligning all the services in a State.

Some innovative States, like North Carolina, have actually created a dedicated position in their Department of Commerce to be able to help address the challenges of high quality and affordable childcare. Arkansas, Georgia, and New Mexico have improved all the alignment of the services for young children and families by consolidating State agencies and establishing a governing board for early childhood education.

Georgia, in particular, created the Bright From the Start Program, which oversees every single child—early childhood education program in the State. Iowa has also established a Childcare Task Force that addresses shortages and employment obstacles in that State. Another thing States are doing that I think is helpful to this

conversation is improving data systems. I experienced this first-hand in the Governor's office in Mississippi.

We started with an inventory of all the silos in education—in early childhood education that were happening and linked it with all the real data from the other State agencies. So, the Mississippi system now includes longitudinal data of early childhood, K–12 education, community colleges, higher-ed, as well as workforce.

So, the system is used to generate reports and help inform policy-makers about what Is working and what Is not working in the field of early childhood, all the way through the workforce. We also know childcare is one of the most significant expenses for families with children—with young children.

I mentioned the quality of the environment in which children spend their day is very important, and there is no one size fits all. You have heard all of those things today already. And looking at factors that drive up the cost of childcare, many States are currently reviewing their licensing regulations.

We can all agree that health and safety regulations for children are very important. In my research for my doctoral dissertation, I studied all 50 States and their licensing regulations, and I found that the standards varied greatly in all the States, and some were unintentionally driving up the cost of childcare.

The requirement for all preschool teachers to have a bachelor's degree in any field is actually—was a plan to ensure a qualified workforce is particularly detrimental. Young children need to benefit from an effective workforce.

There is no evidence that having a bachelor's degree in any field makes a difference for preschool teachers to be more effective. There are real ways we can help to retain the childcare workforce. Credential based childcare apprenticeship programs are happening all over the United States.

Texas, Iowa, Arkansas, Florida, and many other States have promising solutions, offering valuable experience and training for a growing workforce. Registered apprenticeships are a great tool to help recruit workers in high demand fields and bring more people into the field of childcare.

In closing, the challenges in the childcare industry created at the State level, require State level—State led solutions. The best way to improve childcare policy is to identify and support and highlight the work of these innovative States and assisting the whole family through the two generational strategy, while enabling adults to work and supporting young children's learning and development.

I so appreciate the opportunity to provide testimony before this committee today on this very important topic, and I look forward to your questions.

[The prepared statement of Dr. Todd-Smith follows.]

April 10, 2024

CONGRESSIONAL TESTIMONY

THE ROLE OF CHILD CARE SMALL BUSINESSES SUPPORTING PARENTS AND THE AMERICAN WORKFORCE

TESTIMONY BEFORE THE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

U.S. SENATE

APRIL 10, 2024

LAURIE TODD- SMITH, PH.D.
DIRECTOR CENTER FOR EDUCATION OPPORTUNITY
DIRECTOR CENTER FOR THE AMERICAN CHILD
AMERICA FIRST POLICY INSTITUTE

Chair Shaheen, Ranking Member Ernst, and distinguished members of the Committee, thank you for convening today's hearing on the role of child care small businesses in supporting parents and the American workforce.

I am Dr. Laurie Todd Smith and I serve as the Director of the Center for Education Opportunity and the Center for the American Child at America First Policy Institute, a non-profit, non-partisan research institute that exists to advance policies that put American families first. I am a former early childhood teacher, Director, and public school teacher. I have had a long and rewarding career at every level of the education continuum, but I strongly believe that early childhood education is the most crucial area of U.S. policy and so much of my research is focused on early literacy and education opportunity for all children. I am honored to testify before the committee today on this topic, and it is fitting that I am doing so during the National Week of the Young Child. Today in my testimony, I will discuss the research highlighting the importance of quality child care. I will also address the challenges states face, including limited child care capacity, high child care costs, and the need for a well-supported child care workforce. I will conclude by highlighting state successes in these areas.

Introduction

The first five years of a child's life are pivotal for laying the foundation of their future learning and success, as the brain is highly adaptable to experiences during this period. Despite years of federal support for early care and education, existing policies are fragmented and do not consider the latest research, hindering their effectiveness. The environment significantly influences the development of a child's brain, with supportive environments fostering optimal growth and adverse conditions having long-lasting consequences. Disparities in early experiences exist, with children from lower-income backgrounds often entering school underprepared. It is easier and less costly to form strong brain circuits during the early years than to intervene or "fix" them later. However, federal policy has not adapted to the latest research on child care and education, with existing programs often lacking coordination and being based on outdated science. These programs also neglect the intertwined nature of care and education and do not fully address the needs of children who spend significant time in child care. To improve children's outcomes, the focus should be on early health and wellness, strengthening families, and supporting parents as essential drivers of young children's well-being. The home, community environment, and quality of interactions a child experiences directly impact their health and brain development.

State Challenges and Solutions

The child care industry within states is fragmented and typically has varying governing structures that seek to align services but continue to fund programs instead of families. The child care market includes a diverse set of for-profit and nonprofit businesses, including large child care centers run by national or regional companies; child care provided in the owner's home—often referred to as family child care or home-based care; care provided in faith-based settings; and individual caregivers. Some of the challenges that states report are related to a low number of child care centers or home providers, leaving parents with few options, the high costs of child care, and recruiting and retaining qualified child care professionals.

When it comes to early childhood education, states should lead the way. States have faced significant challenges in optimizing federal funds and aligning them with their respective child care plans. The recently introduced Stronger Workforce for America Act (WIOA reform bill HR6655) includes many improvements that could strengthen the American workforce including childcare. Governors are granted authority to retain a portion of the total funding for various programs, including adult, youth, and dislocated worker initiatives. Governors have the flexibility to allocate funds towards eligible activities that align with their priorities including childcare. Mississippi Governor Tate Reeves leveraged funds from the WIOA governor's reserve fund to establish the state's career coaches program in public schools. This program places coaches within school districts to guide students towards quality career pathways. Coaches can also advise high school students on the training and job opportunities available in the state. Following the program's success in several communities, the state legislature allocated an additional $8 million and then $12 million more to expand it to additional school districts (Accelerate Mississippi, n.d.).

The best way to improve child care policy is to identify, support, and highlight the work of innovative states focused on advancing whole families through a two-generation strategy that simultaneously enables adult work and supports young children's learning and development.

Child Care Capacity

One of the most successful ways the early childhood field has seen improvement is through a state systems approach to increase alignment, coherence, and continuity of child care across programs and services (Erdei, 2019). Instead of looking at child care as a separate entity, the systems approach seeks to achieve increased access, reduce duplication of effort, and improve effectiveness across government agencies and between public and private organizations. States have worked to build cohesiveness on financing, governance, training for teachers, Head Start, child care, public pre-k, home visiting, and other sectors of early childhood to operate as a whole. North Carolina created a state position within the Department of Commerce to focus on child care specifically addressing the insufficient supply of high quality and affordable child care in the state. States like Arkansas, Georgia, and New Mexico have significantly improved the alignment and coordination of services for young children and their families by consolidating state agencies, creating a governing board for early childhood education, and administering federal and state funding for child care and public PreK from within one agency (Smith et al., 2018).

Family Forward NC is an innovative initiative to improve children's health and well-being and keep North Carolina's businesses competitive. It is employer-led change to increase access to research-based, family-friendly practices that improve workplace productivity, recruitment and retention; grow a strong economy; and support children's healthy development. Resources for parents about child care are included and employers to help address the child care needs of their employees are available for employers.

States clearly recognize that quality child care is crucial for a healthy economy, and many are taking action to create a wider variety of child care options, both publicly and privately funded. These policies include increasing the number of child care providers. A recent example is the partnership between the Mississippi Department of Human Services and Wonderschool, a child

care platform. This program helps qualified individuals launch new home-based child care programs, specifically targeting areas with child care shortages. For such programs to succeed, data systems must also improve.

In order to better understand child care capacity, states must have accurate data. An Early Childhood Integrated Data System collects, integrates, maintains, stores, and reports information from early childhood programs across multiple agencies within a state that serves children and families from birth to age 8. The importance of integrated data is widely acknowledged, given its ability to facilitate better outcome tracking, increase efficiency, and improve the capacity for informed decision-making, leading some states to put more resources behind creating and developing data systems than others. Mississippi has made considerable progress towards developing and establishing a statewide integrated education and workforce longitudinal data system. The system has a shared vision and mission, sustainable partnerships, and governance and management plans for sharing data amongst state agencies. The system includes longitudinal data on early childhood, K-12 education, community colleges, higher education institutions, employment, rehabilitation services, and corrections. Many education and workforce leaders have recognized the importance and value of such a system as it has been used to generate information to inform policymakers and stakeholders on student achievement and workforce outcomes.

To streamline early childhood services, states like Georgia consolidated departments to form entities like Bright from the Start. This single agency now oversees all early childhood initiatives in the state. In a similar effort, Iowa established a Childcare Task Force through an executive order by Governor Reynolds to tackle childcare shortages and employment obstacles

Child Care Cost

Child care is often the most significant expense for families with young children and more choices are urgently needed. It is not only costly for parents but also costly to provide. High-quality child care is a multi-dimensional concept and may vary based on the setting, such as center-based care or family child care homes. It is critical to respect the role of parents in choosing the care best suited to their child's needs, values, language, culture, and work schedules. One-size-fits-all directives on what constitutes high-quality child care can be counterproductive, especially when few child care providers are left in the market from which to choose. Child care policy and quality rating systems should include all provider types, including home-based family child care, to enable safe, nurturing child care options and settings.

Licensing, regulatory, and monitoring frameworks are the basis for ensuring that child care settings are healthy and safe for children. However, policies to regulate the health and safety of child care are created separately at the federal, state, and local levels. This can result in an overlay of contradictory policies and procedures, the imposition of unnecessary and burdensome requirements, and multiple visits from regulatory officials and program monitors at many levels of government. Some regulatory practices, such as local zoning laws, inadvertently drive up prices and reduce availability and fail to create a more nurturing environment for children. The Federal government and states should ensure that regulatory frameworks, requirements, and monitoring practices are not duplicative and unintentionally drive up the cost of providing care,

reduce availability, or push different types of providers, such as faith-based or home-based family child care providers, out of the market.

Meanwhile, businesses can invest in benefits that directly support their employees' child care needs. Many companies now provide annual child care stipends to their workers, while others create on-site child care services. The UPS Child Care Initiative, launched in partnership with Patch Caregiving, was piloted in 2022-2023. The program, a first for UPS, aimed to mitigate child care challenges and increase employee retention. It offered on-site day care services, with 80% of eligible employees participating and avoiding over 120 unplanned absences. The initiative significantly reduced employee turnover from 31% to 4%. Given its success, UPS plans to expand the program to more facilities in 2024.

Like UPS, many businesses recognize that paid leave, child care, and other family-friendly policies are important ways to recruit and retain the workforce. The Fair Labor Standards Act (FLSA) excludes the cost paid by employers of providing benefits such as accident and health insurance, retirement benefits, and life insurance from the "regular rate" of pay, and thus the overtime pay calculations. Currently, under FLSA employers must pay additional overtime for the benefit of on-site child care and child care subsidies. Unlike healthcare or even health club benefits, there is no statutory exclusion for the cost of providing child care benefits. All businesses can benefit from a better understanding their employees' child care needs. Beyond current tax credits, technical assistance around employer-sponsored child care models and best practices, as well as general information about employee-parent child care needs and return on investment from family-friendly policies, could be more widely distributed.

All of these aforementioned initiatives demonstrate a growing focus on improving access to high-quality child care through public and private partnerships to support the early childhood education workforce. These examples also underscore the necessity of state-level engagement to support the long-term viability of early childhood education and child care initiative.

Child Care Workforce

An essential component of high-quality child care, particularly for young children, is ensuring a nurturing, responsive relationship with caregivers. A college degree alone is an uncertain proxy for quality child care. Requiring child care staff in a child care setting (center or home-based) to have a college or other degree can increase costs, unnecessarily burden already low-paid providers with unnecessary student loan debt, and drive others out of the profession. Policies should encourage skills-based hiring to ensure providers bring the competencies and skills needed to provide quality care, irrespective of academic degrees. Making it easier for educators and caregivers to gain the skills and competencies they need to provide high-quality care that promotes healthy development and learning can encourage more providers to enter and stay in the workforce. Removing barriers to access to professional development and creating pathways creating multiple pathways to enter and advance in the field is critical, as is ensuring that compensation aligns with market demands.

Compensation for child care providers, especially those workers who care for infants and toddlers, is generally very low. However, federal and state-level policymakers have increased credentialing and degree requirements over time. Apprenticeship models provide a viable

credentialing option for the early childhood education workforce." Child care apprenticeship models provide experience and are an excellent way to highlight and train individuals considering a career in child care. Ten years ago, only a handful of states had child care Registered Apprenticeship Programs (RAPs). Over the past few years, 35 states have implemented regional or statewide Registered Apprenticeship programs for child care and early learning, with an additional seven states currently developing such programs. These initiatives are relatively new and typically serve a small number of apprentices, ranging from five to 25 individuals.

Summary

In conclusion, improving the well-being of America's young children is crucial to their life chances and the success of our nation overall. The widespread desire for a work-life balance that prioritizes parental involvement is underscored by findings from the 2021 American Compass survey. Families seek diverse options, including affordability and flexibility, highlighting the importance of providing various choices to accommodate varying needs. Furthermore, all 50 states have established early learning standards from infancy through preschool, recognizing that children learn continuously in various settings. Therefore, policies that bolster family bonds and empower parents, especially during crucial early developmental stages, merit attention. This approach resonates with parents' preferences and fosters optimal child development, ultimately contributing to a brighter future for America.

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The CHAIR. Well, thank you all very much for giving us a lot to think about.

And Dr. Todd-Smith, I am glad you mentioned the early brain research ahead, because one of the things that as Chair of the Education Commission of the States, when I was Governor and focused on early childhood education, one of the things that struck me is that children's development goes like this in terms of the graph. Very dramatic in the early years.

But public support for a child's development goes just the opposite. We spend the least in the early years when it would do the most good, and the most in the outer years when it is going to cost us more for any investments. So, it is a really critical challenge, and we have to figure out how we can reverse that arc.

Ms. Cisneros, I wanted to ask you about the gap that you talked about in the way we collect data and whether we need to change that. Would that be helpful as we are looking at how we collect data?

Ms. CISNEROS. I do—[technical problems]. Thank you. I do think it would be helpful. Especially in my other work, the same issue has come across at other educational levels, K–12 to post-secondary.

So, having some continuum with early learning before kids start the formal school system would be important and helpful, especially with regard to transitions. So, transition from early education into kindergarten, and I know there has been more focus now on supporting principals in elementary schools to help do just that, as well as the transitions even from middle school to high school, to make sure kids are still on track.

And also, after high school, in terms of what are their next steps, is it college, is it training. And to get more feedback about the choices kids are making. So, I do think it is beneficial.

The CHAIR. Thank you. Ms. Brooks, I talked about how enthusiastic I was when I visited the career cultivator because we have had such a challenge with losing childcare teachers and you have done a great job of figuring out how to train more teachers quickly and get them into the field.

Can you talk about how you have done that and the difference that it has made, and the challenges with retention, which you referred to a little bit in your opening?

Ms. BROOKS. Yes. Thank you. Our career cultivator is part of a—it is a three part workforce building strategy.

We know that when high schools and community college system used to have a strong practicum component of their teacher training, we saw less people prepared to enter the workforce and more turnover.

So, a, for us, by us model where providers were saying, this is really what we need help with, we understood that we do—we actually do general recruiting for staff, but we did find a niche of people that were kind of on the fence, no experience, sometimes even little workforce experience at all, and we needed to develop a model around that.

These people are not college bound, you know, in your traditional college model and they may or may not be—have made up their

mind about coming into the field. So, we have made a very intentional program.

It is designed so that people can keep like a hospitality type of a job at the same time on weekends while we go through this training. The training addresses basically all of the onboarding needed to bring on somebody into the field, including 60 hours of onsite practicum at a lab site.

We also have a component where that program feeds a sub pool, so that those people are able to not only gain employment while they are going through this training, but also gain experience.

And last year, we in just our pilot year, we were able to cover through that sub pool component, 257 hours of days—257 days, excuse me, of subbing, allowing people who haven't had a day off all through COVID to keep a day—have a day off and then keep families at work so that their children had care. All the while, they are learning about the field. It is a very successful model.

We also know that through experience working with other groups that have worked—that are working workforce, that they struggle with people coming into a 40 hour week, especially in a high turnover, burnout type of a job.

So, we offer flex kind of entry, so you do not have to be committed to a part time or full time position. You can come in and you can actually stay in the sub pool until you are ready to enter the field.

That flex model works so that it can—these people can also sub for the family providers as well. So, when they need to take time off, families don't lose care.

The CHAIR. That is great. And you provide a stipend for——

Ms. BROOKS. They are stipended for their expenses and their cost of—any expenses to get there, yes. Thank you.

The CHAIR. Senator Ernst.

Senator ERNST. Thank you, Madam Chair. And I will start with Ms. Greszler. And thanks again for being here today. Really appreciate it. It is critical we continue to highlight the unique ways that parents are seeking childcare options in their homes, in their communities, and in their religious centers.

And you touched in your testimony on how unnecessary regulations can then choke out small businesses. Cutting down burdensome Government requirements is an important focus of mine. And what would you say would be those regulatory changes that we should on this committee be considering to increase the availability and supply of those childcare providers?

Ms. GRESZLER. Thank you. Yes, as childcare is always tied to the workforce, I do think the workforce component is important too.

And we have seen interestingly, the most recent preference among parents for childcare is 31 percent of parents want to have both parents work flexible jobs and share in the childcare. And then there is other combinations of part time childcare.

And so, I think that part of the difference in the licensing and the regulations has to take into account that not everybody wants the 8.00 a.m. to 6.00 p.m. childcare center. There has to be more variability in the types of childcare options that are out there, and that predominantly is getting at in-home providers and faith based providers.

So, a lot of the work really needs to be done at the State and local level, and that is where I think that you could have different tiers of licensing. As long as this is made available to parents, what tier they are signing the children up for, one parent might feel very strongly that the childcare has an emergency vehicle on hand so that they could transport kids, and they want to have those four weeks of records of everything that their child ate and drank, what amounts at what time, whereas another parent might not care about that.

And this can open up more availability for having shared spaces, things like that. But at the Federal level, as I mentioned, the Fair Labor Standards Act right now, employers are hesitant to provide childcare because for lower wage workers who are hourly paid, if they give them a childcare subsidy or provide onsite childcare, that benefit if the worker works overtime, they have to pay overtime at a rate that takes into account that childcare.

So, we exclude retirement benefits, health insurance from that overtime calculation for employers. So, it would simply be a little tweak to also exclude the childcare subsidy. And then one other thing at the Federal level that I think would be really meaningful to the low income families, where I think is the most important component here, is allowing Head Start money to be taken to a provider of their choice.

Head Start costs about $14,000 per year, that is the average cost of care, but oftentimes Head Start is only a couple hours a day, so it doesn't provide a childcare solution for a working family. But if they could take that to an in-home provider or somewhere else in the community, it would.

Senator ERNST. Very good. No, I really appreciate that. Those are helpful ideas. And part of our task force in Iowa has been looking at a number of different options like that as well. So, I appreciate that.

And Dr. Todd-Smith, again, thanks for joining us. And I am glad folks like you are out there advising our States on improving their early childhood care options and workforce development. I feel exactly, as our chair does, about focusing on early childhood. So, thank you so much.

We have discussed it a lot of challenges with staffing, and it certainly an issue that I continue to hear about from all of the small businesses that I visit, not just in Iowa, but all over the country. How can States improve their childcare workforce training and their retention?

Dr. TODD-SMITH. That is a great question and thank you for that. I think it is such a critical part of it. I touched on the childcare apprenticeship model in my remarks, but I think, you know, one thing in Mississippi that I clearly remember was being in the office and hearing that there was a shortage of welders in the State, and there was a whole team of people that came forward and created a training module, created an online learning base.

We had the community colleges create—trying to recruit more people into welding, all of those things to help our manufacturing business. And I remember looking at the Governor saying, can we do that for childcare? And there is a whole group that was already looking at career and technical education.

So, I think one way that is also working well in States is tying it to the existing workforce structure as a technical certification for teachers to obtain and using existing programs that are in place to help move that along.

Apprenticeship models are an absolutely wonderful idea. We had a group called Milwaukee Tools in Mississippi, one of our manufacturers, and he asked—you know, he said, in Mississippi, I need more women in the workforce. They are better on the plant, with more detail.

Do you think if I opened a childcare center at the plant, I could get more women recruited into the childcare center? So that was another way where he helped support, that organization helped support childcare centers and increasing teachers' interest in that.

So, through apprenticeships, through employer sponsored childcare, the idea you talked about with changing the coding at Department of Labor to allow for the benefit of childcare subsidies, I think all of those are ways to try to help the system as a whole.

Senator ERNST. That is fantastic. Thank you. I yield back.

The CHAIR. Thank you, Senator Ernst. Senator Rosen.

Senator ROSEN. Well, thank you, Chair Shaheen, Ranking Member Ernst. This is a really important hearing, and I want to thank the four women witnesses, for being here to testify, for supporting our families, for thinking creatively out of the box, how to help our families grow and thrive. This is so very important.

And, you know, I know, Senator Ernst, we have our—one of our favorite bills we have together, the Small Business Childcare Investment Act. I know she has referred to it, but this is really, as you have just said, a crux of—a foundational issue for all of us.

And so, I mentioned when Administrator Guzman came before the committee last month, the lack of access to affordable childcare. Like I said, you just alluded to. It is a crisis that demands immediate action.

Infant childcare in Nevada, it cost families over $13,000 a year on average, and the rising cost of childcare is financially squeezing parents across the State and across the country. And like I said, I am going to keep mentioning our Small Business Childcare Investment Act until we get that passed, because it is—I think it will be a game changer.

And it is going to increase the availability of affordable, high quality childcare for working families by, for the first time, allowing nonprofit providers to have the same access to SBA loan programs as for profit providers. That is a game changer. It has been over 260 days since that legislation passed out of this committee.

There is no excuse for finally getting this long passed to bill across the finish line. So, Ms. Cisneros, can you speak about the ways that the childcare crisis really impacts not just our workers, but our small businesses, right.

How passing this bipartisan bill is just going to make such a difference in every community, urban, rural, underserved, childcare deserts everywhere, affordable childcare deserts, I would say everywhere.

Ms. CISNEROS. Thank you for that question. It is a very urgent and compelling topic in terms of both access and affordability.

And that is the challenge in terms of thinking about the childcare industry, is that it is complex and there is no one solution to resolving the main areas that include workforce development quality for those early educators and make sure we have got the right educators in the setting with kids.

We have got to make sure that there is an actual living wage for those who do have small businesses and who are owners of childcare businesses. That is always a challenge. And we have to work with, I think, stakeholders, including the business community and employers in helping to think about different solutions. And that is one thing we have done at CED is really try to engage the business community.

And there are different ways in terms of improving access and affordability. Different options range from sharing information about childcare itself, what good childcare quality looks like.

It could be part of onboarding materials when new employees join. They can also provide subsidies to help offset the costs for employees. And, if they are really ambitious, they can provide onsite childcare directly.

Senator ROSEN. Thank you. Can I—I just have about a minute. I want to get another question in, because I think about the flexible childcare options. We have to look at how we lower the cost, make it more affordable, work with our businesses. But how do we increase childcare for families who don't work traditional hours?

I can tell you, in Nevada, we have a shortage of about 4,000 nurses. Many nurses work in hospitals. Hospitals are 24/7, 365 days a year. And so, we have seen shortages for childcare for these critical jobs that are in our hospitals, let's say.

And so, Ms. Brooks, can you speak to the current availability of affordable childcare for those parents who work these important jobs, like nurses, for example. There is so many others, but we will say that for now. The nontraditional hours and what role childcare small businesses can play to reduce barriers for them.

Ms. BROOKS. Thank you for that question. Nontraditional childcare hours has been a problem we have been thinking about for a long time. And, you know what my experience is, what we understand about, you know, if you are in a manufacturing community, working with—and actually, my region has five medical centers. So, we deal with around the clock care.

Senator ROSEN. Spaces. We have issues with remote spaces, of course.

Ms. BROOKS. And—you know, one of the challenges is that, you know, if you are a nurse and you work the night shift, there tends to be some sort of a differential when you work that shift. In childcare, we are barely paying people enough to have a living wage, in many cases under a living wage.

There really isn't enough bandwidth to be able to move people into, you know, something with a differential. So, you know, cost is obviously an issue. But I think using family childcare is another option. Family childcare can be—is often thought of as more flexible. And really working with family childcare as potentially an option in case there isn't enough need, is a perfect option for people.

And then, making sure that children in that care have everything that they need for that shift is kind of another issue that we

are dealing with, whether it is sleeping arrangements, or eating, or you know in the cost of food—if it is provided.

It is kind of an enigma we are trying to figure out. I think we need to look at maybe another industry that does those cost differentials and see if maybe we can recruit staff based on those.

Senator ROSEN. Thank you. Thank you, Madam Chair.

The CHAIR. Thank you. Senator Ernst went to vote, so I get to ask some more questions. And I was just thinking about my own experience where I had children at home from the time the first child was born and until the last child went off to college and left home for 30 years.

And during that period, we had every childcare option that was available. You know whether we had somebody—we had a nanny for a while. We had family who stayed with the kids. We had, for a period, one of them stayed in a childcare center.

So, we tried it all. And it always felt like I wasn't doing what I needed to do to ensure that my kids had the opportunities that they should have. They have all turned out just fine, but I think that reflects what most parents feel as they are looking at how to address childcare needs.

And so, is there anybody—as we look at other industrialized nations, is there anybody who we think is doing childcare in a way that we should be looking at and trying to learn from, who may be doing some things better than we are? I will just throw that out for all of you.

Ms. GRESZLER. I don't have an answer there other than to say that I think some other countries have more structured systems. But what you have just said, you know, very much resonated with me.

We have been through all of the different types of childcare, too, including the fly by your—to the parents during COVID right when they were home for a year and a half. And it is always going to be a struggle, I think.

You know, are we doing the right thing? But that is where I think as policymakers, the top priority has to be how do we help more families be able to achieve what they feel is best for them in that time, in that situation, because it is not the same across different families, across different States, or even, you know, when you have three young kids at home versus only one young one and older ones.

And so, I think it is just allowing the combination of the work and the childcare together. Seeing how we can open more doors to pursuing the opportunities that work for us.

The CHAIR. Ms. Cisneros.

Ms. CISNEROS. And even though I don't have an exact answer either, I do think it is worth taking a look at other countries, especially in Europe and Scandinavia. They definitely have a different system of government, so therefore they have a different type of structure that can support programs like this.

Some are free and accessible. And there also happens to be a much stronger emphasis on the family as the center unit. And so, I think as part of that cultural approach, they spend a lot of time researching and finding ways to support families, and that is why they do invest a great deal in childcare.

The CHAIR. Yes, Amy.

Ms. BROOKS. I, you know, my mind actually goes to the U.S. military. The U.S. military invests tremendously into young child and their family. In fact, the process for finding childcare in a military base is often easier.

Family childcare on a military base is encouraged. People that are home and their spouses are off in service, they are actually trained to do the work as a business and supported, and so that they are able to make a living wage doing it.

And their communities are set up so that, you know, obviously zoning and things like that aren't a barrier. So, I actually go to the U.S. military as an example.

The CHAIR. I think that is an excellent example. You know, the military looked at who joins the military after we got an all-volunteer military, and they figured out that the highest percentage of people who join the military had family members who had also been in the military.

And so, if they wanted to influence the caliber of recruits to the military, the best way to do it was to invest in early childhood education. And they have been great. They have more—or at least for a while, they had more childcare centers who were part of that National Association for the Education of Young Children than private centers, which was very impressive.

Now, I have to say they are experiencing some challenges, I think, with that right now. But it is an excellent example. Dr. Todd-Smith.

Dr. TODD-SMITH. Yes, that is a great example. I have visited several military preschools, and the quality is really important. And that is what came to mind for me when you asked the question in other countries.

I have actually visited preschools in Italy and Finland, and their teaching method for early childhood education is really in depth. And I talked about that brain development. It is almost a reverse model. The best learning practices happen in the ages of 0 to 5.

They also do multi-ages in their classrooms with a big family focus, as has been stated already. But really emphasizing and following what the research says about brain research versus daycare.

We don't take care of days. We take care of children. It is just the whole culture of what children are learning and how they are learning is treated at a very high level in other countries.

The CHAIR. Yes. I agree, and it is something that we have got to help people—help us all to focus on because that is our future.

I can remember one time somebody said to me, you know, children may only be 20 percent of our population, but they are 100 percent of our future, and we need to recognize that as we think about how we support them. I am going to go vote, Senator Ernst. So, I am going to——

Senator ERNST. Should we wrap then after my round of questions? Okay.

The CHAIR. Yes. So, want to go ahead?

Senator ERNST. Yes, I will go ahead. And thank you again so much. And I wish I had been here for that part of the discussion about the military and childcare.

So, my daughter and her husband are both active duty Army. And so, having a new baby and finding somewhere for that baby to be, especially when you have parents who are working very odd, unusual hours.

This week my son in law is in the field. And so, it just becomes very difficult when you are a single parent juggling—juggling those issues. So, but thank you for looking into that. I think there is a lot of unique challenges out there across the spectrum when it comes to our families.

Again, the one size does not fit all model. We have got a lot of single parents, maybe grandparents that are trying to help with that—I mean, there is just so many different situations.

Ms. Brooks, if I could turn to you. In your testimony, you mentioned major employers in your community have pointed to childcare as one of the two top barriers to having the workforce that they need.

And in my home State of Iowa, several employers have partnered with local government and small businesses to increase childcare capacity. What steps have employers in New Hampshire taken to increase the childcare options available to their own employees?

Ms. BROOKS. There is a lot of innovation going on in New Hampshire. I will kind of get to the point is you can open a facility, but staffing the facility is a major barrier.

And we have actually seen it happen where an employer sponsored program opened and the staff of the area went to that program, and it actually resulted in a net loss of slots. So, really kind of attending to the—to having a full force workforce.

And, you know, kind of the strategy in New Hampshire where we are sort of thinking is trying to grow, but at the same time trying to get all of our slots used. As I mentioned in my testimony, we have 750 slots not being used that are licensed and ready to go in my region just from not having the workforce.

So, addressing the workforce is part—it needs to be part in the solution.

Senator ERNST. Yes, absolutely. Thank you. And Ms. Cisneros, in your testimony, you highlighted the significant decline in home based childcare over the past decade.

And this decline not only reduces parent choice in what will best serve their child, particularly in some of our most rural areas, like Southwest Iowa, but also forces parents to fork out more for higher cost options.

Can you speak to how removing regulatory barriers for home based childcare providers might be able to help these families?

Ms. CISNEROS. Thank you for that question. And it was concerning to see the decline in home based childcare providers. It has been in decline for over 11 years.

And we are seeing the decline based on several reasons, including people aging out and wanting to retire, not being able to make a sufficient salary, you know, to support their families, and also because there are many other types of jobs in their communities where they could actually earn more.

But we do believe that having more family childcare homes and supporting those are important, especially in rural areas, because

that is basically a lifeline. They are more flexible. They are cheaper. They are easier to access. And so, that is important.

And there is an organization, in terms of trying to expand the supply, First Children's Finance in Minnesota that works with 14 different States and really seeks to help childcare businesses launch, get started, whether it is, you know, homes or centers.

And so, that could also be a resource to expand supply.

Senator ERNST. Yes. Thank you very much. And with that, I know I have just got a few seconds left, but I will go ahead and yield back, Madam Chair.

The CHAIR. No, you should go ahead.

Senator ERNST. Okay. Wonderful. [Laughter.]

Senator ERNST. Ms. Greszler, then I will turn to you. In your testimony, you highlight the administrative burden that regulatory requirements can have on home and family based childcare providers. Can you go into a little more detail about the administrative requirements and some of the burdens that they do create?

Ms. GRESZLER. Yes. Thank you. I don't even know a fraction of them, but there is a lot of documentation and tracking of things, and this gets at the difficulty of having like part time spaces because every new child coming in, then you have to have an individualized plan for that child in writing.

You have to have their vaccination records and they have to be up to date. So that could be if it is an infant, every couple months when they are going to get new shots, you have to have those. You have to keep track of—for weeks, when they have eaten, what things are drunk, what things and in what quantity amounts. And just all of this paperwork, it seems like, well, one thing I can see why we might want that, but then it just adds up and adds up and adds up, and it takes so much time.

As I mentioned that 18 hours of unpaid administrative work for an in-home provider. I think that is probably part of the reason for that decline, is that people are just deciding, I don't want to keep doing this. And then when individuals consider, like a mom who has young kids and wants to stay home, says maybe I could watch some other kids.

But when they look into all of the requirements that are necessary to convert their home to a licensed childcare center and then all the paperwork, that is difficult to do while you are also caring for your own kids, so.

Senator ERNST. That is true. Yes, thank you. And you also highlighted in your testimony the benefit of employers choosing to provide childcare options on site, which not only helps working parents day to day, but also increases employee retention.

And this again is not across the board, and it does depend on situations, but what can we do at the Federal level to support these efforts and then give our small business owners the flexibility to offer childcare services based on the needs of their own unique workforce?

Ms. GRESZLER. That is where I think that Federal lawmakers need to turn to the States and ask them to consider what are the licensing requirements that are preventing these. As I mentioned, the FLSA change would definitely open up that door.

Senator ERNST. Right.

Ms. GRESZLER. And there are some limitations, but certainly spaces like hospitals where you have a large center and you have irregular hours, that onsite care would be so important to have.

But just the requirements and the legal liabilities that come alongside it, I think just going through those with a fine tooth comb and saying, could we create a separate tier that would be, here is licensing for onsite childcare that would get rid of some of the burdensome regulations that we hear from businesses say that is why they aren't starting them.

Senator ERNST. Wonderful. Thank you. Thank you, Madam Chair.

The CHAIR. Thank you very much, Senator Ernst. And before I turn it over to Senator Hickenlooper, because I am going to go vote, I want to just point out that a number of the things that you all have talked about are actually part of the Right Start Childcare and Education Act that I introduced earlier this year.

It would expand dependent care flexible spending accounts that families can use for childcare costs, which is, I think, something that several of you have mentioned. It would expand the employer provided childcare credit to allow small businesses to partner together to provide childcare and create a new tax credit for childcare workers.

And you all have given several other suggestions that I think would be great additions to this legislation. So, thank you all very much for a wonderful discussion and for all of the great work that you are doing.

And I hope you will stay in touch with the committee and help us think about what more we can do. I am going to leave the gavel with Senator Ernst, recognize Senator Hickenlooper. And again, thank you all very much. Safe travels back. Senator Hickenlooper.

Senator HICKENLOOPER. Thank you, Madam Chair. I am glad I got here in the nick of time. I won't say I ran up the stairs, but I moved swiftly. And it is always great to be part of a discussion around the importance of childcare and early childhood education and all the different ramifications around it that we can have.

One of the lowest compensated components of our workforce. At the same time, it is one of the most essential, I think, by—for many different metrics. So maybe, Ms. Brooks and maybe Dr. Todd-Smith as well, in 2022, more than half of all childcare centers were running under capacity because of—they couldn't find staff.

In Colorado, we had Red Rocks Community College, their childcare development specialist apprenticeship, has been up and running is a two year program that is helping to hopefully close that gap, the workforce gap.

So, how can we better support apprenticeship programs like the one at Red Rocks Community College or in other places to expand the pool of early childhood educators?

Ms. BROOKS. Thank you. One of the things we are finding—we are doing active recruiting and training on the ground, and what we are finding is some people are hesitant to commit to a long term program.

In our State, our program is 18 month commitment. For people who aren't sure about entering the field in the first place, that seems like a big lift. So, if maybe if there were, you know, embed-

ded pre-apprenticeship or a trial kind of experiential part of apprenticeships where people can make that firm decision before committing to an 18 month or 24 month program, you might see—we might see more people coming in and giving it a try.

It is just really hesitancy from the workforce that we are seeing. I guess that is—I guess that would be my recommendation.

Senator HICKENLOOPER. Ms. Todd-Smith.

Dr. TODD-SMITH. Yes. Good question. And I think this idea of apprenticeships is a really good one to try to help build the workforce. In Mississippi, we had a program called Mississippi Building Blocks that was a privately funded research project to look into what it takes to help childcare improve.

And one of the things, obviously, to no surprise, is that they needed—childcare teachers needed more experience and training and higher salaries. And so, through that private partnership, we were able to help support the cost of the training for the childcare worker and then support a stipend on the end of that training certification process that helped keep them engaged.

So, programs like that, I think we learned a lot from. Mississippi also recently started something that I think is so good. Sorry to keep talking about Mississippi. I just know that one the best, but we have entered career coaches into the public schools, and that sounds just like what everybody else might be doing, but some of those career coaches are from the different industry themselves.

So, they might be from a car company manufacturer in the State, or they can be from childcare provider areas of need, and sort of reaching out to those 8th through 12th graders about a career in childcare and what that looks like and linking them to the trainings at the community colleges.

I think there is a big market of people like me that love children at that age, that would have love to learn more about it and become part of it. So, I think combining what we know with public, private partnerships and then expanding this apprenticeship work at Department of Labor that—that is one of the things I was really trying to help focus on is raising awareness that this actually could be part of that registered apprenticeship program.

Senator HICKENLOOPER. I think one of the things we are recognizing is that there is a lack, a dire lack of counselors around the country and it affects our workforce in a variety of ways, but that is a very accurate one.

I wanted to make sure in full declaration, I come to this not randomly, just I am the living proof that there is at least one miracle left in each of us and I have a 16 month old son at home. So, I think about how he learns and how he is going to learn, and who do I trust, my wife works, when we are not there.

So, Ms. Cisneros, companies like Red Rooster Coffee and UPS, all of them, I mean, a number of companies that report that childcare support programs help boost staff retention. They attract working parents.

That is why, I mean, we are almost to a third of businesses do that. But as a small business owner, I know that many times small businesses operate on very tight margins and don't have, you might not have more than one working parent.

Are there ways we can encourage small businesses to pool their resources maybe and jointly administer childcare programs for their particular workforce?

[Technical problems].

Ms. CISNEROS. Definitely. There is also the part about workforce supporting each other and directors in terms of shared services, so that they are learning from one another. Many educators and the directors come to the field with a lot of knowledge about child development, but they don't necessarily come with best business practices.

So, shared services is helpful not only from that point of view, but also in terms of reducing some of those back office costs, such as billing. So that is one potential strategy that can help illustrate their support in the field among the childcare educators and directors.

Senator HICKENLOOPER. Got it. Great. Well, again, thank all of you for taking time out. I know you are busier than anybody, and you coming down here and spend your time is much appreciated. I yield back to the chair.

Senator ERNST. Yes. Thank you, Senator Hickenlooper. And thanks to all of our witnesses today. On behalf of Chair Shaheen and I, thank you so much for joining us. A great, great discussion.

When I ran down to vote, obviously, Senator Rosen had followed too, and again, she thought this was exactly the right discussion to be having today. So, we really do appreciate it. So, I hope we do remain in touch as we continue to work better to support the childcare, small business owners providers, and families.

The record will remain open for two weeks for additional questions and statements. And with that, the committee will stand adjourned. Thank you very much.

[Whereupon, at 3:44 p.m., the hearing was adjourned.]

APPENDIX MATERIAL SUBMITTED



Written Testimony of the
National Women's Business Council

to the
Senate Small Business & Entrepreneurship Committee

for its hearing on
"The Role of Child Care Small Businesses in Supporting Parents and the American Workforce"

April 10, 2024

Chair Shaheen, Ranking Member Ernst, and Members of the Committee: The National Women's Business Council appreciates the opportunity to submit this testimony to share its observations and recommendations around the importance and resilience of care economy businesses.

Congress established the National Women's Business Council (NWBC) in 1988 with the passage of H.R. 5050, the Women's Business Ownership Act. This historic piece of legislation positioned NWBC to connect the voices of women entrepreneurs across the U.S. to policymakers in Washington, D.C., ensuring more of them would have fair access to entrepreneurial resources. NWBC is an independent federal advisory committee housed within the SBA, and is led by all-volunteer prominent women business owners and leaders of national women's business organizations. The Council's core mission is to advise and counsel the President, Congress, and the SBA Administrator on issues of importance to women business owners.

Women-Owned Small Businesses Are the Primary Providers of, and Rely on, Affordable, Accessible Childcare

Women-owned small businesses have a large stake in the childcare industry, both as consumers and suppliers. According to a 2021 National Association of Women Business Owners' survey, nearly one-third of women business owners had school-aged children, and many actively used care services. The majority of women aged 15-50 are mothers, and in general, parenthood affects their earnings and work activity far more than it does for men. As of March 2020, Bureau of Labor Statistics data show that 72.5 percent of women with children under 18 were working or seeking work, compared to 93.1 of fathers of children under 18. The Census Bureau similarly has reported that women with dependent children work fewer hours than all workers on average, and are more likely to report caretaking as the reason they limit working hours.

The widely-recognized high cost and burden of securing care, particularly for children younger than school age and those with special needs, and for periods outside daytime school and business hours, likely hinder women's business ownership and success, just as they limit labor force participation. Women with children needing care are disproportionately likely to shoulder the responsibility for and cost of that care, and to either forego professional opportunity, limit the time they spend on business management, or choose steady employment over the

uncertainty and fluctuating income often inherent in entrepreneurship – in recent survey data from a NASDAQ Entrepreneurial Center-Wells Fargo-Penn State College of Health and Human Development project, for example, just 45 percent of women business owners reported paying themselves for the work they did for their companies, and 59 percent reported income volatility.

Women also are heavily disproportionately affected by the difficulty of making ends meet as owners, managers, and other skilled providers of childcare. Local Initiative Support Corporation (LISC), a prolific actor in community development, estimates that 90 percent of childcare enterprises are woman-owned, a majority of them by women of color. Likewise, Department of Labor data indicate that more than 90 percent of childcare workers are women, and that half or more of these are women of color.

Although childcare costs to parents are high – equal to 15 percent of median household income, according to the Census Bureau's Current Population Survey, and as much as 28 percent of average income in lower-income households according to a 2018 Research Brief from the Institute for Child, Youth and Family Policy at Brandeis University – revenues often cannot cover fair pay for care businesses' owners and employees. Labor accounts for the majority of a typical care business's expenses, which makes sense because focused and skilled adult attention is the most important determinant of the quality of care services. But pay in the industry is low, and care providers typically earn thin, if any, profits: according to a 2021 Treasury Department report, for example, margins are frequently less than one percent, and many providers have to rely on nonprofit status to secure donations and grants to subsidize costs. As of 2022, according to the Bureau of Labor Statistics, childcare workers earned median pay of $13.71 an hour and $28,520 annually, placing them in the lowest quartile of earners by occupation. As a result, turnover is high: the Center for the Study of Child Care Employment says, "national estimates suggest that 26 to 40 percent of the [childcare] workforce leaves their job each year."

At present, there is a gulf between working women's need, and ability to pay, for childcare, and mostly-female care economy owners' and workers' capacity to deliver it, that is hurting our economy on the whole. In 2021, the Bipartisan Policy Center calculated that each missing and needed childcare slot costs the U.S. between $41.16 and $62.29 billion over a 10-year period in foregone output and tax revenues.

Recent Research Finds the Pandemic and Demographic Factors Reinforce Disparities in Access to Care and Entrepreneurial Opportunity

NWBC has commissioned literature reviews of recent scientific and technical findings on women's entrepreneurship in rural, tribal, and underserved communities, and in STEM and STEM-related fields. The results underscore the urgency of increasing access to affordable high quality childcare services: places and people already facing disproportionate barriers to business ownership and wealth creation in other respects also are held back by acute need for and lack of available childcare. Unavailability of care can steer women away from business ownership, and it also can restrict the time and attention women devote to business activities they pursue primarily as a last resort and because the hours and responsibilities that come with outside employment are incompatible with personal responsibilities.

Observations in the January 2024 Literature Review Documenting Current Research on Women's Entrepreneurship in Rural, Tribal, and Underserved Communities – results of which its authors presented at NWBC's January 2024 Public Meeting – included the following passages:

"Rural women entrepreneurs are…more likely to marry younger, less likely to divorce or separate, and have children at younger ages. Further, rural women entrepreneurs with children earn on average 25% less than those without children. Given that 79% of rural women entrepreneurs are married, researchers have considered marriage 'an important factor in understanding the businesses started by rural women and their priorities, motivations, and support networks.'

"…Rural women entrepreneurs also rely more on SNAP assistance than rural men entrepreneurs and are more likely to take on childrearing and domestic labor tasks in the household.

"…Rural women entrepreneurs are concentrated in specific industries including restaurant and food services, childcare, beauty salons, real estate, and service provision to homes and buildings.

"…A 2020 study focusing specifically on childcare challenges of farm owners by gender raised some compelling insights. While women and men reported experiencing childcare problems in fairly similar numbers (60.8% women vs. 62.5% men); women were almost twice as likely than men to note that childcare is an important factor in their entrepreneurial farm decisions (43.9% vs. 23.9). They were also more likely to note that childcare issues impacted their efforts to balance farm and household needs when making farm decisions (87.0% vs. 71.2%). Finally, women were more likely than men to note that childcare affordability, availability, quality, and philosophy were all problems they faced.

"…Poverty affects almost all sectors of living including security, transport, health, and simply having the time to pursue ventures. Globally, women are typically more time-poor due to expectations around child rearing, household maintenance, and other unpaid labor (Hyde et al., 2020). In the United States working mothers spend almost twice as much time as working fathers on housework weekly. Fiscal or consumption poverty drive time poverty, and women who are fiscally poor are more likely to be time poor due to potentially having multiple jobs, childcare duties, and domestic labor responsibilities (Giurge et al., 2020). Time poverty can prevent women from seeking entrepreneurial ventures or being able to invest enough of themselves into their ventures. Further, they may not approach entrepreneurship with the typical 'profit maximization' framework. Rather, their ventures may be designed to only provide supplemental income while allowing for flexibility around childcare scheduling (Conroy et al., 2021)."

Concluding recommendations based on the literature review reiterated that childcare duties drove women's time poverty, thus, "Affordable childcare and shared unpaid workloads can alleviate some of the burden from women, especially economically disadvantaged women. Subsidized and safe childcare would potentially allow more women to participate in the labor force and pursue entrepreneurship."

In December 2023, researchers delivered "An Illuminating Moment: Lighting a Pathway for Women STEM Entrepreneurs," surveying findings regarding women's contributions to the STEM and STEM-adjacent economy. As in the case of women who are underrepresented among business owners in rural, tribal, and underserved communities, a close look indicates women in STEM, and particularly women of color, have not realized their economic potential in part due to inability to secure childcare. The review notes the following:

"Lloro (2021) uses the 2020 SHED survey to show how the pandemic disrupted childcare or in-person schooling for parents, and how it impacted the work of women…One fourth of all mothers reported not working or working less due to childcare and schooling disruptions in 2020.

"…Lloro also examines this by race and ethnicity. Thirty percent of Hispanic women and 19% of White women said that they were not working or working less due to childcare or schooling disruptions…36% of Black mothers did not work or worked less because of disrupted childcare or in-person schooling and for lower-income Black mothers this was over 40%. One in four Black mothers said that childcare or family obligations caused them to not work, compared to the 13% that said that in 2019. The decline in labor force participation was also much more pronounced for Black mothers as compared to Black women without children based on findings by Federal Reserve Bank of Dallas researchers.

"…These results imply that childcare disruptions had a disproportionate impact on Black mothers' employment during the pandemic…a Fuller Project study finds that even before the pandemic 'Black mothers were more likely to live in child care deserts, struggle to access affordable child care and have lower workplace flexibility' (Washington 2021). The pandemic likely made affordable childcare further out of reach, disproportionately affecting Black mothers who have greater caregiving and financial responsibilities than other parent groups.

"…Lloro (2021) finds that mothers that were unable to work due to childcare and schooling constraints experienced financial fragility and reported an inability to pay bills on time. This was because these mothers faced financial fragility before the pandemic and the childcare and schooling constraints increased their fragility. The article relates the inability to find childcare to work-life balance and gender role issues impacting women-owned businesses during the pandemic.

"These same findings could apply to Women in STEM. Financial fragilities due to lack of childcare or family obligations probably impacted entrepreneurship success in the STEM fields as well during the pandemic. Pandemic stimulus measures did not entirely alleviate these financial barriers for women with children, which are long standing. Policies and programs designed to provide affordable, quality childcare on a consistent basis, are needed to ensure mothers' financial well-being and entrepreneurial success in the long run."

The authors of "An Illuminating Moment" recommend dedication of additional targeted resources to supporting childcare availability and affordability as a means of advancing women's STEM entrepreneurship. They write,

"The federal government could provide limited resources for temporary childcare and other care in emergencies, to increase the financial stability and entrepreneurship of eligible underserved populations in STEM.

"…Washington (2021) finds that even before the pandemic certain groups of mothers were more likely to live in child care deserts, not have access to affordable child care, and have lower workplace flexibility. The pandemic likely made affordable child care further out of reach for these groups, disproportionately affecting them. The federal government's resources could be targeted towards these groups of mothers to help them access affordable child care in times of crisis."

In addition to commissioning this and ongoing relevant research, NWBC has hosted public conversations to explore policy solutions for women business owners with public agency colleagues and private nonprofit and business stakeholders. For the 2022 SBA Women's Business Summit, NWBC helped to organize a panel conversation on the care economy featuring leaders from the SBA Administrator's office, Opportunities Exchange, The Mom Project, and the Women's Business Development Council. Panelists' important observations included consensus that meeting the scale of need for affordable childcare would require intergovernmental collaboration and alignment of both public and private contributors to the costs of quality care: for example, publicly-supported financing could pay startup licensing and regulatory costs; and public grants and other incentives could be tied to requirements to support the care industry, including through provision of technology and technical assistance. Experts noted that care economy businesses had rebounded more slowly than other industries post-pandemic, and had struggled in tight labor markets.

Policy Recommendations to Increase Access to Childcare

The totality of NWBC's discussions with stakeholders and learnings from study of data and narratives support its conclusion that measures that increase access to affordable, quality childcare will increase women's entrepreneurship and business ownership. The Council's 2023 Annual Report states, "Ensuring women can participate in the labor force at an equal rate to men by providing services like childcare has the potential to 'raise the nation's GDP by 3.5%, generating over $500 billion annually.'" Increasing support for the childcare industry also will enhance the earnings and well-being of women who own and work for care providers.

NWBC's policy recommendations to federal, state, and local government stakeholders have included the following:

(2023) "Ensure accessible, reliable, and affordable child- and long-term services for women entrepreneurs in rural and underserved communities."

Actions to achieve this could include:

- Congress and the White House can make direct investments in care economy businesses, approve new funding to support early childhood educator workforce development efforts, and provide grant funding to support Women's Business Centers in delivering financial and business development training to childcare providers.
- Congress and the White House can prioritize a national, bipartisan solution that improves supports for care economy workers and provides grants and no-cost loans to expand and improve physical premises and buy business management software.
- State legislatures and Congress can expand tax incentives for use of property for childcare facilities in rural and underserved communities.
- Congress and the SBA can ensure full access for small and nonprofit care providers to 7(a), 504, and other publicly supported loans.
- Congress can expand the care economy workforce in childcare deserts through the AmeriCorps program and incentives such as student loan forgiveness.
- Congress can authorize SBA to provide direct, no-cost loans to providers in childcare deserts.

(2022) Ameliorate "lack of affordable childcare" as a "persistent barrier to rural women's entrepreneurship."

Actions to achieve this could include:

- The White House can develop a plan of action that empowers SBA to expand entrepreneurial development resources and financing for the hardest-hit care economy businesses, particularly in rural, tribal, and underserved communities.
- The White House and Congress can identify best practices to improve support for caregivers and those who rely on them.

(2021) "Address family and childcare concerns as barriers to women's entrepreneurship."

Actions to achieve this could include:

- Lawmakers could conduct a study of the extended, expanded Child Tax Credit to consider the benefits of making it permanent, particularly for sole proprietors and owners of microbusinesses.
- Thought leaders and lawmakers could work toward innovative bipartisan solutions to ensure that women entrepreneurs could make choices about their families without having to hold back on starting businesses.

Conclusion

NWBC appreciates this Committee's attention to small businesses in the care economy, and the role of childcare availability in facilitating entrepreneurial opportunity and behavior. The Council anticipates continued partnership to advance the state of knowledge and the efficacy of policy innovations around increasing women's business ownership.

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Statement: How the business of childcare is failing families and childcare providers in Coös County.

Coös County currently has five licensed child care centers and four preschool Head Start programs. In recent years three childcare centers have closed, displacing over ninety-one children. This crisis is not merely a localized problem but a stark reflection of the systemic challenges facing childcare across the state and nation. It is rooted in a persistent cycle where inadequate compensation fails to attract and retain childcare workers, leading to service cutbacks and closures. Consequently, this triggers a significant workforce withdrawal as parents, primarily women, exit their jobs to fill the care gap, further straining our local economy.

Without federal intervention, the cycle is set to worsen. Childcare centers cannot depend solely on tuition hikes to bridge their funding gaps; such measures only exacerbate the burden on families already struggling to afford care. With 43% of Coös County families opting out of childcare due to cost[1], the market alone cannot rectify this imbalance. The average annual cost of childcare often surpasses families' financial capacity, causing not just an economic ripple effect but also impacting children's early development opportunities.

Operating a childcare business is extremely challenging. Childcare centers rely on tuition to pay wages and operating expenses. While the state does provide childcare scholarship assistance to families, the reimbursement rate to centers is based on the "average market rate" not on an actual cost basis. The average weekly cost of care for an infant at a typical north country child care center is $423. The average weekly infant tuition charged by a child care center is $246, and the maximum weekly reimbursement rate to licensed child care centers from the state of New Hampshire's Childcare Scholarship Program is $295[1]. Neither tuition fees nor state reimbursement come close to covering the actual cost of care. To keep childcare affordable for parents, childcare centers set rates lower than needed to cover their costs. They subsidize these lower rates with low wages and by providing no benefits to staff.

The imbalance between earned revenue for childcare centers and actual cost has resulted in severe workforce shortages that are hampering childcare programs' ability to get to ideal enrollment capacity.

[1] White, M. & Votta, K. Jan 2024. *Solving the Childcare Crisis in the North Country.*

In December 2023, Coös County childcare centers needed twenty-three full-time equivalent teaching staff to get to licensed capacity, supporting an additional 143 child care spaces[1].

Employers are starting to feel the pinch of the childcare workforce shortage. In 2022, New Hampshire's workforce declined, and the largest drop was in Coös County, which saw a decrease of 4.1%[2]. In March 2024, Coos County's unemployment rate was the highest state-wide at 3.6%[3]. Many of the individuals staying out of the workforce do so due to lack of available childcare. Employers in all sectors report the lack of childcare as a primary limitation to growth.

A healthy economy is dependent on a strong childcare sector – the coronavirus pandemic exposed this previously invisible link. Childcare centers must be able to provide wages and benefits that are competitive in the regional labor market to recruit and retain the workforce required to become sustainable businesses. Significant federal investment and private-public partnership is necessary to ensure the childcare sector can both effectively meet the national need for quality early childhood education and serve as the backbone for a robust economy.

About Kim Votta Consulting

Kim Votta is an experienced business management professional with thirty years of applied experience in the nonprofit and small business sector. She has experience and content knowledge across a range of sectors including community development, affordable housing, child care, environmental science, developmental disabilities, and public television. For the past ten years, Kim has served as a statewide project consultant supporting the early education industry, helping child care centers develop sustainable financial models and implement best practices in business management. Kim has successfully improved the financial and operational sustainability of dozens of childcare centers throughout the states of New Hampshire and Vermont.

[2] NH Fiscal Policy Institute. Aug 2023. *Granite State Workers and Employers Face Rising Costs and Significant Economic Constraints*.
[3] 2024 New Hampshire Local Area Unemployment Statistics. NH Employment Security. https://www.nhes.nh.gov/elmi/statistics/documents/laus-current.pdf.

U.S. Senate Committee on Small Business and Entrepreneurship Hearing
April 10, 2024
Follow-Up Questions for the Record

Questions for Ms. Cisneros

Questions from: *Senator Cantwell*

QUESTION 1:

Could you talk about how the child care crisis affects women's labor force participation rates and their ability to start their own small businesses?

Access to child care can impact the ability of women to participate in the labor force. The most recent U.S. Census Bureau Household Pulse Survey (March 5 to April 1, 2024) found that 4.7 million parents throughout the U.S. are not working because they are caring for children not in child care.[1] The Census Pulse survey reports that 183,488 parents in Washington state are not working because they are home with children not in child care.[2] CED's 2019 report "*Child Care in State Economies*" found that 94% of workers involuntarily working part-time due to child care problems are women.[3]

At the same time, nationally the labor force participation rate of mothers of children younger than age six and mothers of school-age children is currently higher than 2019 (prior to the onset of the COVID-19 pandemic). Yet, use of paid care is down by about 1.2 million children throughout the country. In Washington, the story is different (and there is much variation across states). The labor force participation rate of mothers of children in all age groups remains below the rate of working mothers in 2019. Similarly, the number of children in paid care and the share of children in paid care are also below the 2019 levels. For example, about 123,300 fewer children were in paid child care in 2023 compared to 2019.

For mothers to work, they need access to affordable, quality child care. In some communities, child care may be difficult to afford. In some communities, child care may not be available. Some communities face a dual challenge: supply and affordability. Both impact the ability of mothers to work and to start their own businesses.

QUESTION 2:

What policies or programs should this committee support to address the unique impact of child care inaccessibility on women?

There are multiple challenges for mothers who need child care in order to participate in the workforce. The first challenge is the supply of care. What child care options are available in the community (e.g., center-based and home-based settings)? Is it available during the hours that parents need it? Is the available care full (with a waitlist) or are there vacancies? A good way to better understand the available supply of care is to conduct a landscape analysis. The analysis should include all types of child care in the community, the ages of children served, and program capacity versus enrollment. In addition, the landscape analysis should review the hours of operation and the price by age of the child by setting (e.g., it is more costly for infant and toddler care and services are traditionally more expensive

in centers than family child care homes). This type of review can be useful for the development of recommendations (i.e., the development of strategies based on a particular regional geography).

Second, once the landscape analysis is completed, a community can compare the price of care within different settings for children of different ages compared to household income. CED has developed online child care affordability calculators within several states to show average family income and basic household expenses. The calculator is a policy tool to illustrate whether families have sufficient income to access the licensed market (i.e., it is tied to each state's market rate survey for child care services). Users can compare the results to the state's income eligibility for child care subsidy assistance to see if increasing eligibility for child care assistance would help families afford child care. In addition, several states have implemented initiatives to match employer support for employee child care based on family income above child care subsidy eligibility. For example, in Kentucky, families with income above 85% of state median income can receive monthly child care help from their employer (e.g., $200 per month) and the state will match it. The state match declines as income rises but it never falls below a 50% match. Both strategies support child care affordability for families.

Child Care in Rural Areas

Child care is especially difficult to access for families living in rural areas. About two-thirds of rural families live in a child care desert and families in rural areas spend an average of 12.2% of their income on child care.

One of my constituents told me that young families are starting to move out of Washington's rural areas like Walla Walla because of the barriers to accessing quality child care and early education there.

I believe that we need to do more to help people in rural areas stay in their communities. Those who want to live in counties like Walla Walla should not be forced out because they can't access child care resources. People want to live and work in Washington's beautiful rural areas, but child care is a major factor in their decisions about where to live. We need to meet the child care needs for these families.

QUESTION 3:

Could you talk about the unique struggles that child care businesses in rural areas face?

In rural areas, family child care homes are more prevalent than child care centers. Largely this stems from the business model for child care. Child care centers tend to operate in communities where the population is dense enough and wealthy enough to support the tuition that a child care center needs to charge in order to meet operating expenses (with the majority allocated for early educator labor costs). In rural areas, the child care center model may or may not be economically viable based on parent fees alone. In contrast, family child care homes that typically serve far fewer children may be a more viable economic model (and more affordable for working families). However, for the past two decades, home-based child care programs have been declining. Some providers are retiring, others have left the field for higher paying jobs, and an insufficient number of younger people are entering the field (defined by long hours and low pay). For rural areas, strategies could be developed to (1) underwrite the cost of operating a child care center, or (2) expand the number of family child care homes by offering incentives for individuals to enter the field and other incentives to help retain these small businesses in the field.

Another challenge for rural communities can be the hours that providers are open. If parents need to commute long distances to work, they need providers who will be open early in the morning (before their commute begins) and potentially later than 5:00 or 6:00pm when parents could still be commuting home from work. Strategies could be considered to incentivize providers to operate during nontraditional hours such as can be found in the hospital, hospitality, and manufacturing industries (before 8:00am and after 5:00pm).

QUESTION 4:

The Department of Agriculture and Department of Health and Human Services have resources available for rural child care already. Are there resources from the small business perspective that this committee should create or expand?

There are resources available for rural communities that seek to expand child care options. However, they may or may not resolve child care challenges within rural areas. There are loan programs available; however, even low interest loans need to be repaid (which is difficult when child enrollment in child care programs is not guaranteed and generally fluctuates). Also, repayment may require increasing parent fees, which may be difficult since parents already struggle with the current price of care.

The committee could consider requiring Small Business Development Centers (SBDCs) under the jurisdiction of the Small Business Administration to work with local Child Care Resource & Referral Agencies to offer business technical assistance to child care providers. The challenge is that many in the child care field have knowledge about early childhood development but not necessarily best business practices. SBDCs could be helpful, but to do so they need to pair their work with others who understand the business niche of child care. They need to work 1:1 with child care providers, not merely offer a one-time training. Child care providers need to be able to translate newly learned skills to practice. They can maximize their income through better record-keeping practices. They can be supported with child care management system software (for enrollment, attendance, billing, budget reconciliation, purchasing, etc.). However, only half of child care centers currently utilize business software and very few family home-based programs use it. Adoption of better business practices and use of child care management software leads to more viable businesses (e.g., saves providers time and money and grows business acumen).

The committee could also consider rural economic development child care grants. This could be funding offered to communities in two phases: planning and implementation. The first phase could offer grants to support rural local or regional child care landscape analyses – to better understand the local child care landscape and to identify strategies that could be used to increase access to child care in such rural areas. The second phase would be an implementation grant for rural communities or regions. Implementation grants would provide funding for innovative strategies identified as part of the landscape analyses. There are challenges in accessing child care in rural communities. However, there are strategies that can be developed to address those challenges (including a group of local employers to create a customized solution).

Questions from: *Senator Hirono*

Research on Benefits for Children:

In your role as Vice President for Education Programs at The Conference Board's (TCB) Committee for Economic Development (CED), you have good insight into the current research on the benefits associated with strong investments in early childhood programs.

From everything I have seen, investments in these kinds of programs pay dividends – leading to lifelong success for children. That is why I have continued to support federal investments in these programs.

QUESTION 1:

Can you take a moment to describe the benefits associated with strong investments in early childhood programs – specifically for children?

Research over the past two decades has shown that the brain is developing the fastest in the first few years of life – setting a foundation for all future social, emotional, physical, and cognitive growth.[4] That is one of the reasons why investing in high-quality child care programs makes a difference, not just in access to care in the short-term for children, but for long-term school readiness and school performance.

Nobel laureate Dr. James Heckman's economic analysis of the Perry Preschool program (a comprehensive program of services for low-income children and families) shows a 7% to 10% per year return on investment based on increased school and career achievement as well as reduced costs in remedial education, health obstacles, and criminal justice system expenditures.[5]

Professor Heckman also analyzed the Abecedarian Program and the Carolina Approach to Responsive Education (CARE) program – comprehensive, high-quality, birth-to-five early childhood programs for low-income children, which yielded a 13% return on investment per child, per year, through better education, economic, health, and social outcomes.[6]

QUESTION 2:

What kinds of benefits do investments in these programs have for the lifelong success of children?

Professor Heckman analyzed two comprehensive early childhood education programs in the 1970s: The Carolina Abecedarian Project (ABC)[7] and the Carolina Approach to Responsive Education (CARE)[8]. What he found was that beyond school readiness for children, long-term benefits from program participation occurred.[9]

For example, for females, participation in ABC or the CARE program increased the likelihood of high school graduation, overall years of education, adult employment, and adult earnings of participants and their parents.[10] Results were higher for program participants compared to low-income children who exclusively were at home (not participating in an early childhood program).[11] Male program participants showed lower drug use and blood pressure, as well as positive effects on education and later job

earnings.[12] Professor Heckman estimated that every dollar spent on high quality, birth-to-five programs for low-income children delivers a 13% per annum return on investment.[13]

With regard to the Perry Preschool Project[14] and the Abecedarian Project, leading researchers also found that both programs showed a reduction in criminal behavior and related felony convictions and incarceration as male participants aged.[15] Other long-term effects included reductions in teen pregnancy in both studies for treatment group members and reductions in tobacco use.[16]

QUESTION 3:

What kinds of benefits do investments in these programs have for working parents?

Investments in high-quality early childhood education programs are a two-generation strategy. They help parents work by providing much needed child care – a critical support for parents, particularly mothers, to obtain and retain a job. They also provide a high-quality and safe setting to promote the healthy development of children. While high-quality child care benefits all children, research has found that low- income children gain the most.[17]

QUESTION 4:

Why is it so important that we continue to fund these kinds of programs?

Access to high-quality child care is important for many reasons. Increased labor force participation of mothers increases household income, reduces the likelihood that a family may depend upon public benefits, and supports economic development and growth. For example, in 2022, CED released a 4-part series – The Economic Role of Paid Child Care in the United States.[18] In part 3, we estimated that a 1% increase in the labor force participation of women would result in an additional 569,100 women getting a job, which includes mothers of school-age children and mothers with children under age 5.[19] For mothers with children, this would result in an increase of $26.5 billion in real personal income.[20] That is what makes affordable and accessible high-quality child care so important.

Business/Workforce Challenges

In your role with TCB, you also have good insight into the needs of businesses. As we heard in your testimony, the lack of access to affordable child care options has had a significant impact on labor force participation rates, making it more difficult for employers to find employees.

QUESTION 5:

Can you describe how the lack of access to affordable child care options makes it more difficult for employers to find employees? What does this lack of access to child care mean for businesses?

Several studies have found a productivity loss for employers and economic impact to families as a result of challenges with child care. A 2023 report found a $122 billion annual cost to families, employers and in lower federal and state or local tax revenue.[21] Lost productivity causes employers to lose about $23 billion annually.[22] More recently, a review of the U.S. Census Bureau Household Pulse survey (March 5 –

April 1, 2024) found that nearly five million parents are not working because they are home caring for children. Of those who are working, about 8 million parents identified child care related problems. For example,[23]

- 2.7 million cut work hours in order to care for children
- 1.3 million left a job in order to care for children
- 1.8 million supervised 1 or more children while working
- 1.3 million did not look for work because they were caring for young children

Access to child care is critical for parents to obtain and retain employment. Employer productivity is directly affected – from parents who arrive late, leave early, or take off work, there is a cost in lost productivity. And, that does not measure parents who may not be working or looking for work because of challenges in finding or affording child care.

QUESTION 6:

What does this lack of access mean for working mothers – especially single mothers?

The lack of access to affordable child care means that parents who need child care in order to obtain and retain a job cannot do so. Alternatively, they may feel pressured to do whatever they can make work for child care arrangements so that they can retain their job (e.g., multiple child care arrangements per day or week, or alternating with numerous individuals who may be available). Children need continuity of care to support healthy child development.[24] CED's research in 2022 found that single mothers have a higher labor force participation rate across child age groups compared to mothers in 2-parent households.[25] However, it is unclear what single mothers are using for child care. CED's 2024 report found a large income gap between families with children who pay for child care and families who do not.[26] For example, in 2022, the average income of families with children under age five who paid for child care is $164,147, while the average income of families with children under age five who did not pay for child care was $111,107.[27]

This data suggests that families with young children headed by a single mother likely have a hard time affording child care. Since the data shows that single mothers are more likely than mothers in married families to be working, it is unclear what single parents are using for child care. The type of child care that parents use could impact the healthy development of children. Or, not having access to regular child care but shuffling children among varying care options could also impact a child's development.

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[3] Committee for Economic Development of The Conference Board (CED), Child Care in State Economies, 2019 Update.
[4] Harvard University, Center on the Development Child, The Science of Early Childhood Development.
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[18] Committee for Economic Development of The Conference Board, the Economic Role of Paid Child Care in the U.S. – a 4-Part Series, 2022.
[19] Committee for Economic Development of The Conference Board, the Economic Role of Paid Child Care in the U.S., Part 3, Economic Growth Modeling, 2022.
[20] Ibid.
[21] ReadyNation, $122 Billion: The Growing, Annual Cost of the Infant-Toddler Child Care Crisis, 2023.
[22] Ibid.
[23] U.S. Census Bureau, Census Household Pulse Survey, March 5 – April 1, 2024, Table 5. Childcare Arrangements for Children in the Household, by Select Characteristics.
[24] Harvard University, Center on the Developing Child, Resilience; U.S. Department of Health and Human Services, Child Care Technical Assistance Network, Continuity of Care.
[25] Committee for Economic Development of The Conference Board (CED), the Economic Role of Paid Child Care in the U.S. – a 4-Part Series, Part 2, Labor Force Participation, 2022.
[26] Committee for Economic Development of The Conference Board (CED), Child Care in State Economies, 2024 Update, Part 1: Recent Trends in Paid Child Care Usage, January 2024.
[27] Ibid.



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Thank you so much for the thoughtful questions around child care.
Below are my responses.

QUESTION 1:
What impact will this rule have on child care provider wages?

Though it is recommended, it would make enrolling children receiving assistance less of a risk. It would make recovering unpaid child care tuition much easier for those that are new or renewing in the child care assistance system. Often, the process for applying for child care assistance is a barrier in itself. Those that are living in instability and need this child care assistance, are less likely to have the required documentation and often struggle the most in accessing the documentation needed to apply. I would appreciate the opportunity to review the required documentation per the Child Development Block grant with the appropriate department staff and determine if the issues lie within that system or attached to an individual state requirement.

Unfortunately, I suspect the impact on wages will be minimal. As it is not an increase in the amount of funds provided to reflect true cost of care, therefore providers will not be able to increase wages. The prospective pay and enrollment basis will provide a more stable and predictable payment, which will help providers have a better sense of their revenue stream and provide more predictable and sustainable revenue. Steady and predictable payments, including those prospectively enrolled in the assistance program, may provide enough stability to have a minimal increase over time.

QUESTION 2:
Are these changes sufficient, or could Congress do more?

This would be an important level of support in the continued effort to move toward high quality early childhood environments, what continues to complicate this is the low wages that these teachers would earn. Increasing assistance payments to reflect the true cost of quality care will also be needed in order to retain this workforce. Many times, once a

degree has been attained, public schools and other industries are able to recruit them away by offering a higher wage and benefits.

QUESTION 3:
Is this something we should look at replicating federally?

Yes,this should be the goal, either through replication of the model in Washington State or through States developing similar programs responsive to local needs and having a similar goal. This may have a career ladder, from entry to expert to enable a skilled, competent workforce to educate and care for young children and move toward high quality early childhood experiences and outcomes. By reflecting the true cost of quality care in the system, increased compensation can reflect the skills and knowledge needed at each step of the career ladder.

QUESTION 4:
Are there existing programs to support child care workers with the cost of education?

Many states are covering all or part of the cost of education at this time. Again, the challenge here is that the current and potential salary in so many areas, especially those in rural areas, does not reflect a living wage, even beyond entry level. It is difficult to expect to retain staff, even after earning a degree, due to the challenge of low wages and minimal benefits that cannot compete with public school salaries and benefits and the market in general.

In our region of NH and VT, we launched a program called Career Cultivator that is an in-person, practicum heavy strategy that prepares entry level, inexperienced staff to enter the field well on their pathway toward a lead teacher. This strategy navigates all required documentation and other burdensome tasks, while giving formal instruction, mentoring and hands-on practicum experiences to a group of aspiring early childhood professionals who then receive a weekly stipend to cover costs and expenses of participating. This 10-week, 6-credit program supported 33 new professionals into the field in just the first year. Two of which have already completed their Child Development Associate Credential and are now employed as Lead Classroom Teachers. Included in this program is a substitute teaching pool, that the trainees participate in to gain more experience and supplement income. Some have even chosen to stay in the substitute pool beyond the term of the program and are serving an important role in supporting center staff who need to take personal time off.

QUESTION 5:
Could you talk about the unique struggles that child care businesses in rural areas face?
The Department of Agriculture and Department of Health and Human Services have resources

available for rural child care already.

In rural areas, family-based child care is a logical solution for small populations of young children, though many are barely breaking even and are resistant to raising tuition as it would mean putting the families that are working so closely with, would struggle even more to pay for care. Increased investment in assisting families in paying the true cost of care paired with continued small business training and supports can make a significant impact in the stability of the workforce living or working in rural areas. In our region of NH and VT we have a staffed family child care network that has the capacity to support prospective family based providers through the process of licensing and connecting to resources including a partnership with our regional small business economic development groups as well as the SBDC. Supporting Family Child Care networks that can bring these people together, collaborate and open up to support as well as offering support services to those who wish to start up their own business can have a great impact, not only on increasing capacity to meet the need but also in retaining our current family child care providers beyond the "their own child's childhood" as many providers open these businesses in order to stay home with their own children during these first years.

QUESTION 6:
Are there resources from the small business perspective that this committee should create or Expand?

From the small business perspective, some of the challenges these child care businesses are facing include capacity to serve the multiple roles of administration. Support from local or regional SBDC and economic development corps, as well as regional child care business networks have played an important role in stabilizing child care in the Upper Valley and Coos regions of NH. These relationship-based supports that are responsive in their approach can make a significant impact on the business stability and efficiency by helping them implement best business practices specific to the child care model. Again, one of the biggest barriers, especially in rural and low and the moderate wage workforce is having to keep wages low in order to balance a budget without passing on the overburden costs onto these families. Whether operating as a non-profit or privately operated, it is often difficult to balance a budget without putting the impact of rising costs onto families.

Looking at the SBA and Small Business Committee offering grants or low-cost loans to help with facilities, but more importantly include the pathway of using these funds to build one's business. Many child care businesses that are operating at margin, are very reluctant to utilize these opportunities, without understanding how proactive facility maintenance can actually save costs in the future.

Another potential support would be to offer training for non-profit Boards on things like governance, finance and fiscal management skills for administrative staff. This has been one of the most common issues for non-profit child care businesses and can even contribute to closing. In our region, we have a "non-profit first responder" who can support a non-profit child care business in identifying, addressing and resolving issues with compliance and financial management. She also offers board and administrative training. Child care board of directors do not hold a level of prestige as some other non-profits and are most commonly made up (sometimes entirely) of lay people with little or no experience in the non-profit realm. These types of supports can have a tremendous impact.

Questions from:

Senator Hirono

Provider Challenges

As a former child care provider, you have firsthand experience dealing with the challenges child care businesses face on a day-to-day basis. I have met with a good number of providers from my state, who I suspect would probably share some of the same challenges you mentioned in your testimony. Everything from paying their workers a livable wage, to keeping their programs affordable for families.

QUESTION 1:

Can you speak to some of the challenges you faced as a child care provider?
Over the 20 years of operation of our child care business, some of our biggest challenges were balancing the needs of the community (operational hours, tuition costs, closing for staff training purposes) and creating a positive program work culture that could "outweigh" the lack of sufficient wages and benefits. Our community, located in Coos County, NH and is one of the poorest and most rural areas of the state, child care tuition costs were the primary focus of a family's choice in care. It seemed that after a time, as our staff attained college degrees and our team was delivering the most amazing early childhood experiences we were *not* able to serve middle income families. My staff and I utilized all resources for paying for education with minimal impact to their personal finances, but ultimately required a raise in order to retain this amazing staff we had invested so much into. These are the families not eligible for adequate child care assistance but did not have the income to carry the rising parent copays or full cost of care.

Even though our costs had risen substantially, we continued to raise tuition as moderately as possible. We were *most* able to serve those that were TANF eligible and received the maximum child care assistance (still at the low market rate) and those parents who had a higher income. This left many mid-income families searching for unlicensed options or making the decision to leave the workforce.

QUESTION 2:

Did you benefit from any federal investments for things like child care subsidies?

Over the 20 years in operation, we did serve anywhere from 40%-60% of our 61 children enrolled that were receiving some level of child care assistance. Over these years, in NH, we moved to direct deposit and timely payments and most recently to enrollment based billing.

QUESTION 3:

If yes—How did these investments support your program?

These changes had a positive impact on cash flow, allowing for ontime payments for billing and reduced late fees and other issues resulting from this large portion of weekly income being more predictable and reliable. The issue remains, that the market rates are based on the current market of low and unsustainable wages for a business that is actively moving toward higher education requirements and state sponsored quality improvement initiatives.

In NH, issues with rebuilding a qualified and adequately compensated staff remains the primary focus. In fact, other duties relating to quality or finance are being set aside to make room for the daily "putting out fires"

