

JUNE 2020



CARING DURING COVID

THE IMPACT OF
THE PANDEMIC ON
MARYLAND CHILD
CARE PROVIDERS



MARYLAND
FAMILY
NETWORK



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INTRODUCTION



The COVID-19 pandemic has had wide-ranging and devastating impacts on Maryland’s families and economy. Dr. Karen Salmon, State Superintendent of Schools, directed that effective Monday, March 16, 2020 all public schools in Maryland would close. At that time plans regarding child care services were still under review by the Maryland State Department of Education (MSDE) to “ensure that the children of emergency services personnel (particularly those working in healthcare facilities) have access to child care throughout the prolonged period of school closure.”

Just two days later, Governor Larry Hogan enacted an emergency order to expand child care access for critical personnel during the state of emergency. The goal was to help ensure that child care services were available for providers of health care, emergency medical services, and law enforcement personnel while schools are closed. At that time Superintendent Salmon issued

enhanced guidelines for child care programs to follow to prevent the spread of COVID-19.

On March 27 the Governor ordered all child care programs in the state temporarily closed, with the provision that beginning March 30 programs could apply to reopen and care for children of essential personnel. The goal was to ensure that the children of the State’s essential workers remain in licensed child care programs that support healthy and safe development.

What was established became known as the Essential Personnel Child Care (EPCG) and Essential Personnel School Age (EPSA) programs. These programs were mandated to follow enhanced health and safety protocols, including lower group size requirements.¹ Between May 5 to May 15, 2020 Maryland Family Network (MFN) decided to conduct

1 For EPCG & EPSA programs no group of individuals should exceed 10. This included both children and adults. For child care homes this included residents of the home.

a survey of child care providers in Maryland to find out how they were being impacted by COVID-19. By May 8, Child Care Appreciation Day, 3,778 child care providers were providing care for 24,860 children across the State.²

Most child care programs operate on razor thin profit margins, which is likely to leave them particularly vulnerable when a an economic downturn hits

Previous research conducted by MFN has shown that child care closures will have a significant negative impact on Maryland's economy. Even before the current public health crisis, a prior report by MFN had shown that employee absence and turnover due to child care issues cost Maryland employers \$2.41 billion in 2016. Maryland's economy lost \$117 million in forgone tax revenue that same year due to missed work because of

inadequate child care.³ Compounding these challenges, national research consistently shows that most child care programs operate on razor thin profit margins, which is likely to leave them particularly vulnerable when a an economic downturn hits.⁴ Given both the importance of the child care sector to the overall economy and its frequently precarious financial state, it is critical to understand the impact that COVID-19 is having on the early childhood sector and the kinds of supports providers will need in order to stay in business and play their indispensable role in Maryland's economic recovery.

MFN conducted a survey of child care providers in Maryland from May 5 to May 15, 2020. The survey asked child care providers what impact COVID-19 is having on their program, including financial losses and closure decisions, and what supports are needed to help providers respond to the public health crisis. The survey was distributed by MFN to our database of regulated providers, Maryland's Network of Child Care Resource Centers, Maryland State Department of Education, and the state's child care associations. We posted the link to the survey on our social media outlets. We received a significant response rate representing 41.6% of all regulated sites in Maryland.

² No further official counts have been conducted by the State at the time of publication.

³ Maryland Family Network's *Counting Our Losses: The Hidden Cost to Marylanders of an Inadequate Child Care System* (2017) Retrieved online at: https://www.marylandfamilynetwork.org/sites/default/files/2020-06/MarylandFamilyNetwork_Countingourlosses_FullReport_Hyperlinked_Singles%20%281%29.pdf

⁴ Center for American Progress. (2018). *Where Does Your Child Care Dollar Go?* Retrieved online at: <https://www.americanprogress.org/issues/early-childhood/reports/2018/02/14/446330/child-care-dollar-go/>

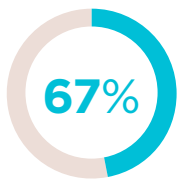


SURVEY FINDINGS

Results from the survey show the troubling impacts and difficult decisions facing child care providers in Maryland during the COVID-19 pandemic. Most notably, due to COVID-19:

A Majority of Child Care Providers Reported Losing Revenue.

Sixty-seven percent of child care providers who responded to the survey experienced a loss in revenue, with collective losses due to COVID-19 totaling more than \$51 million as of May 15, 2020.



Child care providers who experienced a loss in revenue due to COVID-19

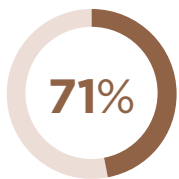
Center based programs average monthly revenue loss

\$56,400

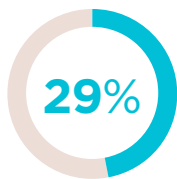
Family child care programs average monthly revenue loss

\$4,154

If their business had to close for a period of time due to COVID-19, nearly three-fourths of providers indicated they would need financial supports to reopen or to sustain their business.

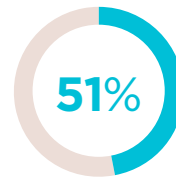


Need grants for fixed costs



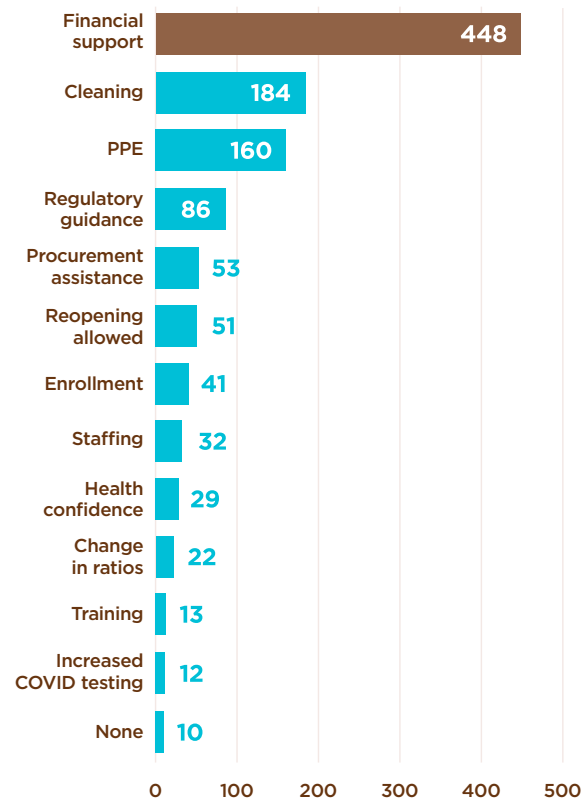
Need grants for reopening costs

Over half of child care providers reported that an extended closure will force them to close permanently.



Child care providers believed they would have to close permanently if they were to remain closed for an extended period.

What supports would you need in order to reopen your business/program?



FUTURE CONSIDERATIONS

Extensive research conducted over decades has conclusively demonstrated the economic, social-emotional, and intellectual benefits of high-quality child care—to children, families, and society as a whole. As survey data indicate, the child care sector, which already operates on thin financial margins, is experiencing serious, negative impacts from COVID-19.

Parents are important workers in any economy—in Maryland, 36.6% of workers age 18-64 are parents of children age 18 and under and 21.6% of all workers are parents of children age 5 and under. If the child care infrastructure has been weakened when parents are ready to return to work, our economy will not recover and many children will lack the critical benefits of quality early education; others will suffer when their parents are forced to choose unsafe care options. Access to quality child care must be central to the State’s recovery plan.

Additionally, we must recognize that even before the pandemic, early care and education opportunities were unequal, unaffordable, and inaccessible for too many families. And child care programs struggle with low wages, high costs, and the financial burdens of providing an essential public good in a private market. Returning to “normal” is not our goal—building better child care for children, families, and providers is.

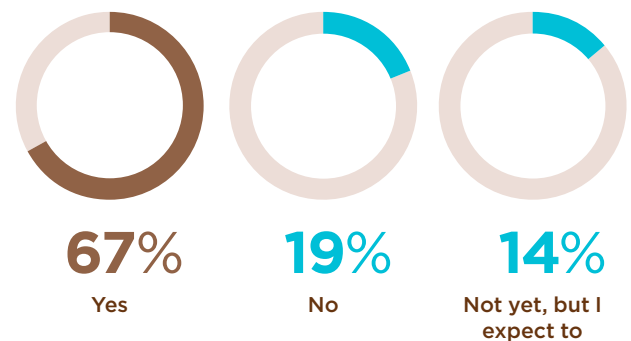
Returning to “normal” is not our goal—building better child care for children, families, and providers is.

Majority of Child Care Providers Reported Losing Revenue Due to COVID-19

Over two-thirds of responding child care providers in Maryland reported COVID-19 has impacted their program or business in some way. Specifically, 67% were experiencing loss of revenue. Another 14% said they were not yet experiencing a financial impact but expected to in the future.

FIGURE 1

Are you experiencing any financial loss due to the COVID-19/Coronavirus outbreak?

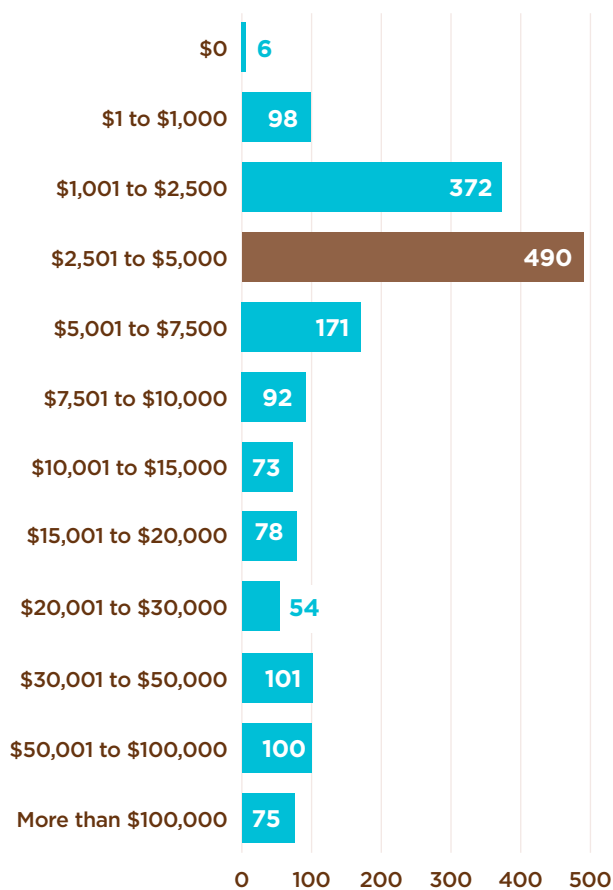


Financial Impact of Closure to Providers Is Significant

The estimated impact of closures and reduced enrollment due to COVID-19 totals more than \$51 million as of May 15, 2020. Center-based programs report losing an average of \$56,400 per month while family child care programs say they are losing more than \$4,000.

FIGURE 2

If yes, what is your best estimate of your weekly financial loss?

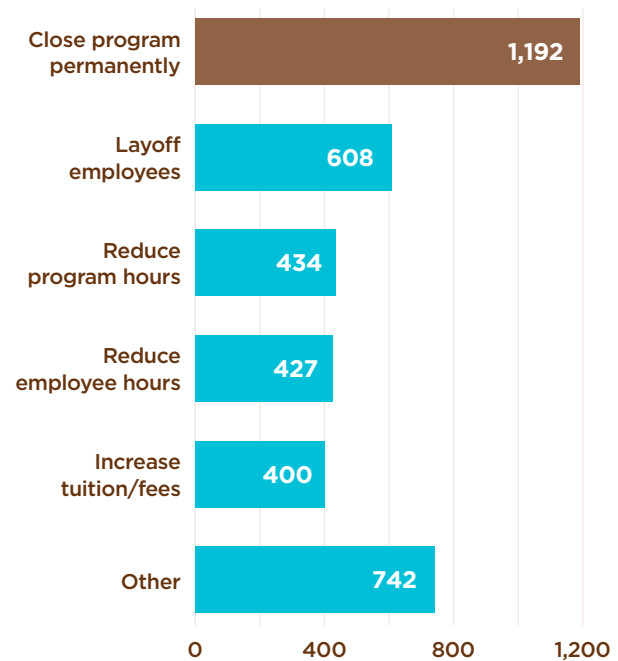


Over Half of Child Care Providers Say Their Business May Close Permanently as a Result of COVID-19

Just over half, 51%, of child care providers believed they would have to close permanently if they were to remain closed for an extended period. Twenty-six percent also believe they will have to lay off employees due to the pandemic.

FIGURE 3

What will happen to your business/program if families keep children home for extended periods or if your business/program is closed for an extended period of time? (Check all that apply)



Provider Expenses Don't Necessarily Stop When Their Business is Closed and Most Workers Are Not Being Paid

While their business may be closed, providers say the expenses continue, with rent (54%), employee wages (24%), and supplies (12%) topping the list. Nearly half, 47%, say they are not paying employees during closure while 24% say they continue to meet payroll.

FIGURE 4A

What was the single largest expense for your business/program in April 2020?

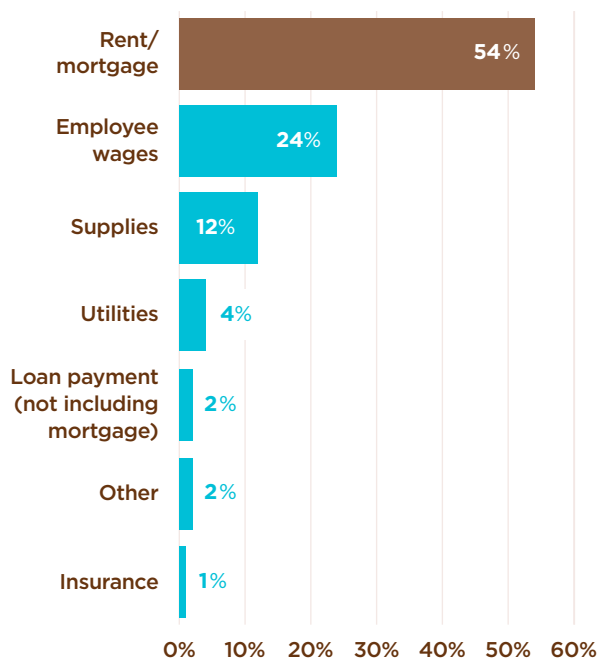
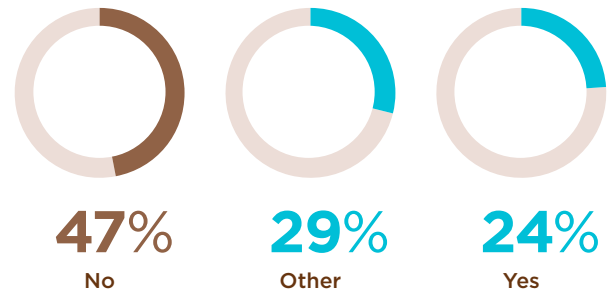


FIGURE 4B

Are you continuing to pay employees who would otherwise be laid off due to closure or reduced group size?

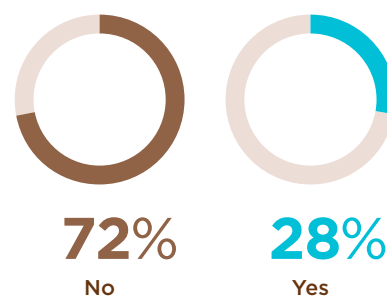


Child Care Employees Are Not Applying for Unemployment Insurance Benefits

According to respondents, the vast majority of child care workers in Maryland are not applying for unemployment benefits while their workplace is closed. Only 28% of respondents indicated their employees have applied for unemployment.

FIGURE 5

If you are closed or with reduced staffing, are your employees applying for unemployment insurance benefits?



Likewise, Most Business Owners Are Not Applying for Government Aid

Only about a third (32%) of programs said they have applied or would apply for the SBA Paycheck Protection Program. All other provider types were more likely than family child care providers to have applied for or planned to apply for the SBA Paycheck Protection Program. Specifically, providers enrolling more than 25 children were more likely to have applied for or planned to apply for the SBA Paycheck Protection Program.

Just 24% have applied or would apply for the SBA Economic Injury Disaster Loan. School age child care programs, large family child care homes, and child care centers were most likely to have applied for or planned to apply for the SBA Economic Injury Disaster Loan. Providers enrolling more than 8 children were somewhat more likely to have applied for or planned to apply for the SBA Economic Injury Disaster Loan.

Only 20% of family child care providers who responded applied for unemployment insurance made available as a result of the CARES Act.



FIGURE 6A

Have you or will you apply for the SBA Paycheck Protection Program?

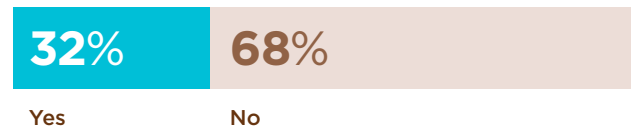


FIGURE 6B

Have you or will you apply for the SBA Economic Injury Disaster Loan?

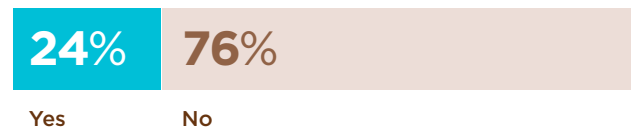


FIGURE 6C

If you are a family child care provider, did you apply for unemployment insurance (as a result of the CARES Act)?



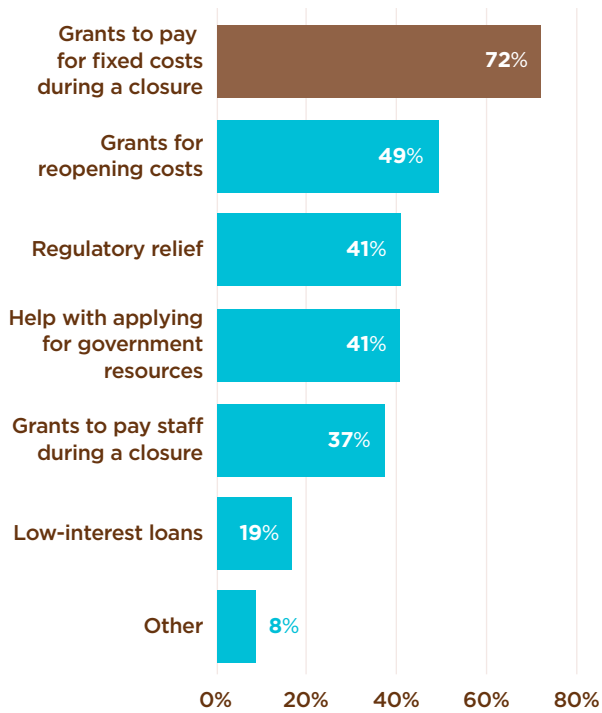
Financial Supports Are Essential to Remaining Open

If their business had to close for a period of time due to COVID-19, nearly three-fourths of providers indicated they would need financial supports to reopen or to sustain their business.

Seventy-two percent of respondents said they would need grants to pay for fixed costs like rent, supplies, and salaries if their program closed. Forty-nine percent said they would need grants for reopening costs.

FIGURE 7

If your business had to close for a period of time (or has already closed) due to COVID-19/Coronavirus, what kinds of support might your business/program need? Please check all that apply.



Most Programs Are Open and Caring for Children of Essential Personnel

Over two-thirds, 68%, of respondents were open at the time of the survey to care for the children of essential personnel or workers of recently reopened businesses. These programs faced several challenges at the time of the survey. For example, 78% of these sites were operating at reduced capacity. Sixty-seven percent said the cost of cleaning supplies had gone up and the same percentage reported difficulty in even obtaining needed supplies, including cleaning supplies and personal protective equipment.

FIGURE 8A

Is your program currently open or closed?

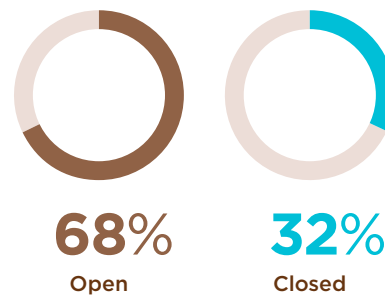


FIGURE 8B

If your program has become an EPCG site, has your program changed in any of the following ways? Please check all that apply.

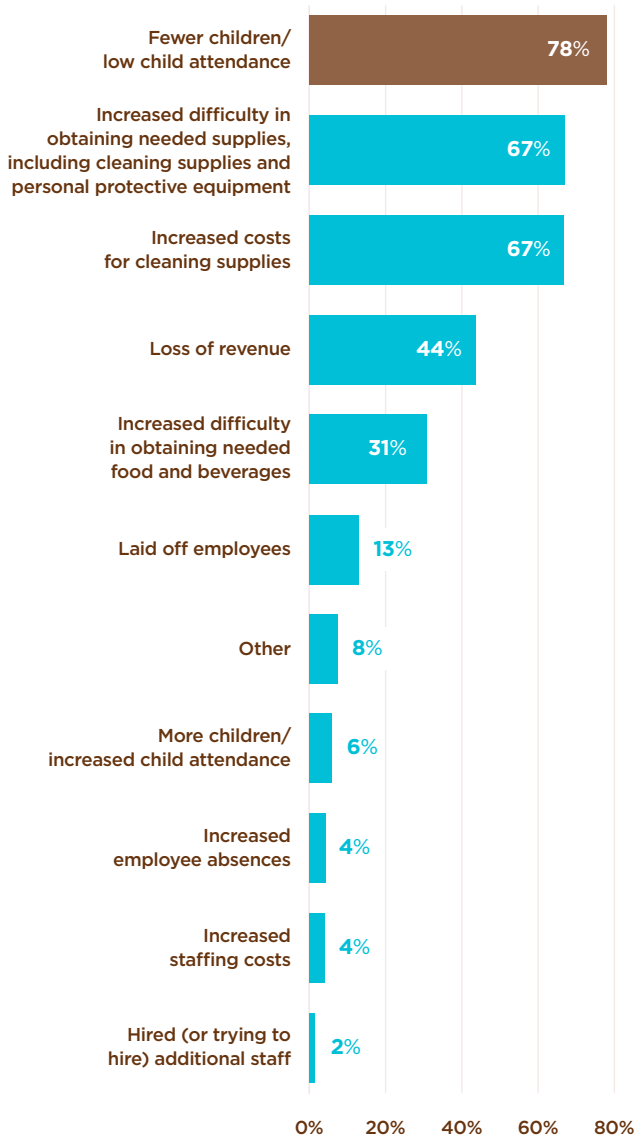


FIGURE 8C

Average April Enrollment as % of Average January 2020 Enrollment.

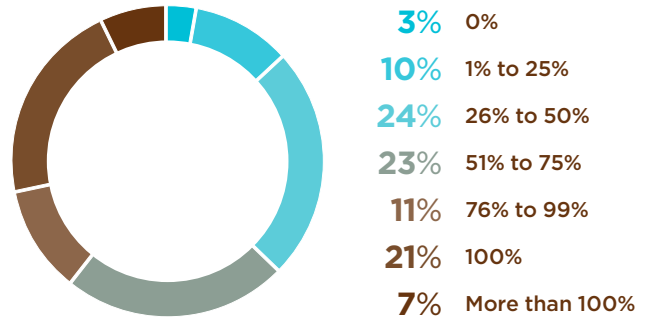
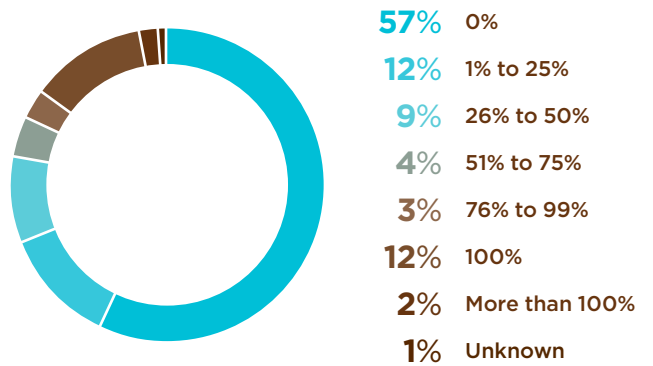


FIGURE 8D

How many children enrolled at your business/ program last week (April 27 - May 1) are enrolled in the Child Care Scholarship/Subsidy/ Voucher Program?

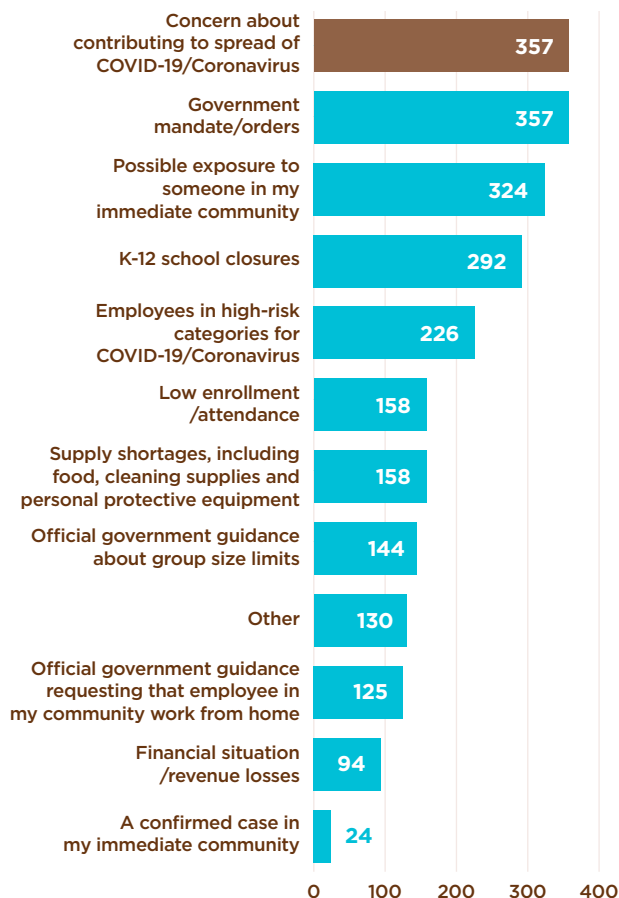


Many Programs Opted to Stay Closed

For those programs that chose not to become an EPGC or EPSA sites, providers said there were three main reasons for not opening. Forty-seven percent said they did not want to spread the virus. The same number cited government mandates/orders as the reason. Slightly fewer, 43%, cited the risk of exposure as a reason.

FIGURE 9

If you did not become an EPGC or EPSA site, what circumstances influenced your decision to close your business/program due to COVID-19/Coronavirus? Please check all that apply.



Some Programs Reopened and Then Closed

About a third of programs, 34%, cited government mandates/orders as a reason for why they reopened to be an EPGC or EPSA site but then opted to close again. Programs also selected low enrollment (31%), fears of spreading the virus (29%) or being exposed to the virus (27%), and financial concerns (20%) as the top reasons for closing their business again.

To once again reopen their programs, 71% of providers said they would need financial supports. Statewide, providers estimate they would need a little over \$20,428,000 to reopen. The money would be spent in a variety of ways but supplies (52%), wages (45%), and rent (39%) were the top three expenses selected.



FIGURE 10A

If you were an EPCG or EPSA site and you subsequently closed your program, what circumstances influenced that decision? Please check all that apply.

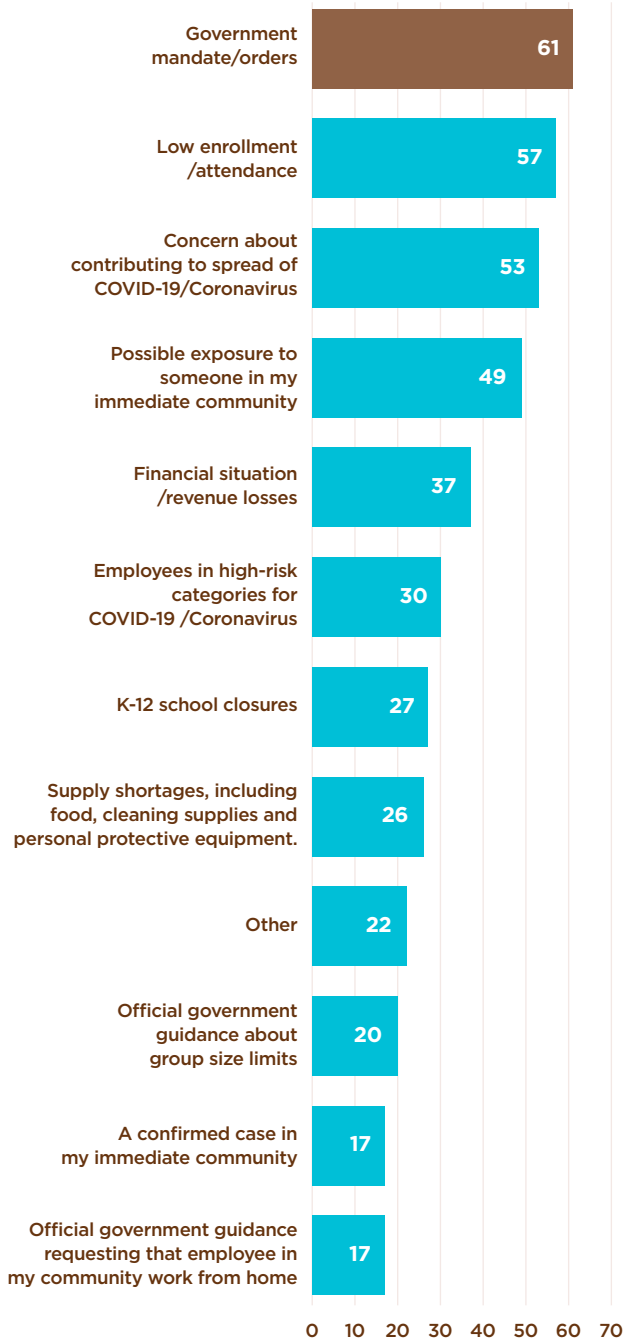


FIGURE 10B

What supports would you need in order to reopen your business/program? If you need financial support, please include an estimate for the amount you might need and what would it fund?

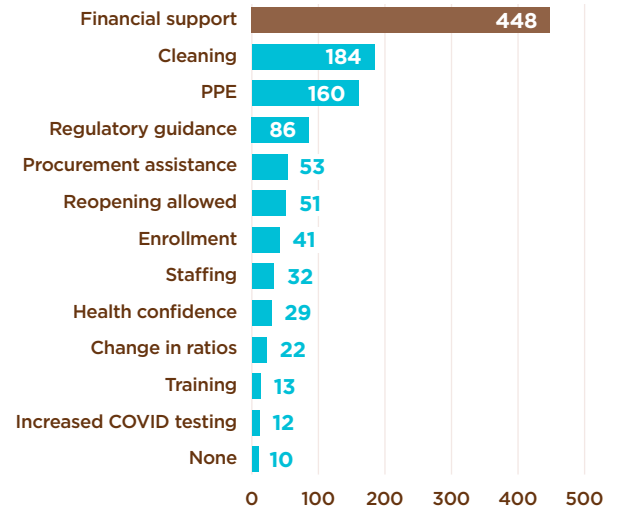
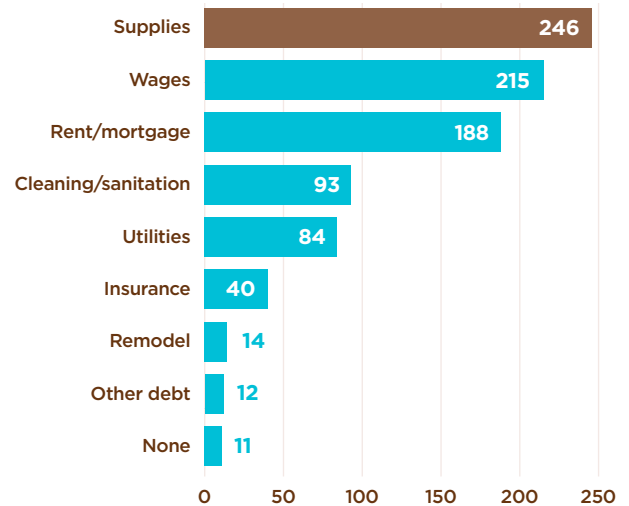


FIGURE 10C

For what would financial support be used?



EPCC Programs Opted to Remain Open for Financial Reasons

For EPCC programs who remained open, most said they did so mostly (94%) because they were caring for children of parents who are essential personnel. Sixty percent of respondents also said it was to maintain cash flow for their child care business. These businesses had to reduce their enrollment (56%) and limit access to outside activities (47%).

FIGURE 11A

What factors influenced your decision to keep your business/program open as an EPCC site? (Please check all that apply.)

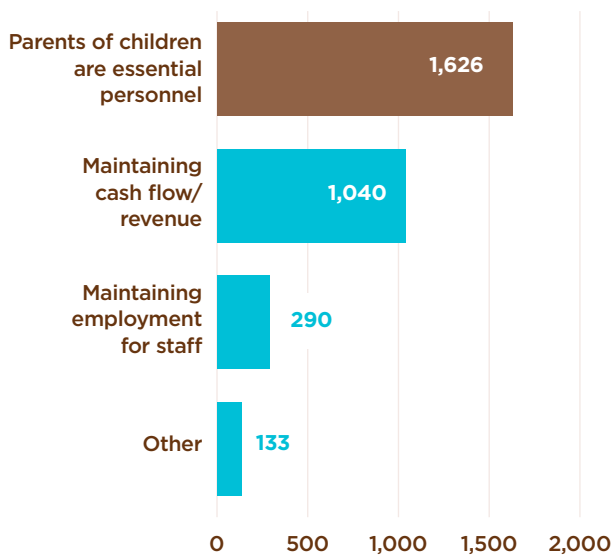
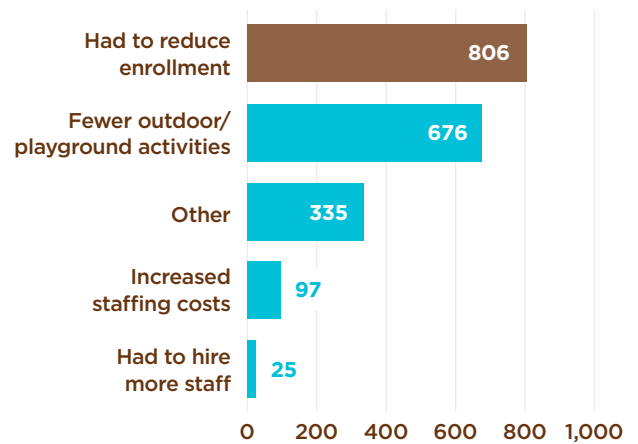


FIGURE 11B

How have the revised group size limits impacted your business/program? Please check all that apply.

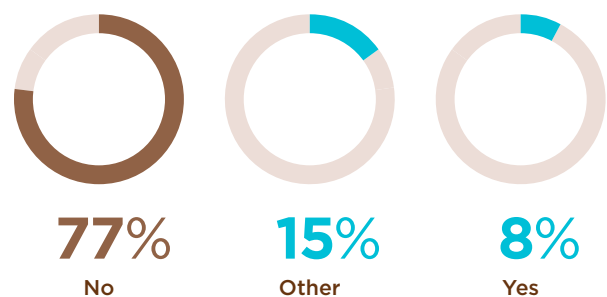


Most Programs Are Not Charging Families During Closure

Over three-fourths of programs (77%) are not charging families tuition for children that are not attending while their program is closed.

FIGURE 12

Are you continuing to charge families tuition for children that are not attending while your business/program is closed?



SURVEY METHODOLOGY



For this report, MFN developed and administered the survey online through Survey Monkey from May 5 to May 15, 2020. The survey was shared by MFN with our database of regulated providers, Maryland’s Network of Child Care Resource Centers, Maryland State Department of Education, and the state’s child care associations. We posted the link to the survey on our social media outlets. The survey was also included on a dedicated landing page on marylandfamilynetwork.org.

Prospective respondents included any licensed child care provider in Maryland. State-wide there are a total of 2,768 child care centers and 5,360 family child care providers. 2,801 providers representing 3,380 locations responded to the survey, answering some or all of the questions. Sixty-nine percent of respondents were family child care businesses, 20% were child care centers, and the rest were made up of large family child care, letter of compliance, nursery schools, pre-K, and

school age only programs. On average the programs surveyed employed 4.9 full-time employees and 3.3 part-time workers. Ninety-four percent of respondents operate only one child care location. Seventy-two percent were independent for profit businesses, 12% were non-profits, and the rest were part of a school, Head Start, or larger organization, or church/faith community sponsored. The majority of the EPCC and EPSA sites surveyed, 57%, did not have children who were enrolled in the Maryland Child Care Scholarship Program.

For questions where some survey respondents did not provide an answer, the included results percentages reflect calculations based only on the number of survey respondents providing an answer to the question. For example, if only 100 survey respondents answered a question, the results would reflect what percentage of those 100 respondents selected each answer.



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