

Congress of the United States
Washington, DC 20510

June 10, 2020

The Honorable Steve Mnuchin
Secretary
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

The Honorable Jovita Carranza
Administrator
Small Business Administration
409 3rd St. SW
Washington, DC 20416

Dear Secretary Mnuchin and Administrator Carranza:

We write to urge you to issue clear and timely guidance to child care providers and to the nation's banks administering the Paycheck Protection Program (PPP) to ensure that child care small businesses can access benefits available under the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) and the *Paycheck Protection Program and Health Care Enhancement Act*.¹ Child care providers are the backbones of their communities and have been deeply impacted by this public health crisis. We have heard from child care providers in our states that they are facing significant obstacles to accessing the small business benefits created by the CARES Act, and we are deeply concerned that without additional support and guidance, many child care programs will face permanent closures. A survey conducted last month by the National Association for the Education of Young Children (NAEYC) estimated that only a quarter of child care programs have received PPP loans thus far.² We urge you to issue child care-specific guidance to providers and banks, and to partner with networks of providers and relevant state agencies to improve child care providers' access to crucial small business supports, and to do so quickly, while PPP funds are still available.

The coronavirus pandemic has highlighted the exceptionally important role that child care providers play in keeping children safe and promoting their healthy development while their parents work. It has also underlined the precarious financial situation that child care small businesses face. Between the high cost of offering quality care and the limited availability of subsidies, many providers operate with extremely thin margins; a study conducted in March

¹ H.R. 748, Coronavirus Aid, Relief, and Economic Security Act, <https://www.congress.gov/116/bills/hr748/BILLS-116hr748enr.pdf>; *Paycheck Protection Program and Health Care Enhancement Act*, <https://www.congress.gov/116/bills/hr266/BILLS-116hr266eas.pdf>.

² National Association for the Education of Young Children, "Child Care & the Paycheck Protection Program," May 12, 2020, https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/child_care_and_the_paycheck_protection_program.pdf.

2020 found that 30% of providers would not be able to survive a closure of more than two weeks.³ Child care providers are disproportionately women and people of color,⁴ which also makes the economic impact of this crisis a matter of equity.

Congress created the PPP, Economic Injury Disaster Loans (EIDL) Emergency Grants, and the other small business supports in the CARES Act for the purpose of keeping small businesses like child care programs afloat and ensuring those employers continue paying their workers as the coronavirus pandemic causes widespread curtailments of business.

Child care providers, however, face uniquely significant obstacles to obtaining these funds. Many child care programs, especially family child care providers, are sole proprietors that may not have formal business relationships with banks. Many banks are only accepting applications from their existing customers,⁵ and some banks are limiting eligibility to their business clients, which may exclude child care providers who operate under personal accounts.⁶ Reports indicate that some banks are favoring their largest clients that borrow the biggest loans, likely leaving child care providers out.⁷ In addition, some banks are requiring applicants to have Employer Identification Numbers (EINs) or to be registered with their state department of commerce, which are not steps that are required by many state child care licensing policies.⁸ Family child care providers are experiencing high rates of denials in their PPP applications; the NAEYC survey found that only 27% of family child care homes were approved for PPP loans, even among those who were already clients of their bank.⁹

Providers have also expressed to us that they are reluctant to take on loans, knowing that they already operate with extremely thin margins under normal circumstances. The NAEYC survey found that only 53% of child care centers, and 25% of family child care providers, had even applied for the program, with 69% of respondents saying that they either did not want loans or were worried about having to pay back the debt.¹⁰ More clarification is needed about the terms and documentation required for loan forgiveness to allow providers to make informed decisions about whether they will qualify.

³ National Association for the Education of Young Children, “Child Care in Crisis: Understanding the Effects of the Coronavirus Pandemic,” March 17, 2020, https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/effects_of_coronavirus_on_child_care.final.pdf.

⁴ Center for the Study of Child Care Employment, “Racial Wage Gaps in Early Education Employment,” Lea J.E. Austin, Bethany Edwards, Raul Chavez, and Marcy Whitebook, December 19, 2019, <https://cscce.berkeley.edu/racial-wage-gaps-in-early-education-employment/>.

⁵ Workest, “The List of PPP Application Status Among the Top 100 SBA Lenders,” Jesse Noyes, April 15, 2020, https://www.zenefits.com/workest/the-list-of-ppp-application-status-among-the-top-100-sba-lenders/?fbclid=IwAR1ak_VBWnAzxdsv_P2ly13Z7c5iwcKzDnjTFNC2LY5SVFTxyvMbPp-qBvo.

⁶ Tom Copeland, CED, and All Our Kin, “Family Child Care Home Provider Challenges with SBA Relief Assistance in the CARES Act,” [on file with the Office of Senator Elizabeth Warren.]

⁷ CBS News, “Biggest banks ‘prioritized’ larger clients for small business loans, lawsuits claim,” Stephen Gandel, April 20, 2020, <https://www.cbsnews.com/news/paycheck-protection-program-big-banks-loans-larger-clients-over-smaller-businesses/>.

⁸ Tom Copeland, CED, and All Our Kin, “Family Child Care Home Provider Challenges with SBA Relief Assistance in the CARES Act,” [on file with the Office of Senator Elizabeth Warren.]

⁹ National Association for the Education of Young Children, “Child Care & the Paycheck Protection Program,” May 12, 2020, https://www.naeyc.org/sites/default/files/globally-shared/downloads/PDFs/our-work/public-policy-advocacy/child_care_and_the_paycheck_protection_program.pdf.

¹⁰ *Id.*

The Small Business Administration (SBA) has a responsibility to work with banks, credit unions, and other partners to help child care businesses access all available small business funds and maximize their likelihood of receiving loan forgiveness, in order to ensure that child care providers survive this crisis and are ready to support families when the economy begins to reopen. SBA should also issue guidance that supports businesses serving essential workers, including child care, in recognition of the importance of these services and the strain these businesses are facing. Additionally, we encourage SBA to partner with networks of child care providers, state departments of early education, and Child Care Resource & Referral agencies to disseminate information and gather ongoing feedback from the field. These established networks have mobilized to provide technical assistance to child care providers, and they deserve support and partnership from the SBA in their efforts.

Even before the coronavirus pandemic began, the United States already faced a shortage of affordable, high-quality child care providers.¹¹ Between 2011 and 2017, more than 54,000 licensed family child care homes closed, and there was a 35% decline in family child care providers with one employee.¹² Even before this crisis, more than half of all Americans lived in “child care deserts” – neighborhoods without a sufficient supply of licensed care.¹³ Without significant support, the coronavirus pandemic could result in these small businesses closing permanently, exacerbating the already urgent problem of limited access to care.

To better understand how the SBA is supporting child care providers during this unprecedented crisis, we request answers to the following questions by June 24, 2020:

1. How many PPP loans or other emergency grants or loans have been provided to child care providers thus far?
 - a. How many of these were provided to programs with fewer than 50 employees?
 - b. How many were provided to programs with fewer than 5 employees?
2. Does SBA have data on the percentage of PPP loans that have been provided to women and people of color? If so, will this data be publicly released? If not, how is SBA ensuring the equitable implementation of the PPP program?
3. What steps has SBA taken thus far to improve the accessibility of PPP and other programs to sole proprietors such as family child care providers?
4. What steps has SBA taken thus far to prioritize businesses serving essential workers in the PPP application process?

¹¹ Center for American Progress, “The Child Care Crisis is Keeping Women Out of the Workforce,” Leila Schochet, March 28, 2019, <https://www.americanprogress.org/issues/early-childhood/reports/2019/03/28/467488/child-care-crisis-keeping-women-workforce/>.

¹² National Center on Early Childhood Quality Assurance, “Addressing the Decreasing Number of Family Child Care Providers in the United States,” July 2019, <https://www.researchconnections.org/childcare/resources/37075/pdf>.

¹³ Center for American Progress, “America’s Child Care Deserts in 2018,” Rasheed Malik, Katie Hamm, Leila Schochet, Cristina Novoa, Simon Workman, and Steven Jessen-Howard, December 6, 2018, <https://www.americanprogress.org/issues/early-childhood/reports/2018/12/06/461643/americas-child-care-deserts-2018/>.

5. The Paycheck Protection Program under section 1102 of the CARES Act provides a waiver of affiliation rules for businesses classified as NAICS Code 72. These businesses are also permitted to calculate the number of employees based on each physical location, as opposed to the aggregate number of employees working for the entity as a whole. Have you considered providing child care providers similar relief by waiving certain affiliation rules and calculating employees on a center-by-center basis?
6. Please describe communication provided to networks of child care providers, state departments of early education, and Child Care Resource & Referral agencies thus far on navigating and accessing small business programs created in the CARES Act and subsequent legislation.
7. Please describe guidance issued to banks on how they are expected to equitably accommodate customers who do not have established business relationships with their institution.

Thank you for your consideration of this important matter.

Sincerely,

Elizabeth Warren
United States Senator

Tina Smith
United States Senator

Jacky Rosen
United States Senator

Robert P. Casey, Jr.
United States Senator

Katherine Clark
Member of Congress