Written Testimony of Lynette M. Fraga, Ph.D.
Chief Executive Officer
Child Care Aware® of America
March 2, 2022

Dear Chairman Clyburn, Ranking Member Scalise, Members of the Select Subcommittee on the Coronavirus Crisis;

I appreciate the opportunity to submit testimony for the Subcommittee's hearing on, "COVID Child Care Challenges: Supporting Families And Caregivers."

At Child Care Aware® of America (CCAoA), our vision is that every family in the United States has access to a high-quality, affordable child care system. The child care system supports children's growth, development and educational advancement and creates a positive economic impact for families and communities. We sit at the nexus of many challenges the child care system is facing today. Those challenges are also not new, child care was already in crisis before the pandemic and that has negatively impacted child development and family economic security for too long. The pandemic only made it worse.

CCAoA is a national membership-based nonprofit organization working to advance an equitable child care system. Founded in 1987, we advocate for child care policies that improve the lives of children and families, lead research that advances the child care and early learning field, leverage technology to help families make informed decisions about child care and provide professional development for child care providers. CCAoA also provides child care assistance for military families through Fee Assistance and Respite Child Care Programs that have served more than 150,000 families and worked with more than 60,000 child care providers over nearly two decades.

Our work is strengthened by a national network of child care resource and referral agencies and diverse members and partners. There are more than 400 state and local child care resource and referral agencies (CCR&Rs) in nearly every state that provide critical infrastructure for child care. They support families with child care referrals and other parenting supports. And they support child care providers through trainings and technical assistance.

Pandemic Impact on Child Care Sector
In February 2022, CCAoA released our report, *Demanding Change: Repairing our Child Care System*, which outlines how the U.S. child care system has changed since the beginning of the COVID-19 pandemic. The child care industry is still facing serious challenges as communities continue to respond to the pandemic, such as program closures and qualified providers leaving the field due to inadequate compensation. Parents are struggling to afford and access child care to return to the workforce after reducing working hours or leaving their jobs to care for their own children. Although the pandemic illuminated both the dire state of child care in our country and how vital it is to the well-being and economic security of our children, families and communities; the child care industry was already in crisis. When COVID-19 was layered onto the already fragile child care system, it shattered.

CCAoA's annual survey results showed that a total of 8,899 child care centers closed in 37 states for which we had data. In that same time period, 6,957 licensed family child care (FCC) programs (also known as home-based care) closed in 36 states. These permanent closures represent a 9% loss in licensed centers and a 10% loss in licensed FCC programs.[1] The child care workforce has only recovered to 84% of pre-pandemic levels. Even before the pandemic-related closures of child care programs, the supply of child care was decreasing. The median wage for child care workers in 2020 was $12.24 per hour, hardly a living wage, and most don't have employer-provided health insurance or other benefits, undermining their ability to provide high-quality care and make ends meet for their own families.[2] Undervaluing the work of child care providers highlights deep historical inequities as nearly all child care workers are women and 40% are women of color.[3] Without significant investment, we will continue to see these trends exacerbated.

Child care continues to be unaffordable and inaccessible for families, for whom child care costs consume a large portion of their income. In 2020, the national annual average price of child care was $9,800 to $10,200.[4] In three out of four regions of the U.S., the annual price of center-based child care for an infant exceeds the cost of housing. In all four regions, the annual price of child care exceeds the annual cost of in-state tuition at a public four-year university. CCAoA gathers its child care price data through an annual survey of the state child care resource and referral agencies we work with, who source this data from their most recent market rate survey or through a database of providers that includes prices. While this is valuable information, these prices do not fully represent the true cost to provide quality care. For example, in our annual survey, Delaware reported an annual price of $11,761 for an infant in a center. The Center for American Progress estimates that the true cost of quality care for the same child in Delaware would be $16,836.[5]

Additionally, almost half of parents with children under age six searched for care in the past two years. When they have difficulty finding the care they need, they cite cost as the primary reason, followed by lack of slots and then location. At the same time, providers who have reopened since the pandemic are seeing higher costs and lower attendance. Insufficient investment in child care leaves families and child care providers to bear the financial burden of supporting the current system.

The much-needed assistance from the federal government in the form of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), and the American Rescue Plan (ARP) Act was a critical first step for the system to recover from the challenges brought on by COVID-19.

Use of American Rescue Plan Act Funds

The ARP Act has been a lifeline for children, families, child care providers, communities, and the economy. The reach of funds, along with the two proceeding relief packages, has been significant in helping to rebuild and stabilize child care programs across the country. For the first time in decades,

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[1] Child Care Aware® of America (2022). Demanding Change: Repairing our Child Care System. https://www.childcareaware.org/demanding-change-repairing-our-child-care-system/

[2] U.S. Bureau of Labor Statistics (May 2020). Occupational employment and wage statistics, 39-9011 - Childcare workers. https://www.bls.gov/oes/current/oes399011.htm

[3] Center for the Study of Child Care Employment, University of California, Berkeley (2018). Early Childhood Workforce Index 2018: About the Early Childhood Workforce. https://cscce.berkeley.edu/wp-content/uploads/2018/06/2-About-the-Workforce.pdf

[4] Child Care Aware® of America (2022). Demanding Change: Repairing our Child Care System. https://www.childcareaware.org/demanding-change-repairing-our-child-care-system/

[5] Ibid.

states have an unprecedented opportunity to not just use these dollars to stabilize the system from the pandemic but lay the foundation for a more sustainable and equitable child care system for future years.

After enacting the ARP Act in March 2021, states received $39 billion dedicated for child care relief funding in April, with the intention to distribute relief to programs and families as quickly as possible.[6] This funding was broken down into two distinct streams, with $24 billion to be spent in the form of stabilization grants to help existing programs remain open or reopen. The remaining $15 billion was provided through supplemental Child Care and Development Fund (CCDF) discretionary funding to support allowable CCDF policies that help make child care more affordable and accessible for families.

CCAoA continues to monitor the state use of these dollars since they began flowing to states in spring 2021 through quarterly updates in a blog series along with a more comprehensive state-by-state breakdown.[7] While state take up of these funds was initially slow in spring 2021, states have made significant progress in administering stabilization grants to providers since the summer months, as well as supporting policies to make child care more affordable and accessible, like expanding subsidy eligibility thresholds for families or providing bonus payments to providers. It has not been uncommon for states to combine the new ARP Act funds with remaining dollars from previous relief packages to sustain policies introduced in the earlier months of the pandemic.

Overall, we have found that states have leveraged these flexible funds to meet their unique needs, and that no two states are spending dollars the same way. The ARP Act dollars have helped thousands of child care programs remain open during the pandemic, given more families access to high-quality care in a variety of settings so they could return to work, and have allowed early childhood educators to be better compensated.

ARP Act Stabilization Grants

As of mid-February 2022, nearly all states – 47 states and the District of Columbia, as well as three U.S. territories – have uploaded an application for their stabilization grant funds. Three states (Florida, Missouri, and Texas) have yet to formally launch their stabilization grant applications. Both Florida and Texas have made announcements around the funding formulas that will be used and potential launch dates. Missouri requires legislative approval before it can distribute the ARP Act funds and its legislature is currently in session. The number of states and territories that have distributed funds is substantially higher than it was in the summer months, when just eleven states and one territory had launched its stabilization grant applications as of August 2021.[8]

Among these launches, great examples have emerged of how states, many in partnership with intermediaries like CCR&Rs, are applying best practices to ensure the stabilization granting process is equitable, efficient, and transparent.[9]

To achieve a more equitable distribution, Louisiana, North Dakota, and South Carolina are providing additional tiers of support for under-served communities, such as for programs that serve infants and toddlers, operate during non-traditional hours, or those who participate in the Child and Adult Care

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[6] Hamm, Katie. This is Our Moment: Transforming Child Care through the American Rescue Plan and Cross-Sector Partner Engagement. https://www.acf.hhs.gov/blog/2021/04/our-moment-transforming-child-care-through-arp

[7] Child Care Aware® of America. American Rescue Plan Act (ARP). https://www.childcareaware.org/our-issues/public-policy/american-rescue-plan-arp-act/

[8] Girouard, Diane. Federal Relief Funds: State Progress, Winter 2022. https://info.childcareaware.org/blog/federal-relief-funds-state-progress-fall-2021-0

[9] Girouard, Diane. Federal Relief Funds: State Progress, Fall 2021. https://info.childcareaware.org/blog/federal-relief-funds-state-progress-fall-2021

Food Program. States such as Mississippi and Tennessee are using the Social Vulnerability Index to help determine award amounts. Massachusetts' formula uses an equity adjustment for programs located in historically marginalized communities or providing services to significant numbers of low-income children. To further reach as many providers as possible, most states are making applications available in multiple languages and are awarding applications on a rolling basis. In Maryland and Hawaii, providers can apply for stabilization grants on mobile devices and have the ability save and return to drafts to complete later. Oklahoma is allowing paper applications to be submitted in addition to online applications.

Many states are working hard to ensure grant application and distribution is executed with efficiency. New Mexico and New York are distributing funds through direct deposit to get funding in provider accounts as quickly as possible, though mailable checks are still available. Illinois allowed programs who have already received previous rounds of stabilization grants to renew by a simple opt-in process. Indiana is streamlining its application experiences for providers by pre-populating available state data within the application, allowing providers to confirm or change as needed. Montana offers sample applications based upon program setting for providers to view before applying.

To be transparent about its funding, Indiana,[10] Nebraska,[11] New York[12] and Wisconsin[13] frequently update stabilization grant data dashboards. The dashboards share a wealth of information on who has applied for and been approved to receive grants, including funding distribution by factors like ethnicity, gender, race, program setting, and county. Michigan released a comprehensive overview of its stabilization grant distribution once all grants were administered in this phase of funding.[14]

Supplemental CCDF Discretionary Funds

States have also made significant progress in sharing how they plan to use the supplemental CCDF discretionary funds to implement or continue policies that help make child care more affordable and accessible for families. The most supported polices have included raising eligibility thresholds, increasing compensation and benefits for providers, improving provider payment policies, and eliminating family copays. Many of these policies were first adopted using CARES Act funding in March 2020, and with the addition of ARP Act funds, can be carried over and supported in the next few years. This allows for some continuity for families and providers and importantly, makes a strong argument for why longer-term investments are needed to extend these policies in perpetuity.

Before spending the ARP Act funding, many states collected input from a wide spectrum of diverse stakeholders to determine what policies would have the most equitable reach. Child care providers, CCR&R staff, families, and members of the business communities were given a platform to provide feedback through statewide task forces, hearings, informal listening sessions, and surveys.

A Focus on Workforce Support Efforts

As the pandemic has added to the pre-existing challenges of workforce recruitment and retention, with

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[10] Early Learning Indiana. Helping Providers Rebuild and Strengthen After the Pandemic. https://brighterfuturesindiana.org/build-learn-grow/stabilization-grants/dashboard

[11] State of Nebraska. Welcome to the Nebraska Child Care Stabilization Program. https://coronavirus.nebraska.gov/childcare

[12] Office of Children and Family Services. Weekly Update Child Care Stabilization Grants. https://ocfs.ny.gov/main/contracts/funding/COVID-relief/childcare-stabilization/Weekly-Update-CC-Stabilization-Grant-2022-02-01.pdf

[13] Wisconsin Department of Children and Families. Child Care Counts: COVID-19 Stabilization Payment Program. https://dcf.wisconsin.gov/covid-19/childcare/payments/data

[14] Michigan Department of Education. Stabilization Grant Flyer. https://www.michigan.gov/documents/mde/Stabilization_Grant_data_flyer_final_v3_745281_7.pdf

workers leaving the field temporarily or permanently to find higher paid work and benefits during a time of health and economic uncertainty, there is a critical need to focus the ARP Act funds to invest in the child care and early learning workforce. Without a workforce, the child care system will not recover. Meaningful compensation and access to health care for child care staff across all settings are needed to sustain the employee pipeline of the field and provide for the stability of child care.

The good news is that addressing compensation has been one of the most common policies adopted by states with relief funding. States are supporting the child care workforce by generally taking two approaches: (1) requiring stabilization grant recipients to use funds to increase compensation and benefits, and/or (2) using the supplemental CCDF discretionary funds to send one-time or recurring bonus payments to providers.[15]

Over 20 states are using the stabilization grant funds to address compensation across the child care system. States are generally taking two tracks to address support for the early learning workforce:

(1) requiring all grant recipients to use a portion of their grant award to support compensation efforts; or
(2) giving providers the option of applying for additional tiers of funding to use toward retention and recruitment efforts.

Georgia, Illinois, Michigan, New Jersey, and New Mexico are examples of states using the CCDF discretionary funds to provide between $750-$1,500 in one-time bonus payments to providers. Using the relief funds for one-time bonuses is immediately helpful in rewarding and retaining staff now. But these one-time bonus payments should be considered just the beginning of the progression toward longer-term change. Ultimately, supporting permanent increases in compensation, health benefits and retirement contributions are stronger long-term investments that will keep and advance a stable workforce that is less likely to turn over and keep programs from closing their doors in the future. This is evident from a survey of over 400 providers and stakeholders that the lead state agency in New Hampshire conducted on how to use the CCDF discretionary funds.[16] Respondents overwhelmingly requested funds be used to support the workforce, including exploring bonus payments, building a pipeline for future staffing, and other retention incentives.

Impact of ARP Act Funds

Almost every state has launched at least the first phase of their stabilization grants and has started to plan for what polices to support to help make child care more affordable and accessible for families. As we move forward with the distribution of these funds, it is critical that we measure the impact these funds are having for families, providers, and communities. It is critical to use data to study the impact of previous policies to understand how they stabilized the system, increased supply or created access to affordable, quality care for families.

With federal relief funds, many states implemented new policies about how child care subsidy reimbursements were paid to providers. They shifted from basing the subsidy reimbursements on attendance (how many children providers served on a given day) to basing them on how many children were enrolled overall in a program. Typically, enrollment numbers are higher than attendance, because children can be absent for a variety of reasons, such as illness or vacation. CCAoA partnered with New

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[15] Girouard, Diane. Federal Relief Funds: State Progress, Winter 2022. https://info.childcareaware.org/blog/federal-relief-funds-state-progress-fall-2021-0

[16] New Hampshire Dept. of Health and Human Services. ARPA Discretionary Funds Recommendations. https://www.nh-connections.org/uploads/NH-DHHS_ARPA-Discretionary-Funds_Summary-Report_October-2021.pdf

America to do an analysis on this single policy change and found that the switch from attendance to enrollment-based subsidy reimbursements helped stabilize the child care sector in Massachusetts and Southern California.[17] Specifically, in Massachusetts, 82% of the total number of providers that accepted subsidies in January and February of 2020 also accepted them in July and August, indicating that most providers were able to reopen. In Los Angeles and San Bernardino Counties, the market retained 95% of its total subsidized provider capacity from the pre-pandemic months to August of 2020. Family child care programs did especially well, with a 99% market retention rate.

We have also begun to see data on stabilization grant distribution and are reflecting this information in our ARP Act Implementation Tracker.[18] In some states, the CCR&R is tracking this information closely and in others, the state lead agency is publicly sharing what grant distribution has looked like in the form of data dashboards, like in Indiana, Nebraska, New York, and Wisconsin. Some highlights from collecting this data so far include:

- In Maryland, 90% of the 5,757 applicants received grants in the first round of funding.
- In New York, 14,866 funding requests have been approved, with over 10,000 payments fully disbursed.
- In Indiana, 77% of eligible providers had started an application. To date, 3,316 providers have applied, and 3,116 providers have been approved.
- In Michigan, 58% of approved grant funds were issued to counties with the highest need.
- In Massachusetts, 81% of providers are receiving monthly funding as of early January 2022. The overall take-up rates of family child care have been 78% and 77% for center-based programs.
- In Wisconsin, 3,598 providers have received funding as of February 2022. This funding has helped 22,000 child care educators remain employed and has enabled child care to continue for over 113,000 children.

Involvement of Child Care Resource and Referral Agencies in Pandemic Relief

During the pandemic, states have relied heavily on CCR&Rs and other intermediaries to meet the emergent needs of children, families, and providers.[19]

States relied on CCR&Rs as an essential bridge between government and the parent and provider communities during the earliest months of the pandemic.

- The Child Care Aware of Washington Family Center expanded its operations to serve as the statewide child care response, resource and referral hub during the COVID-19 pandemic. The Family Center, operated by Child Care Resources, supported families seeking child care, child care providers needing up-to-date COVID information and safety supports, as well as employers needing child care options for their workforce. Further, the expanded call center served callers immediately and in their home languages.
- California relied on CCR&Rs to distribute $50 million in reimbursement allocations to providers to cover the cost of PPE and cleaning supplies last spring. They also provided, and continue to provide, real-time survey results on the supply of center- and home-based care

[17] Cooper, Alex and Girouard, Diane. Child Care Payments: Attendance Vs. Enrollments. https://info.childcareaware.org/blog/child-care-payments-attendance-vs.-enrollments

[18] Child Care Aware® of America. American Rescue Plan Act Implementation Tracker. https://infogram.com/1pw0r2v9enjpy6uvljv6j9jynjb97k936e6

[19] Child Care Aware® of America and Local Initiatives Support Corporation. Capitalizing on the Capabilities of Child Care Resource and Referral Agencies & Community Development Financial Institutions to Stabilize and Increase the Supply of High-quality Child Care. https://info.childcareaware.org/hubfs/2021-CCRR%20and%20CDFI%20Intermediaries%20PaperFINAL-1.pdf

during the pandemic on a county-by-county level – which will be essential for supply-building activities. Additionally, local CCR&Rs offered referrals to connect essential workers to child care, provided hygiene supply kits to child care providers to help them stay open, offered grants to support child care providers with cleaning supplies, groceries, and staff wages.

- In Kansas, the state relied heavily on Child Care Aware of Kansas to ensure relief funds were distributed equitably, including to providers who fell outside the state's licensing system. Child Care Aware of Kansas was also tapped to implement the state's Hero Relief Program grants to child care providers last year when CARES Act funding became available to states. The CCR&R is also involved in a partnership with the state to ensure access to child care health consultants. The CCR&R is also processing additional Impact Grants for child care providers to address facility and other demonstrated needs related to COVID-19 mitigation, health, and safety.
- The state of Minnesota partnered with Child Care Aware of Minnesota to help center- and home-based providers gain access to relief funds through the provision of technical assistance and support in multiple languages to ensure equitable access to funds. CCR&Rs continue to be tapped to distribute multiple rounds of stabilization funding to providers.
- In North Carolina, the state lead agency is partnering with CCR&Rs, local nonprofits, and child care health consultants to communicate to child care programs and staff clear information about vaccination events and appointments.

States continued to rely on CCR&Rs to support pandemic relief efforts through 2021 and into 2022. Nearly one in five states have described how they plan to rely on CCR&Rs for continued relief efforts through the funds they received through CRRSA. States' CRRSA plans vary and include using funds to support CCR&Rs' improvement and expansion of outreach efforts and services to families and help providers with mitigation efforts, supply building, and business coaching.

- Kansas plans to continue its partnership work with CCR&Rs around ensuring access to health consultants and distributing grant funds.
- Colorado will invest in CCR&Rs to conduct outreach to parents and report real-time availability of child care slot openings; they will also invest in CCR&Rs to help build the supply of licensed care, particularly for infants and toddlers.
- Delaware is considering enabling CCR&Rs to "enhance services provided to parent and providers." And described CCR&*Rs as "agencies [that] provide community specific, timely information to assist parents identify and access childcare while ensuring that providers can leverage resources that help them provide stable, quality care."
- Recognizing the important role they have played in West Virginia, the state is allocating CRRSA funds to support increased costs of operation incurred by CCR&Rs during COVID-19.

CCR&Rs have also been integral to the distribution of ARP Act funding to ensure funds are able to get out in an equitable, transparent, and efficient manner.

- In Alaska, thread is partnering with the State of Alaska Department of Health and Social Services Child Care Program Office (CCPO) to assist with administering the ARP Act funding, including overseeing the grant application and check disbursement processes for its stabilization grants.
- The Illinois Network of Child Care Resource and Referral Agencies is distributing the state's new Child Care Workforce Bonus grant and continues to administer its stabilization grant program in the same way it has for previous grant rounds. This includes assisting with application and attestation, recipient reporting, provider appeals, and cutting and mailing thousands of checks.
- Child Care Aware of Minnesota is administering various grants and programs funded through the ARP Act, including the Workforce Development Grants, Retaining Early Educators through Attaining Incentives Now, Teacher Education and Compensation Helps (TEACH), and grants to

carry out a one-stop network for individuals interested in establishing or sustaining a licensed family child care or center-based child care setting.
- The child care resource and referral agencies in Minnesota, New Hampshire, New York, and Ohio are available to provide technical assistance and answer application questions.

CCR&Rs are uniquely positioned to help states with implementation of all pandemic relief funding and any additional resources that flow into the child care system. There are innovative models in a number of places that can be replicated and scaled.

Long-Term Investment Needed

Despite relief funds, the child care industry is still facing serious challenges. The positive changes secured by the short-term addition of relief funding make a strong argument for why longer-term investments are needed. It is important to make these investments for our children, especially given the current uncertainty and disruption to their daily social and emotional lives and healthy development. It is important to make these investments for our families to support their economic security. It is important to make these investments for our communities to thrive and for businesses – including child care small businesses – to function.

Thank you again for the opportunity to appear before the Subcommittee. I look forward to answering your questions.

Sincerely,

Lynette M. Fraga

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