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**WRITTEN STATEMENT FOR THE RECORD BEFORE THE U.S. SENATE  
COMMITTEE ON FINANCE**

**"EXAMINING THE STATE OF CHILD CARE: HOW FEDERAL POLICY SOLUTIONS  
CAN SUPPORT FAMILIES, CLOSE EXISTING GAPS, AND STRENGTHEN  
ECONOMIC GROWTH"**

July 9, 2024

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Dear Chair Wyden, Ranking Member Crapo and members of the Senate Committee on Finance:

As a leading representative of America's 33 million small businesses, Small Business Majority is pleased to provide written testimony to the Senate Committee on Finance regarding the recent hearing on the state of childcare and how federal policy solutions can contribute to increasing the availability and affordability of childcare nationwide, which will benefit our new and existing small business community.

Small Business Majority is a national small business organization that empowers America's diverse entrepreneurs to build a thriving and equitable economy. From our nine offices across the country, we engage our network of more than 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth. Our work is bolstered by extensive research and deep connections with the small business community that enables us to educate stakeholders about key issues impacting America's entrepreneurs, with a special focus on the smallest businesses and those facing systemic inequities.

**A lack of access to affordable, high-quality childcare is a growing impediment to small business development and growth**

While small businesses rely on their ability to attract and retain a skilled workforce, mainly through the provision of workplace benefits like healthcare, retirement and childcare, an increasing lack of access to affordable, high-quality childcare for small business owners and their employees has directly impacted their ability to thrive and grow.

In a recent Small Business Majority national opinion poll of over 500 small business owners nationwide, in which 92% of respondents are parents, nearly 60% of small business owners agreed that a lack of access to affordable, high-quality childcare for their own children created an impediment for them to start and grow their business.<sup>1</sup> While many small business owners decide to pursue entrepreneurship due to their own childcare needs, a continued lack of access has impacted their ability to run their business. Entrepreneurs say they've had to take substantial time away from their business (56%), lose out on business opportunities (39%) and hire additional help (28%) as a result of childcare challenges. Notably, more than one-quarter (26%) of small business owners were forced to shut their business down and rejoin the workforce due to childcare issues. Nearly 6 in 10 (58%) also believe that their childcare issues have negatively affected their productivity.

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<sup>1</sup> "Opinion Poll: Small businesses support policy solutions to address our nation's childcare challenges," Small Business Majority, April 2024, <https://smallbusinessmajority.org/our-research/small-businesses-support-policy-solutions-address-nations-childcare-challenges>

This lack of access to childcare not only impacts entrepreneurs who want to start or grow their business, but also their employees who are critical to maintaining the day-to-day operations of a business. Our research found that an overwhelming majority (94%) of small employers report having at least one employee with a child and one-third of employers stated that at least half of their employees have children under 18. For the smallest businesses that may only have a handful employees, workplace absences due to childcare can be extremely costly to the business' bottom line and hinder productivity. In fact, nearly half (49%) of small business owners reported having employees who had to adjust their work schedules a few times a month due to childcare issues.

As workplace disruptions due to childcare persist, business owners are faced with difficult and uncontrollable challenges, including unplanned employee work absences, employees quitting, candidates turning down job offers and even firing employees who have been routinely absent. Given these challenges, many small business owners became creative in how they accommodate the childcare needs of their employees. More than half (57%) of small employers offer flexible scheduling and remote work, half (50%) allow employees to bring their children to work and nearly one-third (29%) offer on-site childcare.

Childcare is not only essential to supporting the development and growth of small businesses, but it is an integral factor in the health and success of our nation's economy. As the shortage of childcare impacts all businesses, not just small businesses, it is estimated that the U.S. economy loses \$122 billion a year due to childcare challenges and businesses lose an average of \$1,640 a year per working parent because of insufficient access to childcare.<sup>2</sup> These financial losses are felt the hardest by the smallest businesses, which simply can't afford to lose thousands of dollars in revenue annually.

### **While pandemic-era federal funding provided critical relief to the childcare industry, the expiration of these funds presents a troubling childcare funding cliff for states**

The COVID-19 pandemic underscored the importance of childcare for the workforce and the overall health and productivity of the economy. While childcare providers did everything they could to stay open during the pandemic, many experienced severe drops in revenue and increased operating costs, further restricting their already razor-thin margins. In June 2020, fewer than 1 in 5 childcare programs reported they expected to survive for longer than a year without significant financial assistance.<sup>3</sup> Working parents were also stifled with the burden of childcare during the early months of the pandemic. Between September and October 2020, there was a 144% increase in childcare-related work absences, ultimately hindering economic recovery efforts and the productivity of businesses both large and small.<sup>4</sup>

Congress recognized the need to support and stabilize the childcare industry and provided a historic \$52 billion in funding over three pandemic relief packages. This funding was distributed to states through the Child Care and Development Block Grant (CCDBG) program and Child Care Stabilization Grants. Notably, the American Rescue Plan Act (ARPA) provided \$24 billion for Child Care Stabilization Grants and an additional \$15 billion for the CCDBG program. These funds allowed states to provide stable funding to childcare providers and expanded subsidies to working families. According to the U.S. Department of Health and Human Services (HHS), ARPA funding helped over 220,000 childcare providers keep their doors open, which was estimated to have a positive impact on roughly 10 million children nationwide.<sup>5</sup>

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<sup>2</sup> "The child care crisis is costing the economy \$122 billion a year, new study finds – and it's not just hurting families, businesses and taxpayers are taking a hit," CBS News, February 2024, <https://www.cbsnews.com/news/lack-of-child-care-costs-economy-122-billion-dollars-parents-businesses-taxpayers-study/>

<sup>3</sup> "Supporting Working Families: The Need for Ongoing Support for the Nation's Child Care Sector," U.S. Senate Committee on Health, Education, Labor & Pensions, May 2023, [https://www.help.senate.gov/imo/media/doc/the\\_need\\_for\\_ongoing\\_support\\_for\\_the\\_nations\\_child\\_care\\_sector\\_report.pdf](https://www.help.senate.gov/imo/media/doc/the_need_for_ongoing_support_for_the_nations_child_care_sector_report.pdf)

<sup>4</sup> "Saving Child Care Means Preserving Jobs and Supporting Working Families and Small Businesses," Center for American Progress, January 2021, <https://www.americanprogress.org/article/saving-child-care-means-preserving-jobs-supporting-working-families-small-businesses/>

<sup>5</sup> "COVID Investments in Child Care: Supporting Children, Families, and Providers," U.S. Department of Health & Human Services Office of Child Care, May 2023, <https://www.acf.hhs.gov/occ/infographic/covid-investments-child-care-supporting-children-families-and-providers>

While childcare stabilization funds provided relief to childcare providers and millions of families nationwide, allowing parents to reenter the workforce, these funds only provided a one-time, stopgap solution and funding will ultimately run dry, if it has not already, like the childcare stabilization funds. In fact, over \$37 billion of CCDBG and Child Care Stabilization Grant funding expired in September 2023, leaving thousands of childcare providers uncertain as to if they would continue to be able to provide affordable childcare to millions of families. This cliff has left a chilling effect on many small businesses, including those that work in the childcare industry and those that depended on these programs for care in their family. Below are examples of small business stories as it relates to childcare funding needs.

**Emilie Aries, Bossed Up, Denver, Colorado:** *“I’m a small business owner and employer with a two-year-old who’s in daycare, so I know first-hand that when your childcare situation falls apart, your entire life falls apart. My ability to grow my own small business and create jobs in Colorado is dependent on access to affordable, high-quality childcare. Due to a change in my childcare situation last year, I was nearly forced to close my business. After weeks of calling dozens of childcare providers, we were finally able to find a spot for my child, which saved my business. Every working parent needs access to affordable childcare in order to continue contributing to the economy: our child.”*

**Shirley Modlin, 3D Design and Manufacturing LLC, Powhatan, Virginia:** *“The lack of affordable childcare threatens small businesses, especially in rural communities like mine in Virginia. One of my employees recently had a child, and their childcare provider was an hour drive out of town. He lost two hours each day traveling to reach the childcare center while his wife’s salary barely covered the cost. As a rural small business owner who struggles greatly to retain a quality workforce, access to childcare is a concern for maintaining our business operations and promoting employee well-being. We need legislative solutions to this childcare crisis so that my employees and business can better succeed.”*

**Leslie Allison-See, Robust Promotions LLC, Villa Park, Illinois:** *“As a business owner, an employer, and a grandmother, I see daily how a lack of quality and affordable childcare is holding back our economy. This became an acute issue during the pandemic as childcare centers and schools have shut down, and parents have been forced to leave the workforce—a challenge that has impacted my own family and millions of others. That’s why we desperately need Congress to make bold investments in childcare and other critical benefits like paid family leave and healthcare. When entrepreneurs and employees alike have the resources they need to thrive in the workplace fully, our economic recovery will flourish.”*

### **Congress must prioritize the childcare needs of small businesses and families to support a thriving economy**

As our data and personal stories demonstrate, access to affordable, high-quality childcare is essential to foster an equitable and thriving economy. Small Business Majority research found that over two-thirds (68%) of small business owners agree that policymakers need to take action to address the cost of childcare. Providing a foundation for small businesses to build upon and allowing parents to pursue workforce opportunities to support their families through commonsense childcare policies will go a long way to foster economic stability and success for many communities including small business owners. The success of pandemic-era childcare stabilization funding underscored the imperative role the federal government must play to ensure childcare is affordable and attainable for all. To make this a reality, Congress should do the following.

1. **Provide \$12.4 billion to support Child Care and Development Block Grants at the U.S. Department of Health and Human Services**, which represents the federal government’s most critical tool for subsidizing the cost of childcare for millions of low-income

families nationwide.<sup>6</sup> Thanks to the CCDBG program, nearly 1.5 million children were ensured childcare access in 2020 alone, and continued, stronger funding would allow CCDBGs to reach more families and improve pay for childcare providers. Given the current and dire need to continue driving investments to childcare programs, we urge Congress to make greater investments into CCDBGs, as the program will likely need more funding than what's currently allocated to meet the growing childcare demand nationwide.

2. **Pass the Small Business Child Care Investment Act (S. 673)** which would ensure non-profit providers have access to SBA loan options, including the 7(a) and 504 programs.<sup>7</sup> Our research has also found that 66% of entrepreneurs support expanding access to SBA loan programs for non-profit providers. The Small Business Administration (SBA) plays an integral role in supporting small childcare providers, and loans originated under the SBA's 7(a) and 504 programs invested \$3.8 billion in childcare businesses between 2016 and 2020.<sup>8</sup> However, non-profit childcare businesses, which make up nearly half of all childcare centers, cannot participate in SBA's 7(a) or 504 loan programs, further limiting their ability to access the capital needed to keep up with increasing demand for care.
3. **Expand and improve the Employer-Provided Child Care Tax Credit (45F)** which incentivizes businesses to help their employees locate childcare services. While 45F provides employers with a nonrefundable tax credit of up to 25% of qualified childcare expenditures, the current structure of the tax credit tends to benefit larger employers who can provide childcare services for their employees. To claim the full credit, businesses must spend \$600,000, which effectively prices small businesses out of the benefit. We encourage Congress to consider the needs of small businesses by implementing an increased credit rate and maximum credit for small employers which would allow more small businesses to claim the credit.
4. **Provide states with grants to supplement the wages of childcare workers for businesses operating on thin margins and help providers better recruit and train a qualified childcare workforce.** Expanded access to affordable, high-quality childcare is not attainable without the required investments in the childcare workforce, and many small businesses need extra support from federal and state governments to do this. The childcare industry faces significant workforce shortages and the median annual pay for childcare workers is \$28,517, which falls below the 2023 federal poverty level for a family of three.<sup>9</sup>

Overall, we are encouraged to see Congress engage in discussions around the importance of childcare to the health of our national economy, understanding that efforts to increase federal supports for childcare will undoubtedly giving entrepreneurs and small businesses the ability to grow.

For any questions or additional information, please contact Government Affairs Director Alexis D'Amato at [adamato@smallbusinessmajority.org](mailto:adamato@smallbusinessmajority.org).

Sincerely,



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<sup>6</sup> "Small Business Majority requests FY 2025 funding levels for programs that support small business and entrepreneurship across the nation," Small Business Majority, April 2024, <https://smallbusinessmajority.org/policy/small-business-majority-outlines-key-funding-priorities-small-businesses-fy25-appropriations-request-letter>

<sup>7</sup> "S.673 – Small Business Child Care Investment Act," Sen. Jacky Rosen, July 2023, <https://www.congress.gov/bill/118th-congress/senate-bill/673>

<sup>8</sup> "Capitalizing Child Care," Reinvestment Fund, January 2022, <https://www.reinvestment.com/insights/capitalizing-child-care-the-national-landscape-of-grants-loans-and-community-development-capital-in-early-childhood-education-child-care-finance-map>

<sup>9</sup> "Top-Down, Bottom-Up: Building a State Child Care Center Workforce," Bipartisan Policy Center, March 2024, <https://bipartisanpolicy.org/report/building-state-child-care-center-workforce/>