TAKING CARE OF BUSINESS: HOW CHILDCARE IS IMPORTANT FOR REGIONAL ECONOMIES

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- None.

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TAKING CARE OF BUSINESS: HOW CHILDCARE IS IMPORTANT FOR REGIONAL ECONOMIES

THURSDAY, FEBRUARY 6, 2020

House of Representatives,
Committee on Small Business,
Subcommittee on Rural Development, Agriculture,
Trade, and Entrepreneurship,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:08 a.m., in Room 2360, Rayburn House Office Building. Hon. Abby Finkenauer [chairwoman of the Subcommittee] presiding.

Present: Representatives Chabot, Finkenauer, Craig, Hagedorn, and Stauber.

Chairwoman FINKENAUER. Good morning. The Committee will come to order.

I want to make sure I thank everybody this morning for being here, especially those who flew a long distance from Iowa or Minnesota. It means a lot that you are here to talk about this very important issue facing our country.

In Iowa, when I talk to employers about workforce development and ways to bring new investment into our region, access to affordable childcare almost always comes up and it is almost always at the top of the list.

Parents are turning down raises and promotions because they are afraid to lose childcare assistance benefits or just leaving the workforce all together because it is less expensive to stay home. Our businesses are losing thousands of dollars due to employee turnover because their workers cannot find reliable childcare. Jobs are going unfilled, and employers are struggling to attract talent because of the lack of affordable childcare in our communities. It is feeding our state's workforce shortages, and our entrepeneurs are feeling the effects as well.

I met a young mom named Phoebe, who recently moved back to Iowa and opened a restaurant in Cedar Rapids with her husband. Her heart is in the business, but they are struggling to find childcare for their new little one. They actually had to hire front-house help that used to be Phoebe, which is kind of disappointing because she wanted to be part of the business as much as possible and now has had to step back partly because of the lack of childcare. Fortunately, they actually have family in the area, so they have been able to step up and help. But that is not the case for everybody, and it should not have to be. In Iowa in particular, more than 350,000 kids live in communities where they do not have access to childcare, meaning that thousands of parents are being forced out of the workforce.

With the lowest unemployment rate of any state in the nation, this is an issue that we cannot afford to ignore in Iowa, and Mr. Levi, we are grateful you are here to talk about that. When parents cannot access affordable childcare, the effects are felt across the entire economy. This issue is especially pronounced in rural communities. In Iowa, more than one-third of our rural residents are living in areas considered childcare deserts, places where demand for childcare exceeds supply by more than three to one.

For our rural businesses that already struggle to attract talented employees, access to childcare is another challenge they have to overcome when it comes to recruitment and retention. Even in areas where there are enough providers, childcare is so expensive that some families cannot afford it.

Over the last decade, the cost of childcare has increased by 25 percent. A family of four in Iowa is paying as much as $1,300 a month to cover the cost of childcare. Some of my colleagues here today are from states where the average cost is much higher. In some parts of the country, the cost of childcare is even as high as college tuition.

When I talk to business owners about access to affordable childcare, they want to be part of the solution. They do not want people to have to choose between a paycheck and starting a family. They know that a strong workforce is not just good for business—it is good for the future of their community.

During today's hearing, I hope to explore how childcare can drive economic growth and help our small businesses thrive. We will look at how access to childcare, along with policies like paid family leave, can contribute to improved productivity and retention in the workplace. Our witnesses will also speak to some of the challenges and opportunities for small business owners who want to improve access to childcare, not only for their employees but for their own families as well.

Small businesses are much less likely than larger firms to offer childcare benefits. For some small operations with razor-thin margins, they might not have the resources or the expertise to even offer common benefits like childcare referral services or dependent care assistance plans, let alone onsite child care.

Helping support small businesses and rural communities that want to improve access to affordable childcare will be an important part of our conversation here today.

I also want to take this opportunity to announce that later today I will be helping introduce legislation led by my colleagues, Congresswoman Susie Lee and Congressman Pete Stauber, who sits on the Small Business Committee. This legislation would expand financing options for childcare operations through the Small Business Administration. Thank you for your leadership, Ms. Lee and Mr. Stauber.

Today, we will also be hearing from Mr. Levi, who I talked about earlier, who came all this way from Iowa and we are grateful that he made the trip. His partnerships with nonprofit childcare centers is an example of how we can improve access to care.

Lastly, I hope to touch on the importance of our childcare providers who are often small business owners themselves. Whether they operate a center or run their business out of their home, providers are the people on the ground trying to improve access. Federal proposals to increase access to affordable childcare will only further drive demand for childcare services. For example, the Child Care for Working Families Act would create 700,000 new jobs for childcare providers. We are going to need our small businesses to help meet this demand.

Thank you all again so much for being here today. It means a great deal, and this is going to be a very important discussion and something that we need to be having in Washington and across our country.

I would now like to yield to our Ranking Member for the day, Mr. Hagedorn.

Mr. HAGEDORN. Well, thank you, Madam Chair. I appreciate your fine opening statement. And you holding this hearing. It is a very important issue. Something that many of us have been working toward. And I am also on that legislation with you, to make sure that we can focus SBA monies to loans and so forth to get providers going. Very important.

So like health care, the childcare industry presents many challenges, especially for those in rural communities. Lack of access, lack of choice, and high cost consistently discourages parents from reentering the workforce. This reduces demand for the few childcare entities in those areas and raises costs while eliminating jobs. That is not good.

Programs like Head Start or suggested universal childcare programs may only fill part of the gap, but a vibrant private sector option must be part of the calculus. And I think that is one of the things that we are going to focus on today is to make sure that that is available and there is great opportunity in those areas in the private sector.

Each community, each parent, and each child has unique wants and needs that are better served when choices are expanded. With fewer restrictions and fewer regulations in those areas that do not increase health and that do not decrease or in any way get in the way of our health and safety outcomes for children, you know, more opportunities are often provided. So, when there are more choices for child care, parents are more likely to obtain full-time employment and promote economic developments in our communities.

In my home state of Minnesota, child care costs are over $16,000 per child annually, and that comprises about 21 percent of median family income. I represent southern Minnesota, and in that our largest city is Rochester, and the average cost in Rochester is approximately $1,200 per child per month. So, it is pretty extraordinary when you think about it.

According to the U.S. Department of Health and Human Services, child care is considered affordable if it costs no more than 10 percent of a family's income. Yet, Minnesota is not alone in being unaffordable. In fact, every state in the union, including D.C., is unaffordable by that standard. So that is quite something.

These costs only increase when variables, such as additional children, medical requirements, and single parents are in the mix. So that is pretty much best-case scenario is $16,000 per child in Minnesota. That is best case scenario, and from there it gets higher.

I look forward to hearing the challenges presented within the childcare industry and what we can do to reduce burdensome regulations and costs within this field. I would note for the record that there are people that have traveled even further from the great state of Minnesota. I am looking forward to all the testimony from our witnesses. And thanks again for holding this hearing.

Chairwoman FINKENAUER. Thank you, Mr. Hagedorn. The gentleman yields back.

If Committee members have an opening statement prepared, we would ask that they be submitted for the record.

I would now like to take the opportunity to explain our timing rules. Each witness gets 5 minutes for testimony. There is a lighting system to assist you. The green light will be on when you begin, and the yellow light will come on when you have 1 minute remaining. The red light comes on when you are out of time, and we ask that you stay within the timeframe to the best of your ability.

I would now like to introduce our witnesses who have taken time again away from their families and their businesses to be here today for this important hearing.

Our first witness is Ms. Cindy Cisneros. Ms. Cisneros is the vice president of Education Programs at the Committee for Economic Development. She is responsible for leading their portfolio of education work, which includes early childhood education, K-12, postsecondary, and workforce development. Ms. Cisneros has in-depth experience providing technical assistance to state and district educators on the successful implementation of national education laws. She previously worked for the U.S. Department of Education.

Thank you so much, Ms. Cisneros, for being here today.

Our second witness is from my district, Mr. Daniel Levi from Cedar Falls. Mr. Levi is the principal and owner of Levi Architecture, an Iowa small business. Levi Architecture has worked on a variety of projects, including commercial, industrial, residential, and educational, with a special interest in childcare facilities. Mr. Levi has been instrumental in development of childcare infrastructure. Through his work as a board member of Exceptional Persons, Inc., and the Black Hawk County Child Care Coalition, which is an incredible organization and group of folks, Mr. Levi has been working alongside community partners, businesses, and childcare providers to address the need for childcare in northeast Iowa.

Thank you for all that you do and for taking time away from your business and your family to be here. We look forward to hearing from you.

Our third witness is Ms. Sarah Piepenburg.

Ms. Piepenburg is the owner of Vinaigrette, a family-owned and operated food store in Minneapolis, Minnesota, with five employees. A former HR consultant, Ms. Piepenburg and her husband have firsthand experience struggling to find affordable childcare for their family, and they work hard to provide a supportive work environment for their employees. Ms. Piepenburg is the mother of three, a board member of Ripples of Kindness, the Minnesota Breastfeeding Coalition, and a member of Main Street Alliance.

Thank you for taking time away from your business and your family and traveling all the way here.

I would now like to yield to our Ranking Member for the day, Mr. Hagedorn, to introduce our final witness.

Mr. HAGEDORN. Thank you, Madam Chair. I appreciate that.

Our final witness today is Veronique de Rugy. Doctor, before I go any further, did I get that close? All right. That is not too bad. You know, for southern Minnesota, not too bad.

A senior research fellow at the Mercatus Center at George Mason University, where I went to school, George Mason, a fine institution of higher learning. Her expertise includes the U.S. economy and taxation. Before her tenure at the Mercatus Center, she was a resident fellow at the American Enterprise Institute, a policy analyst at the Cato Institute, and a research fellow at the Atlas Economic Research Foundation. She also oversaw academic programs in France for the Institute for Humane Studies here, received her M.A. in Economics from Paris Dauphine University, and her Ph.D. in Economics from the Pantheon-Sorbonne University.

All that pretty good so far? Good.

In addition to her extensive knowledge and expertise in economics, she is an acclaimed writer with articles published in the New York Times, the Wall Street Journal, and many others. She was named one of Politico's Top 50 Thinkers, Doers, and Visionaries Transforming American Politics in 2015. Thank you for taking time to speak with us. We look forward to your testimony.

Chairwoman FINKENAUER. Thank you, Mr. Hagedorn.

Now I would like to recognize Ms. Cisneros for your opening statement.

STATEMENTS OF CINDY CISNEROS, VICE PRESIDENT, EDUCATION PROGRAMS, COMMITTEE FOR ECONOMIC DEVELOPMENT OF THE CONFERENCE BOARD; DAN LEVI, PRESIDENT, LEVI ARCHITECTURE, PLC; SARAH PIEPENBURG, OWNER, VINAIGRETTE; VERONIQUE DE RUGY, SENIOR RESEARCH FELLOW, MERCATUS CENTER, GEORGE MASON UNIVERSITY

STATEMENT OF CINDY CISNEROS

Ms. CISNEROS. Good morning. My name is Cindy Cisneros and I serve as the vice president of Education Programs at the Committee for Economic Development, or CED, which is the public policy center of The Conference Board (TCB), and it is a nonprofit, nonpartisan, business member-driven organization. Our business leaders know that a skilled workforce is paramount to economic prosperity.

From CED's perspective, access to quality affordable child care is a two-generation strategy. It helps fuel economic growth by supporting working parents and supporting the healthy development of young children.

Americans are working today, including mothers of very young children. Over 15 million children under age 6 have working parents.

In 2019, CED released a study, Child Care in State Economies, which reviewed the use of child care by families and the economic impact on states. We found that child care is an industry that plays a significant role in economic growth. The industry, which includes both center-based and home-based child care, had a total economic impact in 2016 of $99.3 billion. This includes $47.2 billion in revenue, plus another $52.1 billion in spillover in other industries.

Service industries of comparable size include medical labs at $47 billion, and spectator sports at $46 billion. In terms of jobs, the spending of 1.5 million sole proprietors, or home-based providers, and wage and salary employees in the childcare sector, support more than 507,000 workers in other industry for a total jobs impact of over 2 million.

CED's study analyzed the use of market-based care—that is paid childcare services using the U.S. Census Bureau Economic Census, County Business Pattern Data, as well as Non-employer Statistics data from 2016.

Without access to child care, parents reduce their hours or opt out of the workforce, and 94 percent of those are women. The use of paid child care is highest among two-parent families working full time at 88 percent, and single-parent families working 35 hours or more per week at 83 percent. Both family types far exceed the overall usage rate of 59 percent.

Families regularly struggle with the availability, affordability, and quality of child care. Employers are impacted, with some estimates by more than $4.4 billion per year in lost productivity. Just last week, the Center for the Study of Child Care Employment estimated that parents forego about $30 to $35 billion in income because of challenges with child care.

The supply of child care is uneven across communities. Childcare centers open in areas where the population is dense enough and has sufficient income to sustain a viable business model. Of concern, particularly in rural areas is the decline in family childcare homes, which we estimated at 20 percent over the past 10 years. For home-based providers, the hours are long, and the fees charged to parents do not offer an economic incentive to stay in business. Average revenue is only about $15,000 per year, which is below the poverty line for even a family of two.

The current business model for childcare centers, which also depends on parent fees, is challenged to keep rates low enough for parents to pay but high enough to hire and retain high-quality staff. This has led to a childcare workforce that earns low wages at about $11 an hour and has high turnover. And yet, the childcare workforce is critical as it is the workforce that literally supports all other workforces.

There is no easy way to make quality child care more available and affordable. However, there are approaches that can be considered.

First, the National Academy of Sciences released a report in 2018 suggesting ways to better finance our Nation's childcare system. CED was represented in a NAS public hearing to inform that report with a business leader perspective. This set of recommendations is worth reviewing.

Second, to help fill the gap between what parents can afford to pay and a livable wage for individuals working in child care, Congress could enact a refundable workforce tax credit that is linked to achieved competencies in early childhood education.

Third, expand Small Business Development Centers (SBDCs). Child care is a business, yet many who operate within the childcare industry know early childhood but not best business practices. SBDCs could be required to partner with state childcare agencies to offer business technical assistance for centers and homes.

Thank you for your time today. I am pleased to answer any questions.

Chairwoman FINKENAUER. Thank you, Ms. Cisneros.

Now, Mr. Levi, you are now recognized for 5 minutes.

STATEMENT OF DAN LEVI

Mr. LEVI. Thank you very much. Appreciate the opportunity to speak today.

My involvement with child care started through a very personal opportunity with a nonprofit we are associated with that houses our childcare resource and referral. We had a recruitment and retention problem. Part of that issue is the pay structure. We had opportunities but our community was not involved in the conversation that child care was a legitimate crisis in our area, and it is a crisis in our county.

Over the last 5 years, the trends are we have lost 37 percent of the childcare centers in our area, and it is continually impacting my clients in my professional practice where they are unable to expand due to lack of talent.

So, we decided to attack the problem through a coalition of volunteers called the Black Hawk County Child Care Coalition, specifically addressing the private sector, making this a bottom-line issue, a cost issue, a quality control issue, and a recruitment issue. The state of Iowa has record-low unemployment as we have seen across the Nation. We have had this conversation with CEOs, CFOs, decision-makers at small- and medium-size businesses across our area to try to impede on them what the impact is if they are willing to listen. And many businesses already had the data and are now looking into that data.

Our coalition quickly expanded, and we were asked to expand our reach just beyond our county. We are now into counties all across the state of Iowa, and all of these small towns have the same thing. They say we have a lack of talent for our businesses to expand and we have moms and dads moving away from our small towns. It is hurting rural economies. It is hurting our communities. We are seeing school districts reduce in size.

Child care can be one of those economic drivers in the smaller communities. We have a series of examples that we have been engaged with, one of which is work through the Iowa Women's Foundation where we created a Center in a Box. It is not a very creative name but what we did provide was communities an opportunity to see what a child care actually could look like on paper in terms of its size and its cost while meting all of the state requirement regulations. The most important piece to that is a business plan that goes along with that model so these communities can understand what it is going to take not only to start a center from a startup cost standpoint, but also sustainability. We cannot have centers that open and close. It hurts the economy. It hurts the vitality of our small communities. And leaves moms and dads in a very difficult position where they may choose not to be employed any longer. Mr. Hagedorn brought that up specifically in his opening statement. We see that on a regular basis.

So, what we have done is when we get into these communities through volunteerism, we talk to them about the resources that they need and the resources that they may have available to them. They simply do not know in many of these communities, they have neither the expertise, the talent, or the experience to understand how to attack these problems. When we involve the private sector and we partner with our school districts and we partner with other nonprofits and foundations, rather than just adding together our resources of varying types, we actually can multiply those resources to create something much better than we could when we try to do it all on our own.

The smaller the community, the more important the school district can be in that they have different types of resources. Businesses have different types of resources that they can bring to the table that moms and dads do not. And when we start to get the private sector to understand that this is a black and white issue for them, this is a bottom-line issue for them, they have willingly come to the table and enthusiastically get involved in our conversations.

In one example in Cedar Falls we have a co-op opportunity where we have major businesses sponsoring, and in exchange, they take down one of the two significant barriers to child care, access.

In Black Hawk County, the average center has 37 kids on the waiting list. It could take a year or more to get a child into your center. When businesses partner in this way, they have guaranteed slots in the center. Then, on top of that, if they choose, they have the flexibility to also supplement or provide benefits to their employees to reduce the cost, but we leave that up to the individual employer. So, we try to create a system where there are flexible options to bring on different resources, people with different talents, people with different interests and different scales at all times. We found that this model works very well, and it is scalable, and it has been very successful across the state of Iowa so far.

Specific examples of how policy, not more money, can make significant change is the state of Iowa has tied the quality rating system to centers to change the reimbursement structure on childcare assistance, which encourages centers to either expand the number of children that they take on assistance, or it actually makes them break even on that, reducing the incentive to cap their childcare assistance.

Thank you very much.

Chairwoman FINKENAUER. Thank you so much, Mr. Levi, for being here.

Ms. Piepenburg, you are recognized now for 5 minutes.

STATEMENT OF SARAH PIEPENBURG

Ms. PIEPENBURG. Chairwoman Finkenauer and members of the committee, thank you for this opportunity to testify today about how a robust infrastructure for child care would support my small business and other Main Street businesses.

My name is Sarah Piepenburg, and I am a small business owner of Vinaigrette, a specialty oil and vinegar shop in Minneapolis, Minnesota. I have been running my business since 2009 and currently have five employees. I am a member of Main Street Alliance, a national network of more than 30,000 small business owners.

In Minnesota, we have the fourth highest costs in the Nation for infant care with the average cost for enrolling a Minnesota infant in a childcare center running $310 per week, or over $16,000 per year.

For 2 years after we had our son, we did our best to piece together daycare and work. We sat on countless waitlists. I even delayed taking a job until my son had aged out of the most expensive infant care category, which costs more than in-state college tuition.

I then took a part-time job and put my son in part-time child care. Even with all our juggling, I was still only taking home $244 a paycheck after childcare expenses.

It did not seem worth it. I quit my job to stay home, but I knew we would have to find another solution.

My husband and I became small business owners for a reason that does not fit neatly into our marketing materials. We needed child care and we could not make it work any other way.

For my husband and me, the best choice was to go into business ourselves, arranging our schedules as best we could, and getting help with child care from family and friends. We used the $16,000 we would have put into child care to launch our business.

While this may seem like an extreme solution, it is more common that you might think. In a Small Business Majority survey of small business owners, 29 percent stated that lack of access to child care was a major reason for starting their own business, due to the need for increased flexibility in their work schedules. But an even larger portion of entrepreneurs surveyed, 36 percent, say the lack of access

to affordable, high-quality child care is a barrier to their business.

Small businesses like mine operate on thin margins and cannot match the more generous childcare benefits offered by larger employers, resulting in a hiring disadvantage. A more robust childcare infrastructure would level the playing field between small and large businesses. Even if parents can afford child care, they often cannot find it. In my state, for example, 44 percent of Minnesotans live in a child-care desert, where there are simply no spots for anyone. That is lower than the average. More than half of families in America live in childcare deserts, areas where licensed child care is scarce and does not meet the needs for the number of children in the area.

Rural and low-income urban communities are hit hardest by this lack of childcare infrastructure. Creating childcare infrastructure in these communities would increase labor force participation among parents driving local economic growth.

Work schedules are also a challenge. Most daycares close at 6 p.m., but my shop opens at 11 a.m. and closes at 7 p.m. Finding childcare coverage is even more complicated for shift workers and 24-hour employees in other industries.

We need innovative solutions like the Child Care for Working Families Act to address the crisis from three fronts: maintaining quality, ensuring jobs, and capping costs for families.

Passing Paid Family and Medical Leave would also help solve a key part of the childcare puzzle. A social insurance program like the Family Act would provide families with two caregivers up to 24 weeks of key bonding time with a new infant and 6 months less of expensive infant child care. That is why small businesses overwhelmingly support paid family and medical leave policies like the Family Act.

All of these challenges affect a robust small business economy. If we believe in small business, we need our lawmakers to change this system. Child care is not only a family issue; it is an economic one, too.

Chairwoman FINKENAUER. Thank you so much, Ms. Piepenburg. Again, we really appreciate that you came here all the way from Minnesota.

Now we would like to recognize Dr. de Rugy for 5 minutes.

STATEMENT OF VERONIQUE DE RUGY

Ms. DE RUGY. Ms. Chairwoman, Mr. Ranking Member, and members of this Commitmtee, thank you for having me today to testify.

Ensuring that a family can afford to raise children in America is an uncontroversial public policy concern. Many families have difficulty finding affordable and quality child care. In some places like Washington, D.C., daycare for infants and children younger than preschool age costs an average of $24,00 per child. This is a serious problem for most parents, especially for lower-income parents.

Thankfully, not all states face the same childcare cost burden. But understanding what is driving the cost of child care in some areas and not others is key to designing the right policy. Before we start throwing more money at the problem or assuring new regulations, we must look at one important barrier to affordable childcare provision, and that is childcare licensing laws and requirements.

I will share here three main findings from the academic literature on the issue.

First, however well-intentioned, the imposition of strict licensing requirements actually restricts the supply of health care and make it harder for families by raising prices.

Two, strict licensing requirements raise barriers to jobs for childcare workers.

Three, this increase in cost is not accompanied by commensurable increase in quality or safety.

So, what comes next in my testimony is an overview of the economic literature on occupational licensing across industries.

So, first, licensing requirements generally restrict the supply of services in a licensed industry by prohibiting some perfectly competent workers from working as a provider.

Occupational licensing laws also impose a high cost on the employees by forcing them to pay high fees, undergo many days of training or experience, or earn arbitrary certification.

My written testimony includes some charts to that respect.

By restricting competition between providers, occupational licensing also increases the price of goods and services for consumers.

An often-cited report by the Obama Administration Council on Economic Advisors found that licensing laws can increase prices by 16 percent. Higher prices are hurting low-income consumers the most, obviously.

Second, licensing hurts low-income workers as well. Economist Morris Kleiner found that restrictions from occupational licensing can result in up to 2.85 million fewer jobs nationwide and an annual cost to consumers of $203 billion. The Obama Administration's report noted that these costs fall disproportionately on certain segments of the population—immigrants, military spouses, and reformed convicts.

Other research supports these findings. Licensing laws are also a serious impediment to income ability by making it more difficult for low-income Americans who reach the first rung in their climb out of poverty.

In addition, these licenses also operate as a substantial barrier to interstate mobility; hence, better labor markets as the licensing requirements vary between states and cannot transfer usually from state to state.

Third, licensing requirements are often justified on the ground of quality control and public safety, and in theory, licenses might increase quality if it acts as a well-designed screening system. But on the other hand, it might decrease quality by limiting competition.

Reviews of the academic literature suggests that the two effects cancel each other out, though more studies find that licensing reduces quality then find that it enhances it.

Finally, the occupational licensing literature that focuses on childcare industries specifically reveal exactly the same pattern. Excessive staff-to-child ratio education or parking requirements increase the cost to the supplier, restrict the supply, and ultimately increase the price for parents.

The solution to the current shortage of affordable care is not to drive costs higher with more money and more regulations. The first step is for state and local officials to look at ways to reduce excessive regulations that contribute to the high cost of child care.

For instance, estimates suggest that relaxing the average mandate staff-to-child ratio by just one child across all age groups would reduce childcare prices by 10 percent or more. In Minnesota, that is $1,600. In D.C., it is $2,400. I mean, it is important.

In order to fight the high childcare costs and lack of child care availability, Arlington County where I live, the County Board adopted a change to allow small, in-home daycare providers to care for up to nine kids without having to go through the county's extensive use permitting process. They also reduced parking requirements for childcare centers after business owners complained they were extensive and county staff found parking spaces were often unused. Other state and local governments follow this example.

But I want to leave you with one warning. While these reforms might not be the whole answer to the challenge of high childcare costs, a failure to make these challenges will make other reforms by the Federal Government ineffective. Thank you.

Chairwoman FINKENAUER. Thank you, Dr. de Rugy, for being here today as well.

Now we will start our questions. I yield myself 5 minutes, and I would like to start with Mr. Levi.

One thing I know you talked about in your testimony was the fact that people are struggling to move back to Iowa, or they are even leaving, because they cannot find childcare. I have seen this firsthand. I am 31 now. I have a lot of friends that I graduated high school with who went off to college, would love to move back home, raise their family, and be close to mom and dad in Iowa. However, they are struggling to do it, facing barriers related to jobs or to childcare. This is such a huge issue, so thank you so much for all that you have done with the Black Hawk County Child Care Coalition.

One of the things I know you talk about with the Black Hawk County Child Care Coalition is the "Child Care Center in a Box," which offers sample budgets, business plans, and other resources for childcare centers. That is huge.

Can you talk about the need for this type of support and technical assistance, how folks are reacting to it, and what you think we can be doing to make sure that more people have the assistance that you have been putting out there?

Mr. LEVI. Sure. I would be happy to.

Again, the Black Hawk County Child Care Coalition was formed to address the crisis in Black Hawk County specifically. And as we started to do some speaking engagements, as our childcare resource referral department headed through EPI is doing talks over 19 counties, they started to get more and more inquiries. We started to see that this was far beyond our issue of just Black Hawk County. To do that Child Care in a Box, we partnered with the Iowa Women's Foundation who was across the state and regularly fields these questions of we also have a childcare problem. What can we do about it? We do not know what the next steps are. A small community, again, lacks the expertise and the experience. They would be referred to our coalition. We would pile in the car and make a road trip.

And so now we found ourselves over about two-thirds of the state now, which does not speak to our expertise. It speaks to the need and the lack of expertise and the lack of resources that small communities have, not knowing even how to address the problem.

Chairwoman FINKENAUER. Yeah. Have you found federal resources to expand on these efforts at all?

Mr. LEVI. No.

Chairwoman FINKENAUER. No?

Mr. LEVI. It is all at the state or volunteer level.

Chairwoman FINKENAUER. Yeah. Thank you for everything that you are doing. This is where we really need to be stepping up in this area.

Ms. Cisneros, I know you had the opportunity to hear from Mr. Levi as well about his efforts to partner with businesses to start childcare centers in northeast Iowa. We know that more investment from the federal level is needed to address the childcare crisis. However, we also need an "all hands on deck," approach to solve this.

Can you talk about successful public-private partnerships that have been implemented to address this issue similar to Mr. Levi's or in that same space?

Ms. CISNEROS. Yes. It is inspiring to hear what Mr. Levi had shared. There is a lot of creativity happening out there in the states. And there really are some innovative public-private partnerships, and that is something that CED has also promoted in terms of problem solving.

One aspect in terms of thinking about these issues is really bringing all stakeholders or nontraditional stakeholders, like the business community, together.

So, we have an example from Minnesota that we wanted to highlight, and that is First Children's Finance, which is headquartered in Minneapolis. And it is a nonprofit financial intermediary that works not only in Minnesota but also in 12 other states throughout the Midwest. And First Children's Finance, they provide loans and grants to expand the supply of child care and improve the quality, and also provide that much-needed technical assistance on running a business and being a business owner. They work directly with communities in both urban and rural areas. They help actually launch new childcare businesses, and they help provide support, again, to better manage the business aspects of operating a childcare business. And they help businesses expand.

I thought these were great details about the project, and it has involved 19 rural communities. It has created 533 new childcare slots, 583 participants came together in town halls to develop right size solutions to increase the supply of affordable child care, and 87 percent of childcare businesses that participated in the project improved their business model.

Chairwoman FINKENAUER. Interesting. Well, we are running out of time here, but I do want to ask you one other question.

How would you change or improve the Child Care Development Block Grant to improve access to childcare and better support public-private partnerships?

Ms. CISNEROS. In brief, wow, that is a big question because it does not really address the supply of child care. But it could be considering different uses of the Child Care and Development Block Grant such as for construction and things related to facilities and the condition of facilities. So, while the reauthorization in 2014 did put a higher emphasis on safety and development for kids, there are other considerations for use of that money to states as well.

Chairwoman FINKENAUER. Thank you so much. Again, I appreciate your expertise and being here today.

With that, I am out of time, so I will yield to Mr. Hagedorn for 5 minutes.

Mr. HAGEDORN. Thank you, Madam Chair.

Like I said at the beginning, it is a very important issue, and we talk with folks all across southern Minnesota and elsewhere about how difficult it is across the board. Obviously for our families with the extreme cost. I mean, that is taking money out of their back pockets and it is putting enormous pressure on our families. And from that standpoint alone it is an issue that we are going to continue to work on this, but we should be focused on it very intently.

The other part of it though is when you get into some of the rural areas that I represent, you can get into towns where they do not have any providers. And then you start to think, well, how is that town going to continue to thrive and maintain its schools, because it is tough to attract teachers in who might be of child-bearing age, for instance, if you cannot find anybody to take care of the kids and you have to travel 20-30 miles for that. Pretty soon they will want to go to some other town to teach. And on it goes.

And so, you know, across the board, do we support the tax credits? Of course. Yes. And I think they need to be increased from even where they were under the tax bill. Individual Tax Reform is coming along so that is something that I am going to support wholeheartedly.

But then we get into you talk about the different types of providers. So, Julie Eberhart of Rochester, she is an in-home provider as is another lady that I spoke with in Springfield. Two different towns. One is 115,000 people, the other is 2,000. But Ms. Eberhart tells me that these regulations in Minnesota are just unbearable. We started printing them out. There are 250 pages of them here. There is another 150 to 200 pages of them, just the state of Minnesota, what they have to comply. So, if you are an in-home provider, you need to figure out what is in all this paperwork and then you have to comply with it. And that is on top of the work that you do which is incredible. It is driving up your costs, making your life miserable. So, we are going to encourage the state of Minnesota to make sure that this is streamlined, and we can do everything possible.

But Doctor, you mentioned this a little bit. Could you maybe expand upon the cost and the enormous problems that they face because of these regulations?

Ms. DE RUGY. Yeah. I mean, it is unquestionably a real problem. And as I said at the end of my oral testimony, I actually think that this is the number one thing to focus on because you can subsidize, you can give tax credits, you can do all of that stuff. If you do not actually do the fundamental work to lower the cost of being a supplier and being willing to supply, because here you are talking about the cost for people who are already in the business. But what is harder to see is all the people who do not get into the business precisely because of these costs. And the academic literature seems to suggest that it is not insignificant. It does really shrink the supply of child care. So, this should be the number one priority.

The question for the Federal Government is what can the Federal Government do? And that is the hardest question because these are state and local regulations. I do think that there is hope because there is a big bipartisan movement right now to try to kind of highlight the cost of these regulations, but it is certainly, I think, the number one problem.

Let me just say, you are trying to expand child care or make child care more affordable by subsidizing it. The problem is, if you subsidize it, you may increase the demand, right, and that increase in demand may trigger an increase in the supply but it will not be enough if the regulations are so strict that no one wants to get in. And what you are going to have is basically an extra increase in the price of child care. So, it is going to be counterproductive. This is why it is important to focus on this first because it is going to make any other policies you are trying to put in place not effective.

Mr. HAGEDORN. Point well taken.

So, Mr. Levi, I appreciate what you are doing and encouraging, for example, businesses to partner up. The City of Luverne, I was just there a couple weeks ago. They have a childcare issue, and I was talking with the mayor and others and I said, you know, maybe one of the deals is, you have a very forward-thinking city here, maybe some of these businesses, they are expanding, about 400 jobs in a city of 5,000, so what are they going to do with the kids? So, you start getting the businesses to partner together, and I would open it up to anyone, what can we do at the Federal level to facilitate that? To make sure that that is possible and to encourage that? Because that seems to make a lot of sense.

Mr. LEVI. The encouragement of getting, especially in small, rural communities, getting businesses to move to those communities or to expand, child care is obviously a significant issue. If you would tie dollars to mandated public-private partnerships, require communities to step up to the plate in a more significant way than they have been. That means the private sector needs to get involved because they have to understand this is affecting their bottom line. And if we want to get real movement on that, the private sector has to come to the table on this. This cannot be just the Federal Government paying for it, but it has to be something where we are tying any kind of assistance, be it CDGB funds or other programs, it has to be tied to a partnership.

Mr. HAGEDORN. I do not know if I want to mandate and do those types of things. I just want to see that if they have the interest, that we do not stand in their way and we do everything we can to facilitate it. But I think the competition that the doctor and others were talking about makes the most sense.

With that I will yield back. Thank you. Appreciate it.

Chairwoman FINKENAUER. Thank you, Mr. Hagedorn.

With that, I will recognize my good friend from Minnesota, Ms. Craig, for 5 minutes.

Ms. CRAIG. Thank you so much, Madam Chair.

I would just like to note for the record that we have perfect attendance from Minnesota on this Committee this morning. It is a great bipartisan delegation. So, it is great to be here.

Honestly, I have four boys, and they are 22, 22, 21, and 16, and I am having flashbacks of multiple car seats in the back seats here this morning. So, thank you. Thank you for that anxiety-ridden morning, Madam Chairwoman.

Look, this is a critical issue across my congressional district and across the state of Minnesota. And what is stunning is it is so interrelated to the other issues that we face in our local communities. For example, the great city of Red Wing in my congressional district, we have got good jobs. What we do not have is affordable, accessible housing and child care. In fact, my local businesses often tell me that they have got an employee who is willing to move from the cities to Red Wing and there is a 9 month waitlist for daycare or child care in that community, and that is just something that parents really struggle with in our community.

So, I will start with Ms. Cisneros just with a question. Especially in our small cities and our rural communities, at the Federal level, what would you have us really focus on? And then I am interested in Mr. Levi's response to sort of the regulation question. And then Ms. Piepenburg, you, being from Minnesota as well, anything that you would have to add to that.

Ms. CISNEROS. So I definitely agree, it is an issue trying to figure out how to really create additional supply in rural areas. And we have talked about this partnership approach is really a primary strategy. There are a number of states who have really just taken it upon themselves and their communities to figure out with employers because they know employers need to rely on employees. Employees need to know that there is available child care. That will help draw industry. So, it is really pulling together and problem solving at a very local level. And so, we would support that type of grassroots approach rather than trying to mandate something at the Federal level.

There are a lot of communities, such as in Charlotte, North Carolina, who came together and the business leaders decided they wanted to expand these opportunities and create more access for children, for 4-year-olds in terms of pre-K, and they funded a feasibility study and they got together with the county and said we are going to invest in this. They ultimately provided funding for scholarships so that they could get more educators, early educators into the field to help increase the supply.

Ms. CRAIG. Is there an increased role for SBA in financing and helping to start up these businesses?

Ms. CISNEROS. I think we would need more information in terms of what is really the need. If it was available, how would it be utilized? And with loans, it is challenging because you have to present a viable payback plan. And so, for this type of industry, not a lot of income, not a lot of annual revenue, and that could be problematic, but I think it is worth exploring.

Ms. CRAIG. Thank you.

Mr. Levi, would you care to comment on the regulation point my colleague made a moment ago and just where I should be focused on this?

Mr. LEVI. Certainly. There are two kinds of regulations. There is obviously the licensing, the programmatic side, and then there is the physical plan. And so obviously, as an architect, I am going to go into facilities existing and new facilities and look at the physical plan. The State of Iowa administrative code combined with the building code is pretty strict. It has some very significant barriers, especially on renovation of existing buildings. It makes it extremely hard to be cost effective. If you really want to make some change about competition and you want to make these businesses, people expand and get into the industry, it needs to be profitable. So, it is an actual career path for individuals. And the only way you are going to do that is you have to attack the number one cost and that is labor cost. We design buildings specifically, very detail-oriented, around the student-teacher ratio. Classrooms are exact minimum sizes to maximize those ratios. You cannot have six infants in a room when your ratio is one-to-four. That room has to be sized exactly for four or eight or 12. It has to be on that ratio. If you change that ratio, we can change room sizes. We can get more kids in the room and we can reduce the cost across the individual students. That is going to change the bottom-line profit and loss of a childcare center.

Ms. CRAIG. Ms. Piepenburg, I did not leave you any time so maybe we will come back to you in a moment.

With that, Madam Chair, I yield back.

Chairwoman FINKENAUER. Thank you very much, Ms. Craig.

We have the other Minnesotan. I would like to introduce Mr. Stauber, Ranking Member of the Subcommittee on Contracting and Infrastructure.

Mr. Stauber, you have 5 minutes.

Mr. STAUBER. Thank you, Chairwoman Finkenauer, and Ranking Member Hagedorn, for allowing me to speak at this Subcommittee hearing today.

We all know child care is a pressing issue for many individuals in my district, and I am grateful to have the opportunity to be a part of this conversation this morning.

With more and more parents choosing to dually work and raise their family, child care is hurting across the Nation now more than ever. Those in rural America are particularly impacted by this shortage, and we cannot continue to punish those who choose to live in our rural areas in the communities, like Minnesota's 8th Congressional District.

That is why I was happy today to report that I, alongside Congresswoman Lee, and several members of this Committee, including Chairwoman Finkenauer and Congressman Hagedorn, to be introducing the Small Business Child Care Investment Act. This legislation will allow nonprofit childcare providers to apply for SBA loans. These loans will go a long way in keeping the doors open at childcare centers and providing for families that want to participate in the workforce.

Additionally, I am also the cosponsor of the Family Care Act. This legislation will allow families with permanently or totally disabled dependents to claim the Child Tax Credit, which is worth up to $2,000 per qualifying dependent. Just another example where we are trying to help families as they try to provide care for their kids.

I want to thank all the witnesses here today for sharing your testimony and expertise. It is you who help us as legislators create good public policy.

I just want to ask a general question of each of you. What is the most pressing challenge regarding child care for future businessmen and women?

And Doctor, you can go first.

Ms. DE RUGY. So, I mean, as I said in my testimony, I think increasing the supply of child care is important and one of the ways to do it, and you have to do this, you know, first I think is to lower a lot of the requirements that are not, I mean, I am not saying just get rid of all the requirements but there are a lot of very strict requirements which do not add in terms of quality, increased costs, reduced supply, and then ultimately increase the price of child care. And this would be a priority.

Mr. STAUBER. State and local rules and regulations?

Ms. DE RUGY. Yes. And that is what makes this issue so difficult. That said, as I said, I think there is hope because there is a bipartisan consensus on this and I think President Obama's report on the issue got a lot of traction and is actually drawing a lot of attention to something that a lot of people were already talking about. And more half of this body in terms of information as opposed to regulation or money is worth doing.

Mr. STAUBER. To your point, I know that the childcare provider for my four children is contemplating leaving the business because of the redundant rules and regulations, and so far their family has stayed in it but that is a real choice for her and her family to continue.

Ms. DE RUGY. And it prevents new providers from entering.

Mr. STAUBER. Stay that again?

Ms. DE RUGY. It prevents new providers——

Mr. STAUBER. Sure, absolutely.

Ms. DE RUGY.—from entering the market.

Mr. STAUBER. Absolutely.

Ms. DE RUGY. As people leave.

Mr. STAUBER. I concur with you.

Ms. Piepenburg from the great state of Minnesota, can you answer that question? What is the most pressing challenge for those businessmen and women who want to start up reference child care?

Ms. PIEPENBURG. Well, as a small business owner and a mother, I mean, if businesses lose over $4 billion because of absenteeism, and as a small businessowner I need people to work in my store. I would like to expand my business, but we need help in getting child care and to level that playing field because I cannot compete with Delta Airlines that has a childcare facility. And so, I need actual bodies, and so I need people to be able to work in my store.

Mr. STAUBER. So is it a combination of child care and lack of workforce?

Ms. PIEPENBURG. Absolutely.

Mr. STAUBER. Thank you.

Mr. Levi?

Mr. LEVI. I would say the number one issue facing child care is the fact that they are simply not profitable. It is a business model that, at least myself as a small businessowner, I would not get into when you look at the labor cost associated with it and the potential revenues that you can reasonably charge a mom and a dad, you can strip regulations and you can reduce any of the expenses you want, that labor ratio based on the amount of income you can bring in simply is math that does not work. So, others have to come to the table. It has to be a community solution to a community problem.

Mr. STAUBER. Thank you.

Doctor, I wanted to talk to you about the regulations. As Ranking Member Hagedorn just showed, these are Minnesota's regulations. And you talk about people looking at this, a lot of paperwork, to get into child care. That is daunting for them. These are just the State of Minnesota's.

Ms. DE RUGY. It is. These regulations are often put in place in the name of the quality of service and safety. And unfortunately, at least the academic literature that has looked at this issue, both for the childcare industry and for all the other industries, shows that on average a majority of these requirements do nothing to increase quality for consumers and safety. And in fact, there are more regulations that harm that aspect.

Now, quality is hard to measure, right, but so it is a real problem because among all these regulations, some of them may be extremely valid and important to have. But many of them are either poorly designed or they are driven actually by special interests trying keep out the competition. So there is a lot of problems and it would be so important for state and local governments to really go and check each one of these regulations and really assess what is it they are doing and what they are achieving really and the impact they have on costs because everyone talks about an educator as a childcare provider. This is well and fine if there is no cost at all, but everything is a matter of actually not driving providers out of the system in order to increase the degrees of educators or the number of educators in the field. It is a tradeoff. Everything is a tradeoff.

Mr. STAUBER. Thank you very much for that answer.

Ms. Cisneros, I am out of time, and I apologize.

Chairwoman Finkenauer, thanks for the extra couple minutes.

Chairwoman FINKENAUER. Thank you, Mr. Stauber. And again, I appreciate your work on the issue.

I just cannot say thank you enough to all our witnesses for your expertise on these issues. As we have heard today, access to affordable childcare is not just a family issue—it is an economic issue. Ensuring that the youngest and most vulnerable among us are safe is also something that Democrats and Republicans can both agree on. States differ on how they regulate childcare providers, yet the cost of childcare has increased around the country over the last decade. Whether for a small home-based business, a licensed provider, or a large childcare center, regulations are there for a reason. There are bad actors, but most of our providers get into this business because they love our kiddos. They care about their health and well-being. In Iowa, however, seven children have died in childcare since the beginning of 2018. Many of those deaths are the result of safety and licensing standards not being met. It is important that we enforce those standards and make sure that folks are following them. At the same time, we must continue to look at ways to meet the growing demand for child care by supporting providers, helping communities invest in childcare solutions, and making it easier for our businesses to be part of the solution. I strongly believe that this is an area where we can find bipartisan agreement.

We just heard from the President on Tuesday about the need to further expand access to childcare. I hope that he and our colleagues in the Senate are willing to work with the House represented here in a very bipartisan Minnesota and Iowa way today on this issue across the aisle and across chambers. It is incredibly important to address this crisis and bring down the cost of childcare for working families.

Thank you again so much to our witnesses who in some cases have come a long way to share your perspective with us.

I now ask unanimous consent that members have 5 legislative days to submit statements and supporting material for the record.

Without objection, so ordered.

If there is no further business to come before the Committee today, we are adjourned. Thank you.

[Whereupon, at 11:10 a.m., the Subcommittee was adjourned.]

APPENDIX

Cindy Cisneros
Vice President of Education Programs
Committee for Economic Development of The Conference Board
U.S. House of Representatives Committee on Small Business
Subcommittee on Rural Development, Agriculture, Trade, and Entrepreneurship
February 6, 2020

Good morning. My name is Cindy Cisneros and I serve as the Vice President of Education Programs at the Committee for Economic Development (CED) of The Conference Board (TCB). I am pleased to have the opportunity to contribute testimony in support of this congressional hearing today about how child care is important for regional economies in the U.S.

CED is the Public Policy Center of The Conference Board and is a national nonprofit, nonpartisan, business member-driven organization that conducts well-researched analysis and proposes reasoned solutions in the nation's interest to policy challenges facing our country. One of our key areas of focus is education, and CED has an extensive, 50-year history of research and public policy proposals in the early learning arena—related to both child care and public pre-kindergarten (pre-K) programs.

Our business leaders know that a skilled workforce is essential to economic stability and prosperity. CED's research supports the view that for the U.S. to ensure its competitive edge, it is critical that the nation increase the number of students who graduate high school career-and college-ready. While there is room for improvement in the nation's K-12 education system, business leaders understand that there is a correlation between school readiness and school success. This makes access to high-quality child care and public pre-kindergarten programs an imperative.

From CED's perspective, access to quality, affordable child care is a two-generation strategy. It helps fuel economic growth and vitality throughout states and communities by supporting employees so that the workforce is productive and businesses thrive. It helps ensure that children are safe while parents work and in a setting that promotes their healthy development. Both are important.

Americans are working today. The national unemployment rate stands at 3.5 percent,[1] the lowest monthly unemployment rate since December of 1969.[2] Across the country, the need for child care is most related to mothers in the workforce. It is the mother's labor force participation that drives the need for child care. And, that participation level has continued to increase for mothers with children under age 6.

- 72 percent of mothers with children under age 6 are in the labor force[3]
- 66.1 percent of mothers with both children under age 6 and also school-age children are in the labor force[4]
- 78 percent of mothers with school-age children are in the labor force[5]

Mothers with very young children are also working.

- 65.4 percent of mothers with two-year old children are working[6]
- 57.8 percent of mothers with children under age one are working[7]

Single mothers of young children are working at greater rates than married mothers (75.2 percent of single mothers with a two-year old are working compared to 61.2 percent of married mothers),[8] however, both are substantial. And, both point to a potential need for child care.

The reality today is that over 15 million children under age six have working parents (either in married couple families or single parent families).[9] Whether families have access to child care impacts their ability to participate in work and to be productive in the workplace, as well as impacts the healthy development of their children while they are at work.

In 2019, CED released a study, *Child Care in State Economies*,[10] which reviewed the use of child care by families and the impact of child care on state economies. What we found is that child care as an industry plays a significant role in state and regional economic growth throughout the country. The industry, which includes both center-based child care and home-based child care, had a total economic impact in 2016 of $99.3 billion. This includes $47.2 billion in revenue and another $52.1 billion in spillover in other industries (related productivity).[11]

In terms of jobs, the spending of 1.5 million sole proprietors (home-based programs) and wage and salary employees in the child care sector supports more than 507,000 workers in other industries for a total jobs impact of over 2 million. The $24.1 billion in employee compensation and sole proprietors' earnings generated directly within the child care industry support about $15.7 billion in additional earnings across states for a total earnings impact of $39.8 billion.[12]

For perspective with regard to direct child care revenue, service industries of comparable size include medical and diagnostic labs ($47.2 billion), spectator sports ($46 billion), pipeline transportation ($44.5 billion), and water transportation ($43.3 billion).[13]

CED's study analyzed the use of market-based care, (that is, paid child care services – the number of establishments, employment, and revenue), at the national and state levels using the U.S. Census Bureau Economic Census and County Business Pattern data as well as the Non-employer Statistics data reported by the Census Bureau in 2016.[14] The U.S. Census Bureau data reflects data sets with regard to sole proprietors (businesses that have no paid employees and are subject to federal income tax who report child care income – i.e., family child care home providers) and data related to child care centers (businesses with paid employees in the child care industry). Both nonprofit and tax-paying entities are reflected. Of note are that the majority of these businesses are small and women-owned enterprises.

There is a clear connection between child care and labor force participation. When parents have access to child care, they can work. Without access to child care, parents reduce their hours or opt out of the workforce – 94 percent of workers involuntarily working part-time due to child care problems are women.[15] This also results in a total loss of approximately $30-35 billion in family household income.[16]

The National Survey of Children's Health (NSCH) administered by the U.S. Department of Health and Human Services found that nearly 54 percent of all children from birth to age five participate in a nonparental care arrangement for at least 10 hours per week, which varies across states from a low of 32.5 percent in Nevada to a high of 75.7 percent in the District of Columbia.[17] The use of paid child care is highest among two-parent families working full-time (88.4 percent) and single-parent families with the parent working 35 hours or more per week (83.5 percent). Both family types far exceed the overall usage rate of 58.7 percent across all family types.[18]

The likelihood of a young child being in child care increases as the child ages. For example, while 47.4 percent of all infants (less than one year old) are reported in regular care, 54 percent of 1- and 2-year-olds and 73 percent of 3-and 4-year old children are in nonparental care.[19]

Child care is not used evenly across households and there are clear regional patterns across the country. Market-based care is used most frequently by mothers who are more educated, in higher-income households, and are employed full-time. For example, only 38 percent of children whose parents have less than a high school education use some form of market-based care compared to 74.7 percent of children with a parent who attained a graduate or professional degree. Only 47.9 percent of children in zip codes with 20 percent or more of families in poverty report using regular non-parental care, significantly lower than the 65.2 percent share in zip codes with less than 5 percent of families in poverty.[20]

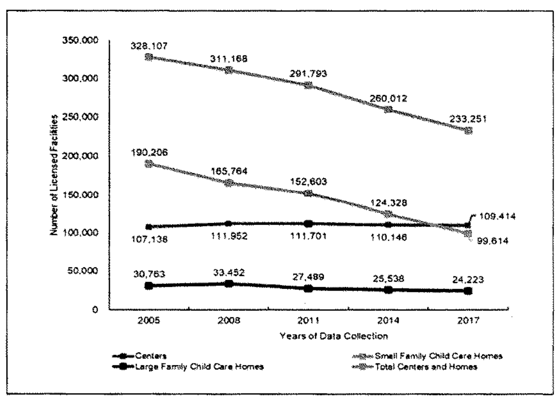
Whereas overall use of market-based care is lower in rural areas compared to more urban areas, rural zip codes that are closer to more urban areas have higher usage of market-based care (60.2 percent) compared to more distant communities (48.5 percent). In addition, the presence of siblings reduces the likelihood of regular market-based care. For example, in single parent families, those with one child are more likely to use market-based care (78.9 percent) compared to families with siblings (58.8 percent). The gap is also apparent with two parent families – those with one child who use market-based care (62.4 percent) is much higher than those with multiple children (53.9 percent).[21]

There are many challenges today to ensure that families have access to quality child care. Families struggle with the availability, affordability, and quality of child care. Employers are impacted, with some estimates by more than $4.4 billion per year, due to lost productivity when employees are faced with child care problems.[22]

The supply of child care is uneven across communities, which is understandable as child care is a business. Although there are nearly 675,000 market-based child care providers in the country, child care centers open in areas where a market analysis shows that the population is dense enough and has sufficient income to support revenue to sustain a viable business model–one that supports staffing and other costs of operating a business. Of concern, particularly in rural areas where the economics of operating a child care center may not be viable, is the decline in family child care homes throughout the country over the past 10-15 years. More than 97,000 licensed family child care homes closed in the United States between 2005 and 2017.[23] Overall, the percentage of licensed family child care homes fell by 48 percent in that time period.[24]

CED's study also found a decrease in home-based care. The data differs, however, because the U.S. Department of Health and Human Services reports on the decline of licensed care. CED's market-based child care analysis (which includes both licensed and unlicensed home-based providers – sole proprietors paid to provide child care compared to licensed homes) found over the same time period that sole proprietors dropped from 678,265 in 2005 to 599,018 in 2016 (a decline of 11.6 percent). However, using 2010 as the base year when 752,212 home-based providers reported child care income to the Census Bureau and Internal Revenue Service, the decline is 20.4 percent.[25]

Number of Licensed Child Care Facilities, 2005–2017



Source: U.S. Department of Health and Human Services, National Center on Early Childhood Quality Assurance, (2019).

One reason that CED used the Census Bureau Economic Survey compared to state licensing data is that market-based care reflects a combination of care arrangements – both those that operate under a state licensing framework and those that are legally operating but not subject to regulation. For example, in Iowa, a child care license or registration is not needed until six children are in care,[26] which does not mean that home-based providers are not caring for fewer than six children, it just means that state regulation does not apply until a certain number of unrelated children are in the home. Iowa home-based operators caring for fewer than six unrelated children can choose to become registered, but they are not required to do so until six unrelated children are in care.

Fundamentally, the supply of child care is related to economics. For home-based providers, the hours are long and the fees charged to parents–while typically less than the rates charged by child care centers—does not offer an economic incentive to stay in business. The fact is that average revenue is about $15,000 per year for home-based providers, which is below the poverty level for even a family of two.[27] A vast number of jobs pay more, particularly in a good economy.

The current business model for child care centers, which depends largely on parent fees, is challenged to keep rates low enough for parents to pay but high enough to hire and retain high-quality staff. Staffing is the highest cost of operating a child care center. And, for most programs, parent fees comprise the operating budget. What the current market model for child care has led to is a child care workforce that earns low wages with a median of $11.17 per hour or $23,240 per year.[28] Low wages lead to high turnover and little incentive for individuals in the child care workforce to access higher education coursework, which increases their knowledge about child development, age appropriate activities, and ways in which to meet the needs of individual children.

A babysitter is someone who cares for a child on a random basis for a few hours as parents go out to dinner or see a movie. In contrast, the child care workforce—the workforce that literally supports all other workforces—cares for children every day, every week, on average for about 36 hours per week.[29] This is not random, it is a profession to support the needs of working families and the healthy development of the children in their care. Research shows that the earliest years from birth to three are when the brain is developing the fastest[30] and that high-quality programs help ensure that children start school ready to succeed (e.g., children are more likely to perform at grade level and graduate high school either college or career ready and less likely to repeat a grade, be referred to special education, or engage in activities leading to incarceration.)[31] This is what separates the child care industry from babysitting – regular care in a safe and educationally designed setting with trained professionals.

To better understand the impact of low wages on the child care industry (e.g., hiring and turnover challenges), other jobs in many communities pay more with little training or education required. For example, on average, hotel desk clerks and parking lot attendants earn about $12.08 per hour (about $25,130 per year),[32] retail sales jobs at the mall pay $12.75 per hour (about $26,520 per year),[33] telemarketers earn about $13.72 per hour ($28,550 per year),[34] hair stylists earn about $14.51 per hour (about $30,190 per year),[35] and receptionists earn about $14.59 per hour (about $30,350 per year).[36] While important jobs, these individuals are not entrusted with the lives and development of young children.

The supply of child care is a challenge for families. The cost of care is a challenge for families. The economic model for child care makes it difficult for home-based providers to stay in the business and for child care centers to hire and retain high-quality staff.

Solutions exist. While there is no easy way to make quality child care more available and affordable, there are a variety of approaches to address child care supply and cost including the following:

1) Review of Current Child Care Financing and Increase Child Care Investments in Systems that Better Support the Economic Model of Child Care.

The National Academy of Sciences (NAS) released a report in 2018, *"Transforming the Financing of Early Care and Education,"*[37] which reviewed our nation's multiple funding streams for early care and education and made a number of recommendations for consideration. The NAS Committee recommended investing in early care and education at a percentage of U.S. gross domestic product (GDP) aligned with the average of other member nations of the Organization for Economic Co-operation and Development (OECD)[38] at .8 percent (the NAS recommendation was for .75 percent).[39] The consensus report recommended growing the investment in early care and education over four phases: by at least $5 billion in phase one to $53 billion in phase four.[40] That is bold. However, a discussion of how this country invests in child care and early education across programs is warranted. There are multiple funding streams and child care is not the only setting in which young children spend time. An integrated review of the whole early care and education landscape would be helpful to understand gaps and develop strategies to address those gaps.

At the federal level, subsidies are provided to enable families to access child care. The cost of center-based care for an infant is about 20% of annual household income and for a four-year old is about 14%. Yet these federal funds, which are targeted to support low-income families, provide insufficient funding to meet the need. The U.S. Department of Health and Human Services allocates funding through the Child Care and Development Block Grant (CCDBG) annually.[41] While Congress has increased funds during the past few fiscal years, available funding supports only about 10.6 percent of children who are eligible under federal standards (up to 85 percent of state median income) and 17.4 percent of children who are eligible under state standards (i.e., states set eligibility below the maximum allowed under federal law).[42]

CED's *Child Care in State Economies* report found that every dollar increase in federal child care funding leads to an additional $3.80 in net economic gains to states.[43] This is a direct result of additional families who can obtain and retain employment based on the availability and affordability of child care for young children.

2) Invest in Strategies to Better Support the Child Care Workforce.

To help fill the gap between what parents can afford to pay and a livable wage for individuals working in child care, CED's research supports the adoption of a refundable tax credit investment in the early educator workforce that would incent individuals to obtain certifications (such as a Child Development Associate credential) or an Associate's degree in early childhood education or a Bachelor's Degree in early childhood education by pairing these achievements with a refundable tax credit designed to increase overall wages by a meaningful amount. CED has published a policy paper,[44] an executive summary,[45] and an infographic[46] on a workforce investment credit modeled after the school readiness tax credit[47] that has been in place in Louisiana for more than a decade.

Such a credit, if considered at a national level, would be tied to individuals working in high-quality programs (as defined by states, such as working in programs that participate in state quality rating and improvement systems or other systems that are tied to quality). The tax credit would be voluntary and earned by individuals within the field who achieve state determined benchmarks (e.g., a child development associate credential, an infant/toddler credential, a preschool credential, an Associate's degree in early childhood education, etc.). In this way, the federal government would provide the resources for state designed (and verifiable) strategies to invest in the workforce who not only is entrusted with the care and education of our next generation, but also supports all other workforces (e.g., employees across industries who have young children depend on a high-quality child care workforce).

High-quality child care costs more than parents can pay. A tax credit strategy can help fill the gap by serving as a wage supplement and ensure that a strong workforce with the knowledge and competencies needed to promote healthy child development is in place. Children, parents, employers, and communities stand to benefit from this type of investment. It is a strong step forward to ensure a prosperous nation for all.

3) Expand the Capacity of Small Business Development Centers (SBDCs) with Staff Who Understand the Child Care Business Model (for both child care centers and family child care homes).

Child care is a business. Yet, many who operate within the child care industry have a great deal of knowledge about child development, but not about best business practices to maximize economic viability. This is true for centers and family child care homes. When the Child Care and Development Block Grant was reauthorized by Congress in 2014, it included language to require business technical assistance.[48] The type of assistance available or offered varies by state. Given that SBDCs are located throughout the country, in both urban and rural areas, it makes sense for SBDCs to partner with state child care agencies to offer hands-on business technical assistance related specifically to the child care industry (which requires different types of support for child care centers compared to child care homes).

Thank you for your time today. I have attached three tables, plus an infographic, to my testimony that reflect working children under age 6 and the percentage of working mothers by age of young children within each of the congressional districts represented by the Small Business Committee. CED's economic impact report did not review information related specifically to congressional districts, however, I have included tables by state that I hope will be helpful to you in better understanding market-based care. I am pleased to answer any questions that you have.

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Committee for Economic Development, *Child Care in State Economies: 2019 Report*
House Small Business Committee: Key Data Variables

State	Total annual economic impact ($ in Billions)	Child care industry revenue ($ in Billions)	Spillover in other industries ($ in Billions)	Total earnings impact ($ in Billions)	Employee and sole proprietors' earnings ($ in Billions)	Spillover earnings ($ in Billions)	Total jobs impact	Sole proprietors and wage and salaried employees	Spillover jobs in other industries	Total child care providers	Number of child care centers	Number of family child care homes	Percent family child care home decline since 2010	Number of family child care home decline*
United States	$99.3	$47.2	$52.1	$39.85	$24.1	$15.73	2,031,843	1,524,753	507,089	674,332	75,314	599,018	20.4%	153,194
California	12.84	5.79	7.04	4.79	2.79	2.0	222,948	163,332	59,616	95,137	8,248	86,889	28.1%	33,921
Colorado	1.70	0.749	0.955	0.717	0.407	0.310	32,433	22,573	9,860	9,022	1,104	7,918	20.4%	2,027
Florida	5.81	2.73	3.08	2.10	1.25	0.857	119,828	85,129	34,698	34,583	4,255	30,328	6.7%	*
Illinois	5.24	2.24	2.99	2.04	1.14	0.898	105,060	75,145	29,915	40,944	2,986	37,958	25.5%	12,971
Iowa	0.953	0.518	0.435	0.482	0.320	0.162	27,634	22,155	5,479	11,586	840	10,746	20.4%	2,754
Kansas	0.743	0.384	0.359	0.322	0.208	0.114	18,522	14,306	4,216	7,751	575	7,176	25.6%	2,471
Maine	0.387	0.204	0.183	0.173	0.111	0.062	8,578	6,348	2,230	2,640	641	1,999	27.5%	760
Minnesota	2.25	1.05	1.2	1.06	0.631	0.431	44,308	32,408	11,900	15,841	1,407	14,434	27.4%	5,438
New Jersey	4.10	1.92	2.18	1.50	0.901	0.602	67,098	50,283	16,815	16,352	2,398	13,954	10.7%	1,670
New York	8.59	4.29	4.3	3.54	2.27	1.27	171,936	133,439	38,497	64,045	5,976	58,069	25%	19,309
North Carolina	3.15	1.47	1.67	1.25	0.746	0.506	64,852	47,282	17,570	15,593	2,603	12,990	7.3%	1,019
Ohio	3.44	1.58	1.85	1.35	0.801	0.559	71,105	52,953	18,152	21,457	2,628	18,829	25.5%	6,451
Oklahoma	0.926	0.475	0.451	0.388	0.245	0.143	20,904	16,182	4,722	6,024	975	5,049	19.6%	1,227
Pennsylvania	4.22	1.95	2.26	1.58	0.937	0.647	76,857	57,232	19,625	16,995	3,714	13,281	32.2%	6,296
Tennessee	1.67	0.752	0.927	0.624	0.360	0.264	37,479	28,430	9,049	13,185	1,296	11,889	11.2%	1,507
Texas	8.69	3.64	5.04	3.24	1.78	1.46	172,674	129,150	43,523	56,386	5,399	50,987	8.2%	4,525

Notes:

*Florida had an increase of family child care homes between 2010 and 2016 (from 28,424 in 2010 to 30,328 in 2016).

Source:

Committee for Economic Development, Child Care in State Economies: 2019 Update (2019)

https://www.ced.org/assets/reports/childcareimpact/181104%20CCSE%20Report%20Jan30.pdf

Children Under Age 6 with Working Parents House Small Business Committee Districts					
	Children under age 6	Living with two parents (both working)	Living with father (father working)	Living with mother (mother working)	District total under age 6 with working parents
CA District 27	44,268	16,549	3,214	6,876	26,639
CO District 6	62,064	28,318	3,009	10,256	41,583
FL District 15	55,403	16,960	3,785	15,057	35,802
IL District 10	49,453	22,020	1,984	7,773	31,777
IA District 1	55,881	29,340	6,339	9,657	45,336
KS District 3	60,477	29,413	2,308	9,771	41,492
ME District 2	36,718	16,291	2,618	6,768	25,677
MN District 1	50,583	25,974	3,391	8,110	37,475
MN District 2	53,248	32,260	3,156	6,826	42,242
MN District 8	41,973	17,896	4,599	7,665	30,160
NJ District 3	45,808	24,506	2,543	6,885	33,934
NY District 7	60,625	21,705	3,723	10,964	36,392
NY District 13	52,208	12,987	4,097	13,230	30,314
NY District 19	38,532	17,084	3,179	6,251	26,514
NC District 9	53,823	20,068	3,805	11,108	34,981
OH District 1	53,743	21,545	4,629	13,121	39,295
OH District 12	55,336	26,807	3,032	7,925	37,764
OK District 1	62,969	22,119	4,475	12,426	39,020
PA District 3	48,199	14,936	3,501	17,080	35,517
PA District 6	50,739	22,098	4,357	9,674	36,129
PA District 13	42,085	16,691	4,454	8,027	29,172
TN District 2	46,845	17,903	2,968	8,851	29,722
TX District 33	72,553	13,172	8,890	18,341	40,403
Total U.S.	**22,542,394**	**8,901,151**	**1,673,788**	**4,456,864**	**15,031,803**

Source: U.S. Census Bureau, Table B23008, Age of Own Children Under 18 Years in Families and Subfamilies by Living Arrangements by Employment Status of Parents

2018 American Community Survey, 1 Year Estimates

https://data.census.gov/cedsci/table?q=b23008&g=0400000US06,08,12,19,17,20,23,27,37,34,36,39,40,42,47,48&hidePreview=true&table=B23008&tid=ACSDT1Y2018.B23008&lastDisplayedRow=26&vintage=2018

Working Mothers in House Small Business Committee Districts						
District		Female	With own children under 18 years	With own children under 6 years only	With own children under 6 years and 6 to 17 years	With own children 6 to 17 years only
CA District 27	Working Mothers	225,337	70,449	16,248	12,090	42,111
	Labor Force Participation Rate	71.9%	70.1%	67.1%	66.7%	72.2%
CO District 6	Working Mothers	246,120	98,698	22,221	19,084	57,393
	Labor Force Participation Rate	77.1%	75.0%	72.4%	66.9%	78.7%
FL District 15	Working Mothers	233,822	79,995	16,686	16,255	47,054
	Labor Force Participation Rate	71.5%	73.5%	71.6%	65.8%	76.9%
IA District 1	Working Mothers	217,764	79,191	18,815	16,845	43,531
	Labor Force Participation Rate	80.7%	83.5%	81.7%	76.2%	87.2%
IL District 10	Working Mothers	207,454	83,705	19,034	15,543	49,128
	Labor Force Participation Rate	74.5%	72.3%	70.4%	64.0%	75.7%
KS District 3	Working Mothers	227,451	92,061	22,864	17,837	51,360
	Labor Force Participation Rate	77.30%	76.00%	73.90%	67.10%	79.90%
ME District 2	Working Mothers	193,145	58,978	14,075	10,673	34,230
	Labor Force Participation Rate	72.4%	76.5%	74.7%	68.3%	79.8%
MN District 1	Working Mothers	189,207	70,375	17,348	15,111	37,916
	Labor Force Participation Rate	82.4%	83.7%	81.6%	77.5%	87.0%
MN District 2	Working Mothers	209,286	83,648	19,897	16,285	47,466
	Labor Force Participation Rate	82.9%	83.6%	81.6%	78.0%	86.3%
MN District 8	Working Mothers	183,670	62,328	14,002	12,445	35,881
	Labor Force Participation Rate	76.40%	80.60%	75.20%	73.00%	85.30%
NC District 9	Working Mothers	230,952	91,809	20,115	17,497	54,197
	Labor Force Participation Rate	68.8%	70.4%	71.8%	62.0%	72.6%
NJ District 3	Working Mothers	215,474	75,633	15,779	13,523	46,331
	Labor Force Participation Rate	77.1%	78.4%	76.3%	71.3%	81.3%
NY District 7	Working Mothers	235,291	73,717	18,502	17,377	37,838
	Labor Force Participation Rate	70.4%	67.2%	71.1%	56.7%	70.2%
NY District 13	Working Mothers	262,155	77,570	19,135	15,669	42,766

Working Mothers in House Small Business Committee Districts						
District		**Female**	**With own children under 18 years**	**With own children under 6 years only**	**With own children under 6 years and 6 to 17 years**	**With own children 6 to 17 years only**
	Labor Force Participation Rate	71.3%	72.3%	70.8%	65.0%	75.7%
NY District 19	Working Mothers	202,598	61,869	13,440	10,920	37,509
	Labor Force Participation Rate	74.1%	77.2%	74.9%	67.5%	80.8%
OH District 1	Working Mothers	219,360	81,877	18,929	16,453	46,495
	Labor Force Participation Rate	75.0%	78.1%	75.8%	73.8%	80.7%
OH District 12	Working Mothers	227,940	87,156	19,670	15,887	51,599
	Labor Force Participation Rate	76.1%	78.1%	75.5%	69.9%	81.6%
OK District 1	Working Mothers	236,093	89,981	21,032	19,146	49,803
	Labor Force Participation Rate	72.3%	72.5%	69.0%	63.5%	77.5%
PA District 3	Working Mothers	246,813	59,689	17,937	11,208	30,544
	Labor Force Participation Rate	71.9%	77.1%	76.8%	76.6%	77.5%
PA District 6	Working Mothers	212,509	82,290	17,598	15,548	49,144
	Labor Force Participation Rate	76.3%	75.2%	73.4%	65.8%	78.9%
PA District 13	Working Mothers	196,256	66,542	14,736	12,931	38,875
	Labor Force Participation Rate	72.6%	76.1%	71.0%	70.4%	79.9%
TN District 2	Working Mothers	222,458	74,286	17,412	13,500	43,374
	Labor Force Participation Rate	70.1%	72.0%	66.2%	60.8%	77.8%
TX District 33	Working Mothers	206,476	89,267	17,652	24,525	47,090
	Labor Force Participation Rate	63.8%	62.1%	59.7%	54.9%	66.8%
U.S. Total	Working Mothers	96,743,772	33,131,233	7,471,116	6,767,952	18,892,165
	Labor Force Participation Rate	73.2%	74.2%	72.0%	66.1%	78.0%

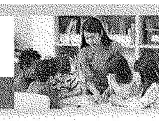
Source: U.S. Census Bureau, Table S2301, Employment Status

2018 American Community Survey, 5 Year Estimates

https://data.census.gov/cedsci/table?q=s2301&lastDisplayedRow=40&table=S2301&tid=ACSST5Y2018.S2301&hidePreview=true&g=5001600US0627,0806,1215,1901,1710,2003,2302,2702,2701,2708,3709,3403,3607,3619,3613,3912,3901,4001,4203,4206,4213,4702,4833

The Business Case

For Investing in High-Quality Child Care



CHILD CARE INDUSTRY ECONOMIC & JOB IMPACT
in

THE UNITED STATES

Every week in the United States

15 million children

are in paid child care.

SIZE OF THE MARKET-BASED CHILD CARE INDUSTRY IN THE UNITED STATES

Total ECONOMIC impact (2016)

$99.3 billion

$47.2 billion
child care revenue
PLUS
$52.1 billion spillover
in other industries

Total EARNINGS impact (2016)

$39.85 billion

$24.1 billion
employee compensation and
sole proprietors' earnings
PLUS
$15.73 billion spillover
earnings in other industries

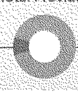
Total JOBS impact (2016)

2 million jobs

1.5 million
sole proprietors and wage
and salaried employees
PLUS
507,089 spillover
jobs in other industries

MARKET-BASED CHILD CARE

674,332
Total Providers



FAMILY CHILD CARE HOMES

have **declined by 20.4%** since 2010
resulting in
- Fewer choices for working parents
- Less of the lowest-cost care

IMPACT ON WORKING PARENTS

WITHOUT
AFFORDABLE CHILD CARE

Parents reduce their hours
or opt out of the workforce

94%
of workers
involuntarily
working part-time
due to child care problems
are women.

ANNUAL COST OF CHILD CARE

	INFANTS	4 YEAR-OLDS
CENTER-BASED CARE	$10,759 19.4% of household income	$8,672 14.4% of household income
FAMILY CHILD CARE HOMES	$7,887 13.1% of household income	$7,148 11.8% of household income

Sources: Committee for Economic Development of The Conference Board, *Child Care in State Economies: 2019 Update*; 2016 U.S. Census Bureau Economic Census and County Business Pattern data and non-employer statistics data; Current Population Survey for the 2015-2017 period; 2016-2017 National Survey of Children's Health (NSCH), U.S. Department of Health and Human Services; and Child Care Aware of America 2017 child care rates, *the U.S. and the High Cost of Child Care* (2018). Note: Regulations for child care licensing vary by state. The economic information provided through the U.S. Census Bureau Economic Census includes employers and sole proprietors who report child care business income. This does not mean such entities are regulated by the state or are in compliance with state law. Therefore, state regulatory lists may vary from child care business data reflected in the Census Bureau data.

CED 1530 Wilson Blvd., Suite 400, Arlington, VA 22209 www.ced.org Child Care in State Economies - 2019 Update

Committee on Small Business
House Small Business Subcommittee on Rural Development, Agriculture, Trade and Entrepreneurship
February 6, 2020
Taking Care of Business: How Child Care is Important for Regional Economics

Written Testimony from Dan Levi, AIA
President, Levi Architecture
Co-Chair, Black Hawk County Child Care Coalition – Business and Child Care: Building and Expansion Subcommittee

Chairwoman Finkenauer, Dr. Joyce and other distinguished Subcommittee Members,

Thank you for engaging in the very real child care crisis affecting many communities across Iowa, and for considering my testimony. I serve on the Black Hawk County Child Care Coalition, formed in 2017 by a small group of volunteer community members. Our goal was to address the lack of community awareness and the challenges facing families with children, and how that impacts the community they live in.

A child care crisis is occurring in Iowa, including Black Hawk County. The waiting lists are in the thousands and it is impacting families and our economy.

- Approximately 9,000 children in Black Hawk County are not having their child care (birth – school age) needs met.
- 26% of employers identify child care as a barrier to employee retention.
- In Black Hawk County, 21,324 children are under the age of 12, and there are only 7,686 child care space available countywide.
- 5-year trend for Iowa shows a 37% loss of centers (31% in Black Hawk County) while an increase in the number of dual-income earning families.

Child care is a critical component to healthy communities. Adequate, affordable child care allows parents to feel confident their child is being nurtured in a safe environment and enables them to be more productive at work and absent less. Child care is an economic driver. When a community has child care available it is able to recruit and retain businesses, employees, and families.

The Black Hawk County Child Care Coalition has quickly evolved to support communities in Black Hawk and surrounding counties through business consultation, encouraging entrepreneurs, partnerships with secondary education entities, mentorship groups and engagement with the non-English speaking groups within our communities.

The Business and Child Care Subcommittee provides support to communities with detailed business plan templates and suggested input data, architectural review of possible projects, funding opportunity consultation, community engagement tactics and facilitation of partnering between public, private and private non-profits entities to maximize opportunities. Public-private partnerships have garnered the most interest from the private sector as a means to stretch matching funds between organizations and capitalize on the varying limited resources available.

Through a generous grant from the Iowa Women's Foundation, the Business and Expansion Subcommittee has created "Child Care in a Box". This program provides generic examples of small and medium-sized child care center floor plans and a robust budget template. These tools help to inform communities with little experience and provide reasonable expectations regarding a project size, cost and financial sustainability. Existing centers can benefit from the budget worksheets to ensure their financial sustainability for years to come. These tools are provided free, and distributed through the Child Care Resource & Referral offices around the state.

Private businesses, and my own business, understand the lack of potential employees in Iowa as a barrier to economic growth. The costs associated with recruitment and retention combined with the limited hiring pool keeps many business (including the clients I work for daily) from expanding. Small communities understand this as well. The coalition provides experience and information to proactive communities looking to take on the challenge of child care to save their towns from declining population and economic ruin.

The private sector is starting to join the conversation. Businesses are partnering with existing providers to secure slots in established child care centers as a way to provide tangible benefits to employees. While few businesses want to run a child care center, they are willing to share capital costs and/or operational costs of an extremely low-margin industry.

In Cedar Falls, the Coalition and Western Home Communities are leading a project to provide a new center of 280 children. More private business partners are being engaged as well as the City of Cedar Falls, Hawkeye Community College and the University of Northern Iowa as a possible third-party operator. The University has the opportunity to expand their Early Childhood Education program and bolster enrollment as well as securing child care slots for their own faculty and staff similarly to the other partnering entities. This will further build the currently limited educated early childhood workforce.

Partnerships like this benefit all organizations involved and have the opportunity to provide a less than market rate cost to families, *and* provide teachers with an above market rate income with benefits.

Hawkeye Community College, in Waterloo, partnered with local non-profit Exceptional Person, Inc. (EPI) to create a new child care center. Hawkeye Community College provides space in a new building in the downtown area rent free, while EPI operates the center with its own employees. The college removes a significant barrier for non-traditional students to attend the college, and EPI gains a valuable recruitment and retention benefit. Since the center opened, a new scholarship program has been funded with help from local foundations to assist those families that don't qualify for Child Care Assistance, but find it difficult to afford child care.

Small school districts with progressive superintendents have been invaluable partners in several communities. They see the child care in their towns as the feeder to the school, and possible growing enrollment. A child's education starts at birth and many school districts recognize better prepared student entering their curriculum after being in a quality child care center prior to starting kindergarten. Too many towns have seen young people move away or not move to town in part because of the lack of child care opportunities. Iowa has one of the highest rates of dual-income earning households in the nation. Lack of child care is a real cause for families to move or even voluntarily remove themselves from the workforce.

In Charles City, the school district is creatively engaging the local child care center to help them expand. The school district recently abandoned an older, non-contiguous middle school with the construction of a new middle school on their main campus. The school district needs to sell the building, but the child care center can't afford the cost to purchase, plus renovations. The child care center will rent the building from the school district for a dollar, expand their business to help feed the school district, and eventually purchase the building from the district. This partnership is financially more responsible for the child care center, allows them time to fundraise while expanding immediately and the school district gets to take this underused building off their ownership.

Local foundations and charities are also seeing the need for quality, affordable child care. In the last few years we have seen the attitude change from completely hands-off (not wanting to appear to "be in the business of child care") to actively seeking the advice of local, private experts and the State-funded, Child Care Resource & Referral offices on applications of organizations seeking matching grant dollars for child care capacity expansion. These local foundations are vital to their communities and their projects seeking funds to fill the gap between small operational expense over revenue after private donations and state/county assistance.

Funding child care projects is difficult. Private fundraising is the largest funding source with significant help from private foundations, Community Development Block Grants, USDA Rural Development loan program, and private lending as a last resort.

Capital costs for a licensed child care are higher than typical office or retail projects. The State of Iowa Administrative Code requires strict teacher-student ratios varying on age, minimum square footage per child, multiple sinks in every classroom, minimum classroom equipment and lower-than-typical toilet fixture ratios. My office has reviewed dozens of existing structures over the past ten years for possible renovation for child care centers. Rarely do existing buildings cost-effectively fit the specific code requirements or realistic programmatic needs.

If funding projects is difficult, we have found the operation is even more financially difficult. Labor costs are the most critical issue for a center. Strict adherence to the mandated teacher-student ratios means many teachers for few children. To be sustainable, projects must be designed around and programmed to work well with these ratios.

Some of the Black Hawk County Child Care Coalition goals include increasing the number of child care slots, build a larger early childhood workforce, increase the average teacher pay, creating a more robust career path for teachers/directors and reduce the average cost to families for their childcare. Policy change goals we would like to see are non-profit access to Small Business

Administration loan program, a more stream-lined CDBG process and government support with public-private partnership led projects.

In Iowa, Child Care Resource & Referral offices regularly hear frustrations from families that child care centers cap their Child Care Assistance program enrollment, typically blamed on low reimbursement rates. A specific example of beneficial policy change is the federal government tying the Child Care Assistance program to the Quality Rating Improvement System. This policy change has encouraged licensed centers to increase their quality to receive higher reimbursement rates for their Child Care Assistance customers. For the higher-rated centers, this policy has removed any financial incentive to artificially cap the number of enrolled families on Child Care Assistance.

Thank you for your interest in the child care crisis we are experiencing in Iowa. Early Childhood reaches further than families with children from infants to 9-year olds. This issue affects small town population, child development, as well as local and regional economies. The excitement you have created by getting even more involved can't be overstated.

Respectfully,

Dan Levi, AIA
Levi Architecture

the MAIN STREET alliance

U.S. House Committee on Small Business
Subcommittee on Rural Development, Agriculture, Trade, and Entrepreneurship

"Taking Care of Business: How Childcare Can Support Regional Economies"
February 06, 2020

Testimony of Sarah Piepenburg
Owner, Vinaigrette
Minneapolis, Minnesota

Chairwoman Finkenauer, Ranking Member Joyce, and members of the committee:

Thank you for this opportunity to testify today about how a robust infrastructure for childcare would support my small business and other Main Street businesses.

My name is Sarah Piepenburg, and I am a small business owner of Vinaigrette, a specialty oil and vinegar shop in Minneapolis, MN. I have been running my business since 2009 and currently have 5 employees. I am a member of Main Street Alliance, a national network of more than 30,000 small business owners.

My husband and I became small business owners for a reason that doesn't fit neatly into marketing materials: We needed childcare, and we couldn't make it work any other way.

In Minnesota, we have the fourth highest costs in the nation for infant care with the average cost for enrolling a Minnesota infant in a childcare center running $310 per week, or over $16,000 per year.

For two years after we had our son, we did our best to piece together daycare and work. We sat on countless waitlists. I even delayed taking a job until my son had aged out of the most expensive infant care category, which costs more than in-state college tuition.

I then took a part time job and put my son in part-time childcare. Even with all our juggling, I was still taking home only $244 a paycheck after the childcare expenses. Turns out part-time childcare is basically as expensive as full-time care -- as centers need to count on every slot for the week.

It just didn't seem worth it. I quit my job to stay home, but I knew we'd have to find another solution.

For my husband and me, the best choice was to go into business ourselves, arranging our schedules as best we could, and getting help with childcare from family and friends. We used the $16,000 we would have put into childcare to launch our business.

While this may seem like an extreme solution -- it's more common that you might think. In a Small Business Majority survey of small business owners, 29 percent stated that lack of access to childcare was a major reason for starting their own business -- due to the need for increased flexibility in their work schedules.[1] But an even larger portion of entrepreneurs surveyed -- 36% -- say the lack of access to affordable, high-quality childcare was a barrier to starting their business.

While I love my children and that I am now a successful business owner, if I could rewrite history, having access to truly affordable childcare would have meant we could have done both -- had our kids in a safe, nurturing care environment and save money to start our business. And we have had a lot less to juggle and stress about.

[1] http://www.smallbusinessmajority.org/our-research/workforce/small-businesses-face-barriers-affordable-child-care-support-expanded-access

For others with fewer family resources, every tear in the social safety net -- like our lack of childcare infrastructure -- prevents people from pursuing their dreams of small business ownership, stifling innovation.

The lack of affordable, accessible childcare also creates multiple challenges for my employees. The problems they face show up to impact my business's bottom line with reduced productivity and increased employee turn-over.

When one of our first employees was pregnant, we offered her time off after her baby was born. But she wanted to come back after just two weeks because she needed the paycheck. Luckily, she had a family member who could take care of her child. But whenever that fell through, she missed work.

According to Child Care Aware, during a six-month period, 45 percent of working parents missed work at least once due to a childcare breakdown. Businesses lose over $4 billion annually because of these absenteeism issues. =And costs are even higher when productivity is in the mix. Workers who lack dependent care support (including childcare) have reported lower productivity due to stress, while workers with such support reported higher productivity.[2] This is unfair — not just for small businesses, but for our society as a whole.

Nearly 2 million parents of children aged 5 and younger have had to quit, decline or change jobs because of problems with childcare.[3]

For my employee, having an unstable childcare arrangement was untenable. Within a month, she began looking for other work with better benefits. She is now working for Delta airlines that provides childcare benefits. It's better for her, but we lost a great employee and had added costs for hiring and training a new employee -- which are significant at over 20% of an employees annual salary[4]

Small businesses like mine operate on thin margins and just can't match the more generous childcare benefits offered by larger employers – resulting in a hiring disadvantage. In this current tight labor market, a strong benefits package is even more critical. A more robust childcare infrastructure would level the playing field between small and large businesses.

Even If parents can afford childcare, they often can't find it. In my state, for example, 44 percent of Minnesotans live in a child-care desert, where there are simply no spots for anyone.

There were more than 300,000 kids under age 6 who potentially needed childcare, but only enough spots in MInnesota for less than three quarters of them, leaving a gap of more than 1 in 4 kids needing

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[2] http://www.brighthorizons.com/email_images/webinar_06232010/Enhanced_Webinar_06232010.pdf

[3] https://www.americanprogress.org/issues/early-childhood/news/2017/09/13/438838/2-million-parents-forced-make-career-sacrifices-due-problems-child-care/

[4] https://www.americanprogress.org/issues/economy/reports/2012/11/16/44464/there-are-significant-business-costs-to-replacing-employees/

early education spots. And those numbers don't take into account where those kids and the available care is located.

Work schedules are also a challenge. Most daycares close at 6 p.m., but my shop opens at 11 and closes at 7 p.m. Finding childcare coverage is even more complicated for shift workers and 24-hour employees in other industries.

We aren't alone. Small businesses in our area are scrambling to retain employees with kids, or having to scale back hours and serve fewer clients. Women are also more likely to shoulder caregiving than men, and lack of affordable care limits our economic independence. A lot of women leave the workforce entirely, like I initially did.

Parents who cannot afford childcare are unable to fully participate in the workforce, resulting in unemployment and underemployment that can compromise a family's economic well-being. Small businesses located in childcare deserts may be unable to fill vacancies resulting in business productivity losses. Creating childcare infrastructure in these communities would increase labor force participation among parents, driving local economic growth.

We need lawmakers to invest in high-quality childcare for everyone in our country.

We need innovative solutions like the Child Care for Working Families Act that address the crisis from three fronts — maintaining care quality, ensuring quality jobs, and capping costs for families.

Passing Paid Family and Medical Leave would also help solve a key part of the childcare puzzle. Quality affordable options for paid leave do not exist on the private market for small businesses like mine. We are then just one illness or pregnancy away from having to make a terrible choice. Do I cover a full salary to allow my employee time to recover -- and pick up the costs of their salary and another worker to cover their hours while they are out? Or not, and risk losing a trained and valuable employee? I have been in that position twice and hope to never be there again. A paid family and medical leave social insurance program would mean that for the cost of a cup of coffee a week -- my employees would be covered with paid leave in their time of need. That's why small businesses overwhelmingly support paid family and medical leave policies like the FAMILY Act. When it is passed, the FAMILY Act would provide up to 12 weeks leave for every parent of a newborn or adopted child. In families with two caregivers, that's 24 weeks of key bonding time and 6 months less of expensive infant childcare.

Paid Leave would be a good start, but childcare needs to be a priority after those first months as well. The care crisis we are facing in our communities is getting worse.

More than half of families in America live in childcare deserts, areas where licensed childcare is scarce and does not meet the needs for the number of children in the area.[5] Rural and low-income urban communities are hit the hardest by this lack of childcare infrastructure.

[5] https://www.americanprogress.org/issues/early-childhood/reports/2017/08/30/437988/mapping-americas-child-care-deserts/

From a small business perspective, it's also very difficult to operate a childcare business. Your customers cannot afford to pay what you need to keep your service running. Early childhood programs must operate on tight budgets. Most are small, independent businesses that are left to rely on charitable donations to keep their doors open. What we are seeing is a market failure.

All of these challenges affect a robust small business economy. If we believe in small business, we need our lawmakers to change this system. Childcare isn't just a family issue — it's an economic one, too.

Increasing the supply of licensed childcare by providing resources to states, tribes, and local communities to renovate and construct child are programs; investing in existing providers to help them improve quality and meet licensing requirements; and funding state and community efforts to license family childcare homes, will help small business childcare providers develop and expand, and bolster licensed care in underserved communities.

The country's local, independent small business owners want to do right by their employees and the public health of their communities. Good public policy can help them accomplish this goal. Establishing robust investment in child are programs is not just a good policy for working families. It makes good business sense, too.

MERCATUS CENTER
George Mason University

TESTIMONY

OCCUPATIONAL LICENSING ON CHILDCARE

Veronique de Rugy
Senior Research Fellow, Mercatus Center at George Mason University

US House of Representatives, Committee on Small Business, Subcommittee on Rural Development, Agriculture, Trade, and Entrepreneurship
Taking Care of Business: How Childcare can Support Regional Economies

February 6, 2020

Chairwoman Finkenauer, Ranking Member Joyce, and members of the subcommittee, thank you for the opportunity to testify on this important topic today. My name is Veronique de Rugy, and I am a senior research fellow at the Mercatus Center at George Mason University.

Today, I offer these main points:

1. However well-intentioned, the imposition of strict licensing actually makes childcare harder for families by raising prices.
2. This increase in cost is not accompanied by a commensurate increase in quality or safety.
3. Strict licensing requirements raise barriers to jobs for childcare workers.

Reforming occupational licensing can play a significant role in increasing the supply of affordable childcare.

THE ECONOMICS OF OCCUPATIONAL LICENSING

Occupational licensing is the practice of requiring government approval before individuals can legally earn a living in a particular profession. Individuals often must pay high fees, undergo many days of training or experience, or earn arbitrary certifications before receiving the privilege from their local or state governments of being allowed to work.

Economists have shown that occupational licensing raises barriers between workers and better job markets and it raises prices for consumers. In the case of childcare, occupational licensing raises the cost of being a provider, reducing the supply. In turn, that reduction in supply increases prices for consumers.

Today, one out of every three US workers is currently required to comply with occupational licensing requirements, an increase from one out of every 20 workers in the 1950s.[1] In the past, license requirements generally applied to high-risk—and often high-income—professions such as surgery and

1. Morris M. Kleiner and Alan B. Krueger, "The Prevalence and Effects of Occupational Licensing" (NBER Working Paper No. 14308, National Bureau of Economic Research, Cambridge, MA, September 2008).

dentistry, but newer burdens are shouldered by poorer Americans.[2] Many of the jobs performed by poorer Americans, such as hairdresser, transit driver, or skilled technician, have traditionally provided a ladder to self-sufficiency and upward mobility.[3]

By effectively restricting access to some jobs, these requirements drive down employment in licensed industries and make it more difficult for low-income Americans to reach the first rung in their climb out of poverty.[4] Licenses also operate as a substantial barrier to interstate mobility, as the licensing requirements vary between states and can be transferred between only a very limited number of states. For workers in a licensed industry, moving from one state to another requires costly courses, tests, and training.[5] Even when the tests are the same, states often require different scores to pass, making it difficult to transfer licenses.[6]

These requirements are also a terrible burden on workers who move often, since a hairdressing license in New York may not be honored in California, preventing workers from accessing better labor markets. The cost of renewing one's license in a different state creates substantial barriers to entry for many classes of workers, hence limiting interstate mobility.[7] Economists Janna E. Johnson and Morris Kleiner find that interstate migration rates are 36 percent less for individuals whose occupations have licensing exams and requirements than those without such restrictions.[8]

By restricting competition between providers and by restricting the supply of workers and businesses, occupational licensing also increases the prices of goods and services for consumers.[9] This places a disparate burden on lower-income consumers.

Finally, licensing requirements are often justified on the grounds of consumer protection and public safety.[10] However, the data show very little evidence to support for these claims.[11]

CHILDCARE REGULATIONS

The cost of childcare has a huge range across states, with infant care matching college costs in some cases. The Cato Institute's Ryan Bourne writes, "According to 2016 data compiled by Child Care Aware,

2. About two-thirds of this increase is the result of states adding licensing requirements for a variety of professions. The rest is owing to increased participation in regulated industries. David Schleicher, "The City as a Law and Economic Subject," *University of Illinois Law Review* 2010, no. 5 (2010): 1511–12.
3. John Blevins, "License to Uber: Using Administrative Law to Fix Occupational Licensing," *UCLA Law Review* 64, no. 4 (2017): 844, 852–59; Paul J. Larkin Jr., "Public Choice Theory and Occupational Licensing," *Harvard Journal of Law and Public Policy* 38, no. 1 (2016): 209, 212, 216–18, 230.
4. US Department of the Treasury, Council of Economic Advisers, and US Department of Labor, *Occupational Licensing: A Framework for Policymakers*, July 2015.
5. Morris M. Kleiner, "Guild-Ridden Labor Markets: The Curious Case of Occupational Licensing" (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2015); Dick M. Carpenter II et al., *License to Work: A National Study of Burdens from Occupational Licensing* (Arlington, VA: Institute for Justice, 2012); Morris M. Kleiner, "Border Battles: The Influence of Occupational Licensing on Interstate Migration," *Employment Research Newsletter* 22, no. 4 (2015): 4–6; Morris M. Kleiner, *Reforming Occupational Licensing Policies* (Washington, DC: The Hamilton Project at the Brookings Institution, 2015); Morris M. Kleiner and Alan B. Krueger, "Analyzing the Extent and Influence of Occupational Licensing on the Labor Market" (NBER Working Paper No. 14979, National Bureau of Economic Research, Cambridge, MA, May 2009).
6. Carolyn Cox and Susan Foster, *The Costs and Benefits of Occupational Licensing* (Washington, DC: Federal Trade Commission, 1990). Morris M. Kleiner, *Licensing Occupations: Ensuring Quality or Restricting Competition?* (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2006).
7. Janna E. Johnson and Morris M. Kleiner, "Is Occupational Licensing a Barrier to Interstate Migration?" (NBER Working Paper No. 24107, National Bureau of Economic Research, Cambridge, MA, December 2017).
8. Johnson and Kleiner, "Is Occupational Licensing a Barrier to Interstate Migration?"
9. Veronique de Rugy, "Occupational Licensing: Bad for Competition, Bad for Low-Income Workers," Mercatus Center at George Mason University, March 25, 2014.
10. Morris M. Kleiner, "A License for Protection," *Regulation*, Fall 2006.
11. Morris M. Kleiner, "Occupational Licensing: Protecting the Public Interest or Protectionism?" (Policy Paper No. 2011-009, W.E. Upjohn Institute for Employment Research, Kalamazoo, MI, July 1, 2011).

the average annual cost of full-time center-based infant care varies dramatically nationwide, from $5,178 in Mississippi to $23,089 in the District of Columbia. That amounts to 27.2 percent of median single-parent family income in Mississippi and fully 89.1 percent in D.C."[12]

According to a report by the Institute for Justice,[13] which looked at 102 low- to moderate-income occupations in all 50 states and the District of Columbia, 44 states require a license for childcare providers, making it illegal to run unlicensed childcare operations (except operations involving the care of a few children in a home setting).[14]

These rules effectively protect current workers from competition in the childcare industry by increasing the cost of entering the childcare market, thereby reducing the supply of childcare. These fees can reach up to $300 and the amount of time to attain a license can be more than a year (see figures 1 through 3 in the appendix). Twenty-four states require a high school diploma or higher (see figure 4 in the appendix).

While advocates for these rules argue that licenses and rules to work are needed to protect consumers (parents and children) and increase quality, the economic literature show that licensing does not fulfil this need.

This impact is visible with various and popular childcare rules. For instance, tightening the staff-to-child ratio by one child reduces the number of childcare centers in an average area by 10 percent with no apparent impact on quality.[15] Increasing the average required years of education for center directors by one year has modest positive effects on quality, but likewise reduces the number of centers by between 3.2 percent and 3.8 percent.[16]

Relaxing the staff-to-child ratios would increase supply and lower cost without affecting quality.[17] A study from the Mercatus Center finds that loosening ratios by just one child across all age groups results in prices falling by 9 percent or more, thereby decreasing the annual cost for a family using full-time infant-center care in Washington, DC, by $2,000.[18] Meanwhile, requiring lead teachers to have high-school diplomas likewise raises prices by between 25 percent and 46 percent.

These higher costs are, unsurprisingly, particularly hard on poorer people and single mothers. Additionally, there is evidence that parents are not willing to pay the full increased cost caused by the additional required training, driving down the wages of people working in childcare.[19] These rules also

12. Ryan Bourne, "Making It More Affordable to Raise a Family" (Testimony before the Joint Economic Committee, Cato Institute, Washington DC, September 10, 2019); Patrick A. McLaughlin, Matthew D. Mitchell, and Anne Philpot, "The Effects of Occupational Licensure on Competition, Consumers, and the Workforce" (Mercatus on Policy, Mercatus Center at George Mason University, Arlington, VA, November 2017); US Department of the Treasury, Council of Economic Advisers, and US Department of Labor, *Occupational Licensing: A Framework*, 13; Patrick A. McLaughlin, Jerry Ellig, and Dima Yazji Shamoun, "Regulatory Reform in Florida: An Opportunity for Greater Competitiveness and Economic Efficiency," *Florida State University Business Review* 13, no. 1 (2014): 95–130
13. Carpenter II et al., *License to Work*, 10–11.
14. Dick M. Carpenter II et al., "Child Care Home, Family," Institute for Justice, November 2017, https://ij.org/report/license-work-2/ltw-occupation-profiles/ltw2-child-care-home-family/.
15. V. Joseph Hotz and Mo Xiao, "The Impact of Regulations on the Supply and Quality of Care in Child Care Markets," *American Economic Review* 101, no. 5 (2011): 1775–1805.
16. Hotz and Xiao, "The Impact of Regulations."
17. Matthew D. Mitchell, "Occupational Licensing and the Poor and Disadvantaged" (Mercatus Policy Spotlight, Mercatus Center at George Mason University, Arlington, VA, September 2017).
18. Diana W. Thomas and Devon Gorry, "Regulation and the Cost of Child Care" (Mercatus Working Paper, Mercatus Center at George Mason University, Arlington, VA, August 2015).
19. Thomas and Gorry, "Regulation and the Cost of Child Care."

Minorities are put disproportionately at a disadvantage, as they are much less likely to hold college degrees or to have mastered English, which some licenses require. Licensing might also be disqualifying for immigrants who have not lived long enough in a state.

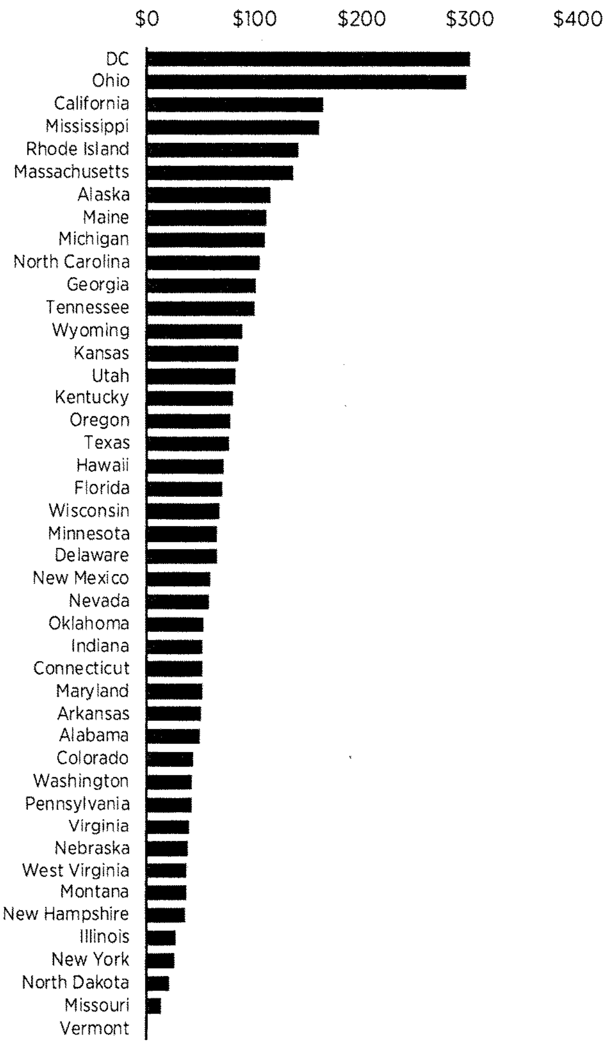
CONCLUSION

The cost of childcare is rightly a matter of concern. However, the academic evidence suggests a solution that should be considered carefully: it is childcare licensing laws that keep these costs of childcare high and the supply of childcare restricted.

I welcome your questions.

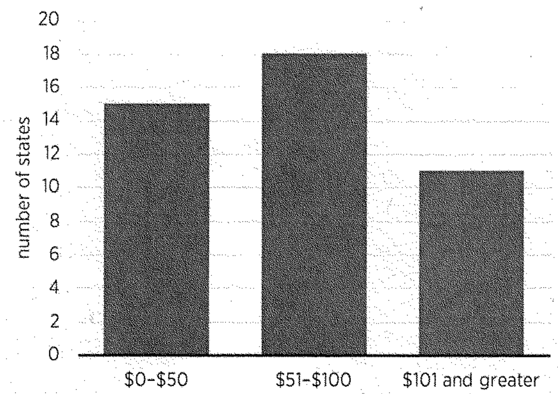
APPENDIX

FIGURE 1. OCCUPATIONAL LICENSING FEES FOR CHILDCARE BY STATE



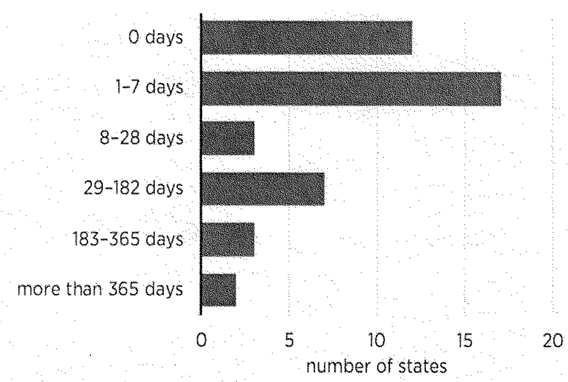
Source: Dick M. Carpenter II et al., "Child Care Home, Family," Institute for Justice, November 2017, https://ij.org/report/license-work-2/ltw-occupation-profiles/ltw2-child-care-home-family/.

FIGURE 2. OCCUPATIONAL LICENSING FEES FOR CHILDCARE (GROUPED)



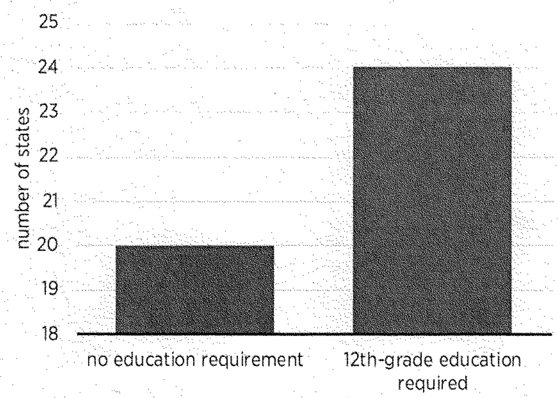
Source: Dick M. Carpenter II et al., "Child Care Home, Family," Institute for Justice, November 2017, https://ij.org/report/license-work-2/ltw-occupation-profiles/ltw2-child-care-home-family/.

FIGURE 3. INSTITUTE FOR JUSTICE'S ESTIMATED TIME REQUIREMENTS FOR CHILDCARE LICENSES



Source: Dick M. Carpenter II et al., "Child Care Home, Family," Institute for Justice, November 2017, https://ij.org/report/license-work-2/ltw-occupation-profiles/ltw2-child-care-home-family/.

FIGURE 4. FIGURE 4. EDUCATION REQUIREMENTS FOR CHILDCARE LICENSES



Source: Dick M. Carpenter II et al., "Child Care Home, Family," Institute for Justice, November 2017, https://ij.org/report/license-work-2/ltw-occupation-profiles/ltw2-child-care-home-family/.

FIRST FIVE YEARS FUND

When It Comes To Child Care, Quality Matters More Than You May Think.

Access to affordable and reliable child care is critical for working families, offering parents better job stability and overall economic security.

But thinking about child care as a benefit to working parents without considering the potential impact on children is not just a wasted opportunity—it also potentially poses risks to a child's healthy development. Quality early learning and care is vital for children, particularly those from low-income families, to achieve success in school and throughout their lives. Unfortunately, in the United States, less than half of the children living in poverty have access to the high-quality early childhood programs that could dramatically improve their lives. Research shows both short- and long-term benefits for children who attend high-quality programs, including lasting gains in both IQ and social-emotional skills. These gains prepare individuals to earn higher wages as adults, live healthier lives, avoid incarceration, raise stronger families, and contribute to society. Quality matters, and low-quality care can be detrimental to children, families, and society.

WHAT IS HIGH-QUALITY CHILD CARE?

While no one program is a silver bullet, investing in high-quality early childhood education is a solution that creates upward mobility through opportunity, and there is a set of common elements that definehigh-quality early childhood education—regardless of program.

Research shows that programs that begin at birth, incorporate and recognize the importance of health and nutrition, develop cognitive and character skills, and incorporate factors such as the presence of a qualified teacher and assistant, small class size, and low teacher-to-student ratio[1] lead to the best outcomes for children. Children in these settings during their most formative years are more likely to be prepared for school and do better later in life than children who did not receive quality early childhood education.

LOW-QUALITY CARE CAN HAVE ADVERSE EFFECTS

Although all children benefit from high-quality care, research shows that low-income children can be harmed by low-quality care.

In Gender Differences in the Benefits of an Influential Early Childhood Program, Nobel Laureate James Heckman found that children in high-quality settings had significantly better life outcomes than those who received lower-quality care.[2] However, low-income males who

[1] Barnett, W. S., Weisenfeld, G. G., Brown, K., Squires, J. H., and Horowitz, M. "Implementing 15 Essential Elements for HighQuality: A State and Local Policy Scan." July 11, 2016.

were in low-quality settings experienced reduced health outcomes and earned lower wages later in life than those who attended quality programs or were able to stay home with a parent or family member. What's more, low-quality child care has the potential to exacerbate the adversity and sustained toxic stress children face that are often associated with living in poverty. According to analysis from Dr. Elizabeth Votruba-Drzal at the University of Pittsburgh, the amount of time children spend in low-quality care arrangements is related to elevated levels of externalizing behavior problems.[3] Young children—particularly boys—are susceptible to the effects of low-quality care; therefore, early childhood programs must be of higher quality.

QUALITY PROGRAMS CAN CLOSE THE INCOME/ACHIEVEMENT GAP

The sad truth is that family income in the United States has a dramatic effect on early childhood development and subsequent school achievement.

In fact, by the age of four, an 18-month gap is apparent between a child living in poverty and her more affluent peers. That gap is still present at the age of 10 and continues throughout high school.[4] Once this gap opens, it is difficult and expensive to close. The solution is through access to quality early childhood education programs that are proven to prevent and close the achievement and learning opportunity gaps across the various socioeconomic positions. A wide body of research shows that quality early childhood education can bring disadvantaged children to parity by kindergarten, reducing children's timidity, improving attentiveness and IQ scores by up to 10 points, reducing the percentage of children repeating a grade, and lowering the rate of special education placement by 10%.[5]

QUALITY MORE THAN PAYS FOR ITSELF WHILE LOW-QUALITY CARE HAS LITTLE PAYOFF

Simply put, high-quality early childhood education is an investment that creates upward mobility for a child through increased achievement, and gains for society in increased productivity and reduced social costs.

Every dollar invested in comprehensive, high-quality early childhood education for disadvantaged children from birth through age five provides a 13% return on investment to society.[6] But that return only exists when the care is high-quality. The value far outweighs the cost—and the more we invest in quality, the more we gain in quality outcomes that strengthen families, children, our workforce, and our nation. Investing in low-quality programs is not the investment we owe American families—and can, in fact, hurt them.

[2] Garcia, J. L., Heckman, J. J., and Ziff, A. "Gender Differences in the Benefits of an Influential Early Childhood Program Paper." The Heckman Equation. May 11, 2017.

[3] Votruba-Drzal, E., Levine, R., and Lindsay Chase-Lansdale, P. "Child Care and Low-Income Children's Development: Direct and Moderated Effects." February 03, 2004.

[4] Cascio, E., and Whitmore Schanzenbach, D. "Proposal 1: Expanding Preschool Access for Disadvantaged Children." Brookings Institution. June 19, 2014.

[5] "School Readiness." First Five Years Fund.

[6] Garcia, J. L., Heckman, J. J., Ermini Leaf, D., and Prados, M., "Quantifying the Life-cycle Benefits of a Prototypical Early Childhood Program." The Heckman Equation. May 26, 2017.