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On COVID-19 and the Child Care Crisis

The Impact of COVID-19 on Child Care

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Chairwoman DeLauro, Ranking Member Cole, and members of the subcommittee, thank you for the opportunity to testify today on the crucial issue of child care. My name is Katharine Stevens and I am a scholar at the American Enterprise Institute, a nonpartisan think tank in Washington, DC, where I focus on early learning and development policy. This testimony reflects my own views and not those of any organization with which I am affiliated. It is an honor to be here today.

President Biden's $1.9 trillion "American Rescue Plan" includes $40 billion in additional Child Care Development Block Grant (CCDBG) funding along with huge increases in the Child and Dependent Care Tax Credit, described as addressing "an acute, immediate child care crisis in America."[1] In my testimony, I make four main points regarding this part of the "Rescue Plan":

- First, according to the most current, reliable evidence, no extreme, pandemic-caused crisis in child care exists. The magnitude of proposed spending far exceeds what we know to be the pandemic's effects on the child-care sector.
- Second, legislation establishing special "child care stabilization" funding separate from CCDBG accomplishes no unique ends with respect to stabilizing child care. Rather, it serves to diminish state leadership and flexibility, while creating specialized new state administrative structures focused specifically on building the child-care industry, rather than meeting the needs of families and children.
- Third, the plan fails to target the families and child-care providers who are truly struggling, while disproportionately benefitting much more affluent families.
- Finally, while the plan is presented as an emergency response to fallout from the pandemic, in fact its primary aims appear to be to advance preexisting advocacy goals: leveraging pandemic recovery funds to carry out a "trial run" of universal child care and laying substantial groundwork for a major, permanent expansion of government-funded, nonparental care.

An extreme, pandemic-caused child-care crisis does not exist.

It has become an article of faith that "the COVID-19 pandemic has pushed an already-struggling child-care industry to the brink of collapse," requiring billions in federal funding to save it.[2] The best, most current data, however, shows no extreme, pandemic-caused crisis in child care.

The pandemic has of course been tough on child-care providers, as it has on many small businesses.[3] But the stream of alarming news stories over the past year has been based on anecdotal data collected by advocacy groups, published as research reports, and widely promoted by a highly-coordinated advocacy campaign launched last spring to push for huge boosts in federal spending on nonparental care.[4]

Several widely-cited National Association for the Education of Young Children (NAEYC) surveys have served as primary evidence of a child-care crisis. For example, a NAEYC survey of child-care providers published this past July — "Holding On Until Help Comes: A Survey Reveals Child Care's Fight to Survive" — described a "catastrophic situation": 40 percent of respondents were "certain that they will close permanently" without a large infusion of government funding.[5] But this finding — cited in literally hundreds of media reports since July — did not result from a rigorously-conducted investigation. Instead, it was based on the responses of a non-randomized group of 5,344 individuals (a fraction of one percent of the child-care workforce), collected over two weeks via an online survey and explicitly "intended to present the experiences of the respondents, as captured in the moment," not as a rigorous assessment of the child-care sector.

The July survey was one of a series of similarly conducted surveys NAEYC has released over the past year, all vigorously promoted by a highly-coordinated advocacy campaign to increase federal funding for child-care programs.[6] Results from the first survey — "Child Care in Crisis: Understanding the Effects of the Coronavirus Pandemic" — completed by roughly 6,000 self-selected child-care workers from March 12 to 16, were published on March 17.[7] The survey report further included a link to a March 11 letter to Congress signed by 39 advocacy organizations urging substantial emergency funding for child-care providers.[8] Just five days later, NAEYC issued a press release with the Early Care and Education Consortium (ECEC), titled: "Without Immediate Relief, More than Half of Licensed Child Care will Close in the Next Week: National Industry Organizations Call on Congress for $50 Billion in Urgent Stimulus."[9]

Responses from several thousand self-selected respondents to NAEYC's March survey subsequently served as the basis for a Center for American Progress claim that roughly half of US child-care capacity was at risk of disappearing without billions of additional federal funding.[10] This claim, too, received months of widespread media coverage.

Some often-cited data is simply out of date. For example, a well-conducted August 2020 survey of parents done by the Bipartisan Policy Center (BPC) and Morning Consult found that more than 70 percent of child-care programs operating in January 2020 had closed or were operating at much-reduced levels.[11] One-third of parents — and almost three-quarters of low-income parents — who had sought child care during the pandemic, reported difficulty in finding affordable child care. Over one-fifth of parents said that without child care they could not return to work.

Yet a recent BPC/Morning Consult survey of parents with children under age five, released in January 2021, revealed a substantially different picture.[12] Just 11 percent of parents reported that the child-care program they had used prior to the pandemic had permanently closed. BPC's survey report in fact concluded that COVID-19 was having minimal impact on childcare arrangements by December 2020: Since the prior January, the proportion of parents caring for their own children increased just from 23 percent to 29 percent, the proportion using a child-care center declined from 25 percent to 21 percent, and the proportion using family child care declined from 11 percent to 9 percent.

Nor does the most recent evidence show that a lack of child care for children under age five is the primary cause of women leaving the workforce. A BPC/Morning Consult October 2020 survey found that just 16 percent of women who left the workforce during the pandemic cited caregiving responsibilities for children as their reason for leaving.[13] Of these, only around two-thirds reported caring for children under age five. Furthermore, in the most recent BPC/Morning Consult survey of parents with children under age five, just 5 percent of mothers reported an increase in unemployment from the previous year: 13 percent said they were unemployed in December 2020 up from 8 percent in January 2020.[14] The survey did find an increase of 10 percent among women who reported caring for their own children under age five: 42 percent in December 2020 — up from 32 percent in January 2020. It is not clear, however, how many of those additional 10 percent were doing so unwillingly. Among parents who reported they were currently caring for their child, 73 percent described it as their "ideal" child-care arrangement.

State data is also frequently cited as evidence of a nationwide child-care crisis. For example, an October *Philadelphia Inquirer* article titled "Hundreds of Pa. child-care centers have closed, and some fear it will get worse" suggested a dire scenario, stressing that "advocates warn that many more child-care providers will be pushed to the breaking point this fall and winter."[15] But, as it turned out, the number of childcare providers declined just 2.3 percent over the past year: from 8,275 providers in December 2019 to 8,082 in December 2020.[16]

In another example, the Center for American Progress published a July 2020 study of child-care enrollment in Colorado, finding that enrollment for children under age five was at just 52 percent of pre-pandemic levels.[17] Child-care providers were "in an untenable position," they reported, able to survive only with a $50 billion "stabilization fund" from the federal government. But as of January 2021, a total of 3,162 licensed child-care providers were currently operating in Colorado— an increase of 314 providers over the 2,848 providers reported to be operating in 2019.[18]

This more recent evidence is also consistent with a substantial rebound in employment in the child-care sector, now at 84 percent of pre-pandemic levels. While 84 percent is still notably less than 100 percent, it does indicate an industry in imminent collapse.[19]

"Stabilization Funding" is unnecessary and counterproductive.

The proposed $25 billion earmarked for "Child Care Stabilization Funding" adds nothing to states' capacity to stabilize their child-care sector beyond the funds provided. Instead, this new program would degrade state leadership, while creating new, state-level administrative structures explicitly focused on building the child-care industry instead of meeting the needs of families and children.

The two prior COVID-19 relief packages provided emergency child-care funding to states through CCDBG ($3.5 billion in March and $10 billion in December), with additional flexibility to enable states to both support child care needs of working families and stabilize the child-care industry. This flexibility has been essential to the effectiveness of supplemental funding: enabling states to efficiently distribute funds to the neediest families and programs in the context of their state's unique circumstances. As the Bipartisan Policy Center (BPC) recently noted, by distributing supplemental child-care funding through CCDBG, "Congress ensured this critical aid would be allocated quickly and efficiently, without the need to set up a lengthy new grant process at the federal level, which would delay the funds getting to states and programs at a time when they need them immediately."[20]

Instead of continuing this streamlined flexibility, however, the Stabilization Funding proposal reduces it. The legislation would create a new, federally-controlled program with a range of mandates and restrictions, yet give states no new tools for addressing family and provider needs. In fact, states chose to use the CARES Act funding they received for exactly the purposes stipulated in the Stabilization Funding plan without being required to do so: 49 states used funds to provide grants to child-care providers, 43 states used it to pay subsidies to providers based on pre-pandemic enrollment, and at least 22 states covered parent copays.[21] As a notable indication of their commitment to supporting providers, 25 states supplemented CARES Act funds with funds from other sources to give providers additional assistance.

The Stabilization Fund also allocates an additional $2.5 billion — an average of around $47 million per state — for the sole purpose of setting up state-level administrative structures focused on building the child-care industry. States would obtain these new funds by laying out a plan for a new state entity to be overseen by the federal government, with an additional $35 million reserved through September 2025 to fund federal oversight of the effort.

"Rescue Plan" funds are not targeted to those most in need of rescue.

A substantial number of child care providers and families are clearly struggling. But the funds in this plan are not targeted to either the providers or the families who need help the most. Funds allocated for direct grants to providers — an average of almost $100,000 per every licensed provider in the US — would be distributed across all providers, based on "stated current operating expenses," not an assessment of need.

Nor does the plan target needy families, whose access to high-quality care has long been inadequate. Less than 20 percent of lower-income working families eligible for federal child-care subsidies receive them and, even for those who do, subsidy amounts in almost all states fall short of what's needed to access the higher-quality care that wealthier families already use for their children.[22] Yet proposed Stabilization Funding would not aim to boost either the number of families receiving subsidies or subsidy amounts. Instead, it stipulates that grants to providers be used to waive payments for *all* enrolled children —

tuition payments and child-care copayments alike.

At the same time, the "Rescue Plan" provides a large tax cut for affluent families through huge increases in the Child and Dependent Care Tax Credit. Because the CDCTC is based on child-care expenditures, current CDCTC benefits accrue overwhelmingly to wealthier families who have more discretionary income to spend on child care. The proposed increase to the credit will simply result in making benefits much larger for those same families. Further, while the "Rescue Plan" would make the CDCTC refundable, that would no more give low-income families access to high-quality care than increasing the mortgage interest tax credit would enable them to buy a house. A refundable credit for expenditures families cannot afford to make does not help them. Lower-income families do not lack a refund for childcare expenditures; what they lack is enough money to pay for good childcare in the first place.[23]

The plan represents a massive expansion of federal spending on nonparental care.

Finally, the child-care provisions in the "Rescue Plan" appear less as a response to effects of the COVID-19 pandemic than a massive scale-up of government spending on nonparental, out-of-home care for young children. The proposed new spending of $40 billion ($15 billion for CCDBG and $25 billion for the Stabilization Fund) combined with annual CCDBG spending of $8.8 billion totals almost $49 billion, which is around 1.4 times total federal, state, and local spending on early care and education annually. Adding the $10 billion in additional CCDBG funds authorized in December, that total reaches almost $59 billion: 1.7 times total public spending on early care and education and 78 percent of *all public and private* spending combined.[24]

The plan represents a large step towards universal child care, while establishing new, state and federal administrative structures focused specifically on building the child-care sector, rather than better meeting the needs of families and children. Further, it would provide huge increases in CDCTC tax credits, overwhelmingly benefitting affluent families.

At the same time, a relatively small proportion of these funds target the low-income working families who been hurt the most by the pandemic. Why provide billions in aid to people who can manage without it? Why not target children who live in households earning under $75,000 — roughly half of all American children under age five? Why should the top income quartile of families with young children be receiving any assistance at all?

Indeed, the families hit hardest by the pandemic are the same ones who have long struggled with inadequate care for their children.[25] Large proportions of the nation's most vulnerable children lack access to high-quality child care, while the quality of care matters for exactly those children the most. This *is* an emergency, affecting millions of disadvantaged children and their families. And instead of pushing a big government expansion of child care, that is the emergency we should urgently be aiming to address.

Thank you for the opportunity to testify.

NOTES

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