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## Written Statement for the Record Before the U.S. House Committee on Education & Workforce Subcommittee on Early Childhood, Elementary, and Secondary Education

### "Who's Watching the Kids? How Employers, Innovators, and Parents Are Solving America's Child Care Crunch"

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Dear Chairman Kiley, Ranking Member Bonamici and members of the Subcommittee on Early Childhood, Elementary, and Secondary Education:

As a leading representative of America's 36 million small businesses, Small Business Majority is pleased to submit this written statement for the record to the U.S. House Subcommittee on Early Childhood, Elementary, and Secondary Education regarding the urgent need to address our nation's childcare crisis, which continues to hinder entrepreneurs and small businesses from reaching their full potential.

Small Business Majority is a national small business organization that empowers America's diverse entrepreneurs to build a thriving and equitable economy. From our 11 offices across the country, we engage our network of more than 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth. Our work is bolstered by extensive research and deep connections with the small business community that enables us to educate stakeholders about key issues impacting America's entrepreneurs, with a special focus on the smallest, most under-resourced businesses.

#### **A lack of access to affordable, high-quality childcare is a growing impediment to small business development and growth**

While small businesses rely on their ability to attract and retain a skilled workforce, mainly through the provision of competitive compensation and workplace benefits like healthcare and retirement, an increasing lack of access to affordable, high-quality childcare for small business owners and their employees directly impacts their ability to thrive and grow. Access to childcare options is not only essential to supporting the development and growth of small businesses, but it is an integral factor in the health and success of our nation's economy. As the shortage of childcare impacts all businesses, it's estimated that the U.S. economy loses \$122 billion a year due to childcare challenges and businesses lose an average of \$1,640 a year per working parent because of insufficient access to childcare.<sup>1</sup> These financial losses are felt the hardest by the smallest businesses, which simply can't afford to lose thousands of dollars in revenue annually.

Small Business Majority research has found that nearly 60% of small business owners agreed that a lack of access to affordable, high-quality childcare for their own children created an impediment for them to start and grow their business. While many small business owners decide to pursue entrepreneurship due to their own childcare needs, a continued lack of access has impacted their ability to run their business.

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<sup>1</sup> "The child care crisis is costing the economy \$122 billion a year, new study finds – and it's not just hurting families, businesses and taxpayers are taking a hit," CBS News, February 2024, <https://www.cbsnews.com/news/lack-of-child-care-costs-economy-122-billion-dollars-parents-businesses-taxpayers-study/>

Entrepreneurs say they've had to take substantial time away from their business (56%), lose out on business opportunities (39%) and hire additional help (28%) as a result of childcare challenges. Notably, more than one-quarter (26%) of small business owners were forced to shut their business down and rejoin the workforce due to childcare issues. Nearly 6 in 10 (58%) also believe that their childcare issues have negatively affected their productivity.<sup>2</sup>

The childcare accessibility gap not only impacts entrepreneurs who want to start or grow their business, but also their employees who are critical to maintaining the day-to-day operations of a business. When an employee consistently misses work, business owners miss out on opportunities. Our research found that an overwhelming majority (94%) of small employers report having at least one employee with a child, and one-third of employers stated that at least half of their employees have children under 18. For the smallest businesses that may only have a handful of employees, workplace absences due to childcare can be extremely costly to the business' bottom line and hinder productivity. In fact, nearly half (49%) of small business owners reported having employees who had to adjust their work schedules a few times a month due to childcare issues.<sup>2</sup>

As workplace disruptions due to childcare persist, business owners are faced with difficult and uncontrollable challenges, including unplanned employee work absences, employees quitting, candidates turning down job offers and even firing employees who have been routinely absent. Given these challenges, many small business owners are forced to get creative in how they accommodate their employee's childcare needs. More than half (57%) of small employers offer flexible scheduling and remote work; half (50%) allow employees to bring their children to work, and nearly one-third (29%) offer on-site childcare.<sup>2</sup>

Below are stories from small business owners in Small Business Majority's network which illustrate the direct impact of childcare barriers on their small business.

**Emilie Aries, Bossed Up, Denver, Colorado:** *"I'm a small business owner and employer with a two-year-old who's in daycare, so I know first-hand that when your childcare situation falls apart, your entire life falls apart. My ability to grow my own small business and create jobs in Colorado is dependent on access to affordable, high-quality childcare. Due to a change in my childcare situation last year, I was nearly forced to close my business. After weeks of calling dozens of childcare providers, we were finally able to find a spot for my child, which saved my business. Every working parent needs access to affordable childcare in order to continue contributing to the economy."*

**Shirley Modlin, 3D Design and Manufacturing LLC, Powhatan, Virginia:** *"The lack of affordable childcare threatens small businesses, especially in rural communities like mine in Virginia. One of my employees recently had a child, and their childcare provider was an hour drive out of town. He lost two hours each day traveling to reach the childcare center while his wife's salary barely covered the cost. As a rural small business owner who struggles greatly to retain a quality workforce, access to childcare is a concern for maintaining our business operations and promoting employee well-being. We need legislative solutions to this childcare crisis so that my employees and business can better succeed."*

**Leslie Allison-See, Robust Promotions LLC, Villa Park, Illinois:** *"As a business owner, an employer, and a grandmother, I see daily how a lack of quality and affordable childcare is holding back our economy. This became an acute issue during the pandemic as childcare centers and schools have shut down, and parents have been forced to leave the workforce—a challenge that has impacted my own family and millions of others. That's why we desperately need Congress to make bold investments in childcare and other critical benefits like paid family leave and healthcare. When entrepreneurs and employees alike have the resources they need to thrive in the workplace fully, our economic recovery will flourish."*

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<sup>2</sup> "Opinion Poll: Small businesses support policy solutions to address our nation's childcare challenges," Small Business Majority, April 2024, <https://smallbusinessmajority.org/our-research/small-businesses-support-policy-solutions-address-nations-childcare-challenges>

## **Congress must prioritize federal investments in local childcare networks to meet the needs of small businesses and families nationwide**

Small businesses, particularly under-resourced firms and those with fewer than ten employees, operate on razor-thin margins, making it increasingly difficult for them to help address their employees' childcare needs. Despite this reality, a growing sentiment among some lawmakers and stakeholders holds that employers should largely be responsible for driving innovative solutions to close gaps in childcare accessibility and affordability for their employees. While large corporations and higher-earning small businesses that can afford to invest in their employees' childcare needs should certainly continue to offer this critical benefit, the vast majority of small businesses simply lack the time, capital and resources to provide it, further tilting the playing field in favor of larger businesses.

This disparity is only exacerbated by policies that fail to meet small businesses where they are, such as the 45F Tax Credit for Employer-Provided Child Care, which was extended through H.R. 1 to enable small firms to claim an annual credit of up to \$600,000 for qualified childcare costs. To claim the full tax credit, a business would have to incur an extraordinarily high level of childcare expenses, far beyond what most small businesses could realistically afford to spend on childcare alone. While these credits are helpful for larger employers, true Main Street businesses can't access the capital needed to benefit from these tax incentives. Instead, federal investment is needed to level the playing field by passing comprehensive childcare reform that addresses the cost of care and subsidizes childcare programs to enable small businesses and their employees to benefit from more readily accessible childcare options.

Small Business Majority research found that over two-thirds (68%) of small business owners agree that policymakers need to take action to address the cost of childcare. To address our nation's childcare crisis and expand access to affordable childcare for small businesses and their employees, Congress must prioritize increased investment in federal programs that strengthen local childcare providers and their workforce, while also expanding tax credits and subsidies that help families afford the cost of care. Providing a foundation for small businesses to build upon and allowing parents to pursue workforce opportunities to support their families through commonsense childcare policies will go a long way to foster economic stability and success for many communities including small business owners. The success of pandemic-era childcare stabilization funding underscored the imperative role the federal government must play to ensure childcare is affordable and attainable for all. To make this a reality, Congress should do the following.

1. **Strengthen federal support and funding to states and local providers through grants and technical assistance awards** to provide for increased investments in local childcare infrastructure. Increased federal funding for childcare is essential for building provider capacity and expanding available childcare slots to meet the growing demand for affordable childcare nationwide.
2. **Pass the Small Business Child Care Investment Act (S. 273)** which would ensure non-profit providers have access to Small Business Administration (SBA) loan options, including the 7(a) and 504 programs.<sup>3</sup> Our research has also found that 66% of entrepreneurs support expanding access to SBA loan programs for non-profit providers. The SBA plays an integral role in supporting small childcare providers, and loans originated under the SBA's 7(a) and 504 programs invested over \$1 billion in childcare businesses in 2023 alone.<sup>4</sup> However, non-profit childcare businesses, which make up nearly half of all childcare centers, cannot participate in SBA's 7(a) or 504 loan programs, further limiting their ability to access the capital needed to keep up with increasing demand for care.

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<sup>3</sup> "S.273 – Small Business Child Care Investment Act," Sen. Jacky Rosen, February 2025, <https://www.congress.gov/bill/119th-congress/senate-bill/273>

<sup>4</sup> "A Summary of Lending to Childcare Businesses Under Programs of the U.S. Small Business Administration." Federal Reserve Bank of Chicago. February 2025. <https://www.chicagofed.org/publications/chicago-fed-insights/2025/summary-lending-childcare-programs-us-small-business>

3. **Provide childcare businesses with targeted business development resources and hands-on guidance** through the SBA and its resource partners, including Women’s Business Centers and Small Business Development Centers, so childcare providers have the tools and support needed to start, sustain, and grow their operations.
4. **Strengthen and expand the Child Care and Dependent Tax Credit (CDCTC)**, which remains the only tax credit specifically created to help working families offset the cost of childcare. While modest improvements have been made to the CDCTC, Congress must guarantee full refundability for low-income families to expand access to the full credit.

While small businesses remain the backbone of local economies, ongoing economic headwinds and the rising costs of critical benefits, including childcare and healthcare, threaten to have lasting and potentially irreversible consequences for Main Street businesses. These pressures, compounded by recent threats to federal childcare programs, have placed childcare businesses nationwide at heightened risk as they continue to struggle to retain skilled employees and stay financially viable. Without the support of childcare networks that meet the needs of local small businesses and families, business owners and their employees will continue to face childcare barriers that undermine business sustainability and growth, and, in turn, the strength of the broader economy.

We are encouraged to see Congress continue to engage in discussions around the importance of childcare to the health of our national economy, understanding that efforts to increase federal supports for childcare will undoubtedly give entrepreneurs and small businesses the ability to grow. For any questions or additional information, please contact Government Affairs Director Alexis D’Amato at [adamato@smallbusinessmajority.org](mailto:adamato@smallbusinessmajority.org).

Sincerely,



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