National Children's Facilities Network

July 7, 2020

House Ways and Means Committee
Worker and Family Support Subcommittee
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Davis, Ranking Member Walorski, and Members of the Subcommittee:

The National Children's Facilities Network (NCFN, or 'the Network') thanks you for holding the June 23 hearing entitled *The Child Care Crisis and the Coronavirus Pandemic* and demonstrating your leadership and commitment to supporting our nation's families and child care providers. NCFN is a coalition of nonprofit financial and technical assistance intermediaries and other interested stakeholders involved in planning, developing, and financing for high quality early care and education (ECE) facilities and business models, particularly in areas that have the least access to high quality ECE and the highest concentrations of poverty. The members of the Network increase supply and help improve the quality of ECE by providing technical assistance and financing to address capital needs. NCFN also works to generate public, private, and philanthropic resources that support the development and improvement of ECE facilities in underserved communities nationwide and collaborates with other children's advocacy leaders concerned with addressing the supply and quality of ECE facilities.

Facilities are an essential program feature often omitted from the discussions about quality care. Prior to the pandemic, many families – particularly those in low-income or rural areas – already lacked access to stable, high-quality ECE facilities.[1] The pandemic has only exacerbated this challenge. According to the Bipartisan Policy Center, 60% of child care programs closed during the height of the pandemic, and we surmise that long-term sustainability of many will be predicated upon their ability to adopt enhanced health and safety measures as they move to re-open.[2] Unfortunately, most providers operate on razor thin profit margins that leave very little room to support debt on a property, which leaves providers facing difficult decisions about how to best allocate their limited resources to address facilities issues. Rob Grunewald of the Federal Reserve Bank of Minnesota contends that prior to COVID-19, child care balance sheets weren't "pandemic-ready" despite strong demand for ECE services.[3]

Now, in addition to addressing an already crumbling physical infrastructure, providers must contend with adapting physical spaces and program practices to prevent the spread of coronavirus and protect the health and safety of children, parents, and their workforce. **However, there is no existing dedicated federal source of capital to help ECE providers achieve developmentally appropriate, well-designed facilities that adhere to health and safety standards, and very few states provide dedicated funding for facilities.** Investments in child care infrastructure are therefore critical components of COVID-19 recovery strategies.

[1] 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 programs inspected during unannounced visits had one or more potentially hazardous conditions and noncompliance with health and safety requirements. 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

[2] Bipartisan Policy Center. Nationwide Survey: Child Care in the Time of Coronavirus. April 2020.
https://bipartisanpolicy.org/blog/nationwide-survey-child-care-in-the-time-of-coronavirus/

[3] Gruenwald, Rob. *COVID-19 Challenges the Child Care Market*. April 2020.
https://www.minneapolisfed.org/article/2020/covid-19-challenges-the-child-care-market

We are particularly excited by the Child Care is Infrastructure Act (H.R. 7201), recently introduced by Representative Katherine Clark (D-MA), which would invest $10 billion in our nation's child care infrastructure over the next 5 years and increase the supply of quality ECE programs nationwide. But capital grants for acquisition, construction, renovation and improvement of facilities will not completely solve the challenges facing local communities and early learning providers; resources are also needed to provide technical assistance, capacity building, and financial products to support ECE facility financing. A critical feature of H.R. 7201 is the provision for a portion of the funds to be made available to intermediaries, including community development financial institutions (CDFIs), that have experience financing ECE facilities and can offer providers much-needed technical assistance support. This recognizes that CDFIs and other intermediaries have a history of providing intensive technical assistance to build the business capacity of ECE providers, and that intermediaries can help prepare providers to take advantage of dedicated facilities funding.

An illustrative example is the CDFI sector's role in supporting child care providers access Small Business Administration (SBA) Paycheck Protection Program (PPP) loans. The five CDFIs that comprise the NCFN Executive Committee – the Local Initiatives Support Corporation (LISC), the Low Income Investment Fund (LIIF), IFF, Reinvestment Fund, and Self-Help Credit Union – have also been deeply engaged in helping ECE providers access PPP resources, either as direct SBA lenders or through partnerships with existing SBA lenders. Collectively, the NCFN Executive Committee has supported over $55 million in PPP loans to ECE providers, totaling over 400 loans at an average loan size of approximately $158,000.[4]

Many of the providers who successfully applied for and received PPP loans through a CDFI were first unsuccessful in seeking support through banks or traditional financial institutions, not because they were ineligible for the program, but often because these borrowers represent smaller loan sizes and may need additional support to complete the application process. CDFIs were able to provide the dedicated technical assistance and capacity building support that has resulted in hundreds of ECE providers successfully accessing PPP loans.

As you consider additional investments in the child care sector and broader economic relief efforts, NCFN strongly encourages the subcommittee to include the $10 billion investment in child care infrastructure proposed in H.R. 7201.

We are eager to be a resource to you during the legislative process. Please contact Nicole Barcliff, NCFN Co-Chair, LISC Policy Director at nbarcliff@lisc.org or (202) 739-9296 or Angie Garling, NCFN-Co-chair, LIIF National Director, Early Care and Education Programs at agarling@liifund.org or (415) 489-6116 Ext 316 with any questions about NCFN or our work in this space.

Sincerely,

NCFN Executive Committee

Local Initiatives Support Corporation
Low Income Investment Fund
IFF
Reinvestment Fund
Self-Help Credit Union

[4] This estimate reflects available data from LISC, LIIF, IFF, Reinvestment Fund, and Self-Help through June 25, 2020.