Local Initiatives Support Corporation Written Comments
PUBLIC HEARING: THE CHILD CARE CRISIS AND THE CORONAVIRUS PANDEMIC
House Ways and Means Committee, Subcommittee on Worker & Family Support (116th Congress)
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Chairman Davis, Ranking Member Walorski, and Distinguished Members of the House Ways and Means Subcommittee on Worker and Family Support:

Local Initiatives Support Corporation (LISC) appreciates Congress' careful stewardship of public resources as it works to address the needs of sectors devastated by COVID-19. The pandemic has hit child care providers particularly hard, and without increased targeted federal investments, the child care system will collapse, leaving children, working families, and entire communities without access to quality early care and education (ECE) programs. Many providers struggling to remain open, serve families, and maintain financial stability operate in facilities that present obstacles to protecting the health and safety of children and staff. Social distancing, more frequent cleaning and disinfecting of surfaces, modified drop-off and pick-up procedures, and new screening procedures upon arrival all have implications for how the physical spaces where programs operate are constructed and configured. Additionally, problems presented by longstanding infrastructure inadequacies – like poor air circulation or an insufficient number of functioning sinks and bathrooms – have been exacerbated by the coronavirus. Dedicating federal funding for facilities and a comprehensive assessment of the significant and unmet facilities needs of providers are critical to the stabilization of child care. LISC urges Congress to dedicate $10 billion in federal funding for facilities and provider capacity building as outlined by the *Infrastructure Grants to Improve Child Care Safety* provision that is included in H.R. 7201: The Child Care is Infrastructure Act, H.R. 7327: The Child Care for Economic Recovery Act, and H.R. 2: The Moving Forward Act. Sound federal policy to address infrastructure needs must acknowledge the importance of facilities, not only to the availability of quality care, but also to the health and safety of children, providers and their families.

About LISC

LISC is a nonprofit housing and community development organization and certified Community Development Financial Institution (CDFI) with offices in 35 cities throughout the country, and a rural network encompassing 90 partners serving 44 different states. LISC's work supports a wide range of activities, including affordable housing, economic development, building family wealth and incomes, education, community safety, and community health. In 2019 alone, LISC raised and deployed approximately $1.5 billion of capital into distressed urban and rural communities, including: grants and technical assistance to support non-profits; loans and investments to non-profit owners and operators of affordable housing; and loans and investments to support non-profit community facilities such as charter schools, health care centers, child care centers, workforce facilities, and community centers.

Because we recognize the link between human opportunity and social and economic vitality, we have spent the last 20 years working to bring high quality early care and education settings to low-income neighborhoods. Through our signature Early Childhood Facilities Program, LISC has invested $57 million in planning and developing 223 new facilities serving 23,617 children in more than 65 low-income urban and rural neighborhoods across the country. That investment has generated an additional $233 million in public and private resources for these early learning centers.

Child Care Facilities Affect Health, Safety, and Access to Quality Programs

Those active in community revitalization believe that early care and education programs are essential parts of every neighborhood – they prepare young children for success in school and life, support working parents, and improve family well-being. We also know that space is important: the quality of buildings and indoor and outdoor spaces profoundly impact child learning, health and well-being. A facility's layout, size, materials and design features can improve program quality and contribute positively to child development while a poorly adapted and overcrowded environment undermines it.[1]

Poor indoor air quality, lack of natural light, and contaminants like lead, asbestos, and radon have long threatened the health and safety of young learners and early learning providers and detracted from positive learning experiences. An investigation in 10 states conducted by the U.S. Health and Human Services Office of the Inspector General found that 96 percent of child care inspected during unannounced visits had one or more potentially hazardous conditions and noncompliance with health and safety requirements.[2] Approximately 500,000 ECE facilities are not regulated under the Safe Drinking Water Act (42 U.S.C. 300f), and only 11 states and New York City require licensed ECE facilities to test drinking water for lead.[3] Only two states – Massachusetts and Rhode Island, have conducted statewide ECE facilities needs assessments, and the results are alarming. Massachusetts' 2011 assessment revealed excessive levels of carbon dioxide in ECE facilities throughout the state, insufficient ventilation systems, and furnishings containing formaldehyde. The 2014 Rhode Island assessment revealed that all surveyed centers visited had at least one playground safety hazard, that nearly 70 percent of centers visited had one or health and safety violation, and that centers in poor condition tend to serve higher rates of low-income, subsidized children. These states have since moved to remedy these issues, but the demand for capital improvements far exceeds funding availability.

Lead, asbestos and radon-free spaces with sufficient natural light are only one aspect of what constitutes a sound early learning facility. Bathrooms adjacent to classrooms, accessible cubbies, and child-sized sinks, counters, furnishings and fixtures increase children's autonomy and competence while decreasing the demands on teachers. Early learning spaces with ample classrooms divided into well-configured activity areas support uninterrupted self-directed play and exploration, help foster staff retention by using teachers' time more efficiently, and facilitate professionally rewarding interactions with children, parents, and co-workers. The physical configuration of ECE spaces – both home based and center based – directly affect adult / child interaction, health and safety, and influence how children grow and learn.

The COVID-19 pandemic has created a new sense of urgency to address the condition and quality of the physical spaces where care and education for children take place. Providers operating in facilities with longstanding inadequacies now have to adapt to evolving health and safety best practices in order to and protect the health and safety all those interacting in their physical spaces, including children, working parents, and staff. COVID-era guidelines that require more frequent handwashing, deep sanitization of spaces, and decreased class sizes demand facilities adaptations. Our children, working families, ECE staff deserve to operate in dignified spaces that support health, safety, and high quality care and education.

National Data Could Help Alleviate ECE Facilities Financing Challenges

There is no comprehensive national data on the quantity, type, condition, and quality of early care and education facilities. Providers serving low-income families in the communities that we support aren't being encouraged or required to document facilities' costs or needs in a way that links the quality of buildings to basic health and safety standards or the quality of programs. As providers adapt to conditions created by the coronavirus, it will be even more important to have data to determine the extent to which the pandemic has exacerbated or created immediate infrastructure needs that must be addressed in order for providers to comply with public health guidelines.

One of the effects of insufficient national data on facilities' needs has been a lack of funding attention to remedy problems. There is no dedicated federal source of capital to help early care and education programs develop well-designed facilities suitable for our youngest learners, and very few states and localities have dedicated resources. Programs serving low-income communities are highly dependent on public operating revenues that don't cover the cost of building renovation, rehabilitation, acquisition or construction. An April, 2020 Federal Reserve Bank of Minnesota article contends that prior to

[1] http://www.lisc.org/docs/publications/2007_nieer_cick_facilities_brief.pdf

[2] Office of Planning, Research & Evaluation. National Survey of Early Care and Education 2010-2015. https://www.acf.hhs.gov/opre/research/project/national-survey-of-early-care-and-education-nsece-2010-2014

[3] https://www.epa.gov/dwreginfo/lead-drinking-water-schools-and-childcare-facilities

COVID-19, child care balance sheets weren't "pandemic-ready" despite strong demand for early care and education services.[4] Without a consistent and effective financing system or capital subsidies, providers pursue piecemeal approaches, cobbling together small donations and grants from a variety of sources. This prevents the early learning field from addressing its physical facility needs and creating the kind of environments that support health, safety and high quality programs.

Historically, private financial institutions have not made significant infrastructure investments in early learning facilities – particularly in economically distressed areas. Few mainstream banks, credit unions, and lending institutions are willing to finance early childhood facility projects, which tend to require relatively small, complex loans often characterized by uncertain future funding for repayment through government operating subsidies. The projects generally have little to no equity, and limited collateral value. Furthermore, private banks typically don't employ staff with specialized knowledge of the child care sector, and consequently are unable to understand the needs of child care or preschool centers and assist program directors lacking experience with real estate development and financing. The inability of the child care sector to take full advantage of the Payroll Protection Program (PPP), a support crafted to stabilize small businesses during the pandemic, is an example of limited business capacity of ECE operators.[5] Certified CDFIs, like LISC, working in market niches that are underserved by traditional financial entities are among the small number of organizations who have made investments in ECE physical spaces. We have a proven track record in economically challenged regions and are experienced with providing a unique range of financial products and services that spur private investment in their target markets. Unfortunately, given the limited funding available to CDFIs to carry out their comprehensive mission, demand for early childhood facilities capital far outstrips supply.

Recommendations for Federal Action on Child Care Facilities

Fortunately, Congress can take decisive and swift action to remedy the facilities challenges facing ECE providers in local communities. LISC recommends the following:

1. <u>Establish Dedicated Funding for Child Care Facilities</u>
   Direct federal investments in child care facilities, including an investment in CDFIs and other intermediaries that provide technical assistance and business capacity building supports to operators is crucial to the supporting the child care sector and ECE providers. The *Infrastructure Grants to Improve Child Care Safety* provision outlined in H.R. 7201: The Child Care is Infrastructure Act, H.R. 7327: The Child Care for Economic Recovery Act, and H.R. 2: The Moving Forward Act not only directs capital to address facilities needs, but also empowers CDFIs and other intermediaries to carry out their comprehensive mission and address the business capacity and facilities needs of providers. The intermediary grants outlined in the provision are especially impactful because they channel resources to CDFIs and other entities who have experience working with ECE providers in market niches underserved by traditional financial institutions. Allocating resources to organizations with a proven track record in economically challenged regions and experience with providing a unique range of technical assistance and business capacity building supports to ECE providers is essential to the success of any capital grant program.
2. <u>Instruct the U.S. Department of Health and Human Services to Conduct a Comprehensive National Child Care Facilities Needs Assessment</u>
   Federal data collection efforts should examine the quantity, type condition, quality, and availability of ECE facilities and reflect the important role that physical environments play in supporting the quality of early learning programs and healthy early childhood development. Information that quantifies expenses related to occupying a facility as well as the impact of COVID-19 on infrastructure needs should also be collected and analyzed. The *Infrastructure Grants to Improve Child Care Safety* provision included in H.R. 7201, H.R. 7327, and H.R. 2 incorporates assessments of immediate and long-term need.
3. <u>Invest in Building the Business Capacity of ECE Providers</u>
   Child care business operators deserve equitable access to small business supports tailored to meet their sector needs. The state of child care buildings and physical spaces and the fiscal instability of child care businesses reflects

[4] Gruenwald, Rob. *COVID-19 Challenges the Child Care Market*. April 2020. https://www.minneapolisfed.org/article/2020/covid-19-challenges-the-child-care-market
[5] https://bipartisanpolicy.org/blog/the-ppp-doesnt-work-for-our-nations-most-essential-small-businesses-child-care/

the value our society places on the health and safety of children and their care providers, who are largely women of color (89% of child-care businesses are women-owned, 60% are minority owned).[6] The ongoing lack of public sector response to major facilities concerns facing providers emanates from our grossly underfunded child care system, and structural inequities facing women – particularly women of color – attempting to build sustainable small businesses. Dedicated resources for child care operator small business training, technical assistance, and capacity building is broadly needed.

Thank you for this opportunity to offer public comments on this very important issue. If LISC can be a resource to you on issues related to child care facilities financing and provider capacity building, please do not hesitate to contact Cindy Larson, LISC National Director of Child Care and Early Learning at clarson@lisc.org / (401) 519-5834, or Nicole Barcliff, LISC Policy Director at nbarcliff@lisc.org / (202)739-9296.

[6] https://cdn.advocacy.sba.gov/wp-content/uploads/2016/09/07141514/Minority-Owned-Businesses-in-the-US.pdf; https://blog.dol.gov/2017/07/05/get-facts-women-business-owners#:~:text=Women%2Downed%20businesses%20appear%20in,owned%20businesses%20than%20male%2Downed.