



Bipartisan Policy Center

MEMORANDUM

To: Back-to-Work Virginia Task Force Members

From: Linda Smith, Director, BPC's Early Childhood Initiative

RE: A Roadmap for Virginia's Child Care Recovery and Renaissance

The Bipartisan Policy Center is grateful for the opportunity to support the Task Force as it considers how to facilitate Virginia's successful recovery from the coronavirus pandemic, including through a transformation of the child care industry. Child care is a cornerstone of Virginia's economy. While truly devastating, the coronavirus crisis presents a unique opportunity for state leaders to reimagine child care, and build back an improved and more equitable system that better supports families and businesses alike.

We hope the information included in this memorandum will be useful as you consider policy approaches to best support Virginia's economic recovery broadly, and the child care industry specifically. The state is hard pressed to find a better investment than in child care.

If I can be helpful with additional information, please reach out anytime. Thank you for your interest in and consideration of this important topic.

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Overview of Child Care: Pre-COVID

Unless otherwise cited, all data along with additional information is found in our [child care toolkit](#).

Child care is essential to Virginia for so many reasons: so parents can work; so children can grow; and so employers and the economy can count on a productive workforce both today and in the future. For the [40% of the workforce](#) that has a child under 18, child care it is not a luxury, but a [prerequisite](#) for workforce participation.

In Virginia, as across the country, child care is a market-based system that includes a diverse set of child care arrangements and options to meet parent's particular and widely varying circumstances and needs. In Virginia, [54%](#) of children ages birth through five attended nonparental child care for more than 10 hours a week in 2016. Parents can choose between nearly 16,000 establishments across the state that employ over 40,000 individuals and had a direct revenue of \$1.26 billion [in 2016](#). Further, the child care industry produces significant spillover effects to the order of \$1.3 billion in Virginia, for a total industry value of \$2.56 billion in 2016.

The federal government has [a long history](#) of investing in child care and early learning programs so that parents can work, children can grow, and our economy can thrive. The landscape of programs has changed over time, and today, Congress allocates billions of dollars for early childhood programs, which state governments are generally tasked with coordinating and combining in order to administer

effectively. In all but one federal program, governors have wide discretion with regard to the [administration and coordination](#). Although most federal child care funds are intended to help cover the cost for low-income working families, this funding only covers [a fraction](#) of those eligible.

Unfortunately, before the current COVID-19 crisis, the market for child care was at a breaking point: the supply didn't meet the demand, the cost to produce the service exceeded what most consumers could afford to pay, and therefore, businesses operating in the market were unable to function successfully. These razor-thin margins meant staff rarely made more than minimum wage or received benefits. This structure was unsustainable before the coronavirus, but now more than ever, the market is especially vulnerable to collapsing.

Child Care During COVID-19

The COVID-19 pandemic has had an unprecedented impact on our nation's already fragile child care industry and exacerbated the issues plaguing the market. At the onset of the crisis, BPC conducted a [parent survey](#) that found 60% of child care programs were temporarily closed, but parents, whether working at home or in-person, were still in need of child care. These widespread closures meant parents faced difficulty finding care and programs tried to stay in business despite declining income and revenue. Due to these compounding factors, many child care programs believed they [might not survive](#) the crisis for even a few weeks without an infusion of public funding.

The federal government, recognizing these issues provided states \$3.5 billion through the CARES Act for the CCDBG program to cover child care costs of essential workers during the pandemic, and gave states wide [flexibility](#) in how they could use such funding to support the market's stability. States took a [variety of approaches](#) when it came to child care during the height of the pandemic. Our [survey](#) found that while a quarter of parents were not aware of their state's plan for child care operations during the pandemic, of those who were aware, the vast majority (82%) were supportive of their state's decisions.

Virginia's Use of the CARES Act Funds. Virginia received \$70.8 million in supplemental CCDBG funding through the CARES Act and has obligated all of its CARES Act funding for these specific purposes:

- Incentive grants to child care providers that remain open, available through the end of June. Providers are eligible to receive an amount each week equal to \$25 multiplied by half the provider's licensed capacity. This funding will support providers through periods of low-attendance, as it is based on capacity rather than enrollment.
- Eliminating co-payments through June for families who receive a child care subsidy.
- Prepare schools to act as emergency child care centers, where needed.
- Provide funding for child care providers that participate in the federal subsidy program, but have had to close, to help ensure they are able to reopen when the time comes.

Despite these actions, the state estimates that in April, approximately 2,700 child care centers—or nearly 45 percent of all programs across the state—had closed. Inclusive of family child care homes and other child care sites, these closures represent a reduction in capacity of at least 200,000 slots across the state. Now that most of the state has entered Phase II of the reopening plan, child care providers are permitted to reopen with group sizes limited to 12 (including staff) if they serve children under four years of age, which will further reduce capacity for child care as compared to pre-COVID levels.

Across the country, by April, one-third (34%) of the child care workforce had [lost their job](#), a higher percentage than almost every other sector of the economy. Even as Virginia begins to reopen, programs

are continuing to lose revenue due to the restricted class sizes, incur increased costs to comply with ongoing health and safety guidelines, and concerns from parents mean the demand will likely fluctuate over the coming months. Programs in desperate need of funds have largely been [unable to benefit](#) from the PPP and other forms of assistance meant to broadly support businesses during this time.

The CARES Act was an essential down payment that allowed many frontline workers to access child care and enabled many child care programs to remain open during this crisis. However, it was just that—a down payment. The funding was not adequate to fully cover the initial blows to the industry, let alone last long enough to prop up the system for the remainder of the crisis. The BPC has [recommended](#) Congress consider additional funding to the child care industry to ensure that child care providers have the necessary funding they need to stay in business.

At the same time, there are several steps that Virginia could take to help the child care market recover, ensure parents can return to work and children can continue growing, and allow Virginia to rebound successfully.

Recovery and Renaissance for Virginia's Child Care Market

The COVID-19 crisis presents a unique opportunity to reimagine the child care system and take steps to build a more equitable system for parents, children, and communities across Virginia. A recent [nationwide survey](#) of 1,200 likely voters conducted for the Bipartisan Policy Center and funded by the Rockefeller Foundation shows three in four Americans (76%) say they are not content to simply return to the same safety-net systems that existed prior to the COVID-19 economic crisis. This desire for change was articulated by independents, Democrats, and Republicans alike. The same share, three in four, support more pragmatic solutions.

Instead of simply returning to the same child care system and perpetuating systemic inequities that have persisted for years, Virginia has an opportunity to build back better. Pragmatic solutions exist to improving the child care market for the coming months and for the decades ahead.

Recovery

During the ongoing recovery from the coronavirus, the state must continue addressing the needs of providers and parents. We recommend the state institute the following policies to ensure programs can safely reopen and parents can return to work.

1. *Offer Reopening Grants.* As child care programs consider reopening, they will incur enhanced costs associated with doing so safely and in accordance with necessary health and safety guidance. Providers lack the budgets to make these adjustments to their facilities and practices, and need financial assistance in order to do so. The state has a strong history of promoting the health and safety of children in child care settings, and could continue to do so by establishing recovery grants for providers as they look to reopen for working families
2. *Establish Stabilization Funds.* Child care programs, as noted, operate on razor-thin margins in normal circumstances, but during this time of little to no revenue, and lowered capacity, programs are burning through reserves and many may permanently close. Virginia has an interest in ensuring the child care market remains a viable resource to other areas of the economy through the remainder of this crisis. A stabilization fund is needed for child care business to help balance their budgets for at least the next year, and certainly through the duration of the crisis.

3. *Contingency Fund for High-Need Areas.* Because of the varying impacts of the pandemic across the state, different communities have a greater proportion of child care providers that are at risk of permanently closing, and parents who need child care assistance to work. Contingency funds should be provided to these more impacted areas, based on a community's need. This funding should not be structured as broad support, but instead should be given as supplemental assistance to help areas with extraordinary needs. The state should also consider additional funding to high-need programs including home-based providers or those who may need more supplemental income in order to stay afloat.

Renaissance

Instead of continuing down the unsustainable path that was present before the coronavirus pandemic, Virginia must consider a new reimagined system, rooted in principles, with clear goals in mind, and a recognition that parent voices should be front and center. By thinking big and bold, the state can ensure that today's workforce is strong, tomorrow's workforce can grow, and the economy can prosper. As discussed, this unique time presents an opportunity to build a better child care system with a vision for the future in which child care is stable, reliable, accessible, equitable, and affordable for families across the state. In considering this approach, Virginia must consider several principles.

1. *Recognition of parent preferences:* Any recommendations to increase access to and use of child care as Virginians return to work must consider what types of child care parents and families will actually use, and what precautions need to be taken to ensure parents feel safe sending their children to child care. Gathering more information about parent choices and preferences, especially in a post-COVID world, will be key for building back a system that meets the needs of families.
 - a. *Parents seek safety, reliability, and quality in child care.* Both prior to and in the midst of COVID-19, parents describe safety, trustworthiness, quality, caring and qualified staff, and reliability as the most important characteristics when looking for a child care arrangement. A strong child care system will foster relationships between parents and providers. Virginia could also work to better understand how parents define quality and safety and use that to inform how the state defines and communicates
 - b. *Cost and quality impact parent choice.* Among adults who have sought child care recently, 63% say it has been difficult to find quality child care within their budget during COVID-19, up from 54% who said it was difficult in an October 2019 survey. Of that, 33% described it as "very difficult", up from 18% in October. Additionally, 47% of parents are concerned that they would not be able to afford child care post-COVID. Low-income parents in particular are concerned, with 58% unsure whether they would be able to afford care. Issues with affordability may impact what care parents are able to choose from as they send children back to care.
 - c. *Parents are using informal care.* Prior to COVID-19, BPC's survey found that 56% of parents have relied on grandparents, family members, or friends for child care, and 23% of parents have moved to be closer to family and friends. Parents with income under \$50,000 and rural families were more likely to rely on this informal network of support. Amidst the pandemic, nearly half (49%) of parents report they or someone in their household is caring for their children. Given concerns about health and safety if and when children return to child care, parents may opt to continue using informal or no care

for children. Virginia should be prepared to think about how this kind of care fits into the child care system.

- d. *We lack information on what parents truly want from the child care system.* Cost is clearly an issue for parents seeking child care. Because we lack the data, it is impossible at this time to account for how cost factors into parents' choices and ability to access child care. Additionally, parents' decisions are not based solely on cost or distance. Parents look for providers they feel are safe, reliable, and trustworthy. Child care arrangements that are near home or affordable may not meet these other requirements for parents. Better data is needed on how parents define and identify quality. Virginia could conduct surveys and hold focus groups to better understand if all else is equal (cost, quality and location), what do parents want for their children?
2. *Supporting providers:* Child care programs operate on razor thin profit margins that threaten their viability in the community and their ability to ensure continuous relationships with the parents and children that depend on them. In order to ensure the future of child care programs, Virginia must embrace new methods and policies that create financial stability and programmatic efficiencies reflective of the essential nature of child care in Virginia's economy.
 - a. *Market rates:* Although increased in 2018, reimbursement rates for child care subsidy in Virginia still do not meet the true cost of quality child care. This is due, in part, to the use of a [market rate survey](#) to determine regional child care rates. Market rate surveys are a flawed method to accurately set rate structures that capture the true cost of providing quality child care and often underreport the nuanced factors in delivering child care services. In order to achieve a more accurate determination of the true cost of child care, an alternative methodology should be implemented to support child care subsidy rates funded by CCBDG and state funding. The alternative methodology should also examine and implement ways to close the gap between rates for center-based child care programs and home-based family child care programs, that are typically funded at much lower rates. Home-based family child care often serves children for longer hours during the week, may be the only option for non-traditional hour child care in some communities, and often provide comprehensive services to children and parents. An accurate rate structure should reflect the capacity of home-based family child care programs to serve their communities in unique ways.
 - b. *Grants and contracts:* Child care subsidy is awarded through certificates to parents in Virginia Payment for subsidy is reimbursed to child care programs following the month the service is provided. The reimbursement structure create financial uncertainty for child care programs throughout the year, as gaps may exist when parents exit and enter a program. Therefore, Virginia should pilot a hybrid child care subsidy payment system to increase the financial stability of child care programs and access for underserved populations and communities. Grants or contracts should be available to both center-based programs and home-based family child care programs. Grants or contracts to fund slots in child care programs will be accompanied by accountability measures that increase and will be rigorously evaluated to demonstrate their impact.
 - c. *Home-based providers:* Home-based family child care programs are essential to a mixed delivery system. In order to ensure home-based family child care can thrive in Virginia's communities, Virginia needs to expand the number of staffed family child care networks that support both business and quality improvement activities. Programmatic efficiencies

should be explored through staffed family child care networks, including shared services and network quality designation. Family child care networks must be tapped to provide a representative voice in funding and policy discussions with policymakers.

3. *Supporting the workforce:* In order to grow the child care workforce’s knowledge, skills, and abilities to meet the needs of children and parents, Virginia must partner with higher education and workforce partners to develop an articulated career pathway that is inclusive of K-12 learning opportunities through higher education. Virginia should also expand the registered early childhood education apprenticeship program so that it may support 2-year and 4-year higher education degrees. The pathway will offer a direct connection for high school career and technical education programs that support Child Development Associate credentials with the registered apprenticeship and higher education partners. Virginia could also work with policymakers to ensure that Virginia’s higher education partners are providing coursework that meets the needs of a 21st century early learning environment. Finally, Virginia should collect and publish data on the child care workforce to inform decisions by policymakers and state agencies.
4. *Promoting cross-sector collaboration:* The business, philanthropic, faith, and local communities all have an interest in ensuring our society and economy can rely on child care. By encouraging these constituencies to come together in a meaningful way and share in the decision making process, the market will become stronger and more responsive to the varying needs of each of these communities. The state needs to aggressively consider how they structure their child care programs in search of a more integrated and efficient system. The business community is directly impacted when employees cannot find child care, when it falls through or is unreliable, and therefore should be directly involved in ensuring the market thrives. Lastly, encouraging local investments and private partnerships will improve the infrastructure challenges child care faces, and will ensure communities can best respond to the needs of their neighbors.

Additional BPC Resources

- Testimony before the House Education and Labor Committee: *Solving America’s Child Care Crisis: Supporting Parents, Children, and the Economy*. [Available here](#).
- “States need more child care funds” Op-Ed by Linda K. Smith and Kathlyn McHenry, [The Hill](#).
- “Child Care is an Essential Workforce” Op-Ed by Linda K. Smith and Jason Grumet, [Newsweek](#).
- Virginia fact sheet on state administration of child care programs, [available here](#).

Additional Resources

- US Chamber of Commerce Coalition Letter to Congress, including Virginia, [available here](#).
- US Chamber of Commerce, *the business case for child care*, [available here](#).