House Appropriations Subcommittee on

Labor, Health and Human Services, Education, and Related Agencies

“COVID-19 and the Child Care Crisis”

Written Testimony of

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Good morning, Chair DeLauro, Ranking Member Cole, and other distinguished members. Thank you so much for holding this hearing on the critical topic of COVID and its impact on the child care crisis and for inviting me to speak. My name is Dr. Theresa Hawley and I serve as First Assistant Deputy Governor for Education for the state of Illinois.

In my current role I work with Deputy Governor for Education Jesse Ruiz to support our full birth-through-college educational system. As such, I have had a front row seat watching how the pandemic has impacted each part of this system. From the earliest days, when we were making the difficult decisions about requiring schools to go to remote instruction and severely limiting child care and early learning program operations, it was clear that child care providers were going to be impacted very differently from the rest of our system. While public schools and grant-funded early learning programs like Head Start would certainly face new costs and extraordinary challenges in serving children and families, at least they knew that their basic funding was going to continue to flow, even if their services were interrupted. In contrast, child care providers faced an immediate existential threat to their businesses and their financial security. We knew that we had to step up to support this vital industry.

Receiving $118 million in CARES Act funding for child care was an instrumental down payment in allowing our state to move forward with a comprehensive set of supports for child care providers to stabilize the industry in this time of crisis. As part of the Governor's stay-at-home order on March 20th, all licensed child care centers and homes were ordered to close. At the same time, we implemented an emergency child care system, allowing centers and homes to immediately reopen but with much smaller group sizes and strict requirements for keeping groups of children separate throughout the day to ensure safety during the crisis while also being able to serve essential workers. Knowing that this would dramatically impact providers' revenue, we immediately implemented policies that would give providers financial relief and allow them to focus on meeting the needs of families and children. These included temporary changes to our Child Care and Development Block Grant funded subsidy program, such as paying providers in our subsidy program based on February enrollment, rather than attendance, to ensure that they had enough revenue even as children had to stay home for safety reasons; reducing copayments for families to $1 per month so those struggling financially were able to receive care/keep their spot; raising reimbursement rates for providers by 30% for each child in attendance to cover the increased costs of the smaller group sizes; and extending Child Care Assistance eligibility to frontline essential workers, regardless of their incomes. We also quickly provided stipends to all emergency child care providers to offset the costs of safety protocols, and mailed centers and family child care homes bleach, thermometers, masks and gloves when they were difficult to find. At the same time, we partnered with philanthropy in our state to provide one-on-one help to child care providers to navigate the application process for the Paycheck Protection Program, the Economic Injury Disaster Loans, and Pandemic Unemployment. Even with this additional support and though we leveraged every possible opportunity available in the CARES Act to support our providers and families, by June, our policy responses had nearly exhausted all of the child care funding available in the CARES Act.

I would like to note something important about how we used the CARES Act Child Care and Development Block Grant (CCDBG) funding. Using state and federal child care funding effectively and efficiently requires careful attention to specific grants and funding streams, each of which comes with particular restrictions and time periods for spending. Knowing that we had the funding and the flexibility provided by the CARES Act allowed us to move forward with these important policies for child care providers, the cost of which exceeded the amount of new federal funding we received. However, our state is still in the process of drawing down the actual CARES Act funding in accordance with our careful cash management strategies. I say this because I don’t want anyone to incorrectly assume that we haven’t already used up all of the child care funding that was provided.

As our state started to plan to re-open our economy in April, we heard the same concern over and over from business leaders across industries: they were worried that their employees would not be able to return to work because they lacked access to safe child care for their children. We estimated that at least 15% of workers in Illinois need care for young children in order to be able to work, and even more would need care for older children if schools would not be opening for in-person instruction. Our emergency child care system had only about 15% of the capacity of our pre-pandemic system, so we knew that it was critical that we help many more child care providers to safely re-open or expand their services. With input from over 100 providers and other stakeholders, and with the help of our state public health department and some wonderful experts at the University of Illinois at Chicago, we developed a re-opening plan for child care. We determined that we would need to keep group sizes small—meaning fewer children in the program—and only increase them gradually if we could see that transmission levels of COVID were staying very low in child care settings. We knew this would be a challenge for our providers. Since there has not been enough public funding to support child care for all families even before the crisis, the child care industry operates on a per-child tuition revenue model, rather than the more stable public funding system that public schools have. Only about 40% of child care is subsidized in our state, with the rest paid for directly by parents. We knew that most providers would be operating at a significant loss under these important health guidelines, and we knew that just making changes to our subsidy policy would not be enough to save the industry.

Because we had just completed cost models for our entire early childhood system for the Illinois Commission on Equitable Early Childhood Education and Care Funding, we were able to quickly generate estimates of the potential losses for providers, and the amounts were staggering. We estimated that child care homes would lose on average of about $2,000 per month, and child care centers would lose about $20,000-$30,000 per month. All told, we estimated that reduced enrollment for safety reasons could result in an overall loss of revenue for child care providers in Illinois in excess of $50 million per month. Without help, losses of this magnitude would be sure to drive providers into debt or force them to close; this would not only be a devastating blow to the early childhood industry in Illinois, it would also make it that much more challenging to get Illinois back to work when it was safe to do so. We were hearing from providers every day about their fears of having to close their doors permanently, including some who have already done so.

Although our CARES Act funding dedicated to child care had been essentially used up, we knew we needed to provide significant help to this crucial industry that, in the best of times, operates on razor-thin margins where care is unaffordable for all too many families while workers are paid too-low wages. We needed child care to continue to be there for our frontline and essential workers, and we need child care to be there for all families when it is safe for everyone to go back to work. Our Governor and General Assembly recognized the priority of investing in providers, and that an investment in child care providers is an investment in Illinois' workforce and economy, so they dedicated half of all of the business interruption relief funding it established through the Coronavirus Relief Fund in the CARES Act to supporting child care businesses—a total of $290 million for July through December 2020.

These resources allowed us to move quickly to shift our support model from a focus mainly on child care providers that participated in our subsidy system to supporting all open providers. This was critical because stabilizing the sector overall will be essential to our economic recovery. We designed an easy-to-apply-for grant program we called the Child Care Restoration Grants that was based on providers' pre-pandemic licensed capacity, county, and quality rating and that provided on average $25,000 per month for centers and $1,500 per month for homes. Providers in those zip codes that were disproportionately impacted by COVID received an additional 10% in their grant. Over 2,000 centers and nearly 3,000 homes applied and received a grant that covered about 5 ½ months, using up the full $290 million by December.

The response from child care providers has been overwhelming. In focus groups, social media posts, and even thank you letters, we heard time and again, "if it weren't for the Restoration Grants, I don't know how we could stay open." As one of our premier nonprofits in western Illinois—SAL Community Services—noted, the grant let them focus their energy and attention on meeting the needs of the children and families they serve, rather than whether they were going to be able to make payroll and retain the staff they had worked for decades to recruit and develop.

Unfortunately, while our Restoration Grant funding was exhausted by December, the financial challenges faced by child care providers have not subsided. Although our state has returned to its normal regulations for group sizes based on the low levels of COVID spread we have seen in child care settings that follow key health guidance, enrollment remains quite depressed. As in many national studies, child care providers in Illinois have reported to us that their enrollment is down 30-60% from last year, and we have seen little uptick in enrollment over the last six months. We anticipate that enrollment will stay low through the balance of this school year, and we believe that enrollment will only gradually recover over the next 18 months. We believe child care providers will need significant financial support for at least the next year and a half to make it through this continued crisis. And we know that, at a time when millions of women have left the workforce, there will not be a robust economic recovery without a well-supported child care industry.

The $332 million in CCDBG funding that Illinois received through the December relief package provides the funds and the flexibility for us to continue to support Illinois child care providers but will not nearly be enough to sustain that support for as long as it is needed. Our administration strongly supports the historic investment in child care relief that is included in President Biden's American Rescue Plan and recognizes additional funding will be needed to support child care through the recovery.

Beyond stabilization, our state recognizes there are many other urgent needs for investment in early childhood care and education. Our workforce needs training and early childhood mental health supports to effectively address the needs of young children and families who have suffered trauma and loss during this unprecedented time. Many also need scholarships and support to make progress towards degrees and credentials, building the pedagogical skills that will enable teachers to help each and every young child to be ready to succeed in school and later life. And our state is planning to invest in building local capacity to connect families to the services they need during and beyond the pandemic and to support planning for needed program expansion in so-called "child care deserts." In our latest state capital plan, we included $100 million to support construction and rehabilitation of early childhood facilities because we know our state will not be able to expand services in the most underserved communities—including communities with high concentrations of Black and Latinx children and rural communities—

without creating additional spaces that are appropriate for infants, toddlers and preschoolers. But we know that this historic state investment is only a fraction of what is needed. We recommend that any federal infrastructure plan include funding specifically to address the significant child care facility gap.

Of course, while a one-time infusion of funding is desperately needed to patch the holes in the child care industry created by the pandemic, we also need to grow our country's ongoing investment in child care to strengthen the fabric of the industry long-term. As I mentioned previously, Governor Pritzker launched a special commission in 2019 to look deeply at early childhood funding in Illinois, and that commission has found that to provide equitable access to high quality early childhood education and care--including home visiting services, child care, preschool, early intervention and special education--in a way that reflects what the research has identified as most effective and with compensation that is commensurate with early childhood professionals' qualifications would cost about seven times what we are currently spending each year. We recognize that substantially greater federal investment, in the form of stable, long-term funding streams, will be required to grow our early childhood education and care system to effectively support all families as they support their young children's healthy growth and development.

I began my testimony by remarking how differently our K-12 and child care systems have been financially impacted by this pandemic. I'd like to close by noting how important it is that we invest in early childhood education and care much more similarly to the way we invest in elementary education—as critical infrastructure, necessary for both the short- and long-term strength of our workforce. The pandemic has exposed how fragile our nation's child care system is because of who pays for it, and how much more support it needs to fulfill its twin mission of enabling parents' participation in the workforce and supporting the growth and development of our youngest citizens. So I will share with you the thought that has kept me going this past year as I have worked with my colleagues to patch together supports for this critical industry: If the Great Depression gave us Social Security, then perhaps this pandemic will finally give our country universal access to child care.