



To: House Select Committee on COVID-19 Economic and Financial Preparedness  
Date: Monday, May 11, 2020, 10:00 a.m.  
Re: COVID-19 Impacts on Hawai'i's Childcare Sector

There is no economic recovery without child care. However, the recovery cannot come at the expense of the health and well-being of our providers, children, and families. Caregiving is, and must be treated as, an essential part of our economic infrastructure.

Child care was in crisis before the pandemic. Costs soared, spaces were limited, providers were struggling to make ends meet, and families had few options, leaving some to choose unsafe places for their children. COVID has exacerbated the crisis.

### **COMMUNITY CHILD CARE NEEDS; ECONOMIC IMPACTS**

- There are approximately 218,000 children (ages 0-12) who may need child care. DOE is closed until at least August, and many summer programs are canceled.
- Only 30% of providers are currently open, but they are serving far fewer children than pre-pandemic. Of the remaining 70%, many are unsure if they will reopen at all.
- Record unemployment means families cannot afford to continue to pay for childcare services, but they need child care to search for (and accept) new employment.
- Most child care providers rely on fees from enrolled families for the majority of their revenue. Larger, multi-site providers are losing tens of thousands of dollars every day.
- If child care businesses (both those that are open and temporarily closed) do not have sufficient funding during the crisis to stay financially viable, they will permanently close; An estimated 30% of providers will not survive a prolonged closure.
- There are no consistent rules or guidance on how to reopen childcare safely, as the CDC has been woefully vague. Many providers are worried about liability if they reopen.
- Hawai'i was desperate for providers pre-pandemic: for each DHS-regulated child care seat (home-based and center-based), there were four children (ages 0-6) competing for the spot. For ages 0-3, there is one DHS-regulated space for every thirty-seven children. We cannot afford to have licensed providers shut down: it takes a significant amount of time to open a new, licensed child care center, so we must preserve existing providers.

### **CARES ACT FUNDING**

The CARES Act provides an additional \$11,990,000 to Hawai'i for the Child Care and Development Block Grant. This funding is intended to (1) support members of the essential workforce, irrespective of income, and (2) assist childcare providers to remain open or reopen. These supplemental funds must be obligated by the end of federal fiscal year 2022 and liquidated by the end of federal fiscal year 2023.

Hawai'i's DHS – commendably – has adopted most allowable waivers under the CARES Act to allow families maximum flexibility in using Block Grant funds.

## **RECOMMENDATIONS**

### **Short-Term Solutions (Next 3 Months)**

1. Use CARES Act funding to provide short-term emergency grants/contracts for all child care businesses, to offset costs for sanitation, additional staffing (to allow for better physical distancing among the children) and lost tuition income. DHS is working on this; Vermont's "Childcare bail out" is a good example.
2. Provide health and sanitation guidelines for child care providers.
3. Expand locations where providers may operate so that providers can accommodate smaller groups of children (smaller groups = better physical distancing). Providers can retain highly qualified staff by expanding locations, and DHS is willing to expedite new license applications. Options include:
  - DOE facilities could be used by A+ or non-profit providers until school resumes.
  - Individuals can become family child care providers in their homes; this expands child care options and provides employment opportunities for those currently out of work.
4. Temporarily waive or modify certification requirements for childcare workers so that centers have enough staff.
5. Encourage employees to utilize paid sick and expanded paid family leave provided under Families First Coronavirus Response Act to minimize the number of children needing care.
6. Adopt Administrative Rules pursuant to CCDBG; to among other things, increase reimbursement amounts to providers.
7. Enact new a fiscal mechanism such as a child care special fund to maximize federal and private funding. These were included in HB2543 pre-COVID.
8. Provide timely data to the Legislature and Economic Recovery Team, including:
  - a. Funding disbursed directly to child care businesses to support the recovery;
  - b. Funding disbursed via family subsidies;
  - c. Numbers of home-based and center-based child care businesses that are open, including zip codes and numbers of available slots.

### **Long-Term Solutions**

1. Develop a state Childcare Sustainability Plan (similar to other states).
2. Provide funding (state/private) for start-up costs for child care businesses and employer-sponsored child care.
3. Create shared service models to support the child care industry at large.
4. Maintain enhanced subsidy programs until the economy recovers. This may require state funding after the federal waiver period ends.
5. Adjust funding mechanisms to provide funding based on cost to operate a program, instead of per-pupil reimbursement.
6. Provide incentives (state/private) to recruit and retain qualified staff, similar to military recruitment models.
7. Establish tax credits to incentivize the creation of child care facilities.
8. Establish a paid family leave program.