

 December , 2021

Dear Member of Congress:

As a member of the tax-exempt, non-partisan Early Childhood Education Advocate, Inc., residing in xxx, I applaud the Build Back Better Act’s inclusion of $400 billion in historic investments in child care and universal preschool. However, as a small business owner and provider in NAME OF STATE, I have serious concerns about key provisions in the bill. How you and your colleagues ultimately decide to disperse this funding will have an immense impact on the families who rely on child care and on the high-quality services that providers like me offer.

This funding enables millions of families to qualify for child care assistance and afford high-quality child care. **However, without an adequate supply of participating providers, these families will be competing for limited slots, and many will have the promise of child care unfulfilled as a result.** For years, low reimbursement rates made it difficult for providers to serve families requiring subsidy assistance, ultimately limiting child care options for families in need.Before the pandemic, less than 1 in 6 families eligible for child care financial assistance utilized it, in part due to a lack of participating high-quality providers.[[1]](#footnote-1) **Without changes, the Build Back Better Act will simply multiply this problem to a much larger scale.**

In order to ensure there are enough providers to fulfill President Biden’s goal of access to high-quality care for millions more families, I urge you to make the following changes to the Build Back Better Act:

* **Require states to pay providers in accordance with the cost estimation model and require *full* provider reimbursement based on quality.** If the rate is not paid in full, then providers will be unable to recoup their costs and may be forced to pare back on quality to serve eligible families. More likely, providers would not participate in the subsidy system at all.
* **Lift tuition caps so that providers can cover their true cost of care.** If providers participate in the subsidy system, their reimbursement rates will be determined by an untested cost estimation model. If the cost estimation model determines that the cost of care is below what my actual expenses are as a provider, I am unable to charge amounts above the co-pay to recuperate the difference. If providers wish to increase wages beyond mandated rates for their own staff or pay benefits, they may not be able to do so since these costs cannot be recouped through tuition increases beyond the copayment cap.

With the subsidy program designed to serve families with up to 250% of the SMI (State Median Income) by 2025, few families will remain that can absorb the tuition increases. Providers may be forced to opt out of the subsidy system, meaning the highest quality programs will still be inaccessible to the families that need them the most. Alternatively, providers will run their programs at a loss and be forced to close their doors.

* **Require state cost estimation models, grants and contracts, *and* payment practices to take fixed expenses into account**. The cost estimation model requires that a state set payment rates for direct child care services at each tier of quality with variations to the model based on geographic area, type of provider, age of child, and additional costs associated with providing inclusive services. However, it does not include several key items including fixed and variable costs of the provider. These costs can represent 20 -25% of gross income. While grants and contracts and payment practices mention some of these items, these items should also be specified in the cost estimation model to ensure proper implementation. This clarification is absolutely necessary to ensure that the cost estimation model accounts for all provider expenses.
* **Delay the implementation of the tuition cap until the program is fully funded as an entitlement program.** Just like healthcare providers, child care providers balance a variety of funding sources in order to remain operational while serving as many families as possible. This includes serving a mix of private-pay and subsidy-eligible families and issuing copays to cover remaining costs when rates are too low. If fees are capped before rates are adequately addressed, this will limit providers’ ability to accept more eligible families.
* **Reinstate the expanded Child and Dependent Care Tax Credit (CDCTC) provision for at least one-year to ensure middle-income families have access to some form of assistance.** Without this, middle-income families could lose up to $7,400 in assistance as states gradually ramp up to covering families earning 250% of state median income (SMI).
* **For preschool, ensure all providers – including local education agencies (LEAs) – comply with the same rigorous health and safety licensing standards including radon and lead testing and water testing as required by the Department of Environmental Protection .** If all community-based providers must meet licensing standards, LEAs should be required to do the same. This is already the case in some states such as North Carolina and should not be a significant barrier for a high-quality LEA program.
* **Ensure that every child care center owner can make a profit.** Rather than just focus on the recovery of costs, federal lawmakers need to recognize that no investment will occur in this sector if there is no fair opportunity for profit. Child care centers are now operating on the slimmest of profit margins. If we are to serve families in child care deserts providers need to be incentivized to make investments in their businesses to meet this goal. What is the incentive for an individual to open a child care center in New Jersey?

Every day, I see how important child care is for families from all different backgrounds. It is an essential component of our economy and, more importantly, essential for strong family life in NAME OF STATE and across the country. Funding child care through the Build Back Better Act will have incredible and long-lasting benefits for America’s families and I am grateful for the work you and your colleagues have done to ensure such an investment. But, your work is not done. As I have outlined above, there are critical changes we must make to the proposal to ensure it does not have unintended consequences for families and the providers – like me – they rely on to provide high-quality care for their children.

The potential for advancement is strong and with the changes outlined above, high-quality providers like me and others will continue to be able to serve children and families across our great state. I ask you to make these changes before finalizing the bill.

Thank you for your time and consideration,

Name

Title
Early Childhood Education Advocates, Inc.

www.ECEAdvocates.com

1. GAO, “Child Care and Development Fund: Subsidy Receipt and Plans for New Funds.” <https://www.gao.gov/products/gao-19-222r> [↑](#footnote-ref-1)