



COMMITTEE FOR ECONOMIC DEVELOPMENT
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June 22, 2020

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
1236 Longworth House Office Building
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
317 Russell Senate Office Building
Washington, DC 20510

The Honorable Kevin McCarthy
Republican Leader
U.S. House of Representatives
2468 Rayburn House Office Building
Washington, DC 20515

The Honorable Chuck Schumer
Democratic Leader
U.S. Senate
322 Hart Senate Office Building
Washington, DC 20510

Dear Speaker Pelosi, Leader McConnell, Leader McCarthy, and Leader Schumer:

The Committee for Economic Development (CED) of The Conference Board is a nonprofit, nonpartisan, business-led public policy organization that delivers well-researched analysis and reasoned practical solutions to our nation's most critical issues, including early childhood education and care. Since its inception in 1942, CED has addressed national priorities to promote sustained economic growth and development to benefit all Americans.

As business leader Trustees of CED, **we write today to urge you to create a child care stabilization fund in the next COVID-19 federal legislative relief package to provide additional financial assistance to support the child care sector.** Over 11 million working families across a broad socioeconomic spectrum rely on the child care sector. Among families with children under age five, nearly nine out of 10 families in which both parents worked full time relied on paid child care, as did more than eight out of 10 working single parents.¹ Access to safe, high-quality child care is an essential workforce support necessary for these families to return to work as state economies reopen. It is also an early learning setting for children that can help prepare them with a foundation to succeed in school and later in life.

However, the child care sector is in jeopardy of completely collapsing. According to a recent nationwide parent survey, 61% of parents who had relied on child care centers reported that their center had closed. Of parents who relied on home-based child care, 48% of parents reported that their family child care home had closed.² **Because child care providers operate their businesses on such thin margins under normal circumstances, these temporary closures are estimated to result in the permanent closure of 50% of the country's child care centers, and**

¹ "[Child Care in State Economies: 2019 Update](#)," CED, 2019.

² "[Nationwide Survey: Child Care in the Time of Coronavirus](#)," Bipartisan Policy Center, April 10, 2020.

a permanent loss of 4.5 million child care slots.³ Even before the pandemic, access to care was a major barrier for working families, with 51% of Americans living in neighborhoods classified as child care deserts with supply falling far short of the need for child care.⁴ This problem will be further exacerbated if child care programs are forced to close down due to a lack of funding.

According to CED’s 2019 Child Care in State Economies report, **the child care industry has a \$99.3 billion economic impact—\$47.2 billion is attributable to child care revenue and an additional \$52.1 billion results from spillover in other industries. About two million jobs are supported in both child care centers and home-based care with annual earnings across settings supporting nearly \$40 billion in wages.** Temporary federal financial assistance for the industry is critical to ensure its future stability, not only to support the child care workforce and essential workers in the short-term, but also for working parents who rely on the industry to care for their children while they work or return to work. According to an analysis by the Economic Policy Institute and the Center for the Study of Child Care Employment at U.C. Berkeley, parents forego \$30-\$35 billion in income because the high cost of child care led many to leave the paid workforce or reduce their paid hours in order to care for their children.⁵ Further demonstrating the industry’s impact on American businesses and the employment of women in particular, in 2016, over one million part-time workers cited child care problems as the reason for not working more hours, 94% of whom were women.⁶

As the nation rebuilds its economy, reopening businesses is a top priority. **Child care is part of the essential infrastructure needed to support all other workforces in a safe return to the workplace. Therefore, it is critical Congress provide significant and direct relief to the child care sector to address the range of issues facing providers.** Because of the pandemic and necessary social distancing measures, average enrollment across the country is well below pre-COVID-19 levels. As Americans slowly transition back to work, not all families will return to child care settings immediately—though providers must still re-open for parents required to report to work physically (such as frontline workers and others who return over time as their places of employment re-open). Therefore, providers must contend with reduced enrollment and increased operational expenses for an uncertain period of time. Given that they had little to no incoming revenue during the pandemic, providers’ significantly reduced revenue today means most will continue to operate at a loss for the foreseeable future or close permanently.

As a result of the devastating impact of COVID-19 on the child care sector, federal funding is critical to the survival of both home-based and center-based providers. While the Child Care and Development Block Grant (CCDBG) helps a small fraction of low-income families access market-based child care (e.g., about 11% of eligible low-income children under federal guidelines and about 17% of eligible low-income children under lower state set guidelines receive CCDBG subsidies),⁷ **the child care industry is largely a business model financed by**

³ “[From the Front Lines: The Ongoing Effect of the Pandemic on Child Care](#),” NAEYC, April 17, 2020.

⁴ Malik, Rasheed et al. “[America’s Child Care Deserts in 2018](#),” CAP, December 2018.

⁵ Who’s Paying Now? The Explicit and Implicit Costs of the Current Early Care and Education System, Economic Policy Institute and Center for the Study of Child Care Employment at U.C. Berkeley, January 15, 2020. <https://files.epi.org/pdf/181729.pdf>

⁶ Child Care in State Economies: 2019 Update, Committee for Economic Development (CED) of The Conference Board, 2019. <https://www.ced.org/assets/reports/childcareimpact/181104%20CCSE%20Report%20Jan30.pdf>

⁷ U.S. Government Accountability Office (GAO), CHILD CARE: Access to Subsidies and Strategies to Manage Demand Vary Across States, 2016. <https://www.gao.gov/assets/690/681652.pdf>

private-pay parents. The tuition dollars paid by working parents comprise the operating budgets that fund staff and fixed costs such as mortgages or leases, utilities, insurance, and now increased cleaning and sanitation supplies, personal protective equipment, training or re-training of teachers, curriculum development as most children have been out of an educational setting for an extended period of time, and many other new or increased costs associated with running a business in a post-COVID-19 world.

The reality is that COVID-19 has upended the business model for child care in a way that is no longer economically viable in too many communities. In addition to low enrollment due to unprecedented levels of unemployment, many states have also imposed restrictions on the number of children that can be in a classroom or care setting. This makes sense for public health reasons, but also has a direct impact on providers' ability to sustain their business model. As child care owners and directors and home-based providers rethink how to operate under the "new normal," it is essential that Congress re-envision the funding model to sustain child care as a public good. What is clear is that child care is an essential service and many parents will not be able to return to work without it. At the same time, the business model no longer supports the supply of care that parents currently need or will need in the year ahead as parents go back to work.

Therefore, **we urge you to support increased dedicated economic relief for the child care industry as the essential service and public good needed on the path to economic recovery.** Our nation's long-term well-being depends on a child care infrastructure that works for every family.

Thank you for your attention to this important issue.

Sincerely,

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