



Testimony before the Labor, Health and Human Services, Education and Related
Agencies

United States House of Representatives

COVID 19 AND THE CHILDCARE CRISIS: HOW COVID-19 IS PUSHING THIS
ESSENTIAL SECTOR TO THE BRINK OF COLLAPSE

Testimony by Georgia Goldburn,

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Chairwoman DeLauro, Ranking Member Cole and distinguished members of the Labor, Health and Human Services, Education and Related Agencies, thank you for the opportunity to provide testimony and for convening today's briefing on the challenges confronting the childcare industry because of COVID-19.

My name is Georgia Goldburn and I have been the director of Hope For New Haven for 15 years. Hope For New Haven is a faith-based nonprofit located in New Haven, CT and manages the Hope Child Development Center, a licensed 77-capacity facility serving children 6 weeks to 13 years old. I am also the co-founder of CERCLE, a network of childcare providers serving children and families of color, for whom Hope serves as the fiscal sponsor.

Early in the pandemic, our organization assessed what our options would be going forward given the quick closure of the Paycheck Protection Program (PPP) in the first round. Our program went from serving 75 children to 25 in a matter of days when the 81 Olive Street, New Haven, CT 06511-5991 • phone: 203.865.HOPE • fax: 203.773.1922
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state went into lockdown. Preserving cash became our number one priority. As most childcare businesses, Hope's largest expense was our payroll cost and with the doors being closed to PPP, we were left to explore three options. Option one - close the Center and lay off all our staff; option two - keep the Center operating for the families that needed us and maintain a skeletal crew; option three - keep the Center open and keep all staff at reduced hours.

Option one was the best not just for the organization, but also the staff who would see a significant increase in their salary because of the weekly \$600 Federal Pandemic Unemployment Compensation. This was both discouraging and disheartening, knowing that the first time many childcare workers throughout the country would see this level of increase in their salary would be through this program. Equally disheartening, it would be the worst option for our parents who were essential workers and would be left without childcare and worst still for the children whose world had been turned upside down due to the pandemic.

Options two and three were the worst for the organization. However, it would be the most beneficial for our parents and children, and while it would create some benefit for staff through the UI system, those benefits were not as attractive as option one. I presented these options to my staff not knowing what they would elect to do. The majority of my staff were women of color, many of whom were underinsured. I knew they were very afraid about what they were hearing about the pandemic and by this time, it was clear that communities of color were disproportionately contracting and dying from the virus. I was stunned by their decision. My staff unanimously agreed to come to work on a part time basis to ensure that none of their colleagues were laid off, that children would continue to have a safe place to learn and that families who were charged with responding to this pandemic were supported.

Distinguished members, I am pleased yet humbled to share that this is but one of the many stories of selflessness and incredible sacrifices made by extraordinary individuals during the pandemic to ensure that the childcare industry remained viable and available to support frontline workers. “Our parents need us...our families need us... our children need us” was the organizing principle of everyone connected to the childcare industry.

And as the industry stepped up to support our country from our long beleaguered economic perch, COVID-19 has magnified how our short-sighted approach, which situates the full responsibility of costs on families and childcare providers, threatens our very capacity to respond to ensuing crises. The pandemic has made clear how the childcare industry serves as the economy’s footstool, undergirding healthcare workers, first responders, bankers and all the other essential businesses in the U.S. Yet, even before this health crisis, the child care system had significant challenges making it particularly vulnerable to this pandemic. Structural inequities, due to chronic underfunding and benign neglect of this critical pillar of the nation’s economic infrastructure are more evident than ever.

For example, Connecticut has a significant shortage of 50,000 infant and toddler spaces while 44% of families live in a childcare desert. Nationally, over the past 15 years, the number of childcare providers in the U.S. has fallen by 30%, according to the U.S. Department of Health and Human Services. Home-based providers have been hit particularly hard, with about half closing shop. The number one reason given for childcare closures was business being unprofitable. CERCLE was formed to address this challenge and others. We bring together providers of color under a shared service network designed specifically to stabilize childcare businesses serving children and families of color in underserved communities like New Haven. CERCLE understood, well before this pandemic, how structural inequalities continue to undermine and ravage communities of color in the most insidious and pernicious ways.

In Connecticut, extraordinary measures were taken to stabilize programs reeling from the shutdown. Working with the Office of the Governor, Office of Policy and Management and Connecticut philanthropy, the CT Office of Early Childhood (OEC) developed new programs to support the State's childcare infrastructure and increase access to services for frontline workers. Combined, these new programs supported Hope during the pandemic and covered the cost of care for some of our parents who are frontline workers. These supports provided assurance to us that our childcare subsidy, which makes up 40% of Hope's revenue, would remain at their March 2020 levels through June 30th regardless of child attendance and provided childcare facilities with a bonus of up to \$825 per week to provide hazardous duty pay to their staff.

Additionally, CT used its Cares Act dollars to create programs like CTCares for Frontline Workers, a six-week weekly benefit of \$250-\$500 to eligible families who are frontline workers. This made it possible for Hope to remain open for essential workers, even though revised classroom sizes and a reduced cap of 30 children cut our licensing capacity by 60%. CT received \$23 million in the first stimulus package and coupled with another 70 million of state and philanthropic funding was able to support some childcare programs through the end of the year. And while these measures were helpful to programs like Hope, most of that funding left out about 70% of Connecticut's private childcare facilities that do not receive State funding, many of which have lost 100% of their revenue.

Many of those childcare providers were directed to the SBA's Economic Injury Disaster Loan (EIDL) and the Paycheck Protection Program (PPP). Applicants for the EIDL program, though, must meet a credit threshold and demonstrate their ability to repay the loan. Low margins and delayed payments by parents and State agencies often cause many providers to pay their bills late or carry high credit card balances, all of which are

detrimental to personal credit ratings. For those who are creditworthy, profit and loss and cash flow statements may not show that they could support a loan, as many childcare businesses are operating at or below the margins even in good economic times.

The financial nature of the childcare industry effectively sidelined many providers from consideration in these federal programs, as many of these businesses are very small, the majority do not have business loans or lines of credit and many family childcare providers conduct their business operations using personal accounts. According to a survey conducted by the National Association for the Education of Young Children (NAEYC), family childcare homes saw an approval rate for PPP loans of 27% if they had established banking relationships and 23% if they did not. This is borne out by our experience based on the reporting from our Family Child Care Networks. In fact, but for the support of CERCLE, many of our family childcare providers would suffer the same fate of the 75% of childcare businesses that were locked out of these loans.

CERCLE provided accounting and technical support, as well as leveraged our relationship with a local bank, Webster Bank, to allow family childcare providers that did not have a banking relationship with them to apply for PPP loans. These supports resulted in 100% of our network providers securing \$200,000 in PPP and EIDL loan funding. While we are proud of this achievement, these critical funding supports remains temporary and are distributed through systems that are not easy for providers to navigate.

Worse still, the childcare industry has been bereft of the necessary personal protective equipment (PPEs) and supplies needed to keep staff safe, as routinely expressed by providers during tri-weekly meetings organized by the CT Early Childhood

Alliance. Continued shortage in cleaning supplies and delays in shipment from vendors

have strained providers' ability to provide staff with gloves, thermometers, and masks,
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as well as the supplies needed to follow the Centers for Disease Control and Prevention's (CDC) guidelines for enhanced cleaning. This shortage prompted one provider to leverage her Hong Kong connections to secure PPEs for her facility. To help to alleviate some of these issues, the CT Office of Early Childhood has made some supplies available through regional distribution centers and CERCLE has supplemented those supplies for our network members through bulk purchasing. But these were temporary measures that cannot continue without significant investment and support from the federal government.

Yet another threat to the system is the critical shortage of staff as some providers struggle to reopen. As it is impossible to socially distance while providing young children and babies with developmentally appropriate caregiving, i.e., hugging, feeding, and cuddling, many teachers report that they do not feel equipped to perform their jobs while remaining safe. Moreover, with a new business paradigm that cuts childcare facilities' capacity by half, many providers are making the calculation that it is not economically sustainable to continue to operate and have already decided to remain permanently closed. In Connecticut 15-20% of centers and family group homes and a staggering 80% of license exempt programs, where most school age children are being served, remain closed as of today. The fear is that these closures may be permanent.

As physical distancing measures remain necessary and parents continue to make the choice to keep children at home, childcare providers are struggling with reduced enrollment. The Center for American Progress estimates that the United States is at risk of losing a large portion of its childcare providers. This analysis concluded that Connecticut could lose more than 45,000 licensed childcare spaces, in a State already short 50,000 infant and toddler spaces. Currently, Hope is operating at 50% of its

capacity which is in line with a survey of our family last year that revealed that only 50%
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of them planned to return upon the State's reopening. Such a decline in enrollment would have resulted in a \$250,000 deficit, but for the federal stimulus dollars. Without further assistance, this deficit will prove insurmountable for our organization this year.

These challenges put in stark reality that the fall-out from COVID-19 demands a deliberate and sustained federal response. While the \$10 billion allocated in the second stimulus package was helpful, it falls short of the uniformed consensus that no less than \$50 billion is necessary to continue to shore up the childcare infrastructure. Additionally, ongoing investments are going to be critical to ensure that when our nation emerges from this pandemic, there will be a system in place to support the efforts to rebuild our economy. Childcare providers responded to the nation's call and poured on to the battlefield from an already economically precarious position, during this pandemic. Their resiliency, however, belies an exhaustion born out of the unreasonableness of the task assigned to them over the years, i.e., help to build brain architecture at the most crucial stage of a child's development, while undergirding the economy with very inadequate resources.

Distinguished members, this government and country owes the childcare industry a great debt; it is one that should be paid in full and with all deliberate speed.