

Chairman Davis, Ranking Member Walorski, and Members of the Subcommittee:

Good afternoon. Thank you for the opportunity to be with you today. My name is Dr. Jennifer Sullivan. I serve as the Secretary of the Family and Social Services Administration, under the leadership of Indiana Governor Eric Holcomb. FSSA is Indiana's health and human services agency with responsibility for Medicaid, SNAP, Child Care and other social service programs run in partnership with the federal government. I am also a practicing pediatric emergency physician at Riley Hospital for Children, in Indianapolis. High quality, affordable childcare is a key component of achieving well-being for our kids and opportunity for their parents, and that is even more true during our comprehensive response to COVID-19.

*From the outset of Indiana's response, we defined child care in our guidance as essential, meaning that the operations of child care are necessary to continue to support essential service providers and be ready to participate fully in Governor Holcomb's reopening strategy.*

I believe that Indiana developed a just in time innovative program that worked and serves as a pandemic best practice. We were able to support child care services to essential workers and are ready to service families as the state reopens in phases outlined by the Governor, while protecting the health of children, their families and our early childhood education workforce.

Please allow me to set a baseline from the perspective of Hoosier families and Hoosier early childhood educators:

From families:

- Care for an infant costs \$3,500 more per year than the cost of in-state tuition at a university.
- Parents pay \$1,000 per month for an infant, and
- \$800 per month for a four-year-old child.

From early childhood educators:

- Most childcare businesses could not survive more than two weeks without revenue
- More than one half of educators are enrolled in a public assistance program like SNAP or TANF.

And that was before the pandemic. You can see that both families and caregivers were in a precarious position that threatened economic productivity, social mobility, and opportunity.

Enter: COVID-19 - Half of Indiana's childcare programs closed.

Congress and the Administration responded in record time and Governor Holcomb acted. Our philanthropic community engaged. And together, those tools were enough to hold the floodwaters back. Local innovation has shown us a path through, and I am honored to share what we consider a "best practice" from the Hoosier state.

## **1) Baseline childcare in Indiana (gaps pre-COVID)**

Every day while working or attending school, Indiana families entrust the care and education of over 320,000 children (birth to age five) to child care providers including licensed child care centers, registered child care ministries, licensed family child care homes, Head Start, and Early Head Start programs, as well as relatives or neighbors. Indiana's population of young children remains steady at just over 500,000. Nearly two-thirds of these children require child care because both parents work.

The demographics for children receiving Childcare Development Fund (CCDF) vouchers in Indiana (about 41,000) is as follows:

Children of Hispanic or Latino Ethnicity account for 8.8 % of all children served.

African American: 62.1 %; White: 44.7 %; American Indian / Alaskan: 0.5 %; Asian: 0.6 %; Hawaiian / Pacific Islander: 0.2 %; Multiple Races: 7.9 %

Given the Black population in Indiana is 9.8%, CCDF is a critical support for Black families in any circumstance, and magnified as an area of critical importance in our pandemic response.

Additionally, 2,104 of the above 41,000 families and 3,570 of the children either had Homeless priority or identified as such. 414 of the above families and 965 of the children had one or more disabled children in the household.

Participation of child care educators' families in public income support programs is more than double the rate for workers across all occupations. Between 2014-2016 more than one-half (53%) of child care workers compared to 21% of the U.S. workforce as a whole were part of families enrolled in at least one of four public support and health care programs.

This means that child care programs and child care workers were already in a precarious space as the COVID-19 pandemic emerged.

Prior to COVID-19 Indiana had a little over 4,000 child care programs operating. We were operating at a child care deficit pre-pandemic. Our 2019 Preschool Development Grant strategic plan data assessment showed that for every 100 children 0-5 in Indiana, we only had 33 spots available. Keeping those baseline supports available was paramount as we worked to grow childcare access. Geospatial tracking began March 21<sup>st</sup> for programs that were temporarily closing due to loss of attendance, COVID-19 positive cases or other reasons related to this pandemic. At the height (April 11<sup>th</sup>), Indiana saw over 2,000 child care facilities close.

## **2) Philosophy of essential service**

When the pandemic hit the needs for child care didn't go away. Indiana still required thousands of Hoosiers to go to work each day to ensure that others could stay home. Workers in health care, safety, critical infrastructure, food supply chains are among the many heroes

who took personal risks to ensure the safety of others. Without child care they could not do those critical jobs.

Indiana took steps to not only keep child care open but also to support children and families of first responders and other essential workforce. We opened child care centers for workers in essential services and offered financial support those with low income. We created innovative text messaging platforms through which Indiana was able to reach out to families who had previously identified needing support with child care, to see if they worked in essential services.

These families were then immediately placed into the child care development fund (CCDF) program which helped pay for their child care needs.

### **3) CCDF/CARES granting process**

At the onset of COVID-19 we convened a small group of child care providers and stakeholders to quickly assess what might be needed to ensure that the supply of child care could be maintained. Through that discovery it was learned that most child care programs could only financially sustain for 2 weeks without additional support. That information guided our subsequent programming. We launched temporary assistance grants through the CARES funding allocated to CCDF and the first payment was made to programs on April 1<sup>st</sup>, just weeks after initial Indiana COVID cases were identified. Over the course of the last 12 weeks our early childhood division has supported over 2,500 providers, and approved over 11,000 grants. Our goal was to make sure that even child care facilities that had to close were poised and ready to re-open quickly as stay at home orders were lifted and Hoosiers went back to work and school.

The grant periods coincide with the CCDF payment periods and provide grant payments every two weeks. Payments are capped at \$20,000 per grant cycle and providers who received funding from the paycheck protection plan (PPP) were not eligible to receive Temporary Assistance Grant program funds.

To date, we have spent around \$55 million of our \$78 million in the CARES funding. We anticipate spending all of it within the next 2 and a half months. The breakdown of funding was spread over 88 of our 92 counties and broke out in the following ways:

Centers – about 32% of applications

Ministries – about 13% of applications

Homes – about 55% of applications

The average request for a child care home was just over \$1,000 for a two week period of time. This is important because it demonstrates how fragile child care homes are; for Indiana we desperately need our home providers. They make up about 1/3 of all of our child care so without them we would have very little child care access, especially in rural areas.

I would like to share a few comments from our providers:

“The grant has been a true help with the sudden and immediate loss of income. Without it I would have had to close. The clients I currently have coming are all essential workers that need daycare for their children so I haven’t had to let them down.”

“I am extremely grateful for the temporary grant. At a time when many were suffering and stressed over finances, I was able to focus on how I was going to reach the children and keep some sense of routine for them without the added stress of worrying about income.”

There is a significant return on investment for the use of CARES funding in this manner. Had we not given those grants the vast majority of the child cares that closed would have had to lay off people putting them on unemployment. Additionally, in most child cares, families get 2 weeks of vacation free of charge. After that it is a requirement to pay for care even if the child is not present. A stipulation of our grant was that providers could not charge families who were not coming. We had many reach outs from families who had lost their jobs and were positively impacted by not having to pay that fee to hold their spots. Overall the CARES funding and the way we used it prevented people from being on unemployment, small business from closing and families from facing a hardship of having to pay to hold their spots given the uncertainty of when they would be able to return to work.

Although the federal and state support was critical, so was philanthropy. That is why I would also like to highlight the importance of public and private investment. A great example of this is the The Lilly Endowment’s Come Back Stronger Fund. This is a \$15 million grant designed to reinforce Indiana’s supply of high-quality early learning opportunities and support providers across the state who are committed to serving vulnerable family populations. Come Back Stronger Fund grants will help offset new expenses incurred by providers to safely operate and continue delivering early learning experiences due to the pandemic. These include measures such as enhancing sanitation practices, altering key aspects of the physical environment to support social distancing, adopting new staffing models that minimize exposure, expanding to serve more children in response to a depletion in community supply, and investing in personalized sets of materials and toys to limit cross-contamination among children while maintaining an environment that stimulates child development.

#### **4) Health guidance and communication**

To open back up and stay open, child care programs required a trusted source for COVID-19 communication. This is why FSSA released detailed, evidence based health guidance for child care throughout the COVID pandemic. Along with up-to-date guidance documentations, we had weekly provider calls and webinars. We did this with the support of our state/academic partnership that reviews literature and publishes just in time expert research through the CTSI COVID-19 daily digest. This supportive environment created the confidence and reassurance needed for many child cares to remain open for service while minimizing the impact of COVID.

While essential workers required ongoing child care support in this pandemic, many families did not. A survey initiated by FSSA found that 31% of Indiana families had removed their children

from care due to fear of COVID-19. As Indiana gets Back on Track and reopens its economy, helping these families feel comfortable about returning to work and care their children receive is crucial. In partnership with Early Learning Indiana and the Child Care Resource and Referral Agencies Indiana is launching a “Let’s get back to Work” consumer confidence campaign. The campaign is geared towards families and seeks to do the following:

- Increase confidence in the ability of early care and education to provide safe and quality care in a recovering COVID-19 environment.
- Educate families on the health and safety guidelines the State of Indiana has put into place to help keep children and families safe.
- Emphasize the need to address critical learning loss that has happened in recent months due to the pandemic.

This campaign will utilize information found on the family facing website that already exists, social media through paid digital ads, guides and toolkits for providers to advertise their increased health and safety practices, and checklists for families to use when seeking care.

## **5) CCDF policy supports**

It is not enough, however, to have open programs. We also have to make sure those who need child care can get it. With all the changes wrought by this pandemic, this required us to be more flexible with our policies. I’d like to highlight a few of the changes we implemented:

- All appointments with CCDF Eligibility Offices transitioned to virtual appointments to support families.
- We created a CCDF priority status for essential workers to coincide with the Governor’s Executive Order.
- For families that may be keeping their children at home, FSSA has updated the family personal day policy to state that all families will receive full-time vouchers, 61 additional personal days for a total of 81 days as opposed to the original 20.
- All families received an additional 4 months of eligibility.
- All school age children now receive “school age other” vouchers to allow 25 hours or more per week of care.
- All families with school age children who now need weekly care can request vouchers for full time care.
- Families are provided an additional 10 weeks for a total of 26 weeks to find new employment before benefits are closed.
- Benefits will not be automatically closed in the event that a family fails to use benefits due to illness or quarantine.

## **6) Outcomes and lessons learned**

## Outcomes:

The purpose of the temporary assistance grant was to retain child care staff, ensure that supply remained and that those staff in child care did not have to seek unemployment. **This strategy was incredibly successful.** In a provider survey of over 1,000 providers, 65% of them indicated had not lost staff and 88% of them had adequate staff to operate. Only 19% of respondents indicated that they were forced to furlough staff as a result of COVID-19. The investment of the CARES funding allowed for families to continue to access care, staff to continue to be paid and small businesses to stay afloat. That's a pretty big return for relatively small investment.

In addition, **Indiana has been able to rapidly open many of the child cares that were forced to close.** As of today, only 1,281 programs are temporarily closed, meaning that over the course of 2 months 770 programs have been able to reopen.

**Child Care programs want to engage if you engage them in the right ways.** Between March 10<sup>th</sup> and June 17<sup>th</sup> our child care division deployed communication efforts for child care staff and operators using text messaging and email alerts around COVID-19. Types of communications include child care guidance and webinars on COVID-19, temporary changes in policy and procedures, temporary grant funding opportunities, provider licensing extensions, and child care vouchers for essential workers. These were highly valued by our partners and they have expressed a wish for this high touch ongoing communication post-pandemic.

## Lessons Learned:

Child care providers are not always business savvy and may need training support. When surveyed, only 77% of providers indicated that they knew how many children must attend to meet their breakeven point to remain open. **Business training and support is needed in order for many child care operators in order for them to be successful in the long term.** We will modify our programming to reflect this understanding.

**There are gaps in Emergency Preparedness** in both child care settings and at the state level. Emergency preparedness is typically done for natural disasters such as tornadoes and hurricanes and neither child cares nor our State were prepared for something that would impact all providers and families at the same time.

Licensed child care centers, unlicensed registered ministries and child care homes rely on a combination of funding sources to cover operating expenses. Fees paid by families, child care subsidy payments, and reimbursements from the USDA Child and Adult Food Program for food costs are the primary sources of income. All of these sources are based upon child attendance and suffer when attendance is low or non-existent. **Appropriate compensation and some measure of economic security are indispensable for recruiting and retaining effective early childhood educators and when enrollment is impacted the system of support can quickly deteriorate.** Our future preparedness planning will reflect this.

## **7) Requests (policy/funding/etc)**

As I close, I would be remiss to not offer some possible requests as we move into maintenance and recovery.

First of all, ACF/OCC should be commended for the swift action they took to remind states of the flexibilities outlined within the Child Care Development Block Grant (CCDBG). Congress should be commended on the flexibilities built into CCDBG and the flexibilities that states have in administering the program and being able to quickly respond to the needs of children and families.

With that, there are long term financial impacts upon providers specifically regarding the additional safety measures we have asked them to implement. These safety measures have protected children and staff and will not be lifted for the foreseeable future. While the temporary assistance grants have helped make up for the loss of revenue we have not begun to address the additional costs for things like PPE, cleaning supplies or additional staff that it requires to keep children in small groups in order to minimize spread. Given that we think these activities may need to go on for some time, additional funding from Congress would be extremely helpful.

In the absence of medium term support from government, we are concerned providers will have to increase rates. As a result, what is already not affordable for most families will become out of reach, and families will begin to make unsafe choice for the care of their children. On our webinars yesterday we had providers tell us that they are seeing an average of around \$2,000 dollars more a month in costs due to the additional things we are asking them to do (small group sizes, different drop off/pick up procedures, temperature checks etc.). These costs must be covered somehow.

Funding should be allocated to States to allow more agile funding mechanisms for the early childhood education system. Innovation should be encouraged and rewarded through funding opportunities and then scaled when demonstrated to show better child outcomes and more sustainable business practices. States that can demonstrate strong public private partnerships should also be able to expand those partnerships through the use of federal funds to scale effective models and to share with other states the possibilities of systemic changes to early childhood education systems.

Our nation's long-term well-being depends on a child care infrastructure that works for every family. An abundance of quality, affordable, child care is fundamental to our economic recovery from the pandemic and beyond. FLEXIBLE funding to support a stable infrastructure that helps support social emotional learning and preparedness for long term academic success has to be a partnership between federal, state and philanthropic funding. This committee has a unique opportunity to help reset the future of child care by providing funding to states to take what

they have learned through this pandemic to build a more robust child care infrastructure that can stand future disasters and create a workforce that supports large scale economic growth.

Thank you again for the opportunity to share Indiana's approach to child care services during the COVID response. We are grateful for the partnership and I am happy to take any questions.