The Initial Economic Impact of COVID-19 On South Carolina's Child Care Sector

May 2020

INSTITUTE *for* CHILD SUCCESS

(introduction and executive summary)

South Carolina has approximately 290,000 children under the age of 5.

Before the COVID-19 pandemic, two-thirds of young children lived in homes where all available parents worked, making child care a necessity.[1] Forty-two percent of families, however, live in a child care desert. That figure is worse for rural communities, in which half of South Carolina's families live in a child care desert.[2]

The core reasons for this market failure are simple enough: safe and high-quality child care is expensive to provide, and many young families would struggle to make ends meet even without those costs. The results are that wages for early education teachers are suppressed and providers are financially fragile. The average early education teacher is paid $21,000 per year in South Carolina, while a first-year public school kindergarten teacher earns between $35,000 and $40,000 per year.[3] Families cannot afford to make up the cost differences of retaining teachers in this environment, leading to a decline in the number of providers over the last decade.[4]

In 2018, in order to begin addressing this shortfall in providers, the federal government nearly doubled its investment in early care and education through a program called the Child Care Development Block Grant (CCDBG).[5] The CCDBG has, since 2018, provided an additional $40 million in recurring annual funding to South Carolina to assist in the provision of early care and education for the children of working families.[6] Rather than having the intended effect of increasing the number of providers and families served, however, the number of working families who received support for early care and education for their children actually decreased from 22,641 in 2017 to 20,474 in 2019.[7]

It was in this context that we entered the pandemic.

Between April 17 and April 27, the Institute for Child Success (ICS) surveyed early care and education providers, trying to understand more about the effect of the pandemic on the already-fragile early care and education market. The results of the survey show that, like for many other small businesses, the economic impact for child care centers has been sharply negative. The sector has already experienced approximately $40 million in lost revenue, and about half of all centers have closed. Those that remain open are serving a fraction of their prior students, so the overall supply has reduced to approximately one-third of pre-COVID capacities. Those centers that do remain open are struggling to manage basic operations, and many providers feel that governmental supports are challenging to access. Many are also struggling to understand how they might be able to reopen once the pandemic subsides.

A few quick facts from surveys responses include:

- One-third of centers cannot financially weather a closure of any length of time.
- Another one-third of centers are unsure how long they could weather a closure.
- Nearly half (48 percent) of centers have closed.
- Overall, the sector is serving about one-third (30 percent) of the pre-COVID enrollment.
- The average current and projected short-term losses are greater than $50,000 per provider.

Any loss of child care will create unique challenges to the broader economy both during and after COVID-19. As many as 117,000 of South Carolina's essential workers have children under the age of 5, and many of them will need child care in order to go to work.[8] After the pandemic, getting the state back to prior employment levels will require – at a minimum – restoring the pre-COVID supply of child care.

Fortunately, the state of South Carolina will not face these challenges without financial resources. As we respond to the immediate pandemic, the federal government has provided $63 million in additional funding specifically to support the child care sector.[9] If deployed aggressively, these resources will go a long way towards mitigating existing losses and preserving the state's child care supply. There is also the aforementioned $40 million of additional annual funding coming to South Carolina through the Child Care Development Block Grant specifically for this purpose. All of those funds will be needed to ensure the childcare sector is able to recover from the setbacks it has experienced and assume its vital role in the state's economic recovery.

It is our hope that the enclosed survey results will help policy makers address the pressing needs of the COVID-19 crisis by supporting the critical employment infrastructure provided by the early education sector. Doing so would support the financial stability for thousands of working families, the brain development of their children, and the broader economy, paying dividends for decades to come.

(survey results and discussion)

(by)
Megan Carolan
Director of Policy Research
ICS

The Institute for Child Success (ICS) launched a survey of child care providers in South Carolina to better understand how the spread of COVID-19 and the resulting economic impacts are affecting the child care sector. The child care sector is essential to the health, financial stability, and overall well-being of hundreds of thousands of South Carolina families and to our economy as a whole, and we want to ensure the sector is able to weather this storm.

ICS is a non-partisan, independent, research and policy organization headquartered in Greenville, South Carolina, focusing on children prenatal to age 8. ICS works with many other organizations and policymakers in the state to ensure children and families are able to thrive – and child care is a key part of that equation. We consulted with several organizations in the state to understand the needs of the sector in developing this survey.

We will use this information to:

- better understand the challenges facing providers and the families they work with;
- provide resources tailored to meet the needs of providers, especially about federal resources for relief; and
- understand any possible remedies at the state and local level which can help alleviate these issues.

Background

Child care and early childhood education is a robust sector of our economy, which also drives healthy economic impact in other sectors by allowing parents to work while children are in a safe and positive environment. A 2015 economic analysis released by ICS indicated that the child care and early childhood education sector in South Carolina generates $1.3 billion in economic activity for the state annually, generating $44 million in state and local tax revenue which contributes to essential public services.[10] Children's health, development, and emotional well-being can all benefit from high-quality early care and education provided by consistent and attentive providers.

South Carolina is, of course, not alone in handling the unprecedented challenges to child care that the current pandemic and economic crisis have triggered. The National Association for the Education of Young Children (NAEYC) found in a recent survey that about half of child care providers nationwide were closed by April; among those that remained open, 85 percent were operating at half-capacity or less.[11] Child care is a sector which frequently runs on tight margins. The lack of revenue during this time of closure is likely to significantly impact many centers to the extent that experts fear mass closures after we emerge from the public health crisis. A financial analysis from the National Women's Law Center (NWLC) and the Center for Law and Social Policy (CLASP) suggests that, nationwide, the sector needs an additional *$9.6 billion per month*, in addition to current federal spending ($642 million monthly) to sustain centers which have either closed completely or to cover the costs of providing child care to the 6 million essential workers continuing to work during the shutdown.[12]

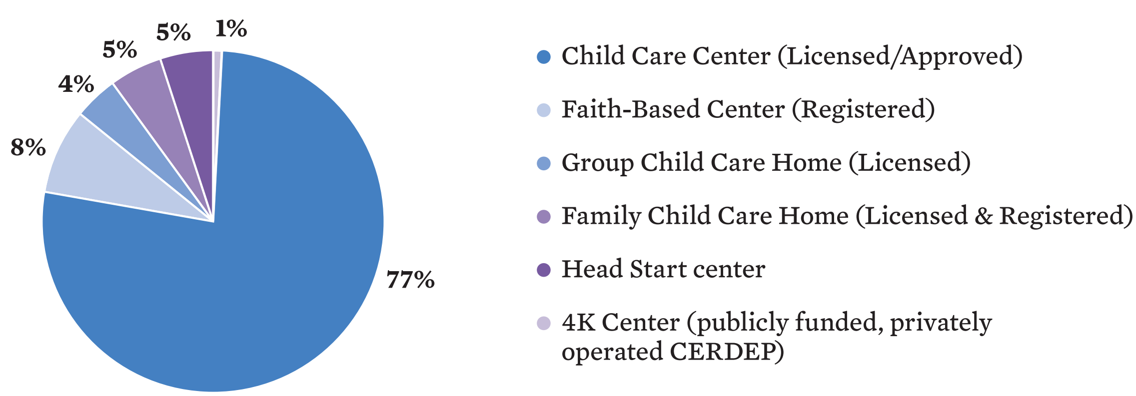
Better understanding the specific needs, concerns, and strength of South Carolina's providers is essential to developing solutions to sustain the sector and ensure the Palmetto State can get back to work – with its children well taken care of.

Throughout this report, we provide specific analysis of 54 respondents who indicated the use of SC Child Care Vouchers in their revenue stream. We do this for two reasons. First, given the eligibility requirements and goals of the SC Child Care Voucher program, the children and families served may have lower incomes than families who enroll via private pay, and thus may be facing other disproportionate impacts of this crisis in terms of employment (recognizing that many private pay families may also be in a precarious economic position). Secondly, because these economic supports are inherently a market-based approach to providing child care, parents rely heavily on the healthy operations of existing child care providers (whereas Head Start and publicly funded 4K programs have arguably more stable infrastructure and funding streams). To continue providing consistent child care to families after this crisis has abated, we must ensure that the centers serving lower-income working families are able to remain in business.

Provider Type

Survey respondents were largely group child care providers:

Provider Type of Respondents



Respondents are not fully representative of the child care sector in South Carolina, but represent a close approximation to give an accurate picture of current needs. Statewide, 69 percent of providers are child care centers, 28 percent are family child care, and 3 percent are group child care. However, because each of these settings have different size restrictions, child care centers actually hold 97 percent of the state's privately operated child care *capacity*.[13]

Different parts of the state have different child care sector landscapes. In sixteen counties, family child care providers make up one-third or more of the total providers; notably, in Abbeville and Jasper counties, more than half of all providers are family child care. We raise these issues to make clear that family child care providers, particularly in those rural counties in which they are more common, may face different issues not fully captured in these responses given the high rate of child care centers represented amongst the respondents. ICS plans to release additional local analyses in coming weeks.

Geographic Distribution

The survey used word-of-mouth and outreach networks to contact potential respondents. Understanding that the challenges a community faces may differ starkly by region, efforts were made to ensure respondents came from a diverse range of counties within the state The full breakdown of respondents by county is below:[i]

County	Percent	County	Percent
Spartanburg	17%	Laurens	3%
Richland	11%	Aiken	2%
York	9%	Dorchester	2%
Horry	8%	Newberry	2%
Charleston	7%	Allendale	1%
Georgetown	6%	Clarendon	1%
Greenville	6%	Jasper	1%
Kershaw	5%	Oconee	1%
Lexington	5%	Orangeburg	1%
Berkeley	4%	Union	1%
Florence	4%	Williamsburg	1%

We did expect large response rates from counties with larger child care sectors and child populations. For reference, the counties with the largest share of the state's child care capacity (in terms of available slots) are: Greenville (12 percent); Richland (10 percent) and Charleston (9 percent).[14]

Centers are not limited just to service within their geographic area and many serve a high number of out-of-county families based on their location or their proximity to a major employer.

i Responses were not received from centers in the following counties: Abbeville, Anderson, Bamberg, Barnwell, Beaufort, Calhoun, Cherokee, Chester, Chesterfield, Colleton, Darlington, Dillon, Edgefield, Fairfield, Greenwood, Hampton, Lancaster, Lee, Marion, Marlboro, McCormick, Pickens, Saluda, and Sumter.

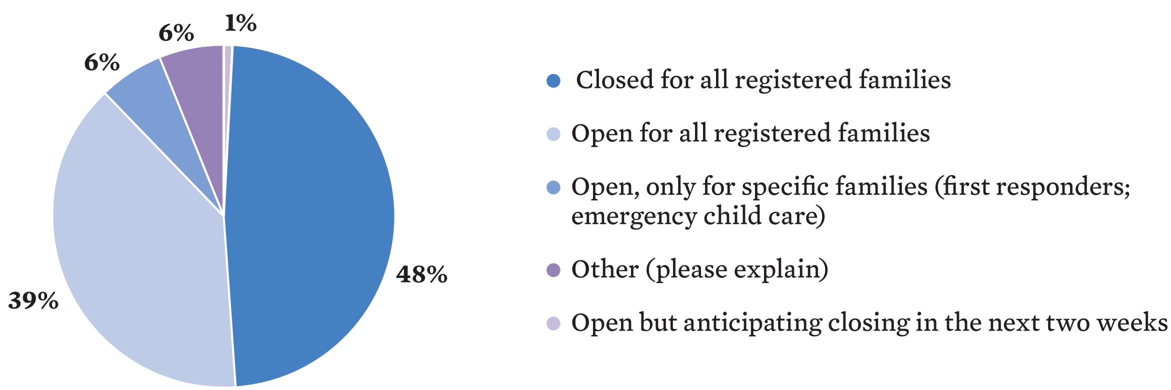
Seven respondents indicated they serve a high number of children from outside their county, with one of these noting they have several enrollees from North Carolina.

County of Center	Additional County or Counties Served
Dorchester County	Berkeley
Georgetown County	Williamsburg
Newberry County	Charleston County
Charleston County	Lancaster
Richland County	North Carolina/Mecklenburg
Georgetown County	Orangeburg
Charleston County	Richland
Spartanburg County	Richland
Newberry County	Union County

Financial Impact on Providers

Respondents were asked about their facility's operating status as of April 15. The most common status was "closed for all registered families" (48 percent); however, another 39 percent reported they were *open* for all registered families. Thus, with regard to closing vs. remaining open, there is no clear consensus among respondents by mid-April. Another 6 percent indicate they are only open for specific families such as emergency providers. Among those who report "other," two facilities report they were now open for registered families and to provide child care for essential employees; one provider reports they had been closed for a two-week window in mid-April but otherwise were operating; and another reports that they are currently closed but intending to reopen within 3 weeks largely to provide care for essential workers.

Operating Status (April 15, 2020)



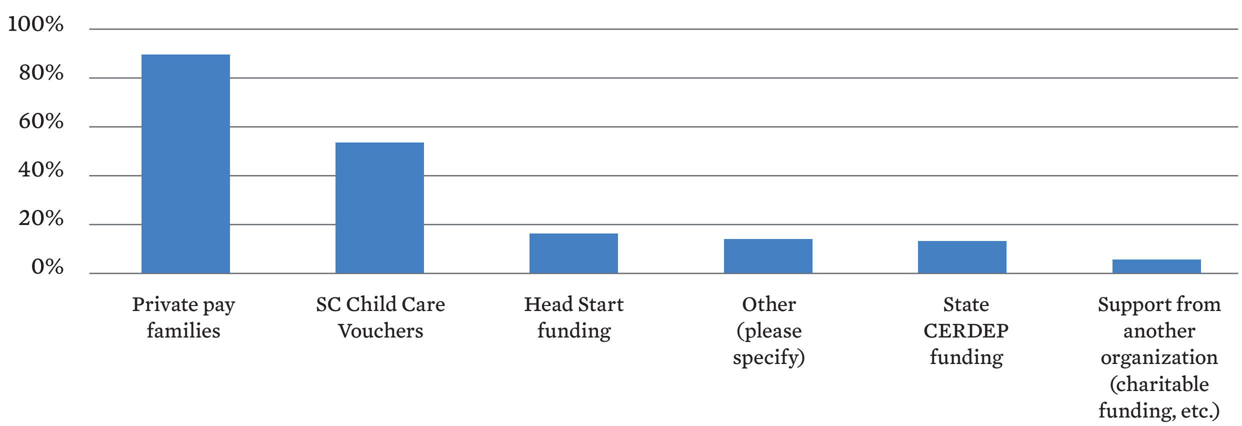
These closure rates are actually lower than those reported from other sources, suggesting our survey may have been accessed more readily by providers who are still operating. Information from a national survey by NAEYC reported about a 50 percent closure rate by early April;[15] the South Carolina Department of Social Services (DSS) previously stated from their own tracking that about 51 percent of centers are closed.[16]

Respondents who utilize SC Child Care Vouchers are more likely to be operating at this time than those who do not – 48 percent report they are still operating for all enrolled families and another 7 percent are available for special populations such as essential workers.

Funding Streams

Providers receive financial support from a number of streams, often blending and braiding from various sources. Under normal circumstances, this model can be an asset – while it requires significant bookkeeping from centers, it does mitigate the financial shock of a loss of any one particular stream. However, in the current widespread turmoil, the relative flow from each of these streams may be changing. The vast majority of respondents report receiving revenue from private pay families among their usual funding sources – 87 percent. Over half report the use of SC Child Care Vouchers, while use of state and federal early childhood specific streams were significantly less reported. Note that providers were asked simply to indicate their typical funding sources, and not the percent of revenue coming from each source. However, it is clear that centers rely heavily on private payment from families, a source which has been jeopardized through the sudden increase in unemployment and economic uncertainty in South Carolina.

Funding Streams (Select All)

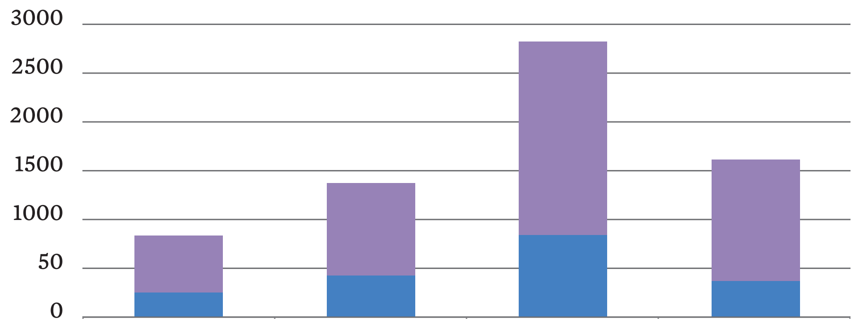


Among the "other responses," most cite other specific state, federal, or local funding streams, including 4K First Steps; Spartanburg Quality Counts; support from the local school district; Early Head Start; the Child and Adult Care Food Program (CACFP); Medicaid; and partial financial support from other entities (church, university, fundraisers, and donations).

Impacted Capacity

A provider's capacity and ages served are among the many factors impacting their financial situation at this time. Providers were asked to report their capacity for each of the age groups specified below as well as how many children are currently attending from each group. We specified that this meant children who are actively attending programming, not just those who are enrolled but are being kept home. Our respondents report a capacity to serve 6,666 children across infants, toddlers, preschoolers, and school-age children for afterschool care; however, only about 2,022 children across all ages were still attending, representing just a 30 percent attendance rate.

Capacity & Current Attendance



	Infants	Toddlers	Preschoolers	School Age
Not Attending	567	932	1930	1215
Currently Attending	272	461	875	414

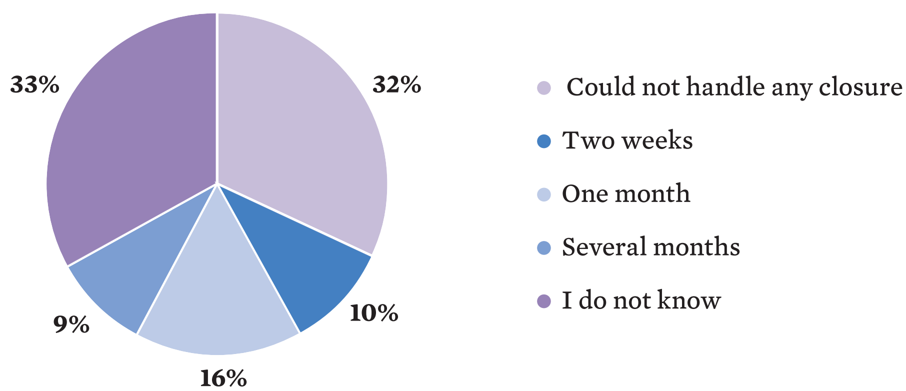
Attendance rates varied by age, with about one-third of infants, toddlers, and preschoolers still attending. Notably, 25 percent of school-age children were still attending programming in centers serving that age group. This may initially seem surprising considering that schools are currently closed. However, it likely speaks to the continued need among parents for some degree of care while they engage in employment. While many parents have opted to keep their young children at home even when care is available, there is no doubt that parents, especially those whose work is deemed essential by the state, continue to need care to meet their professional obligations.

Estimates from the Yale School of Medicine suggest that there could be as many as 117,590 children ages 0 to 5 in South Carolina living with at least one parent considered an "essential worker," suggesting that even during this crisis, a significant number of children require high-quality, safe care.[17] South Carolina DSS recently launched a voucher program for essential workers who need child care to work; the regular income requirement has been waived, though parents may be required to pay the difference between actual and contracted costs depending on the provider. DSS reports they received 1,900 applications for this program in the first day of its operation.[18] These vouchers may help to supplement some of the lost enrollment revenue many providers have reported; however, as our sampled providers alone are currently operating with approximately 4,600 fewer attendees than usual, additional measures would likely still be needed to offset the lost revenue.

Financial Impacts & Projections

Providers were asked how long their center could financially survive a closure – by which we mean, be closed for a specific amount of time and afford to be able to reopen, without additional government or philanthropic assistance. One-third of respondents report they could not financially weather a closure of *any* length. Another 10 percent could handle two weeks; 16 percent could handle one month. Notably, roughly one-third of respondents are unsure how long their facility can handle a closure. This may speak to the complex nature of funding streams and expenses in early childhood, as well as the fact that many small child care providers do not have access to accounting services which would allow them to accurately forecast sustainability.

How long could your center financially survive closure?



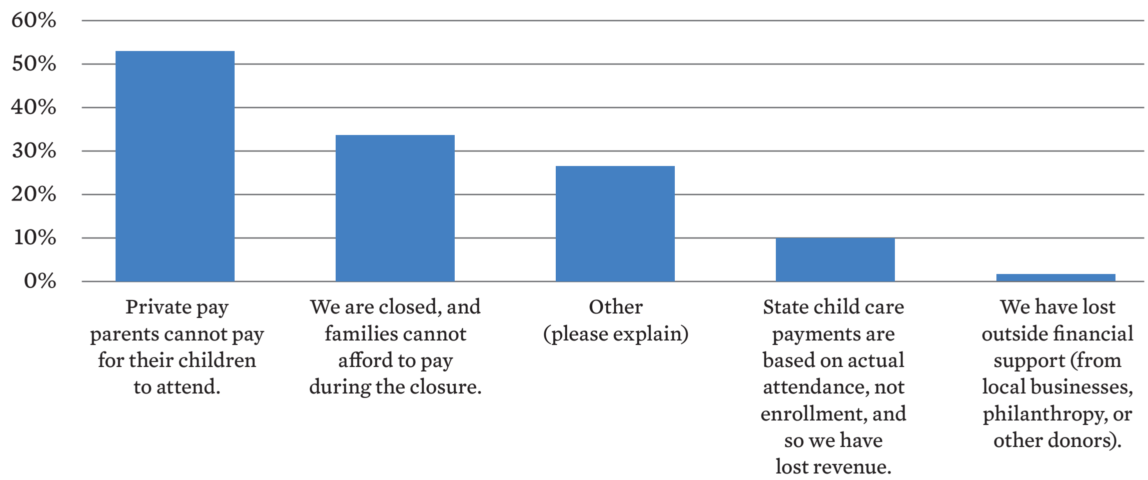
Among centers who report they are open for all registered families (whether those families chose to attend or not), 79 percent either reported that their facility either could not financially handle any closure or that they were not sure how long they could remain financially viable. This suggests that providers are making the decision regarding whether or not to continue operations during the pandemic based on long-term concern for their businesses' financial stability.

These findings can be considered in the context of a national survey from NAEYC which asked providers a similar question. In a survey conducted in March 2020, they found that 17 percent of providers nationwide would not survive a closure of any length, while 30 percent report they could not handle a closure two weeks or more. South Carolina has a *significantly* higher rate of providers reporting they cannot weather any length of closure, suggesting that South Carolina providers may be even more vulnerable than the nation sample to permanent closures.[19]

Among respondents who utilize child care vouchers, 35 percent report that their business could not handle being closed for any period of time, and another 26 percent do not know how long their business could survive. This is a higher rate of providers reporting that they could not handle any closure than among those who do not use vouchers (27 percent).

Providers may be facing challenges with both the revenue and expense side of the equation. Tuition is the largest revenue issue, as this is the revenue driver in child care centers. Fifty-three percent of respondents note that their private pay families cannot afford to pay tuition at this time, pointing to the impact of the larger economic crisis on families. Thirty-four percent report that their families cannot afford to pay tuition to "hold" their spot while the center is closed.

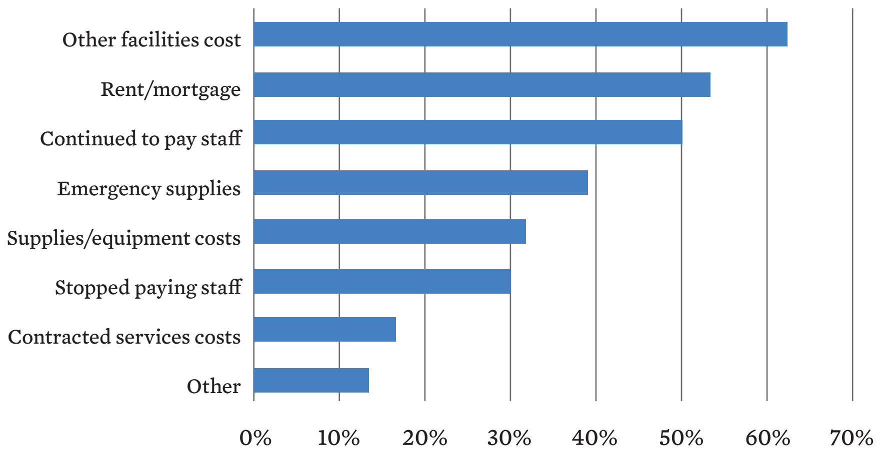
What has been the biggest change to your revenue structure as a result of this crisis?



Many centers cite the complex issues surrounding tuition at this time – they need revenue to continue to fund fixed costs like rent and facilities, whether they are operating or not, and yet many families are no longer in a financial position to pay. Among centers still operating, several note that the families they serve no longer need child care for their own employment needs and would prefer to cease payment and keep the children at home for isolation. One closed center reports that they have continued requiring payment (a not uncommon practice nationwide which holds spots for when centers reopen), but that very few families are able to pay in full while some make an attempt to make a partial payment each week. Other providers, both open and closed, report making available reduced rates to continue at least some degree of revenue flow, but note that this is still not an option for all families. One provider explains their current fee structure to try to meet the financial needs of their business and of the families: "Private pay parents are paying 50% tuition unless they have been furloughed and then they are paying 25% of tuition." Others have stopped collecting tuition altogether during closure. One closed center notes that they are spending down savings needed for capital improvements to cover their costs during this time.

Several providers indicate the importance of state and federal revenue streams which have continued to flow despite the pandemic. Two centers (both closed) note the role of Head Start funding, though they report different experiences, with one noting they are grateful the grants continue to be honored and another concerned they may lose this grant funding since they have closed. Another Head Start provider states their revenue has not been impacted, as they do not charge parents, and that their staff have found ways to continue engaging with families from home. One provider focuses on specialized therapeutic services for children, and notes that with their closure, they are no longer able to bill Medicaid.

While providers may be able to cut some costs related to closing or reducing enrollment, there are many fixed costs which continue. Providers could indicate all that apply:



While rent/mortgage is, as expected, a high concern for providers with 53 percent indicating this concern, 62 percent report other facilities costs, including HVAC, utilities, business insurance, and other costs. Payment of staff is also a widespread concern – 50 percent indicate they continue to pay staff during closure/reduced enrollment even with reduced revenue, while 30 percent report stopping payments to their staff as a result of these changes. Thirty-nine percent report the need for additional emergency supplies (protective equipment, cleaning supplies, etc.) as a concern for their revenue stream. This concern is dominant in the open-ended responses we received; see page 13 for examples.

In terms of staff payment, providers note the extreme steps they are often taking to continue pay. One director reports that both they and their staff members have taken reductions in pay to be able to continue paying all staff. One provider paid staff for two pay periods with reduced enrollment but notes that they cannot afford to continue payment once they close. In the previous question, one provider notes spending down their capital improvement fund to continue staff payments. Another provider reports having applied to the federal Paycheck Protection Program (PPP); they will only be able to continue salary payments if they receive this funding. The PPP came up several times in another question and is discussed more fully on page 15. Under "other" expenses, one provider notes that they have "contracted services that we are not obligated to pay, but we don't want them to lose their business while we are closed (since we are a big part of their business)."

Providers using SC Child Care Vouchers were slightly more likely to report they are concerned about facilities costs than were other providers – 63 percent are concerned about rent, and 68 percent are concerned about non-rent facilities costs (HVAC, insurance, etc.) Fifty percent report continuing to pay their staff, in line with the overall average. Providers with voucher families are also more concerned about supplies than other providers, both regular operating supplies (37 percent report they are concerned) and emergency supplies (46 percent report they are concerned).

Economic Losses

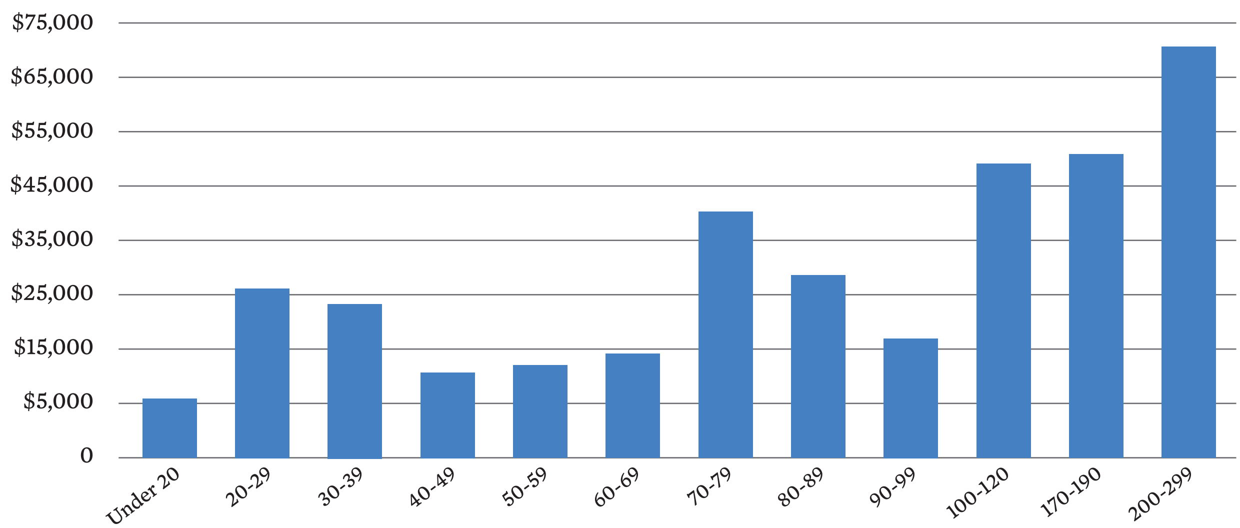
Providers were asked to quantify their financial losses since the beginning of the crisis through April 15, and to project losses from April 15 to May 15. These results were startling. First, only 59 percent of respondents are able to estimate the current impacts, which may indicate some financial management and bookkeeping challenges. Among those responding we received a huge range of responses.

- In terms of current losses, the sampled providers report a total of $1,277,919, for an average of **$22,033** per provider.
- In terms of projected losses over the next month, the sampled providers estimate $1,708,881 in total, for an average of **$31,070** per provider.

One provider did note that their losses were "not significant" at this time due to federal grant funds which they are still able to utilize.

There is no clear relationship between the size of a center's capacity in predicting their financial impacts based on this data. Generally, losses seem greatest for centers with capacities over 100 children, though among smaller centers, ranges 20-29 and 30-39 are both above the average. The black line in the graphic below approximates the average reported current loss of $22,033.

Average Losses by Center Capacity



* *No respondents to the survey had capacities from 121 to 169; from 191 to 199; or beyond 265. Because few respondents had over 100 slots, we have used a large scale to have more meaningful ranges.*

Providers using child care vouchers are more likely to be able to estimate the financial impacts their centers are currently experiencing – two-thirds of these respondents can report an estimate. Their current losses in the first month of the crisis were slightly lower than those of the overall sample, though still concerning at $18,606 on average, projected to increase to $18,721 in the next month. While these figures are significant barriers to long-term operation, it is notable that their losses do not increase at quite the same rate other locations have predicted. Locations that do not report voucher use estimate their current losses at $28,071 on average, projected to increase to $54,468 in the next month.

It is difficult to say whether these results are indicative of the experience of all providers, but they are certainly concerning. We estimate that, conservatively, two-thirds of providers are likely experiencing these average financial pressures, based on the percent of respondents who can offer an estimate in our survey. Weighting centers by their capacity per DSS, and applying these average losses by group size, we estimate that statewide providers have already lost $40 million in revenue in the first month of the crisis.

Additional Concerns

Providers were also asked to provide information on other challenges they are facing through an open-ended question to identify additional issues that were not captured in previous questions. Several major trends emerged, discussed here in order of the most mentioned concerns:

- availability of supplies, both specific to COVID-19 and for regular operations
- government relief, and lack of access to available resources
- staffing concerns related to pay, availability, and health and safety
- enrollment uncertainty
- cash flow
- mental toll and uncertainty
- gratitude

Availability of supplies: We received nearly 40 comments regarding the difficulties in securing materials for standard operation as well as special provisions needed to address the concerns of COVID-19 spread.

COVID-19 supplies: Many providers report difficulty in obtaining cleaning supplies needed for the full disinfecting of their centers to help reduce virus spread, beyond their usual cleaning needs. This includes Lysol, alcohol, bleach, alcohol, paper towels, and more. Providers are particularly concerned about accessing necessary Personal Protecting Equipment (PPE), items with which they have no previous experience in obtaining, including protective masks and gloves.

One provider reports "Right now my biggest issue is not being able to find and purchase much needed cleaning and disinfecting products. I've had to choose products that I feel are less effective unless I double up on the use of them and it works but I would feel better having more effective products for the safety of my children, parents, staff and myself. I have made time and ways to do extra cleaning when the children are not at daycare and more when they are here and the supplies would be of great help." Others note that they have had to find new ways to meet the increased cleaning needs of their center to face a highly contagious virus, including "purchase steam cleaners for doing carpets nightly" and "professional building cleaning and decontamination service." One provider notes that once reopened, they will "have to close early daily to completely sanitize the center," potentially impacting revenue. One provider reports that they were able to make a bulk purchase of Lysol and PPE in March, but with uncertainty over how long this crisis will last, they are concerned about how they will buy more when needed.

Less frequently mentioned items also included access to thermometers, rapid testing when those tests are available to be able to monitor the well-being of staff on an ongoing basis, and shoe covers.

Supplies for regular operations: Providers are not immune from the same supply chain issues that many American families have faced, and thus have found themselves unable to buy items they continue to need for regular operations: hand soap, hand sanitizer (for staff, not children), dish soap, toilet paper, and baby wipes.

Many centers provide meals and snacks on-site, and this has been a struggle based on the limitations many stores have set to avoid hoarding on items such as milk and produce. One provider who is still operating tells of a harrowing experience at the grocery store: "I was shopping and a man tried to attack me because he though[t] I was buying all the strawberries at ALDI. [I] just want to be here for my students and staff and to make our center a bright place in the day for everyone." One provider believes that meals at their center are all the more important as parents may be struggling at home: "We are worried about the kids. We serve children who don't have access to food and other necessary things."

One provider notes that these limits create the need to shop more frequently (counter to the goal of limiting outside exposure), but reports that they "don't have time to go to the grocery store everyday to get supplies due to limits."

Another provider who is still open notes that they have needed to incorporate flexibility into developing their menus, "as one cannot find the groceries needed." One closed provider explains that they anticipate needing to replace all food and supplies when they reopen, a significant expense. A provider did note that there has been some assistance to address this issue, explaining "[t]he state has offered a place to go get food and milk, but short notice and the closest place was Newberry County."

One provider notes that their fixed financial costs have stayed the same "except the grocery bill has declined, yet extra cleaning supplies have increased."

Opportunities: It is important to acknowledge the rapidly changing nature of this crisis, and of responses to the crisis in South Carolina. Most survey responses were received before Friday, April 24. During this same week, the state's Department of Social Services (DSS) opened a one-time grant opportunity for licensed and registered child care providers to address the needs around facility cleaning.[20] Grant amounts range from $300 to $600 based on facility type. According to the application, "[t]he purpose of this grant is to allow providers to clean and sanitize their child care facility which may allow them to reopen; or to continue to purchase additional cleaning supplies or services necessary to keep the center or child care home safe and sanitary." These grants may address some of the more urgent needs cited by respondents, though concerns will still remain regarding accessing cleaning supplies to purchase as well as ongoing needs for additional supplies. One respondent who submitted after this new grant opportunity opened reflects on how great their needs are: "More money to have things professionally cleaned...ABC offering $600, but it cost me $2000 and I would like to do it again."

Another respondent writes that they "just started receiving meals from our local schools, which has been a great assistance." Partnerships like these may be possible in other communities as well, either between local schools or non-profits focused on food access.

Government relief: Providers largely express awareness of various government mechanisms to assist small businesses and employees as a result of the crisis, but voice frustrations at the difficulty of navigating these systems.

A common problem is in obtaining relief from **federal Small Business Administration** efforts, particularly the Paycheck Protection Program (PPP) which is intended to support payroll for struggling small businesses and nonprofit organizations. The challenges the PPP experienced in its first round are well-documented, and providers report many of the most common frustrations. One notes "Federal and State Grant monies (CARE) are unavailable thru financial institution. We responded immediately with the impending need for payroll support and have been unable to receive confirmation or customer support from banking institutions." Several echo that despite applying for PPP, they have not received any communication back from their bank. Another notes that they have heard from colleagues about the knowledge barrier in quickly applying for these "first come, first served" funds which quickly disappeared: "Those who are closed are so stressed, and many were not able to jump on the PPP grant the government offered because they did not have a savvy business person to help them with it or the knowledge of how to do it themselves." Two providers highlight specific concerns for new businesses. One reports that because their center had only operated since late 2019, they did not have the supporting tax documentation necessary for the streamlined PPP application and thus could not apply. Another indicates that "We are subjected to many barriers we face, access to loans, legislative barriers for state funded pre-k and childcare subsidy payments because we are provisionally licensed. There needs adjustments due to the pandemic that allow state funds to support new childcare operators." One provider specifically mentions they also applied for the Economic Injury Disaster Loan (EIDL) and also had no follow-up communication. (Several providers use the terms "federal relief" and "SBA loans," which could apply to PPP, EIDL, or both.)

As providers find it necessary to lay off, furlough, or reduce pay for staff, many of their professionals are applying for **unemployment insurance (UI)**. Several respondents note that their providers have had a hard time confirming their eligibility for unemployment. Others face bureaucratic challenges, with one reporting "My employees are having issues with the unemployment website. They can't get a live person on the phone to apply for unemployment, therefore that service isn't beneficial to them." (Several providers whose staff *have* accessed unemployment benefits voice concern about bringing those staff back when they reopen with a lower pay rate than what UI provides – see the following section on staffing.)

Providers do not shy away from their frustrations with these safety-net systems, and about the lack of priority given to child care providers despite their crucial role to broader economic recovery. One shares "I understand the bigger small businesses are more of our country's money makers for the economy but without us to provide child daycares, those businesses would not have workers able to work because of not having childcare/daycares. Daycare workers are very essential for parents and businesses. I'm not sure we are recognized as that which makes us the last to be considered for any type grants, loans or assistance and to me that's unfair. We make it possible for businesses to make money by keeping their employees working and in my opinion that should be recognized and helped." While most feedback focuses on federal efforts, one respondent believes the state is not fulfilling its obligation to these businesses: "SC was awarded $63 million from [CARES Act] for childcare and feel that there should be increased opportunities for grant or loan programs to assist small schools. Other states are directly supplementing the childcare industries losses from COVID 19 by doing direct payments of a portion of these losses, SC should better support the small programs that work so hard to educate and care for young children."

Staffing concerns: Providers highlight a complex web of staffing issues which threaten their ability to safely serve families, either now or when they reopen; many of these are tied to structural issues across the sector related to tight margins and low pay which have been exacerbated by the economic crash COVID-19 has caused.

Several providers are concerned their **staff will not return upon reopening**. Some are concerned about staff finding other jobs while the center is closed, making them unable to return once the center reopens. Several comment that the current pay rate of unemployment insurance is higher than what they are able to pay staff, and express worries that staff will refuse to return to work. One provider explains "Teachers have discovered they can make more money by not working and claiming COVID fear. I pay my teachers $11.00-$15.00 per hour but I am still losing teachers to unemployment benefits." Early childhood has long experienced a high turnover rate related to its low compensation levels, which threatens program quality, and the crisis has further exacerbated this issue. One provider notes that they are already "unable to pay good quality teachers and the risk of losing them." Many of the staff members are themselves parents and will not be able to return to work until schools open again. One provider reports that when they reopen, they "need additional staff for temperature taking, walking children to the classrooms, etc. but we have less income to keep them."

Many respondents continue to at least partially **pay their staff while closed** but note the financial strain this is causing. One reports "...I worry about paying the staff and the payroll protection plans have not called us back." Another notes that they have paid their staff for four weeks without bringing in any revenue, resulting in a major impact on their financial health.

Respondents often report **worries about their staff's well-being**, both physically and economic. One fears that their own staff may fall ill and be unable to return to work: "I am concerned that when we will reopen I will not have enough healthy and able staff to follow ratios;" another expresses that despite their sanitation efforts, there are "still risks of the virus entering the center which is a great concern for the staff." Worrying about these financial choices, one provider notes "My staff are very dedicated and dependable and not being able to keep their weekly pay as before makes me feel sad for them because I know they need to be able to pay their bills also." Another notes that while they have maintained their largely part-time workforce, they are "not able to make ends meet because other part time work is closed and they can't live on just what we provide." One provider notes they will reopen in early May to keep from going under financially, but anticipate needing to cut staff hours and pay based on enrollment. Respondents take seriously the health trade-offs their staff make to work: “Many have families to take care of and other obligations but making very little money and risking their lives and putting the lives of their families in danger daily to care for those that need to come because they are essential has been difficult.”

Several providers report that this crisis is **stalling quality improvements** they had been working towards for some time. One notes that “[o]ur center was just getting to the point where we would be able to increase hourly wages for most employees who are on minimum wages (7.25 per/hour). That will now be impossible.” Another reports that “[d]eveloping and implementing an appropriate curriculum was the key to preparing our students…We have been working closely with Berkeley County First Steps and has accepted new strategies and idea from given consultants to enhance the structure and curriculum of our center. This has now stopped! Because of the poverty level of this community we would like to continue to serve students in a safe and caring environment.” One center does note that because of their operating relationship with the school district, staff are continuing to be paid, but expresses their hope that in the future “we can have some funds to reimburse the District for what they paid out.”

Health concerns for staff and families served are a high priority among respondents. Two providers note the very **direct impacts of the virus** on their operations. One reports “Our facility lost 6 employees in one week due to the health concerns of the virus. Although we have remained opened, we have cut costs to the bare minimum with only full time employees working their 40-hour week. We have two part time individuals that are substitutes in case of an emergency.” Another provider shares their heartbreaking experience: “Our owner and director (mother and daughter) experienced a death of a family member (spouse/father) due to COVID 19, which caused us to close immediately. We were unaware of how to help our staff understand unemployment while we dealt with a loss of a family member at the same time. We had a lot hit us at one time that we never could have prepared for or imagined.” With no clear end date for this pandemic, we must consider the realities that directors, staff, and families are all vulnerable to direct health impacts of this virus, and the range of physical, mental, and economic consequences that may bring.

Enrollment Uncertainty and Cash Flow: Providers share a similar number of concerns related to **uncertainty on enrollment figures** and **cash flow difficulties**, which are discussed in the same section here given that they are largely intertwined – because paid enrollment is the vast majority of revenue for child care providers, changes to enrollment affect all areas of the center’s operations.

Some providers report already experiencing the impacts of decreased enrollment. One provider notes “Its been hard to keep things running in the daycare with less than 10% of children. So I had to close my doors to the public for a few weeks and only have a small amount of children (Essential Workers only) in the building.” Others closed because they understood operating costs would exceed revenue when families stopped attending.

Providers are also concerned about how enrollment figures – and limitations created by safety precautions – will impact operations when they reopen. Providers note they are downsizing group sizes to ensure better distancing within the classrooms, which means lower revenue and likely staffing cuts. One provider raises concern about being “overly regulated by group sizes,” reporting “[w]e have kept our sizes very small but we cannot afford to continue to do this and pay our staff without the full enrollment.” Some are concerned about whether families will return in large enough numbers to cover operating costs when operations resume.

Some providers feel obligations related to the unique needs of the communities they serve. One notes that while most of their families are now either out of work or working from home, they intend to reopen the first week of May to serve the small number working outside of the home as they are "the only licensed DSS approved center within a 20 mile radius." Two providers note that their enrollment shifts seasonally anyway, as many families are employed by the school district and do not need summer care; they anticipate being able to safely reopen during the summer, during their lowest revenue season.

In terms of current cash flow, many centers identify the issue of private pay families who are not able to continue paying for enrollment based on their individual economic situations. Providers also note that many of their expenses are fixed costs, and thus due whether the center is operating or not. One provider reports that, even after stopping staff salaries, "I cannot afford to pay the insurance and utilities to remain in business. Luckily my landlord has suspended rent which is a blessing!" Another seconds the insurance issue, noting that their policy "does not pay for the business losses. We need insurance companies to cover these losses."

Mental toll and uncertainty: Providers reflect two major types of anxiety caused by the current crisis: fear of their business failing and fear of contributing to illness. Long-time child care providers say this panic is unprecedented. One reports, "Although I feel we may be able to hang on financially, we will definitely have to pull from our personal savings to do so. In 26 years of business, I can only relate this experience to our opening and slowly building the business;" another notes "I've been in the Child Care Industry for 30 years, this has been the worst & most fearful experience in this field." Another provider who has already lost $20,000 in revenue and projects the same next month shared "We are FAITH BASED, and we are running on FAITH @ the moment."

Other respondents express concern about they themselves, and their staff, being exposed, as well as "the possibilities of spreading the virus quicker as families go back to work and are around others." Providers understand that children are experiencing increased stress in their homes and hope to be able to mitigate the impacts: "This crisis has taken a toll on our families [who have] lost their jobs. Therefore they are stressed and have no tolerance for their children. The children are more stress and acting out. This behavior trickles to the teachers. We as providers are receiving stress from all areas (protection from the virus, parents, children, etc.) yet we are trying to be here to support in whatever we can." Another notes that even with remotely working with families, they expect regression during this time and worry about the increased risk of abuse and neglect for children. One provider identifies a concern specifically at the intersection of business and health concerns: "We want to know that regulations will be relaxed and we cannot be sued for a case of [COVID-19]."

Providers also report a sense of frustration and disappointment that is difficult to capture in quantitative data regarding how their businesses were perceived. One provider laments that the sector has not been recognized as being "essential," with another contending that "childcare should have been among the top business to receive funding because we are on the frontlines." Besides a toll on their business, it is clear that public perceptions surrounding of early childhood is causing respondents personal stress as well. One provider responding to the survey notes, "Being here and hearing that we ARE needed is so supportive but at the same time you hear from other derogatory comments about your business being open."

Gratitude: An unexpected minor trend in the qualitative responses is that of expressed gratitude. Two providers categorize themselves as "blessed" despite the hardships they report in the survey. Respondents identify a number of agencies for their positive support, including the Department of Health and Environmental Control (DHEC), DSS, the Governor's Office, and local First Steps agencies. One provider expresses that assistance in wading through this time is greatly appreciated: "Thank you to all the agencies that are working to keep us informed, giving us ideas and tips, answering questions and taking the time to show us you all care and are trying to help us as much as you can to get [through] this."

(methodology & survey instrument)

The Institute for Child Success (ICS) developed the survey content in collaboration with several South Carolina Stakeholders, and distributed the survey instrument between April 17, 2020 and April 27, 2020. ICS distributed the survey through a variety of email and social media networks. The survey was hosted online via survey monkey. A copy of the instrument is available here: https://bit.ly/ICSSurvey0420.

(acknowledgements)

ICS expresses our sincere gratitude to the child care providers who responded to this survey. Many of these providers are struggling with the most difficult financial situations their businesses have ever faced, while still feeling an obligation to serve their staff, their families, and their community during these unprecedented times. It is clear from the responses received that for many providers, this work is more than a job – it is a calling. We are grateful for all those who are working to meet the needs of their communities during this time and who are committed to safely providing these essential services when they may reopen.

ICS also thanks all advocates, researchers, and partners who helped review and distribute this survey to achieve a high response rate during a limited time period, particularly the South Carolina First Steps office; local First Steps agencies, particularly in Greenville and Spartanburg; the Tri-County Cradle to Career Partnership; the York County Early Learning Partnership; and Together SC.

(about ICS)

Launched in 2010, the Institute for Child Success (ICS) is a private, nonpartisan research and policy organization. ICS works to create a culture that facilitates and fosters the success of all children. ICS supports policymakers, service providers, government agencies, funders, and business leaders focused on early childhood development, healthcare, and education – all to coordinate, enhance, and improve those efforts for the maximum effect in the lives of young children (prenatal to age eight). Rather than being a direct service provider, the Institute's approach focuses on helping those who help young children succeed by working with stakeholders to seek holistic solutions to complex early childhood challenges.

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613 East McBee Avenue • Greenville, SC 29601
w: instituteforchildsuccess.org | p: 864.287.8063

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- Sharing knowledge, convening stakeholders, embracing solutions, and accelerating impact
- Advising governments, nonprofits, foundations, and other stakeholders on strategies to improve outcomes
- Modeling, encouraging and cultivating catalytic, innovative leadership in early childhood