



Thank you for inviting me to be a witness for the Small Business Committee hearing, “From Nothing to Something: The Story of the American Dream.”

My name is Corrine Hendrickson and I have owned and operated Corrine’s Little Explorers Family Child Care in rural New Glarus, WI for about 15 years. I have been a member of Main Street Alliance for two years. I am also the Secretary of the Green County Childcare Network and have been a Registry approved trainer and consultant for childcare professionals since 2018 and mentored for years prior. Thank you for inviting me to speak to you today about my small business and not only my American Dream, but the ability of those I work with to live theirs. The only reason I can be here today is because I was able to hire a couple of substitutes last year utilizing federal rescue fund dollars, thereby, increasing the wage I could offer by \$3 an hour and a monthly bonus of \$250. This allows me to go to appointments, take classes, and appear before you today without closing my business; subsequently allowing parents to work. Without continuing federal funding, I will lose that option, leaving parents unable to work.

I began my American dream wanting to become a teacher. From a young age I took every opportunity to baby-sit. I went to UW-Whitewater where I earned my Bachelor of Education Prek-6, but I really wasn’t looking to start a family childcare or work at a center, because even in 2001, I knew that it wasn’t really a career I could support myself, or eventually, a family, but the world had other plans. The 2001 recession hit after I graduated, and I couldn’t find a teaching job in k-12 therefore worked as a substitute and eventually picked up a second seasonal job in retail so my fiancé and I could buy a home. I worked my way up to a store manager and still subbed on my days off. We purchased our first, and current home, in 2003, when you could afford a home on starter wages. We were able to afford a home because we didn’t have the crippling student loan debt that so many are dealing with now, because even though my parents weren’t able to help me financially, I was able to work summers and baby-sit, scholarships, was a Resident Assistant and paid my way. My husband, who also had to pay his own way, had less than \$10,000 in low interest loans (3% or less). Predatory real estate investors, short term rentals such as Airbnb and VRBO have been purchasing homes for their portfolios and driving prices up exponentially. Our homes’ fair market value, without an assessment or any improvements, increased this year increased in value by about \$50,000 (15%) based on the state Department of Revenue’s equalized value determination.

In summer 2007, when our son was 6 months old, some friends and I were together for our usual Monday evening dinner, while our volunteer firefighter husbands were at meetings, and three of them were very pregnant and unable to find care, only waitlists. They were discussing if they needed to quit their jobs, go to part-time, convince their moms to retire early, etc. I brought up that I could quit my retail management position and start my own childcare and use my degree as it was also difficult for us to access care for the hours we needed. We loved our family childcare provider, but I worked nights and weekends and my husband worked full time during the week and played in a band on the weekends. We were lucky, as we had family nearby, we could rely on, but it wasn’t their responsibility to always take care of him. My husband and I talked about

starting a small business and it made sense for our family. My friends talked to their spouses and the next week plans were made to start Corrine's Little Explorers once two the first two children were born, and their parents needed the care. My last day working retail was a Saturday in October and I opened on Monday.

Had we been renting; a landlord would have been extremely unlikely to run a childcare business out of the rental. I also didn't have a homeowner's association to contend with, which is significant given the requirement of a fence to be licensed. Wisconsin's zoning laws also allow for childcare in residential areas for up to the licensing limit of 8 children. Regulations like these could be streamlined to ensure those who want to start family childcare businesses-can. Frequently, subdivisions in the country do have rules that would prohibit my business. Looking at these regulations is especially important in rural areas since there realistically aren't enough children or educators to staff a group center, leaving family childcare as the best business model. As I have provided consultation to those starting their own businesses I remind them that there are a lot of "fixed costs" such as food, mortgage/rent, property taxes, toys, books, consumable materials, repair and maintenance on the home and property, continuing education, utilities, phone, cleaning supplies, taxes, and their employer portion of Social Security and Medicare and to set their rates to cover all of those expenses. Then we look at what the parents can afford to pay and what is left is their wage. Wisconsin has prioritized wages for the educators in their roll-out of the covid relief funds, which has increased average wages of group center teachers from \$10.66 an hour in 2021 to \$12.66 in 2022. This still isn't a wage that you can live off of and many have left or are leaving the field for other less stressful, better paying jobs, those without high school degrees or the equivalent make more than childcare teachers and have benefits such as paid leave, health care, and retirement options, and most of Wisconsin's childcare educators have an Associate degrees or better. As a family childcare business owner, on average, we make about \$7 an hour, work 50 hours a week directly with children, and put in another 10-30 hours on the business end. Personally, I made \$6 an hour in 2021 and my wage doubled to \$12 an hour in 2022 because of the higher USDA CACFP reimbursements and monthly payments from the American Rescue Plan act. However, the USDA CACFP one tier system was not made permanent last year, and the ARPA funds end in January. Group centers face increased qualification rules, reducing their ability to participate in the USDA CACFP program. This has resulted in fewer programs offering food and parents having to supply it because the costs are simply too high for childcare programs to absorb. A group childcare center in my town had to stop their food program with the onset of covid and has been unable to afford to bring it back. This directly adversely affects children's nutrition and health. Without the renewal of these funding sources, or a state level budget inclusion, I am looking at raising my rates by 25% per child in February (\$50 per child), and another \$15 per child in July to offset rising food costs. Changing the USDA CACFP program in the farm bill to making the 1 tier system permanent and expanding to allow eligibility to all group centers as all family childcare centers currently are, will help fix the broken business model. Other childcare programs are all saying between 20-40% will be their increases when the ARPA funds run out. This will skyrocket inflation!

To start my business, I had to navigate several agencies to legally operate; obtaining a Federal EIN, State registration of my business name, figure out the legal way to operate my program, taxes, etc. In my state, you can legally have three children unrelated to you. This was extremely helpful as I then could start my business and operate legally while going through the process of

licensing-so I had income and wasn't keeping the families waiting for care and trying to simultaneously work full time. This is something that could be streamlined throughout the nation as those rules vary widely and is a barrier to starting family childcare businesses. We were also planning on having another child in the next couple of years, and I knew that I would need to be closed for a while after they were born and wasn't sure how that would work with the licensing process. A barrier to many others starting their dream of owning a small group center or family childcare center is as businesses we do not have access to capital. We take our business plan to the bank, and we are such high risk we aren't eligible for loans unless we have collateral, like a home that we are willing to leverage. If we do manage to obtain a loan it is at a significantly higher interest rate than other small businesses which directly affects the amount of money available for wages. If I were starting out and looking at purchasing a home to start a childcare business, I wouldn't be eligible for a mortgage.

Even though I wasn't regulated, because I was legally operating, I was also able to access liability insurance so if something were to happen, I would be protected. Speaking of liability insurance, the number of insurers willing to insure childcare businesses has drastically reduced over the last two years. Group and family childcare owners are receiving notices of non-renewal a month before their coverage ends. We have been told it is because our risk has gone up with covid, but this is suspect as many of them didn't pay out when we closed due to positive covid cases since their requirements weren't met. Prices have also drastically increased, in some cases doubling. Furthermore, policies that used to allow pets, and state licensing allowed, now are dropping that coverage, even though a dog or cat has been with the children for years without a problem. This is an example of how corporate concentration is adversely affecting small businesses as we are left with few choices and those companies have less competition and can increase their prices and profits at our expense and add unnecessary and burdensome requirements.

Once I began the licensing process, I found out that even though I had a degree in early childhood education I still needed to take specific child development courses. This is also something that could be looked at, regulatorily, to change and streamline as colleges have done for apprenticeships and other licensed professionals.

I was licensed in spring 2009 after submitting my application only a few months prior. I also work as a consultant and mentor and support new family childcare businesses through the regulatory process. Those I have helped most recently have taken almost a year to go through the process. This is a barrier to people pursuing their own dreams. Some of the increase in time is due to the lower number of classes offered (as the number of childcare businesses has decreased dramatically so has the number of technical and university colleges that offer the courses). Some states require a person to have a master's degree to teach at a college or have a professor willing to have you as an adjunct, has been detrimental in the number of teachers available to teach the required courses. Very few of us in the field have a master's degree as the pay and benefits aren't commensurate, nor can we afford to pursue the degree. Another reason is the funding cuts of the agencies that work with us through pre-licensing and the licensors increased workloads and inability to get to the programs in a timely manner.

Other regulatory changes since I started my business are the Federal Childcare Development Block Grant requires FBI fingerprints to be done at least every 5 years on anyone 18 or older volunteering or working in a childcare program, or, if family childcare, living in their home along with an annual state level background check. I agree, it is important to ensure the children are kept safe, but this seems excessive and that we are being targeted since Birth-3, public school teachers, firefighters, Ems, nurses, etc. aren't required to do so. This is expensive and in rural areas almost impossible to access due to limited hours and offices providing the service. The prints are also not kept on file, so the person must go back in upon notice of renewal. Another costly expense without any sort of funding for is radon remediation. Many states are requiring or will be requiring radon testing. Again, I am for the health and safety of the children, and do not want to expose them (or myself) to radon, but this can cost thousands of dollars to install if radon is found, since lead abatement was included in the Bipartisan Infrastructure Law and other federal legislation, there should be funding available to ensure the health and safety of the children-it is common sense and proactively lowers future both healthcare costs and increases a person's quality of life.

Early care and education businesses are the cornerstone for all other small businesses as key to workforce development and the economy-both today and in the future. Today my small business, and other group and family childcare centers across the country are caring for our youngest children while parents work, continue their education, and pursuing their American Dreams. If parents know their children are in a safe and healthy environment, they are better able to focus on their work, increasing their productivity. However, parents can't afford what they are paying, according to the Department of Health and Human Services and the Office of the Treasurer a total maximum of 7% of household income to pay for childcare is considered "affordable." Parents are currently nationally paying, on average, more than college tuition for one infant or toddler in childcare and for two or more children it is more than their mortgage/rent.

Even with the suppression of tuition, parents are taking on 2nd jobs or working shifts opposite of their partner. This impacts family's choices along with quality of life and ability to focus at any of their jobs. The pandemic made it obvious that without care for their children, either from friends, family, childcare, or school parents couldn't work and federal funding was therefore allocated and it worked. 62% of mothers with children work outside the home nationally, Wisconsin it is 68%, down from over 70% pre-pandemic. Once the children are 5 that number jumps to 95%. We have record low unemployment rates and mothers and fathers that want to work, but can't because they can't access or afford childcare, this is even impacting extended family as aunts, uncles, grandparents are frequently going to part-time or retiring early to help their family care for the children. This directly affects employers' ability to recruit and retain. Nationally, this costs our economy at least \$122 billion
(<https://www.usnews.com/news/education-news/articles/2023-02-02/report-lack-of-child-care-costs-u-s-economy-122-billion-annually>)
annually in lost earning, productivity, and revenues; hitting small businesses the hardest. For your local data go to www.childcaregap.org The childcare business sector has been the slowest to recover employees, with a shortage of over 88,000 from pre-pandemic numbers (US Bureau Labor Statistics July 2022).

This is causing an exodus of working mothers and fathers from the workforce. As a small business owner, a way to raise revenue is the ability to raise prices on the product we create. However, my “product” is children. To increase wages and offer benefits as larger companies and other small businesses can do without being so cost prohibitive that parents are then forced to stay home and leave the workforce is impossible. By choosing not to invest in childcare businesses we are choosing to suppress the economy and continue to squeeze out small businesses and ingenuity. One of my substitutes made the short-term financial decision to stay home about a decade ago because it cost far more than what she earned for her children to attend childcare at the cost of her retirement and promotions. Now that her children are able to stay home after school and get themselves on the bus, she is able to substitute for me all day, instead of only a few hours while they were at school. However, she has now been offered a job that is full-time with health insurance, paid family medical leave, and retirement and I will lose her because I can’t compete with that. The government is choosing who can afford to work and who is forced to stay home; instead of the people choosing.

The decline of family childcare nationally between 2010-2019 was 52%, or 90,000 regulated programs. In Wisconsin, there were 68% fewer family childcare businesses, equaling 4,000 regulated programs and 9% fewer group childcare businesses; leaving parents with fewer choices and unable to work. During the pandemic that number varied drastically depending on how the childcare specific stabilization funds were distributed. In states, like Wisconsin, our sector stabilized and there are even a few more regulated family childcare programs than in 2020. The small business owners advocated for teacher’s wages to be a requirement of how the funds were spent because we know that the biggest barrier to recruitment is wages. The monthly funding and extra supports that state and federal grants paid for incentivized people to get regulated, enlarge their businesses or start their own businesses. Wisconsin is also looking at massive closings in the near future since the median age of family childcare owners is 52, so unless systemic changes are made, even fewer parents will be able to work, start businesses, or keep their business open.

One suggestion that has been offered to lower costs is to increase the number of children that each individual teacher is responsible by increasing the ratio of children to adults. There is a reason for those ratios. It is for the health and safety of the children and the adult. Imagine a room with three infants all crying because they need to be fed, held, or changed while eight more children between the ages of two and five are also needing to be fed, interacted with, helped on the toilet, played with, coached on how to ask for toys and learning how to share. Would you come back to work the next day for \$10-13 an hour and no vacation, health care, and retirement, or would you apply literally anywhere else as soon as you left? If we deregulate those capacities it will only increase the turnover and difficulties of recruiting and retaining educators and increase the number of family child closures.

Another recommendation to lower costs to parents is to expand of “school” to 3 and 4 year olds. However, that has been found in study after study to decrease the amount of care for infants and toddlers without meeting the needs of the parents hours of care. Even when schools partner with the childcare centers in their communities the higher payment amounts school districts are able to pay for the slots encourage programs to enroll more three and four year olds leaving fewer slots for infants and toddlers, this exacerbates the problem. Furthermore, children need care more

than the allotted school days and hours, this causes double dipping of funding streams and the necessity for even more educators. This was summed up in this article with source links embedded: <https://policyequity.com/universal-pre-k-only-works-if-states-also-stabilize-infant-and-toddler-care-otherwise-it-can-be-detrimental/>

Furthermore, as a cornerstone, my small businesses “product” is children. When I say early care and education I mean from birth. Children don’t magically begin learning the day they walk into a k-12 school system. They learn from birth. My childcare business creates tomorrow’s workforce and business owners because the fact is the first 5 years of a child’s life are the years that the foundational skills are created and the connections in the brain are built for the child’s future success. Play based environments that are child centered and teacher supported lay the foundation for the self’s (self-esteem, self-awareness, self-control) and the c’s (critical thinking, creativity, collaboration, and curiosity) all skills that my fellow small business owners state they are looking for and are currently lacking. All skills that are required to create their own American Dream to be a successful future small business owner. Additionally, without a relationship with at least one caregiver that gives a child a secure foundation to explore and learn from a child cannot learn to trust that they will be kept safe, fed, and cared for. The child is then in a constant state of alert and high stress. Instead of building the brain, it actually shrinks it.

Furthermore, when you are stressed, it is impossible to learn anything, and this sets a child up for failure. This also begins to wear down our bodies and cause health problems, my generation has a lower life quality of life expectancy than our parents and my children are expected to live a shorter life than me. This is directly because of the policy and funding choices our government is making. Highest health care costs in the world and worst outcomes. First because people can’t afford health care costs and are tied to their jobs for that health care-meaning if you have to take too much time off you lose your health insurance or have to pay the entire month’s premium. Secondly, no paid family medical leave to take care of yourself while you recover from your or families’ surgery, an accident, the birth of a baby so people go back to work too soon and never fully recover-this negatively affects our worker’s output-affecting our small business’s profitability.

Think about your own experiences when you are stressed. A high-quality early care and education environment that a parent chooses can reverse those effects on the brain. Think about how difficult it is for you to attempt to learn anything or finish a task when you are overstressed. I am all for capitalism, but there needs to be oversight and enforcement of our anti-monopoly laws so we don’t have corporate concentration increasing prices while simultaneously reducing quality. Private equity firms and other large corporate group childcare owners are now preying on indebted small individually owned centers, buying those small business owners out at reduced rates reducing the competition and concentrating the power into large national chains by offering slightly higher wages and benefits such as health care, paid time off, and retirement that the rest of us simply can’t due to the higher costs for smaller businesses due to the lower number of employees. This will drive down competition and quality and increase costs to working parents.

Another cornerstone for the economy is for every \$1 spent on early childhood, between \$7 and \$16 is recouped in the form of lower special education costs, lower k-12 costs, higher income, lower health expenditures, higher graduation rates, lower teen pregnancy rates and lower

incarceration rates, among many others. The \$122 billion figure cited above doesn't include these indirect costs and is only for infants and toddlers (0-2 years of age), children need care until closer to 12. Studies have shown that number could be as much three times that amount.

The early childhood teacher usually spends between 40-50 hours with a child in a week, frequently more waking hours than the parent. The teacher is also a valuable resource on child development, local resources, and other supports for the parent as they navigate child-rearing. We also, frequently are the first to notice if a child needs supports or interventions. I have talked with parents about referring their child for B-3 or school interventions, if a child may have adenoids or tonsils that need to be removed, has viral induced asthma, or other medical problems that should be addressed because I have the experience and expertise and knowledge of how to navigate those systems. With the turnover as high as it is, we are losing these valuable resources for parents as well-to the detriment of the child.

Lack of investment in childcare and the almost impossible task of securing supports for children to be included in all programs also increases expulsion rates of young children. Nationally, children four and under are expelled from childcare programs at least 2 times more than the K-12 system. These children are then more 8 times more likely to end up in the penal system. Their parents are unable to work because they can't access care. Taxpayers take on the burden of social safety nets for these families and the future special education and justice system costs increasing the costs of doing business.

Since the pandemic began, for the first time, for the first time childcare has seen large investments to the small businesses and to the parents in the form of increased tax credits and deduction to increase the affordability of having children. Without the PPP I wouldn't have been able to reopen after a short shutdown, I was also able to use that money to pause tuition until I reopened, and lower out of pocket payments to allow parents to go to part time to alleviate their costs and lowered hours of care needed. I didn't charge when children were sick, quarantined, etc. The changes made to the second round of PPP exponentially increased the number of small businesses eligible for the grant because by taking into account our large, fixed costs that decrease our profit. The PPP funding also allowed me to absorb the increased costs due to supply chain issues. As a small business owner, I cannot purchase bulk products, nor can I find a supplier to order from. Other Main Street Alliance business owners have also commented that their suppliers are increasing minimum orders or refusing to supply them anymore as they don't order enough. I have also noticed that my office supplies had increased exponentially after the 2013 merger Office Max and Office Depot were allowed to merge-even though it could be considered a monopoly. Almost doubling my paper, printing, and office costs that following year and those costs have not decreased. I have also noticed that when I do need to purchase items on-line that sites like Amazon are now frequently more expensive than other sources, including the physical store or the manufacturing company.

After Rep. Pocan's state staffer contacted me to tell me about the impending changes and when they were to take effect, I then reached out to several small businesses within childcare and throughout my community and networks obtain a PPP by walking them through the process and even, after being told their larger banks were refusing to work with them; connecting them with

my small hometown bank that actually prioritized those small forgivable loans over our large business counterparts. Small business owners don't have lawyers and accountants watching for these grants and loans as larger corporations do, frequently we do our own taxes, and this impacts our ability to access these programs accurately and in a timely manner. We don't have large enough accounts or grant/loan amounts to make it worthwhile for banks to spend their time on our microbusinesses. This gives unfair advantages to larger businesses and their employees. We pay a higher percent of our income and miss out on the legal deductions we are eligible for, and family childcare is at an even greater disadvantage because we have so many different rules than other home-based businesses that tax preparers frequently misinform us, costing us thousands of dollars annually in excess state, federal, Social Security, and Medicaid taxes.

In conclusion, what if our small businesses were fairly invested in according to the value they provide in goods and services to our local economy, increased ingenuity, increased competition, therefore increasing quality of those products and services along with the quality of life of our community members? What if we enforced our anti-monopoly and price gouging laws we have on the books? What if we taxed everyone fairly and reinvested it in paid family medical leave, universal childcare, and affordable health care for everyone? Would we see an increase productivity, entrepreneurship, innovation, and reinvigorate our rural communities, and have higher quality of life satisfaction for everyone? From the perspective of small businesses, our government is choosing to focus on big business and corporations; ignoring the dire needs of small businesses around the country, eliminating the opportunity to truly live up to the American dream.

Thank you.