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CHILDCARE AND OTHER POLICY TOOLS TO COMBAT BOTTLENECKS AND INFLATION

HEARING

BEFORE THE

SUBCOMMITTEE ON
ECONOMIC POLICY

OF THE

COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SEVENTEENTH CONGRESS

SECOND SESSION

ON

EXAMINING AMERICA'S CHILDCARE CRISIS AND HOW WE CAN BRING DOWN COSTS FOR AMERICAN FAMILIES

APRIL 26, 2022

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C O N T E N T S

TUESDAY, APRIL 26, 2022

WITNESSES

CHILDCARE AND OTHER POLICY TOOLS TO COMBAT BOTTLENECKS AND INFLATION

TUESDAY, APRIL 26, 2022

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
SUBCOMMITTEE ON ECONOMIC POLICY,
Washington, DC.

The Subcommittee met at 2:31 p.m., via Webex and in room 538, Dirksen Senate Office Building, Hon. Elizabeth Warren, Chair of the Subcommittee, presiding.

OPENING STATEMENT OF CHAIR ELIZABETH WARREN

Chair WARREN. This hearing will come to order.

Good afternoon and welcome to today's hearing on Childcare and Other Policy Tools to Combat Bottlenecks and Inflation.

Now we have heard a lot about inflation over the past 6 months and rightfully so. When prices go up, whether it is because of corporate price gouging or because of pandemic related disruptions in the supply chain, it hurts hardworking American families. We need to get inflation under control, and we need to do it in the smartest way possible. Too many analysts seem to think that there is only one tool in the tool box, urging the Fed to drive the economy into a recession by increasing interest rates. We need to think smarter, and that starts with diagnosing some of what has gone wrong.

The pandemic wrought havoc on supply chains for food, cars, appliances, all kinds of goods, and Russia's invasion of Ukraine disrupted oil and gas markets. Meanwhile, giant corporations have figured out that they can pad their profit margins by using inflation as a cover to raise prices more than justified, making the whole economy worse off in the process.

So what can we do? Well, first, we should do everything we can to promote competition, to break up monopolies, and to end the opportunities for corporate profiteering to drive up prices. The Administration has been acting quickly, and they have my full support on this.

Next, we need to increase supply across the board. We need to fix supply chains and bring more production home. We also need to invest in green technologies so that Americans are not held hostage to the whims of oil-rich dictators.

All those are good steps, but there is another piece of the puzzle that we should focus on. We can bring down inflation if we increase our labor supply. More workers earning a fair wage, with good benefits, means more productivity, and that means more downward pressure on prices.

As we return to many of the activities we enjoyed before the pandemic started, Americans are once again eating out, going to the movies, and traveling, and businesses are looking to hire. Those businesses need servers and line cooks. They need retail clerks, hotel staff, barbers, bus drivers, you name it. Factories that are trying to run full shifts or even a second shift need workers. The transportation industry, including drivers and schedulers and planners, need workers. Small businesses, from insurance agencies to lawn care outfits, need workers. And across the board, a tight labor market will mean prices stay higher longer.

And that is where childcare comes in. One of the biggest barriers that is holding back the economy right now is that workers who want to rejoin the workforce, who want to respond to a help wanted ad, or want to show up for a second shift cannot do so if they do not have childcare. A Census Bureau study released last year found that one in five working parents left the workforce or reduced their hours solely due to childcare and one in four women who became unemployed during the pandemic said the reason was a lack of childcare.

Now some economists are worried that inflation could become a longer-term problem and actually increase in parts of the economy experiencing these worker shortages, especially if we do not get more people into the labor force. But to get people into the workforce, working parents need childcare, and we are still about 117,000 childcare workers short compared to our prepandemic levels.

Childcare providers want to hire more staff so they could offer more slots to families and get things back to normal, but they cannot. Most childcare providers could not afford to pay as much as the gas station down the street paid before the pandemic, and it is even harder now. And when they cannot hire enough childcare workers, they cannot add more slots, and that means they cannot serve more kids and more families. So that means parents cannot go back to work, and that makes it harder for businesses like restaurants and cleaning services and car repair outfits to find enough workers to meet demand, and that contributes to higher prices for consumers.

Fixing this problem will provide jobs for millions of Americans, especially women. It will help small businesses and unlock economic growth, and it will cut inflation both in the short term and in the long term. It is a win-win-win-win situation.

And that is why I am fighting to pass a legislative package that includes the investments that we need to improve and expand the availability of childcare. The proposal that the congressional Democrats have developed will provide much needed help for childcare providers, allowing them to hire more workers and to offer higher quality care to more families. It will provide direct assistance to families for childcare, making one of a family's biggest expenses more affordable. Universal childcare is pro-family and pro-business. This proposal would help cut inflation by allowing millions of Americans to return to work.

So I very much appreciate our witnesses joining us today to discuss America's childcare crisis and how we can bring down costs for American families.

So next, I will turn to Ranking Member Senator Kennedy for your opening remarks.

OPENING STATEMENT OF SENATOR JOHN KENNEDY

Senator KENNEDY. Thank you, Madam Chair. I want to thank first our witnesses for being here today.

I want to make three observations. First, I agree with our Chair that one way to reduce inflation is to increase your labor force participation rate. The more people looking for jobs and attending those jobs the better.

If you do not have a job, you are not healthy, you are not happy, and you are not free. It is that simple because I think human experience is such that most people understand that doing is more satisfying than having. Government can give you things, but you feel better about yourself when you can earn them and support your family and be a meaningful part of community.

I do worry about our labor force participation rate. It has not recovered from the pandemic. There are a variety of reasons for that. Some of our people decided to retire, but I think some of our people have—well, I do not know. I honestly do not know the answer to the problem. Some say that it is our generous Government benefits, and certainly our benefits were increased during COVID, but those are starting to—the increases are starting to dissipate. Logically, you should see more people going back to work. So I think increasing the labor force participate rate for childcare workers and for all Americans is a win-win-win.

Number two, let me say a word about inflation, and then I will say something about childcare. There are a number of reasons for the inflation that we have now. Certainly, the war in Ukraine has contributed to it. We have seen the increases in commodity prices. We have seen the increases in agricultural exports. I mean, both Ukraine and Russia are big exporters of food, sunflower oil, for example, wheat. The lockdowns in China have had a huge impact in terms of inflation.

I confess I do not understand the Communist Party of China's approach to trying to get control of COVID. Maybe it will work. I do not think it will, ultimately, but it has certainly had an impact on supply chains.

In my opinion, the two biggest causes of inflation that we are seeing right now in the United States—and this inflation predates the war, certainly—are our loose monetary policy and, for lack of a better way of saying it, loose fiscal policy. The current inflation that we have now has characteristics of both cost-push inflation and demand-pull.

And I will not go into all of the characteristics of the loose monetary policy we have had. We had to loosen our monetary policy in order to survive the slowdown from COVID, but I think even the Federal Reserve, if it were represented here today, would tell you that they did not take inflation seriously enough, soon enough, they should have started tightening monetary policy, they should have taken their foot off the accelerator of quantitative easing, and they should have raised interest rates sooner.

But I think the other part of that equation is the loose fiscal policy, if you will. We had to spend a lot of money during COVID to keep the economy afloat and to keep our people afloat. We spent $7 trillion, probably more, but I think that is a pretty accurate figure.

In my opinion, the last $1.9 trillion was not necessary, but the President said it was an emergency COVID bill. I did not see the emergency. The spending was going to occur over 10 years. I did not see much—of the $1.9 trillion, $80 billion was spent on public health.

But the point is—and it was not just that bill; it was the accumulation. Seven trillion dollars is a lot of money.

It is clear to me—I do not think this will happen, but what we ought to do in the U.S. Congress right now is freeze spending. Freeze all spending. I am not saying do not spend any money. We have a budget. Do not increase that budget. That is the amount of money we are going to spend. What is in our budget, period. Freeze spending except for defense spending and give the Federal Reserve the chance to do its job. Now I do not live in La La Land. That is not likely to happen.

Right now, there is a discussion of a China bill. We need to spend, I am told by the advocates, $250 billion to $400 billion to compete with China, which I see the bill primarily as a subsidy for big tech, but that is just one person's point of view.

So those are my thoughts on inflation.

Let me say a word about childcare. Yes, childcare is very expensive, and it is a real burden, especially for middle income and lower-income Americans, and I am all for putting our heads together and trying to figure out how to reduce the cost.

Here is what I have never seen the wisdom of, though. President Biden, in his Build Back Better bill, basically said his solution to reducing the cost of childcare is to have the Federal Government take it over, have the Federal Government make it twice as expensive. If you are going to pay childcare workers like you pay school teachers, you are going to spend a lot more money. And once the Federal Government takes it over and makes it twice, in some cases three times as expensive, we are going to send the bill to the American people.

That does not make any sense to me. That is not a solution. That is just prolonging the problem. And that, for what it is worth, is my point of view.

We are in the middle of a vote. If I have to leave, I will come back, but we have got another vote at some point.

And I did not mean to talk that long, but let me thank you again for coming today.

[Pause.]

Senator KENNEDY. Time out.

[Pause.]

Senator KENNEDY. Do you want me to introduce the witnesses or wait for Elizabeth?

[Discussion off the record.]

Senator KENNEDY [presiding]. Senator Warren had to take an emergency phone call, so we are going to wait a few minutes.

[Pause.]

Senator KENNEDY. Well, shoot, I am just going to keep talking then. I would be interested in hearing from you today about any thoughts you have specifically on childcare, what we can do to try to reduce the cost. I mean, it is very expensive, and in a world where both parents either choose or have to work in order to support their family, it does become a factor.

And I think it is something worth pursuing, and I can see the wisdom of having the Federal Government asking the American taxpayer to do its part if childcare is really a priority for the Congress, and I think it ought to be.

But here is what never happens around here. I do not think any fair-minded person believes there is not waste in the Federal budget. There clearly is; there clearly is.

Now the Federal budget is a little bit like a cow. There is fat on a cow, but it is not at the very end of the cow or in the very middle of the cow. It is marbled throughout.

And so reducing spending to find money for childcare would require us to do a lot of hard work and look at every single program and ask if that program has metrics. Most of them do not. And if it does have metrics, ask if the program is meeting its metrics. That, to me, would be a rational approach.

That is not what I think is going to happen. I can tell you I am not just going to pick on my Democratic friends. There is no appetite for that on the Republican side. The folks on my side talk a really good game. You know, we need to reduce spending and get rid of the waste in spending. And you say, OK, let us go. And they say, oh, well, not just yet.

It is like going to heaven. They all want to go to heaven, but they are not ready to make the trip just yet, and that is the problem we have.

And I think if we spent a reasonable amount of time taking a look at our Federal spending, including defense—look, I am going to say again we need to freeze spending, but we are going to have to—in this world, we are going to have to spend more on defense. But I do find it somewhat embarrassing that the Department of Defense has never been audited, never been audited.

Anyway, I have stalled long enough. The Chair is back, and she will introduce our witnesses.

Chair WARREN [presiding]. Good, good, good. Thank you very much, Senator Kennedy. I really appreciate your comments.

So we have got a great set of witnesses here to share their views on American competitiveness and appreciate each of you being here today.

So first, joining us virtually, we have the Honorable Dr. William Spriggs, who is Professor of Economics at Howard University and Chief Economist at the AFL–CIO, as well as former Assistant Secretary of Labor for Policy. Dr. Spriggs is a leading expert on many critical issues for American workers, including monetary policy, inflation, unemployment, and inequality.

Second, we have Melissa Colagrosso, who runs a childcare center in Oak Hill, West Virginia. Ms. Colagrosso and her husband started this family owned business almost 30 years ago, and today she provides family oriented childcare to over 100 children. And you can tell us if you are providing to the children of children that you once provided care for. Is the answer yes?

Ms. COLAGROSSO. [No audible response.]

Chair WARREN. That is pretty terrific.

Third, we have Walt Rowen, who is the President of the Susquehanna Glass Company and Cochair of Small Business for America's Future. Susquehanna Glass is a family owned and operated business which was founded in 1910 by Mr. Rowen's grandfather and his great uncle.

Joining us remotely, we also have Kathleen Sgamma, who is President of the Western Energy Alliance, which represents independent oil and gas producers from the western part of the United States.

And finally, we have Brian Riedl, who is a senior fellow at the Manhattan Institute, focusing on budget, tax, and economic policy.

And again, thank you all for being here with us today. I look forward to hearing your testimony.

So, Dr. Spriggs, let us start with you. We can go in the order I did the introductions. You are recognized for 5 minutes, and of course, you can always add more to the written record if you wish.

Dr. Spriggs, take it away.

STATEMENT OF WILLIAM E. SPRIGGS, PROFESSOR OF ECONOMICS, HOWARD UNIVERSITY, AND CHIEF ECONOMIST, AFL–CIO

Mr. SPRIGGS. Thank you very much, Chairwoman Warren. I deeply apologize, but I have had a horrible cold over this weekend. So I apologize that my testimony was late and that I am not there in person, but no one wants my cold.

I want to thank you for the invitation to give testimony to your Committee today on the issue of improving resiliency of the American economy. I am happy to offer this testimony on behalf of the AFL–CIO, America's house of labor, representing the working people of the United States, and based on my expertise as a professor at Howard University's Department of Economics.

The size of a labor force is the key determinant of economic growth. Even in a world where machines and computers can do so much, in the final analysis, the determinant of the size of the economy is the number of workers behind the computers and machines and in front of customers to deliver services. The size of our labor force, however, has some variance. When wages rise or there is greater certainty of landing a job, the labor force participation rate grows in response.

The growth in opportunities for women for the latter half of the 20th century fueled a rapid growth of women's labor force participation. That dramatically increased the labor force and potential size of our economy, and that allowed for continued stable growth with moderate inflation. But women's labor force participation peaked in 2000 and has stumbled since.

The collapse in economic activity in the first quarter of 2020 in response to the COVID crisis unleashed a chain of events that disrupted normal economic activity. The global pandemic, unlike other shocks, had a simultaneous effect on the world economies. Necessary precautions that delayed the spread of the disease and successfully mitigated worse loss of life significantly altered consumption. So while the initial impact was a drop in all consumption, the gradual reopening of some activity led to different patterns of consumption than before the pandemic.

In the quick response by Congress, we were able to stabilize the economy, and the American Rescue Plan extended support to ensure the effects of COVID would not scar the American economy into 2021, with the fastest growth in decades and the strongest recovery of the labor market on record.

But we still struggle from the disruptions, and those disruptions had disparate impacts on women. In particular, those areas of the economy that needed to shut down were services that involved a large share of the women's labor force. Women were half the labor force prior to the COVID shutdowns, and they are important, therefore, because they are half the labor force.

The U.S. labor force participation rate for women, however, is woefully below standard for the OECD. When we compare women's labor force participation in the United States to our partners, we are number six out of the top seven Nations. Only Italy has a labor force participation rate that is lower. That is because the other countries have the infrastructure to increase and give a pathway for women to work.

Most notably and woefully, the United States almost does not appear on any chart when it comes to public investment in early childhood education. We are so far to the right in the chart. We are so low in those investments that you almost need a telescope to see that, oh, Cypress and Turkey are, too. The rest of us, every other industrialized, advanced country spends a greater share of GDP investing in their children.

And if we look at the record across a wide range of economic research and economists of all stripes, we know that that investment in the case of the United States our own record on our own programs have huge returns because they lower crime, they make healthier citizens, they make higher-earning children, they do everything good when they return money to the economy. So it is inexcusable.

But we rely on the market instead, and the problem is since 2000 the real wages at the middle for women has simply not kept up with inflation of childcare costs. And that is why we need to change our reliance only on the market because the market is pricing women out of childcare availability.

We need to also look at issues that can rebound the industry right now, which is still hundreds of thousands of workers short, about 10 percent short, of where it had been. Many still have not been able to reopen. We can change that labor supply. We can get back to historic levels of women's labor force participation for the United States by making the right investments and by being wise in those investments because they pay off.

Chair WARREN. Thank you very much, Dr. Spriggs. We really appreciate your testimony here today.

Now, Ms. Colagrosso, you are recognized for 5 minutes.

STATEMENT OF MELISSA COLAGROSSO, OWNER AND DIRECTOR, A PLACE TO GROW CHILDREN'S CENTER

Ms. COLAGROSSO. Good afternoon. Thank you, Senator Warren and Senator Kennedy and the Senate Banking Committee, for inviting me to tell my story today.

My husband and I opened A Place To Grow in 1995. We had a toddler and an infant, and we knew that we needed to work. I had worked in my college years, throughout several childcare centers, and I knew the difference that a quality early childhood experience could make in my children's lives. There was not one in our rural community, so our adventure began.

The challenges of opening a childcare business still are the same today. They begin with the reality that the math does not add up. The projections of income for a childcare business are not enough to convince a loan officer or a potential investor to invest in beginning a business like that. So my husband and I, we took out a second loan on our home and continued to pursue the goal of providing a safe place for our children to grow while I could also earn a paycheck.

Projections fall short. The reality is the provider payments and subsidies payments that the Childcare Development Block Grant provides for low-income working families are not enough to cover the cost. They do not cover the full cost of care at all but certainly not high quality care. So if the prices charged to families outside of that subsidy system are meant to make up for it, but yet they outprice what workers in the community can afford, then revenue falls short.

Let me give you an example. Sometimes you can see this easier if you see some numbers. The subsidy rate for care for an infant is $36 per day. The ratio for safe infant care is one teacher per every four infants, but really best is—three is considered best practice, but we will go with four. That means if have four infants that are on the subsidy program the max we would receive would be $144 for that day of care.

So now we need a teacher, and if we pay that teacher just $10 a day, which is clearly far below a fair wage for a teacher taking care of infants, we are facing a personnel cost of $120 a day with taxes.

But wait, we still might need to cover rent, insurance, utilities. Maybe we need a second teacher for breaks.

So clearly, the math just does not add up.

Our business did indeed show a loss 23 out of the 25 years of business, but our business also continued to grow to meet the needs of the community. We increased our original capacity from 30 to 100 children. We achieved national accreditation from the National Association for the Education of Young Children, and we built a strong staff with a commitment to serve families.

Yet, we struggled to make the payroll. Often, we had to borrow. We took out personal loans for things like building repairs or equipment, but yet we keep going. We keep going because working families in our community depend on our center, and as you mentioned, Senator Warren, our children are bringing their children back to us. We are part of the community.

When the pandemic hit, we immediately felt panic as everyone did. I was met with parents in tears, who pleased with us, please stay open. They needed to work, and our community needed them to work. They needed paramedics and respiratory therapists and doctors. They had to go to work. So our staff made a commitment to take all precautions but continue to care for the children.

Fortunately, some serious help came in quickly from the Small Business Administration. We used the SBA Economic Injury Disaster Loans to pay off our high interest debt, cover the utilities, and make our building mortgage. That got us through the beginning. Then the Payroll Protection Program came, and we were able to stay open so those essential workers could rely on us and our staff could rely on their paychecks.

Then businesses stepped in, and we had four businesses in our little community that contacted us and asked if they could pay us directly for the childcare of their employees because they needed them to work and with schools closed suddenly people had a need for childcare that may not have before.

So they made it that—finally, the long-term help came, and that made it possible for us to reassure families that we would not be closing. Working together, we made the math add up.

The American Rescue Plan Act, or ARP Act funds, that were passed directly to childcare have enabled me to stay open long term, since the beginning of the pandemic. I have been able to maintain my commitment to high quality by supporting our educators, maintaining our facilities, and meeting the social and emotional needs of our children. I am currently able to fund continuing education for our teachers—that was a wonderful benefit—retention bonuses for all of my staff, as well as paid sick leave, which is only smart during a pandemic to include. I have been able to reduce caseloads for teachers and add additional assistant teachers to provide a higher level of care. We have an abundance of children who have suffered trauma due to the opioid crisis, due to the COVID–19 pandemic, as well as a vast array of special education needs in our community.

In addition, the ARP Act funds that the State has used to subsidize families' childcare have allowed more parents to access childcare and go back to work. This is how the childcare system should work.

As our parents have learned of my travels here today, several asked that I share stories. They are desperate to tell how much they appreciate the assistance. I have time for just one real quick.

One grateful mom expressed, "Having the subsidy help is a major blessing. Without it, I am not sure I could send both of my kids full-time. Childcare is expensive and necessary. We would sometimes have to choose between paying our childcare bill or our utilities or our groceries. Parents must work." Most families in our area "need both parents working to make ends meet. We have wonderful jobs," and yet "we still struggle. The kids love their teachers, and they are constantly learning and growing from their relationships with their teachers and friends."

As you can hear, childcare is keeping our economy moving.

A Place To Grow's current enrollment consists of children being cared for by grandparents, foster children, children with special needs, low-income families, working-class families, as well as upper-income professionals. We have quite a village, and this village works together to help each other when there is a need. Right now, they need our elected officials to recognize the value of childcare. It gives them the ability to go to work.

The business of childcare is necessary for all other businesses. The shortage of workers being experienced by businesses nationwide is connected to the shortage of childcare programs.

In addition, this is an urgent need. We cannot wait to invest in childcare because the relief funding is here right now, but there is this looming cliff that we are about to all fall off when they funding is gone. Without collaborative work and Federal investments now, our village may collapse. I beg you, please, please help us make the math add up.

Thank you for your time and consideration, and I look forward to your questions.

Chair WARREN. Thank you very much, Ms. Colagrosso. I really appreciate it.

Mr. Riedl, you are recognized for 5 minutes.

STATEMENT OF BRIAN RIEDL, SENIOR FELLOW, THE MANHATTAN INSTITUTE

Mr. RIEDL. Thank you. Good afternoon, Chairwoman Warren, Ranking Member Kennedy. Thank you for inviting me to participate in today's hearing.

Inflation is currently creating significant economic pain for American families and businesses. With the inflation rate soaring to 8.5 percent, the highest rate in 41 years, real wages have fallen 2.7 percent. Moody's Analytics and Penn-Wharton both estimate that inflation is causing the average American $300 per month. A Harris poll reveals 84 percent of Americans are cutting back on key purchases. And the problem is deepening every month.

Inflation has been driven by numerous factors, but fiscal and monetary policy are the lead causes. Since the beginning of the pandemic, the Federal Reserve has poured $4.8 trillion into the economy, more than doubling its balance sheet. Now a lot of this was necessary to keep the economy afloat during the pandemic, but it was also excessive as the Fed was still buying mortgage-backed securities as recently as last month.

The Fed's actions have worked in tandem with overly aggressive fiscal policy, providing more than $2 trillion in new personal benefits, an average of $16,000 per household. Again, a healthy portion of this spending was needed and justified by the pandemic and the economy. But policies such as $11,400 in relief checks for the typical family of four, a child credit expansion of $1,600 per child, a $600 enhancement of weekly unemployment benefits, and a continued student loan payment pause were often excessive and poorly targeted.

The Federal Reserve notes that consumer spending on an annualized basis has leaped by $2 trillion since the pandemic and $1 trillion since last summer. No wonder supply chains are overwhelmed. Families have $2.7 trillion in additional savings right now than they would have with the pandemic, which on one level is great news, but there is not enough production in the economy to handle the new spending, and so we are getting inflation. And as these savings are spent down, there is going more inflation in the pipeline.

A major culprit is last year's $1.9 trillion American Rescue Plan. At the time of enactment, CBO estimated that the baseline economy would operate $420 billion below capacity last year and then gradually close the output gap by 2025. While some stimulus was justified, lawmakers shot a $1.9 trillion bazooka into a $420 billion output gap, and this was just weeks after a $900 billion stimulus bill had been passed at the end of the summer. Economics on the left and right, including Lawrence Summers and Mark Zandi and Jason Furman, warned that excessive stimulus would bring inflation. I think they have been proven right.

Yet, other actions have worsened inflation. The Biden administration has hiked tariffs on Canadian lumber and added tariffs on building materials. It renewed President Trump's tariffs on solar panels, extended the tariffs on Chinese imports, and imposed tariff quotas on steel. It imposed Buy America provisions, raising the cost of infrastructure and is working to expand Davis-Bacon policies that raise the cost of Government contracts. The White House is defending the Jones Act that raises shipping costs and also allowing a higher ethanol blend in gasoline that will raise food prices. We also had student loan payments deferred well past the cost that could be justified simply by the low unemployment rate.

Many of these policies can be defended and justified as achieving other very important policy goals, but cumulatively, they do significantly worsen inflation as well that is already sinking under the weight of fiscal policy, monetary policy, supply chain disruptions, and the war in Ukraine.

The Peterson Institute for International Economics calculates that even a 2 percentage point reduction in tariffs would lower the inflation rate by 1.3 percent and save $800 per household annually.

Current economic factors show that inflation will not likely recede soon by itself and may even accelerate in the near term. There is no easy path to bringing down inflation, but the first rule should be do no harm. That means resisting calls for more aggressive Federal spending as well as ensuring that businesses can operate efficiently without expensive tariffs and overregulation because if inflation does persist and real wages continue to fall and really harm families it is going to soon cost jobs and create economic chaos that endanger all the good things you want Government to do.

Thank you.

Chair WARREN. Thank you, Mr. Riedl.

Mr. Rowen.

STATEMENT OF WALT ROWEN, PRESIDENT OF SUSQUEHANNA GLASS COMPANY, AND COCHAIR, SMALL BUSINESS FOR AMERICA'S FUTURE

Mr. ROWEN. Good afternoon, Chairwoman Warren, Ranking Member Kennedy. My name is Walt Rowen, and I am the owner of Susquehanna Glass Company in Columbia, Pennsylvania. And, I am the Cochair of the Small Business for America's Future, a national coalition of small business owners and leaders working to give the small business community a voice at every level of Government. We are committed to ensuring policymakers, like you prioritize Main Street by advancing and just and equitable economic framework that works for us, our employees, and our communities.

Susquehanna Glass is a family owned business. We are in the glass decorating business, and we have been in operation for 110 years. I look pretty good for 110, don't you think? We employ around 60 people; 50 percent of them are women, normally.

COVID affected most small business owners, I included. The pandemic highlighted how reliant small businesses are on their employees having predictable schedules and how dire the need is for affordable and accessible childcare. I know from firsthand experience that until there is access to adequate childcare for workers small businesses and the country as a whole will struggle to recover from the economic challenges presented by the pandemic.

Many of my workers have to stay home with their kids on snow days and school holidays because they do not have childcare options. The pandemic, however, put a spotlight on how dependent our employees are on care providers and schools to earn a living. For example, one of my key employees, Alexis, lost 2 weeks without pay during our peak season, Christmas time last year, when her primary care provider, her father in law was exposed to COVID and had to quarantine for 2 weeks. So Alexis stayed home for 2 weeks because she did not have any childcare options in my hometown. This happened multiple times for many of my key employees over the last 2 or 3 years.

This is a reality that plays out in Main Street small businesses across the country every day. It hurts employee financially and hampers small business success. The impact of childcare issues on Main Street is real. In a national survey of more than 1,000 business owners from our network, 56 percent of small business owners said they lost business income as a result of childcare issues. It is no wonder 66 percent of the small business community says they believe the Federal Government has a role in supporting universal access to affordable, high quality childcare.

At the beginning of the pandemic, my business shut down from the middle of March until June of 2020, when we gradually began to bring folks back. I am a manufacturer. I cannot work from home. My people have to be in the factory, making the products that we produce. While were able to make due with a smaller workforce for a short period of time, as our backlog of orders grew, we needed to hire more people, which just became more and more difficult.

During the holiday season, which is my peak season, for instance, I could have used between 10 and 15 people more to meet my demand. It was impossible to get that type of short term, seasonal wage mostly because of the family issues related to the pandemic. The stress COVID put on the system clearly demonstrated how interconnected the success of business is with their employees' access to reliable childcare.

Because of COVID, we had to increase prices for the first time in 5 years primarily due to supply chain interruptions but also reduced production capacity, which connects back into the childcare issue.

Part of the reason for this is because we simply cannot find people at an entry-level job situation because many, many times entry-level people are young people, often women, and they are the people that have the children, the young children. So as long as childcare is unaffordable, they cannot work.

When I was young, my mother stopped working to take care of my three siblings and me until we were all in school. She ultimately spent about 10 years out of the workforce. This experience made her passionate as an advocate for providing families with affordable childcare. She banded together with a community of leaders in Columbia and formed the Columbia Day Care Center, a non-profit organization that offered subsidized childcare based on a family's income. Many of our employees took advantage of the program, but after decades of providing great day care for our community, the organization lost its funding and had to close in 2005, a demonstration that we need ongoing investment to ensure communities have affordable and professional day care options.

And the testimony we just heard from Melissa will show very glaringly the inadequacy of the economic model in a strictly private venture. It just does not work.

The bottom line is that employees, Main Street businesses, and communities would all benefit from good childcare options. Small business owners like me recognize this and support the Federal Government's taking a role in helping to provide it. We know that this would be a smart investment in our Nation's economic success because we are investing in our communities and we are investing in our people.

Small businesses create two-thirds of all the new jobs and employ half of all workers. Advancing legislation to create affordable childcare would bolster America's Main Street businesses and their workers and enable them to lead all of us to prosperity.

I would like to thank you very much for the opportunity to testify here today on an unbelievably critical issue to all of us. Thank you.

Chair WARREN. Thank you very much, Mr. Rowen. I really appreciate your testimony and your being with us today.

And finally, our fifth witness, Ms. Sgamma, you are recognized for 5 minutes.

STATEMENT OF KATHLEEN SGAMMA, PRESIDENT, WESTERN ENERGY ALLIANCE

Ms. SGAMMA. Thank you, Madam Chair, Ranking Member Kennedy.

Since day one, President Biden has pursued a climate change agenda meant to constrain American oil and natural gas production and consumption. Starting with the cancellation of the Keystone Pipeline, followed by the leasing ban on Federal lands, the President was intent on restricting American oil and natural gas, particularly on Federal lands and waters, where he has the most control.

But a funny thing happened. Climate change policies meant to make energy prices necessarily skyrocket achieved their intentions. Energy prices started to rise last year, and the Administration started to feel the heat last summer. The first reaction was to ask Russia and OPEC to increase their production, and the policies meant to overregulate American oil and natural gas production continued.

When Russia and OPEC failed to heed that request, we in the American oil and natural gas industry made the case that we would be happy to increase production but for policies specifically designed to prevent us from doing so. Still, the policies continued.

Fast-forward to February with the Russian invasion, and prices jumped even higher. The fallacy of an agenda meant to constrain American energy production was exposed. The President could help ease inflation by backing off these policies and even encouraging American oil and gas production.

Energy prices are fundamental to all facets of the economy, including to childcare as we heard earlier because childcare workers need to drive to work like the rest of us. Very few goods and services, if any, are made and produced in the United States without the use of oil and natural gas. So because oil and natural gas are so fundamental to the economy, when prices for them are high, it creates inflationary pressures throughout the economy.

One of the most basic ways the President could curb inflation is to encourage American oil and natural gas. Currently, production is down. Production of oil is down about 800,000 barrels of oil a day from the high point of 12.3 million in 2019. My industry is doing its part to bring down gasoline prices by increasing production, and the Energy Information Administration forecasts American producers will increase production by up to nearly 12.5 million barrels of oil per day by the end of the year.

We could reach that goal and even replace the 670,000 barrels of oil from Russia, that we used to get from Russia, if the Administration would reverse course on policies such as stopping the constraints on Federal lands and waters. There was a lease just announced, but it was the most begrudging announcement yet. Acreage was down 80 percent, and costs were up 50 percent. And of course, if you increase costs for something, you get less of it. So that clearly is intended to get less Federal oil production.

We could reverse policies and actually approve pipelines and other rights of way so that we can put in place the infrastructure that enables us to capture natural gas and reduce methane emissions.

I would suggest one of the most fundamental things is to call off efforts to deny access to capital and lending to the oil and natural gas industry, and one of the best ways to do that is call off the SEC's Climate Change Disclosure Rule, which is specifically meant to discourage American oil and gas production.

He should back off on the regulatory overreach agenda, which again is meant to constrain American oil and gas production, and desist with things like the Social Cost of Carbon, which is meant to necessarily increase energy prices.

I would suggest Congress should do its part, too, by not advancing legislation that has been kicked around for quite some time about taxing methane emissions. Methane is controlled by EPA regulation. It should not also be taxed and become a new revenue stream, to capture it and remove those emission sources, not try to create a revenue stream.

So, appreciate the opportunity to testify today. We can help bring down inflationary pressures throughout the economy if we reverse course as a society and encourage American oil and gas production. Thank you.

Chair WARREN. Thank you very much. Appreciate your being here.

So I am going to start with round one on our questions. The American economy depends on working parents. Working parents depend on childcare. But our childcare system is in crisis, and that is keeping parents out of the workforce, which, in turn, limits our productive capacity and contributes to inflation.

Even before the pandemic, over half the families with young kids lived in childcare deserts, areas where there just simply are not enough childcare slots. Then COVID hit, forcing thousands of childcare providers to close their doors, many of them for good.

Today, when families can find a childcare option, it is often too far away, has a years' long waiting list, and costs more than mom earns anyway. And that is a big part of why in America women's labor force participation is so low compared with other developed countries, and it is getting worse. Today, women's labor force participation is lower than it was two decades ago.

Ms. Colagrosso, you run a childcare center in West Virginia, so let us start with a really basic question, and then we will build on this. Why do people need childcare? What are the main reasons that parents bring children to you?

Ms. COLAGROSSO. Mostly parents bring their children to childcare because they need, or they want, to work. They want to provide a better life for their families, so they may take on a second job. But they want to work or pursue a career or maybe open a small business.

Chair WARREN. Yeah.

Ms. COLAGROSSO. For employment reasons.

Chair WARREN. So these are people that are doing all the things we want them to do.

Ms. COLAGROSSO. Yes.

Chair WARREN. For both themselves, as Senator Kennedy says, to have the opportunity to work and contribute to our economy, but parents need childcare because they want to work. If parents can and want to stay home to care for their children, that is great, but many folks want and need to work to make ends meet, to save for a rainy day, to set aside money for their own kids to be able to go to college. But without affordable childcare, parents, especially moms, have to make excruciating decisions.

Mr. Rowen, you described your glass decorating small business that you run. I want to see some samples before we get out of here. I hope you have pictures.

But you were describing it—but I would just like ask it as part of the—make sure we get all of this on the record. What happens when your workers are not able to find a childcare provider with an opening or at a price that they can afford?

Mr. ROWEN. Well, it is an instant response. So the story I gave you of Alexis, she is one of my production supervisors, and her father-in-law, who was the childcare provider for her. Lexi is one of my best employees, dependable, loyal. She has worked for me forever. But the minute something happens with her childcare—and we run a family business, and we say it is a family business in lots of ways. And one of the ways that we say is that if you are a parent and your child is sick your place is not here at work, it is at home, so you go home and take care of your child.

Now that does not apply to everybody, and it cannot be a business model for everybody, but that is what happens when parents—if a parent does not have a childcare alternative or an option. They cannot work.

Chair WARREN. Yeah. So they are just gone.

Mr. ROWEN. Everything stops for them. Financially, it is a catastrophe for them and for the business because we have people that come in and need—fit different models that have to be produced.

Chair WARREN. Right, right. You have deadlines to meet?

Mr. ROWEN. Absolutely.

Chair WARREN. All right. And, Dr. Spriggs, you are an economist who studies the labor market. When workers have to cut hours, work part-time instead of full-time or leave the workforce entirely because of childcare, does that mean the lack of affordable childcare is reducing labor force participation? I just want to build all the blocks here.

Mr. SPRIGGS. It absolutely does, and because women are half the labor force, even if we have an effect on only 4 percentage points of women's labor force participation, that is 2 percentage points more of a total labor force. That is a lot of workers. That is a lot of output. And that changes the equation even for the Federal Reserve in considering: Are we in a tight labor market? Should we start slowing the economy?

Chair WARREN. So let me ask you on this because I want to draw this point out. About what is the broader impact on our economy, on our productive capacity, when there is reduced labor force participation caused by a lack of affordable childcare?

Mr. SPRIGGS. So there are a couple of layers. One we instantly, of course, have a smaller economy because we have fewer workers. That means we have fewer people to put behind machines, provide services. Second, once you have shrunk the economy, now it is going to grow from a smaller base. And then third, you have what the Fed has to consider.

If Congress does not build the infrastructure to get everybody to work, then the Fed's hands are kind of tied. They have to slow the economy before we would want them to slow the economy. So the length of our expansions become shorter, so we get a smaller economy, slower future growth, and a slower—a smaller future economy, and we slow the length of our expansions. That is lose, lose, and lose.

Chair WARREN. And, Dr. Spriggs, just so I am sure, we are having just a little bit of trouble understanding you, and I just want to make sure I have got this. How many workers are we leaving on the sideline compared to our peer countries, the ones that actually invest in childcare, and what is the impact of leaving those workers on the sideline on our GDP? Do you have some numbers around that?

Mr. SPRIGGS. There are a couple of estimates from anywhere from 1 percent of GDP to 1.5 percent of GDP.

Chair WARREN. Wow.

Mr. SPRIGGS. If you think about Canada, to our north, where they do make the investments in their children that we do not, this means a much higher labor force participation rate for their women. Anywhere from 10 percent would be a good estimate. And so we are talking about hundreds of millions of dollars that we are leaving on the table because we are not utilizing our workers to their maximum.

Chair WARREN. So is the estimate I—like I said, we are having a little trouble hearing you on our end. Is the estimate that about 5.2 million missing workers in America compared with other countries that provide childcare assistance? Is that about the right number?

And I think I heard you say 1 percentage point to a percent-and-a-half in terms of the impact on the GDP. Do I have those numbers right?

Mr. SPRIGGS. Yes. And the 500,000, the number of workers that are missing, that is kind of conservative because we are only looking at prime-age workers and, of course, a lot of women who need childcare are below the age of 25, and so we are missing some workers who are in the age group that actually need childcare because their children are the youngest. So that is a conservative estimate of how many workers we are missing compared to Canada.

And I am using Canada because it is right next door. We share the same sort of history, timeline, and we have many of the same companies, many of the same industries.

Chair WARREN. Right.

Mr. SPRIGGS. It just shows the difference we could have if we had the right policies.

Chair WARREN. Wow. So think about that. That is really powerful, Dr. Spriggs; 5.2 million missing workers—and we have actually graphed that here—and nearly a percentage point off the GDP. And that percentage point really matters. You know, over the last decade, average annual GDP growth has been about 2 percentage points. One point higher compounds over time, and it would mean both a stronger economy and more opportunities for millions of people.

Right now, Americans are getting hit by record shortages and price increases. It is clear that we need to increase the supply of everything, from food to cars to health care supplies. So, Dr. Spriggs, let me ask you one more question about this. If we invested in childcare and unlocked all of this labor supply and productive capacity, would that help prevent further inflation?

Mr. SPRIGGS. It will reduce the pressure for inflation in the future, and that is just being the cold-hearted view of the labor force. Economists know that investing in American children—all of the programs that we have had have a high rate of return because in the future they reduce costs for the Government on the order of eight to nine times because the investment in the children also pays off. Those children are heathier. Crime goes down. They own homes. They are less likely to be poor and need Government transfers. Those children are also part of the benefit in the equation.

Chair WARREN. Oh, thank you very much, Dr. Spriggs. You know, we are talking about how without childcare millions of parents cannot work. I know this all too well. I nearly quit school, and later I nearly quit my first big full-time job all because I could not find childcare. I would not have made it without help from my Aunt Bea [phonetic], and thank you, Aunt Bea.

But not everybody has an Aunt Bea to make this work or a grandparent who is able to make all of it work, and that is why it is so critical that we invest in high quality, affordable childcare for every American family. It is going to lower the cost for those families and help make our economy more productive, and with childcare to unlock productive capacity, it is going to help prevent shortages and cut back on price increases across the economy.

Thank you.

I apologize to my fellow Members here for going long, but I am so glad to have these experts with us.

Senator Kennedy.

Senator KENNEDY. Mr. Rowen, what do you propose—is it Rowen? I cannot see.

Mr. ROWEN. Yes, Rowen.

Senator KENNEDY. I am sorry.

Mr. ROWEN. Yes, it is Rowen.

Senator KENNEDY. What do you—your employees have trouble finding affordable childcare?

Mr. ROWEN. That is correct.

Senator KENNEDY. What do you think we ought to do about the problem?

Mr. ROWEN. Well, as I said in my introductory opening, there have been solutions over the years. My mother was involved in an organization that created a nonprofit childcare operation. It worked on pay-by-need. It did have a—it used funds from the United Way, which were charitable funds.

But I also believe that it needs more Government funding to keep the economic model for as Melissa was explaining.

Senator KENNEDY. Do you think the American taxpayer needs to subsidize childcare?

Mr. ROWEN. I believe, if correctly explained, the American taxpayer would understand that an investment by the Government in good childcare would dramatically improve the economic condition of all of our small businesses and corporate businesses to the point where we would have a bigger, larger workforce which would be more productive, more stable, and everybody would benefit. So the value of the investment—as a business owner, I understand investment. The value of that investment would be far greater than the cost of it today, and if explained properly to the American public——

Senator KENNEDY. I get it. How many employees do you have?

Mr. ROWEN. I run between 50 and 75 to 85.

Senator KENNEDY. OK. What does a starting employee make in your company?

Mr. ROWEN. Two years ago, $9 an hour.

Senator KENNEDY. How about——

Mr. ROWEN. Today, about $12 an hour. Minimum wage in Pennsylvania is $7.25.

Senator KENNEDY. So the starting pay for a person in your company——

Mr. ROWEN. Today, when they walk in.

Senator KENNEDY. ——is $12 an hour.

Mr. ROWEN. That is what I have to be paying to get somebody to come in.

Senator KENNEDY. Well, of course, they cannot afford health care. I mean, childcare.

Mr. ROWEN. Are you insinuating I pay too little?

Senator KENNEDY. How much money did you take out of your company last year? What was your salary?

Mr. ROWEN. My personal salary was $100,000.

Senator KENNEDY. OK. Did you take out any money—are you an LLC?

Mr. ROWEN. I am a Subchapter S Corporate.

Senator KENNEDY. OK. You are a Sub S. So you took out some—in addition to your salary, you had to pay taxes. So presumably, you took out profits. How much did you take out there?

Mr. ROWEN. My company lost over $300,000 last year.

Senator KENNEDY. OK. So your total take from your company was $100,000.

Mr. ROWEN. Actually, my total take—because as a Subchapter S my business income is my income.

Senator KENNEDY. Right.

Mr. ROWEN. Was negative $200,000.

Senator KENNEDY. OK. So you had a—is that aberrational, or is that——

Mr. ROWEN. I hope so. Yes, it is.

Senator KENNEDY. Well, prepandemic, how much did you take out?

Mr. ROWEN. My average over, say, a 25-year period of time for my company has been somewhere between—the profit for the company that is then to be paid taxes on has been somewhere $45,000 and maybe 150 to $200,000.

Senator KENNEDY. OK. Well, look, I am not trying to pick on you, and congratulations on having a family business.

Let me just give you this point of view. Of course, childcare is too expensive. Everybody up here wants less expensive childcare. Everybody up here supports children and prosperity, too.

Here is a rational way to go about it, probably not the way Congress would go about it, but it is a rational way. There are some things you cannot quantify. You cannot quantify the self well-being of having a job. I do not care how much money Government gives you. You cannot quantify the feeling of self worth that a person receives from being gainfully employed and supporting his or her family and being a meaningful part of his community. Follow me here.

Mr. ROWEN. Senator, I would like to add one thing.

Senator KENNEDY. Sure.

Mr. ROWEN. I have been in my business for over 45 years. I am in a small business community. I know every one of my employees, and I can quantify with them when I look them in the eye what a good job means.

Senator KENNEDY. Right.

Mr. ROWEN. And I watch them cry when they cannot come to work because they do not have childcare.

Senator KENNEDY. I understand. So there is a part of this you cannot quantify, in my opinion. I meant what I said earlier; a person without a job is not healthy, that person is not happy, and that person is not free. And, yeah, Government can give you a cell phone, but you are going to feel much better about yourself if you earn the money to buy a cell phone. OK?

There is a part of this you can quantify. A rational approach, therefore, would be to say, OK, if Government subsidized the cost of childcare in America, what would that mean in terms of GDP? How many additional people would go to work? How many fewer lost "my child is sick" days would we have in America? What would be the impact on productivity? All that can be quantified.

And you take that number, the cost, or the benefit rather, and you compare it to the cost, and if the benefit substantially outweighs the cost you would go forward.

The question would then become: How do you pay for it? Well, if we say this is a priority, a meaningful place to start if you respect taxpayer dollars—and we all do—is to say, OK, we are going to comb through our budget. We are going to basically scrub our budget before we just go borrow more money and try to find out what in our current budget is a lower priority than affordable childcare. We never do that. We never do that. I mean, we just do not do that. Neither side does that.

When we put together a budget, Mr. Rowen, we do not do it like you do at your business. Our fight over budget is how much extra money we are going to give to the bureaucracy every year. We do not have any metrics.

In the real world, if you are doing a lousy job, you get fired. In Government, if you are doing a lousy job, it must mean that you do not have enough money, so we give you more money. That is the way it works.

Let me just finish my thought. So that would be a rational play.

And then once we really try to scrub the budget and find the money, then if it is not enough, given our other competing priorities, we could talk about, well, is it something that we ought to add on an operating—as an operating expense and borrow money. That would be a rational way, but that is not what is before us.

What is before us—let me just take the President's Build Back Better plan. You know what the childcare provisions in that would cost? Seventy-five billion dollars a year. What do you think that is going to do to inflation?

And that is not $75 billion that we could find by scrubbing the budget. That is not touching the budget. Nobody wants to touch the budget. We just want to add to it.

We do not even have 5 percent of $75 billion. We have got to go borrow that. Do you see the problem?

I do not think anybody has—at least I do not have—a problem with the end result, with the objective here, but the answer is not just to say, oh, OK, we will just add $75 billion a year extra to our operating account based on the assumption that all the money we are spending right now is well spent and, yeah, we will just borrow more. That is not the answer. It was not the answer before inflation.

But let me tell you what will happen right now if we go pass Build Back Better. And there are some good things in Build Back Better. You know the impact of that on inflation? You think 85 percent inflation is high? Get ready for 15 percent inflation. And the problem.

Anyway, that is the end of my speech.

Mr. ROWEN. You mentioned that in small business we do not do things like Government, and that is very true. I might have lost money last year, but then make a decision this year to spend $50,000 on a piece of equipment that I cannot afford. So I have to borrow for it, but I know that $50,000 worth of equipment will make $300,000 worth of equipment—or, products, that I will make $50,000 in profit. So I will pay for that piece of equipment in 1 year and then own that equipment for 10 years and make $50,000 every year after that. So I make $500,000 because I made an investment that is the correct one at the right time.

It is not——

Senator KENNEDY. I will bet you one of the first things you do, though, is you do not just assume that you need to go borrow the money to buy that equipment. The first thing you do is sit down with your operating budget and see if you cannot find a place to cut. That is the first thing you do.

Mr. ROWEN. We do that all the time, absolutely. And I agree with you.

Senator KENNEDY. We do not. We do not, and that is the problem.

Chair WARREN. Thank you.

Senator REED. Well, thank you very much, Madam Chair.

Ms. Colagrosso, we are looking at a situation where childcare is extraordinarily expensive for everybody. And the irony is that the childcare workers were only making minimum wage or sometimes slightly above that and we would insist, and we do by regulation, that they be well trained, that they be well screened, et cetera. So how do you manage to support your staff while you are providing affordable care like that to children?

Ms. COLAGROSSO. Prior to the pandemic, it was definitely difficult. People that work in childcare have another incentive most of the time in reality, just like I did. I went into the business a little bit on the selfish side. I needed a place for my own children. And also, we just enjoy the work.

So there is an expectation that we are not there for the paycheck. I often say to people when I am interviewing, if you are here for the paycheck, you can go down the road to the convenience store and make a better paycheck, and not to say that that is OK, but that is the reality.

What we have been amazed about is that when we got the pandemic relief funds and I could pass those bonuses on and help with education and help with sick time, that how stabilized the staff came and more professional. It becomes a career, and that is what we really want to fund.

I understand that that is an issue of expense, in some communities much higher expense than other communities, but ultimately, we want the quality to be there and support those staff that do stay in the industry.

Senator REED. What strikes me is in Rhode Island if you have, for example, two teachers in the public school systems and they have three children they really cannot afford childcare because it is, up there, probably that is about $50,000 a year, and I am not exaggerating.

Ms. COLAGROSSO. Yeah.

Senator REED. Mr. Spriggs, thank you. You bring a—excuse me, I am going to get my glasses on, sir.

Mr. Rowen, thank you. You bring a very practical, very pragmatic view to this issue, and from listening to you I think you have made the point quite clearly that this really is an investment. It is an investment that will pay back over the life of the child, which is probably 75 years, and in fact if we do not make that investment, there is real potential that that child could end up being unemployable because they do not have the proper social development and educational development. And I think you are absolutely right. So I do not know if you want to further comment.

Mr. ROWEN. Well, thank you. Yes, I do believe it is an investment. It is not just an investment in a child. It is an investment in a family. It is an investment in America's business community, and it is an investment to all of us for our future.

Senator Kennedy has said many times—and I 100 percent agree with him—that the value of work exceeds the value of being given something that you did not earn.

What I think about—the way I think about childcare is I—and as I said earlier, we employ young people because they are entry-level people. That means they are either the first time they are working or they are coming back into the workforce, especially for women. Women are having children when they young. They are out of the workforce for a certain period of time, and then they want to come back into the workforce.

One of the first things we want to do is help that woman, that new reentered worker, learn how to be a great worker. If we can build a good workforce, we will do extremely well. We will do well as businesses, and we will do well as an economy.

But the most important aspect of a good worker is dependability. They come to work on time. They come day after day, month after month, and if they like what they do, they will stay forever. You cannot have a dependable worker if they have to go home every time their child is sick or they can never come in because they do not have an affordable childcare alternative. It is very simple.

Senator REED [presiding]. Well, thank you very much. We all believe in the value of work. And it is those people who do not earn a living and do not work that is interesting, but I just wonder if in that case why some of my Republican colleagues want to repeal the estate tax because that simply is giving a lot of people who never earned the money the money. I cannot understand it, but that is an aside.

Let me, on behalf of the Chairwoman, recognize Senator Smith.

Senator SMITH. Well, thank you very much—I was going to call you Chair Reed—Senator Reed, and thank you so much to our panelists for being here today. And, I want to thank Chair Warren for holding this important hearing.

You know, I just got back from 2 weeks in Minnesota, and I can tell you every place I went in the State and every sector of the economy and every region of the State people were talking about—and especially businesses, Mr. Rowen, were talking about the linked challenges of workforce and childcare, and they totally see that link. And what they are telling me is, Tina, we have a supply problem. We do not have enough spots. We do not have enough places for the children and the families that need them. This is especially a challenge in rural communities, both the childcare shortage as well as the workforce shortage, again, connected.

And we also know—and I am looking at you, Ms. Colagrosso—that the costs are extremely high, but at the same time childcare centers and their workers are literally struggling to survive, struggling to support their families. As you said, this is a labor of love. This is not a get rich quick or slow scheme, to run a childcare center.

Ms. COLAGROSSO. Right.

Senator SMITH. It is a labor of love, but it needs to work financially in order for us to have any kind of a supply of childcare in this country.

And of course, we have not been talking about this specifically, but we know what the data tells us about the connection between brain development and opportunities for kids to have exposure to early learning, and we know that those opportunities are much less likely to be there for poor kids and kids of color. So this is a moral and ethical issue as well as an economic issue which we have been talking about today.

So I mean, I know from what I have heard from my constituents in Minnesota that our childcare system is fundamentally broken for parents, for children, and for businesses that are looking to recruit and retain talent as well as for providers.

So I want to just say, though, Senator Kennedy is not here, and I appreciated, Mr. Rowen, him directing his questions to you as a businessperson. I started out my career in business as well.

And I am going to come to you in just a minute, Dr. Spriggs, but I do just want to point out and correct for the record that the childcare provisions, like the other provisions in the bill formally known as Build Back Better, were paid for. They were not paid for by borrowing, which is actually how we paid for the Infrastructure and Jobs Act that was much more based on borrowing. It was paid for, and I think that that is important to put out there, if you believe that that borrowing is somehow fueling inflation. I believe that the thing that is fueling inflation is much more to do with the shortage of supply of so many things, as Senator Warren said.

But, Dr. Spriggs, let me just come to you if I could. The U.S. Chamber of Commerce has noted that—and you noted this as well—that women are participating in the labor force at the lowest rate since the 1970s. In the spring of 2020, 3.5 million mothers left their job, driving the labor force participation rate for working moms from around 70 percent to about 55 percent. Now in Minnesota, we have one of the highest participation rates for women in the country, and we saw our numbers go down as well. The number is improving, but it has not completely rebounded.

So, Dr. Spriggs, could you just talk to us a little bit about this? Women are half the workforce, half the labor force. What impact on economic productivity does the lack of childcare have on women in the workforce? And maybe—because Senator Warren addressed this a bit, maybe you could focus specifically on the challenges particularly for low-wage workers in particular.

Mr. SPRIGGS. Thank you, Senator, for the question. And just like Mr. Rowen was saying, this is an investment and it is an infrastructure investment. We would not turn to a business and say, "The bridge fell off. It fell apart. Our roads have been destroyed by a flood. We want small businesses to pick up the bill." We expect that Government will provide the roads so that workers have a way to get to the job.

Now we have the same problem. Women need labor force infrastructure. They need the Government to have the infrastructure that allows them to participate on a regular basis.

So when workers are absent, when workers just simply cannot apply for a job, this shrinks our labor force. It means that businesses cannot get the people they want or they cannot get reliable work, and that hurts their productivity. They either do not have workers who have the skill or the teamwork ability because they have not been there every day or they are not dependable. That hurts as much as if we had unreliable transportation. It is the way for someone to get to work.

And that is how we have to look at this investment, and it pays off. It meets the barrier of: Is this Government spending—and economists have studied this to death——

Senator SMITH. Right.

Mr. SPRIGGS. ——does this Government spending pay for itself? Does it get us more workers, and does it improve the productivity of our children, who are our future workforce?

Senator SMITH. Exactly. This is——

Mr. SPRIGGS. And this does both.

Senator SMITH. This is the business concept of return on investment, and you are articulating it just exactly right.

Let me ask you this, though, some people say, "Well, if childcare is important—and I get that we need to have childcare, but I question whether we have to subsidize it." I mean, Dr. Spriggs, do we subsidize kindergarten? Do we subsidize third grade?

Mr. SPRIGGS. Yes. This is all in how one wants to wrap our heads around it. When you look at it from the perspective of an investment in our children, this is not really subsidizing. We know—we have way too much literature that proves—early childhood education helps children when they reach kindergarten. It makes a difference in their performance, and it is long-lasting. It is not just a one-off. It is long lasting, which is why we know from our studies of a long term impact we get workers who are more reliable when they are adults, they are healthier when they are adults, they are less likely to commit crime when they are adults.

All of this pays off, and so it is worth it to invest in our children like the rest of the world does. Our Nation, as I pointed out in my testimony, is not on the chart. We are not even on the chart. We only have Cypress and Turkey that invest less in their children.

Senator SMITH. Yeah.

Mr. SPRIGGS. Everybody else gets it. Everybody else gets that you have to invest in your own children to get them to be productive, ready for school, ready to start. And we know that there is a difference in the children who get that preparation, and in the context of this hearing, we know there is a difference in those companies that can get workers and can get workers who are reliable.

Senator SMITH. I think you are making a point that I want to just put a fine point on, which is that in addition to all of the issues we have talked about, you know, family stability, family income, you know, development of our children, that this is really a global economic competitiveness issue and that we are at a disadvantage if we are not making these investments in our children and in the capacity of people to work in this country as other countries are.

I want to just—since Chair Warren has not returned and I have a little time, I am going to—actually, I want to talk a little bit with Ms. Colagrosso.

In my home State of Minnesota, people are returning to work, wages are going up, and that is a good thing. And we are doing everything we can to focus—Democrats are doing everything we can to focus on lowering costs for families.

We have discussed how the lack of affordable childcare—this is something that the Minneapolis Federal Reserve has written extensively about—has forced many parents to drop out of the workforce. In fact in Minnesota, people say that childcare is seen as a bigger challenge even than housing, where the cost is also going up really substantially.

So, Ms. Colagrosso, you talked in your testimony about the challenges of hiring and retaining staff. And I know that we should just point out that there are existing Federal——

Ms. COLAGROSSO. Oh, yeah.

Senator SMITH. ——and State programs to help families support childcare, you know, pay for childcare. Can you just we have got the Child Care Development Block Grant program. We had the American Rescue Plan dollars to help stabilize childcare centers during the crisis. There is State level programs.

Could you just tell us a little bit about what it is like to deal with those different Federal programs? Do they meet the need? What level of complexity do they provide—do they create for you and for the families that you are working with?

Ms. COLAGROSSO. It absolutely takes a lot of work to understand the programs and to pull them together. I know there are a lot of providers and certainly home-based providers and community providers in small, rural areas that do not—are not able to access those funds. They do not have the ability to research the programs and pull them together in the way that I did. In a lot of ways, that was why a lot of them have closed down when the pandemic happened.

No one was reaching out and saying, here is the resources for you. It is going to be OK. We are going to get through it.

But—and I know the families—I hear a lot of families that do not even realize the subsidies are out there, and I have had families who have lost their subsidy payment because of the complexity of paperwork, not turning something in they did not realize they needed to turn in, improperly filling out a piece of paper, and then they lose their subsidy. So we do what we can to help, and our State has done what they can to help providers, but it is a complex system of pulling funds together.

Senator SMITH. And what impact would it have on the families that you provide if there was a more sort of cohesive, robust, you know, well-funded system to help them afford childcare?

Ms. COLAGROSSO. Yeah, I think any money we can put into it robust is very exciting, but obviously, it would be a large change for small businesses in our area, for families. This is an investment, as we have all said. And making it a simple system and a robust system will answer a lot of problems, I am sure.

Senator SMITH. Thank you. Thank you. And I am going to pause the hearing. I am going to recess the hearing until Chair Warren returns, and so with that, this Committee will be in recess.

[Recess.]

Chair WARREN [presiding]. Sorry. We are all trying to do votes, and that gets us coming and going. I apologize for taking people's time. I still have a couple of series of questions I would like to ask about if we can do that.

One of the focuses on the provider perspective. So we have talked about how childcare is a critical pillar of our economy. It lets parents go to work, knowing that their babies will be cared for. For decades though, the United States has just underinvested in childcare, essentially, crossing our fingers and hoping that families will find a way to figure this out, but families cannot do it because, as you have explained, Ms. Colagrosso, the numbers just do not add up.

In many States, the cost of childcare outstrips the cost of college. Many parents are already priced out of childcare, which makes it cheaper for them to stay at home, and those parents who were scraping together enough money to pay for childcare simply cannot afford to pay another dollar more.

Meanwhile, childcare providers are clearly not getting rich. The fees may choke parents, but they are barely enough for childcare providers to make it from 1 month to the next. And one way that childcare providers have kept this going is by paying childcare workers the absolute minimum that they can, not because they are trying to be mean to childcare workers but because it is the only way they can try to hold this together. And the consequence is childcare workers leave every year. Even before COVID, about 30 percent of childcare workers were leaving the field every year.

Add this up, and we just have a massive shortage of childcare that is getting worse and getting worse and getting worse.

So, Ms. Colagrosso, you have run a childcare center in West Virginia for almost 30 years. I know that you know this issue. Are you able to serve all of the families who come to you looking for care?

Ms. COLAGROSSO. No. We have waiting lists for every age group, all the way from infants up through school age. Some of those are months long. On a regular basis, I have somebody call who has a job, new job to start, and we cannot help them, so they have to turn down the job.

Chair WARREN. So the need is vastly outstripping the supply in your area, and we know the numbers show that is true all around the country. So let me ask the question. Could you just raise wages so that you could provide more childcare slots?

Ms. COLAGROSSO. Yeah, I would love to raise wages because ultimately that is—you know, the people that work for me deserve that, but I could not raise the wage of the subsidy. That takes somebody at a higher pay grade than me.

Chair WARREN. OK. So let me just stop and make sure everybody understands what you are talking about. If the family is of low or moderate income, and the pay—the Government, either State or Federal Government, is helping subsidize, that amount is already fixed.

Ms. COLAGROSSO. Yeah. We do not get to decide that amount. That is a daily rate.

Chair WARREN. That is for us to do.

Ms. COLAGROSSO. For contract, right?

Chair WARREN. OK.

Ms. COLAGROSSO. And so then if I had to raise the families that are outside of subsidy that much, I could not raise it enough to influence my employees' wages and still have people be able to afford it.

Chair WARREN. Right.

Ms. COLAGROSSO. People in our community would not even be able to afford the childcare at all, which is some of what you are seeing across the country.

Chair WARREN. Right.

Ms. COLAGROSSO. People just say, I cannot afford it, so I will just stay home.

Chair WARREN. Yep. And let me ask you just one more just to give us a little more flavor around this. How do the wages you pay compare with other entry-level jobs in your region?

Ms. COLAGROSSO. They are much lower, unfortunately. I cannot pay as much as Sheetz. That is the convenience store down the road. They are paying $18 an hour for entry level.

Before the pandemic, I hired in entry-level employees at minimum wage, which is $8.75 an hour in West Virginia. Now, just as Mr. Rowen mentioned, we have to offer a little bit more, so I am offering $12 an hour, but I am really not able to afford that. So when the relief money is gone, that will not happen. That is just because I have some relief money to get people in the door.

Chair WARREN. So working at a local convenience store pays more than you can afford to pay the people who are taking care of our children.

Ms. COLAGROSSO. Correct.

Chair WARREN. You know, I think it is clear that childcare workers across this country are shamefully underpaid, and the providers are barely staying afloat. This is a broken system, and the only way it is going to get better is if the Government steps up.

So let me ask about one more piece in this. West Virginia has a preschool funding program. So, Ms. Colagrosso, that means you get significant Government funding for one part of your business. So does that mean that you can afford to pay those teachers more and that you are able to retain them?

Ms. COLAGROSSO. Absolutely. In West Virginia, we do a contracted collaborative program, so childcare and public school work together. And so I do get that public education dollar, and that goes directly into the staff, the employees. So I pay that teacher and that aide equivalent to the kindergarten teachers in our country.

Chair WARREN. And does that mean you have more teachers and less turnover?

Ms. COLAGROSSO. Just for that classroom.

Chair WARREN. Just for that.

Ms. COLAGROSSO. Right. Unfortunately, the others, infants and toddlers and 2-year-olds and 3-year-olds, they do not see that additional funding, but my Pre-K——

Chair WARREN. So then let me ask about that. What would it mean if you have Federal assistance to be able to pay your staff equivalently for taking care of 3-months-olds or 2-year-olds?

Ms. COLAGROSSO. It would be an incredible improvement in the childcare program and the quality. The number one determiner for infants and toddlers of quality is the same person, consistency, low turnover. They need to make those bonds with the people that are caring for them and the families need those bonds, but infants especially and toddlers.

Chair WARREN. Yeah. Thank you very much. Thank you very much for the work you do. It is critically important work, and I just want to see us support it as we go forward.

I would also like a follow-up, if I can, Mr. Rowen. You were having a conversation with Senator Kennedy about—who seemed to agree that childcare is very important, but the question is how do we pay for it. So I just want to ask you a little bit more about that.

Mr. Rowen, in 2020, Google paid an effective tax rate of 13.5 percent, and in that same year 55 other highly profitable, giant corporations paid zero in Federal corporate income taxes. So let me just ask, do you pay more than that?

Mr. ROWEN. Pretty consistently, yes. And all small businesspeople that are running a successful business and making profit will be paying a higher rate than the 13 percent that Google was paying.

Chair WARREN. Or the zero percent that the 55 are paying.

Mr. ROWEN. Or the zero percent, right.

Chair WARREN. Yes.

Mr. ROWEN. And the only way that makes any sense if those corporations are virtually on the verge of going out of business and not making any money. But how are they doing that year after year after year?

Chair WARREN. Yeah.

Mr. ROWEN. I think there was a study by the SBA that pegs the average small business rate of taxation at somewhere around 19, almost 20, percent. So right there, with Google and average small businesspeople, you have got what? A 7-percent difference. That just does not sound equitable or fair to me, and I do not think—if most Americans would know those numbers, they would agree.

Chair WARREN. Yeah, it does not sound fair——

Mr. ROWEN. It is not.

Chair WARREN. ——because it is not fair. Exactly right.

So one of the proposals that Democrats have put on the table is a 15 percent minimum tax just for corporations that make more than a billion dollars in profits, and that is in their book reporting, right, not in how many loopholes they work through on this. It turns out that that would raise about $320 billion. So let us just hold that number. If I had Katie Porter's whiteboard, I would put that right up here.

And then I would add under it how much we could save if we actually invested in the IRS. And the IRS could go after the wealthy tax cheats, not just poor people whose numbers do not match up between their W–2 forms and what they were able to report, where someone has made a mistake, but if they actually spent their time on the folks who are engaged in the most sophisticated of the tax dodges and simply enforced current law, not just fancy changes in law. The best estimate on that from the Treasury Department is that would raise another $400 billion. This is over 10 years.

So $320 billion plus $400 billion gives us about $720 billion. I think that estimate that Senator Kennedy was using for the full-scale, all the way, permanent version of childcare was about $75 billion a year. So it looks like to me we are not quite there on those numbers, but very, very close just on two things. Enforce the current tax laws and put a 15 percent minimum tax for the billionaire corporations, and we could pay for childcare.

And that is without having to talk about how you pay for childcare by increasing GDP by a percentage point, how we pay for childcare by bringing, as Dr. Spriggs suggested, about 5.2 million new workers back into our economy.

Mr. Rowen.

Mr. ROWEN. One of the things I always say is different between the small businessman, businessperson, and a corporate businessperson is I live and work and am in visual contact with my employees all the time. I just know them. They know me. So I am much more invested in their personal lives and understand the consequences of the decisions that I make or that the business makes as we go forward.

Corporate people are not quite like that. Now I am not taking that completely away from them. But what you just talked about, if you had a minimum 15 percent to the corporations as——

Chair WARREN. More than a billion dollars.

Mr. ROWEN. More than a billion.

Chair WARREN. This is not for small business, yeah.

Mr. ROWEN. You probably will get pushback from the corporate people that run the business, but I will also tell you that the corporate—the people that work in those corporations would go, thank you——

Chair WARREN. Yeah.

Mr. ROWEN. ——because they will finally get the same benefits that we are talking about that filter down all of our young families that effectively would be benefiting from this change.

Chair WARREN. Well, Mr. Rowen, you give us the perfect way to wrap this up. This is about the role of Government in helping make this economy work for everyone. Right now, it works great if you are a corporation that is making more than a billion dollars in profits and paying nothing in taxes, but it is not working so great if you are running a small business and your employees cannot find childcare. It is not working so great if you are trying to run a childcare business. And, it is not working so great if you are one of the parents who cannot get into the workforce or cannot take a full-time job or cannot take an extra job because you cannot find the childcare to put you in a position to do that.

And that is our job here in Congress. We could do a lot better in making this economy work, not just for a handful at the top but for everyone.

I want to thank you all for being here today. I want to thank those who joined us online for being with us.

And with that, Senators who may wish to submit questions for the record, questions are due 1 week from today, Tuesday, May 3rd. For our witnesses, you will have 45 days to respond to any questions. Thank you all again.

This hearing is adjourned.

[Whereupon, at 4:23 p.m., the hearing was adjourned.]

[Prepared statements and responses to written questions supplied for the record follow:]

PREPARED STATEMENT OF CHAIR ELIZABETH WARREN

This hearing will come to order.

Good afternoon, and welcome to today's hearing on "Childcare and Other Policy Tools to Combat Bottlenecks and Inflation".

Now, we've heard a lot about inflation over the last 6 months, and rightfully so. When prices go up—whether it is because of corporate price gouging, or because of pandemic-related disruptions in the supply chain, it hurts hard-working American families.

We need to get inflation under control—and we need to do it in the smartest way possible. Too many analysts seem to think there's only one tool in the toolbox: urging the Fed to drive the economy into a recession by increasing interest rates.

We need to think smarter, and that starts with diagnosing some of what's gone wrong. The pandemic wrought havoc on supply chains for food, cars, appliances—all kinds of goods. And Russia's invasion of Ukraine disrupted oil and gas markets. Meanwhile, giant companies have figured out that they can pad their profit margins by using inflation as a cover to raise prices more than justified—making the whole economy worse off in the process.

So, what can we do?

Well first, we should do everything we can to promote competition, to break up monopolies, and to end the opportunities for corporate profiteering to drive up prices. The Administration has been acting quickly, and they have my full support on this.

Next, we need to increase supply—across the board. We need to fix supply chains and bring more production home. We also need to invest in green technologies so that Americans are not held hostage to the whims of oil-rich dictators.

All those are good steps, but there's another piece of the puzzle that we should focus on. We can bring down inflation if we increase our labor supply. More workers, earning a fair wage with good benefits, means more productivity and that means more downward pressure on prices.

As we return to many of the activities we enjoyed before the pandemic started, Americans are once again eating out, going to the movies, and traveling—and businesses are looking to hire. Those businesses need servers and line cooks, they need retail clerks, hotel staff, barbers, bus drivers, you name it. Factories that are trying to run full shifts—or even a second shift—need workers. The transportation industry, including drivers, schedulers, and planners, needs workers. Small businesses—from insurance agencies to lawn care outfits—need workers. And across the board, a tight labor market will mean prices stay higher longer.

And that's where childcare comes in. One of the biggest barriers that is holding back the economy right now is that workers who want to rejoin the workforce—who want to respond to a help-wanted ad or want to show up for a shift—can't do so if they don't have childcare. A Census Bureau study released last year found that one in five working parents left the workforce or reduced their hours solely due to childcare. And one in four women who became unemployed during the pandemic said the reason was a lack of childcare.

Now some economists are worried that inflation could become a longer-term problem and actually increase in parts of the economy experiencing these worker shortages, especially if we don't get more people into the labor force. But to get people into the workforce, working parents need childcare, and we're still about 117,000 childcare workers short compared to our prepandemic levels.

Childcare providers want to hire more staff so they can offer more slots to families, and get things back to normal—but they can't. Most childcare providers couldn't afford to pay as much as the gas station down the street paid before the pandemic, and it's even harder now. And when they can't hire enough childcare workers, they can't add more slots, and that means they can't serve more kids and families.

So that means that parents can't go back to work. And that makes it harder for businesses like restaurants, and cleaning services, and car repair outfits to find enough workers to meet demand. And that contributes to higher prices for consumers.

Fixing this problem will provide jobs for millions of Americans, especially women. It will help small businesses and unlock economic growth. And it will cut inflation, both short term and the long term. It is a win-win-win-win situation.

That's why I'm fighting to pass a legislative package that includes the investments that we need to improve and expand the availability of childcare. The proposal that the Congressional Democrats have developed will provide much-needed help for childcare providers, allowing them to hire more workers and to offer high quality care to more families. It will provide direct assistance to families for childcare, making one families' biggest expenses more affordable.

Universal childcare is pro-family and pro-business. This proposal would help cut inflation by allowing millions of Americans to return to work.

So, I very much appreciate our witnesses joining us today to discuss America's childcare crisis, and how we can bring down costs for American families.

PREPARED STATEMENT OF WILLIAM E. SPRIGGS

PROFESSOR OF ECONOMICS, HOWARD UNIVERSITY, AND CHIEF ECONOMIST, AFL–CIO

APRIL 26, 2022

Thank you, Chair Warren, for this invitation to give testimony before your Committee today on the issue of improving the resiliency of the American economy. I am happy to offer this testimony on behalf of the AFL–CIO, America's house of labor, representing the working people of the United States; and based on my expertise as a professor in Howard University's Department of Economics.

The size of our labor force is the key determinant of economic growth. Even a world where machines and computers can do so much, in the final analysis, the determinate of the size of the economy is the number of workers behind the computers and machines and in front of customers to deliver services. The size of our labor force however has some variance. When wages rise, or there is greater certainty of landing a job, the labor force participation rate grows in response. The growth in opportunities for women, from the latter half of the 20th Century fueled a rapid growth in women's labor force participation. That dramatically increased the labor force and potential size for our economy. That allowed for continued stable growth with moderate inflation. But women's labor force participation peaked in 2000 and has been stumbled since then.

The collapse in economic activity in the first quarter of 2020 in response to the COVID crisis unleashed a chain of events that disrupted normal economic activity. The global pandemic, unlike other shocks, had a simultaneous affect on the world economies. Necessary precautions that delayed the spread of the disease and successfully mitigated worse loss of life, significantly altered consumption. So, while the initial impact was a drop in all consumption, the gradual reopening of some activity led to different patterns of consumption than before the pandemic. The greatest loss of jobs was in services that required customer interaction and so the brunt of job losses fell on women. Some labeled this a "shecession," because women took the deepest hit, compared to prior downturns that were cyclically sensitive and dominated by the loss of jobs in sectors dominated by men like construction and manufacturing. We are in the midst of continuing to recover in many of those sectors.

It took the quick decisive steps of the Families First Act and the CARES Act to stabilize the economy. These initial steps addressed the obvious shortcomings of an inadequate unemployment insurance system, the lingering effects of the Great Recession that left household balance sheets woefully weak and revealing the lack of resiliency among households to income shocks, the lack of paid sick leave, the difficulties of main street businesses in accessing liquidity even in a time of low interest rates, and the fragility of State and local government infrastructure. These necessary pieces did not anticipate the subsequent waves of COVID and how long the support proved to be needed. So, fortunately, the American Rescue Plan extended support to ensure the effects of COVID would not scar the economy. The American economy ended 2021 with its fastest growth in decades and the strongest recovery of the labor market on record.

But we began this year with the world still struggling with COVID and all the disruptions that have now revealed the scars and fragility of a global system. The continued disruptions to supply chains plague all Nations. All advanced economies face higher rates of price changes than in the pre-COVID era. This is a natural functioning of markets; price pressures appear every time there is a shock to supply and is not related to differences in fiscal responses.

There are specific reasons the U.S. measure of prices has run higher than for other countries. The U.S. product markets have been criticized for having higher levels of concentration than in Europe because of weaker antitrust enforcement. (Covarrubias, Gutierrez, and Philippon 2019) (Gutierrez and Philippon 2018) (Baker 2003) (Alemani, et al. 2013) (Karabell 2020) Higher levels of concentration make it easier for firms to raise prices, but also make an industry more vulnerable to supply shocks should one firm's workforce be hit harder by COVID.

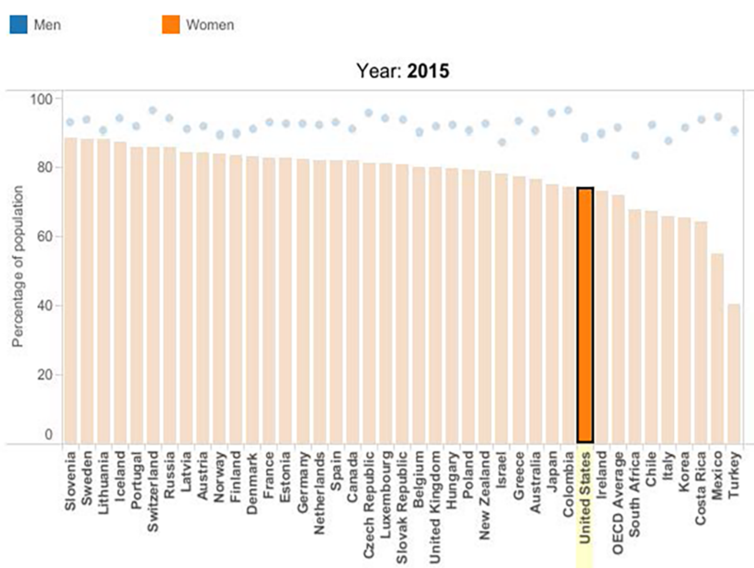
Most other Nations' response to COVID was the aggressive use of job retention schemes. These programs directly subsidized firms keeping their workforces during

COVID and lowered the frictions being experienced in the United States of trying to recruit workers that were sent to their best devices. Among OECD Nations, the U.S. unemployment rate spiked significantly higher than for other countries, and while U.S. unemployment rates have settled near their pre-COVID level as they have on average for the OECD, total labor hours in the U.S. still have not recovered as they have on average in the OECD—this reflects lower labor force participation rates in the U.S. The U.S. has low female labor force participation because it lacks the infrastructure of policies to support the care economy present in most OECD Nations. Protecting individuals, through beefing up the coverage and generosity of unemployment benefits helped to facilitate shifting workers to sectors that faced rising demand during the initial stages of the COVID crisis but has now slowed the recovery of those sections that had initially faced the greatest spikes in unemployment. And the lack of protection from the virus, and weak paid sick leave coverage in the United States, meant several industries faced greater losses of workers than other OECD countries. (Chen, et al. 2021) (Bureau of Labor Statistics 2021) Fewer workers died in other OECD countries.

Policies do matter in getting labor force participation to rebound. During COVID, problems in safely educating our children caused disruptions to public schools operating. The effect of schooling and childcare significantly impacted hours worked by parents, exacerbating the gender gap in hours worked. (Garcia and Cowan 2022) (Collins, et al. 2021) Many women have recovered from that initial shock. But, the more pronounced impacts have been on women holding lower wage jobs, both because their jobs involve working in-person, and the struggle to balance the need for childcare and that many of their employers are still recovering. Because of their disproportionate representation in nursing care and other frontline positions, Black women have suffered more noticeably because of disparate exposure to COVID–19. (Goldin 2022)

Comparing the United States to other countries, clearly policy matters. The fragility of our economy, and women's labor force participation, was a problem before the COVID crisis. Prior to the COVID crisis, women were near half the U.S. payroll. So, their importance to the economy is crucial. We must have smart policies to have a strong economy that can compete globally. The U.S. is only slightly above the OECD average for prime age (25 to 54 years old) women's labor force participation, and ranks sixth among the G7 Nations, only ahead of Italy and very noticeably behind our neighbor Canada. Figure 1 shows this for 2015 in the pre-COVID era.

Figure 1



There are glaring gaps in the labor force infrastructure of the United States when it comes to women's participation. These include being the only Nation without paid maternity leave among OECD countries, a lack of job protections like paid sick leave, and no Federal policies to assure access to early childcare. Our overreliance on the market is hurting women because the median wages of women are not keeping pace with childcare prices. Some have estimated the cost to the potential of U.S. economy of inadequate childcare infrastructure on lower women's labor force participation or reduced work hours as costing $67 billion a year. (Belfield 2018) A report from McKinsey estimates just the cost of loss income to workers alone, and thus a direct loss of economic capacity, from reduced labor force participation as half of that cost. (Dua, et al. 2021)

Not coincidentally, 2017 OECD comparative data show that public investment in childcare and early education, as a percentage of GDP is virtually the lowest in the United States among advanced economies. The U.S. invests an embarrassing amount compared to the average for the OECD. Investments in early childhood education, in the United States context, have proven to show a very high rate of return, not just because they could increase women's labor force participation, but because of the improved productivity and positive outcomes for children. The extensive research shows reduced expenditures on crime, improved health outcomes, reduced poverty in adulthood that lowers Government transfer costs, increased earnings in later life that increases tax revenue. In all, a dollar invested in early childhood education returns almost ninefold reductions in future costs. (Lynch and Vaghul 2015) (Hendren and Sprung-Keyser 2019) (Rolnick and Grunewald 2003) (Garcia, et al. 2016) (Cannon, et al. 2017) Figure 2 shows the U.S. as the outlier. The consensus is that the same is true in other countries, and a key reason other countries make these investments, though at much higher levels than in the United States. (OECD n.d.)

02/17/2022	Native CDFI Network's Board and the Policy Committee (NCN/members)
02/22/2022	Florida Financial Institutions Registered Participants: 200
02/23/2022	National Automobile Dealers Assoc. (NADA)
02/24/2022	Merchants Payments Coalition (MPC) Participants: National Grocers Association; National Retail Federation; National Association of Convenience Stores; Food Marketing Institute
02/25/2022	Housing Policy Council (HPC) – Members include leaders in housing finance, representing mortgage lenders and servicers, data, technology, analytics firms, mortgage, title and property insurance professionals. Participants: 30
03/11/2022	JPMorgan Chase
03/14/2022	American Pharmacists Association (APhA)
03/24/2022	California/Nevada Financial Institutions Registered Participants: 234
04/01/2022	Blockchain Association
04/07/2022	Delaware Financial Institutions Registered Participants: 58
04/14/2022	American Financial Services Association (AFSA) Roundtable Participants: AFSA: Bill Himpler, President and CEO; Celia Winslow, Senior Vice President; American Honda Financial: Petar Vucurevic, Vice President; Ford Motor Credit: Jim Drotman, Executive Vice President; Hyundai Capital America: Vincent Rice, Chief Operations Officer; and Nissan Motor Acceptance Corporation: Kevin Cullum, President and CEO
04/15/2022	Asian American Hotel Owners Association (AAHOA) Registered Participants: 6,000
05/02/2022	Independent Community Bankers of America (ICBA) Fireside chat with CEO and 400 registered member banks
05/03/2022	FDIC Community Bank Advisory Committee. Current members include: Mike Bock, CEO, Dairy State Bank, Rice Lake, Wisconsin; Teri Messerschmitt, President and CEO, South Ottumwa Savings Bank, Ottumwa, Iowa; Troy Campbell, President and CEO, Altoona First Savings Bank, Altoona, Pennsylvania; Dominik Mjartan, President and CEO, OPTUS Bank, Columbia, South Carolina; Anthony Capobianco, President and CEO, American Community Bank, Glen Cove, New York; Gilbert Narvaez Jr., President and CEO, Falcon International Bank, Laredo, Texas; Harold Horvat, President, CEO and Chairman, Centreville Bank, West Warwick, Rhode Island; Margaret Oldner, CEO, Stone Bank, Mountain View, Arkansas; Robert James II, Executive Vice President, Carver State Bank, Savannah, Georgia; Arlen Osterbuhr, Chairman and CEO, Minden Exchange Bank and Trust Company, Minden, Nebraska; Betsy Johnson, President and CEO, Solutions Bank, Forreston, Illinois; Shane Pilarski, President and CEO, Alliance Bank, Francesville, Indiana; Cindy Kitner, President and CEO, Jefferson Security Bank, Shepherdstown, West Virginia; Kim Reigelsberger, President, Preferred Bank, Rothville, Missouri; Bruce Lowry, President and CEO,

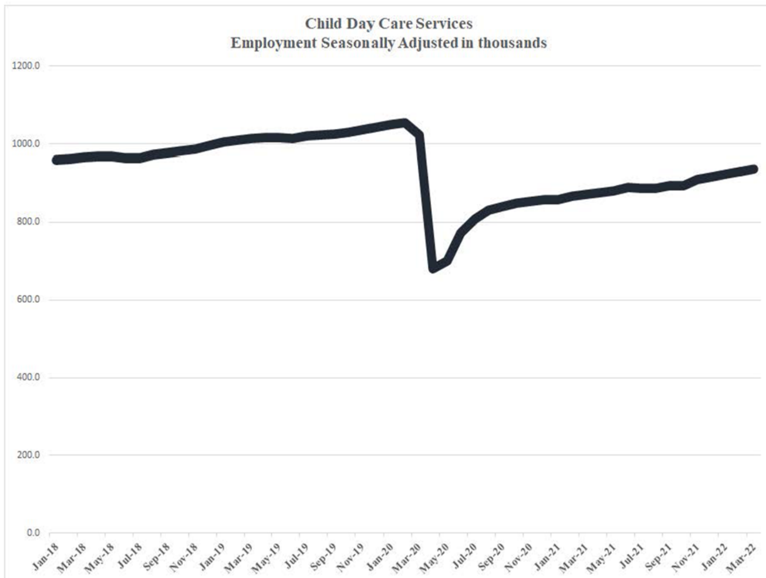
Because of very low public investment in our children, the U.S. relies heavily on the market to determine our childcare investment. Figure 3 shows the relationship between the growth in real (adjusting for inflation) median hourly wages of women and the Consumer Price Index (CPI) for childcare. Since 2000, the gap between the rising costs of childcare and real wages is driving a deep wedge for working women. The price of childcare is rising faster than the price of other goods and causing stress for the typical working mother to choose decreases in other items (clothing, rent, food, etc.) and childcare. For others, it means being chased out of the labor market.

	Ireland Bank, Malad City, Idaho; Andrew West, President and CEO, Eagle Bank, Polson, Montana; Trey Maust, Executive Chairman, Lewis & Clark Bank, Oregon City, Oregon; John Wharton V, President and CEO, Yampa Valley Bank, Steamboat Springs, Colorado; and Neil McCurry Jr., Sarasota and Manatee County Market President, Seacoast National Bank, Stuart, Florida
05/04/2022	Minnesota Financial Institutions Registered Participants: 34
05/11/2022	Tennessee Financial Institutions Registered Participants: 80
05/11/2022	Federal Advisory Council (Comprised of 12 representatives of the banking industry that consult with and advise the Federal Reserve Board of Governors). Current members include: *First District* - State Street Corporation, Boston, MA; *Second District* – Vacant; *Third District* - Univest Bank and Trust Co., Souderton, PA; *Fourth District* - PNC Financial Services, Pittsburgh, PA; *Fifth District* - Bank of America, Charlotte, NC; *Sixth District* - BankUnited Inc., Miami Lakes, FL; *Seventh District* - BMO Financial Group, Chicago, IL; *Eighth District* - First Horizon National Corp., Memphis, TN; *Ninth District* - US Bancorp/US Bank, Minneapolis, MN; *Tenth District* - Citizens Bank of Edmond, Edmond, OK; *Eleventh District* - Prosperity Bancshares / Prosperity Bank, Houston, TX; *Twelfth District* - Bank of the West, San Francisco, CA.
05/16/2022	PNC
05/16/2022	US Bank
05/16/2022	Citigroup
05/16/2022	MBA Secondary & Capital Markets Conference & Expo – annual conference for real estate finance professionals in the secondary and capital markets space that includes leaders from secondary and capital markets, chief financial officers mortgage presidents, trade desk, sales, correspondent/warehouse professionals and government agency and regulatory professionals. Registered Participants: 1,000+
05/20/2022	Pennsylvania Financial Institutions Registered Participants: 33
05/23/2022	FDIC Minority Depository Institution Subcommittee. Current members include: Deron Burr, President and CEO, People's Bank of Seneca, Seneca, Missouri; Kyle Chavis, CEO and Chief Credit Officer, Lumbee Guaranty Bank, Pembroke, North Carolina; Warren Huang, General Counsel, Amerasia Bank, Flushing, New York; Russell Lau, Chairman and CEO, Finance Factors, Ltd., Honolulu, Hawaii; Benjamin J.B. Lin, President and CEO, Pacific Alliance Bank, Rosemead, California; Alden J. McDonald, President and CEO, Liberty Bank and Trust Co., New Orleans, Louisiana; Gilbert Narvaez, Jr., President and CEO, Falcon International Bank, Laredo, Texas; Angel Reyes, President, Centinel Bank of Taos, Taos, New Mexico; and James H. Sills, III, President and CEO, M&F Bank, Durham, North Carolina
06/07/2022	Consumer Bankers Association (CBA) (Board of Directors) Participants: Atlantic Union Bank; Bank of America; Berkshire Bank; BMO Harris; Capital One Bank;

The crisis in affordability of childcare shows in data in every State. Child Care Aware of America, a network of childcare resource and referral agencies, track the price of childcare to assist families in locating family services. Based on a standard set by the U.S. Department of Health and Human Services, childcare should not exceed 10 percent of family's budget to be affordable. According to their analysis, in 2020, in only six States was the average price of a year of childcare less than 10 percent the median household income. But, even for many families in those States, childcare was a burden. For instance, they report that in Louisiana, where center based childcare costs the equivalent of 9.5 percent of median household income, single parents pay 42 percent of their income on center-based childcare, and married parents with two children who are at the poverty line pay 65.3 percent of their income. (Child Care Aware of America 2022)

The affordability crisis has created a huge challenge in getting childcare centers reopened. The price gap still creates stress for workers, but also as centers look for workers. This gap in recovery has ripple effects throughout the economy because the shortage of center-based care prevents workers in other sectors from getting work. Figure 4 shows the slow recovery of employment in childcare centers, as reported by the U.S. Bureau of Labor Statistics.

Figure 4



The coalition Child Care Relief surveyed availability of childcare providers in July 2021 and showed high percentage of centers were still closed. For instance, in Massachusetts, they reported that 44 percent of centers were still closed. In Maryland, 18 percent were still closed. (Children Care Relief n.d.)

The debate now, before the Federal Reserve Open Market Committee is determining how big is the U.S. labor force. Their current stated view is that we have reached the capacity of the labor market. They may well concede that if we had better childcare infrastructure labor force participation of women would be bigger, but it is up to Congress to address that structural barrier, not them. The intent of their current policy is to slow economic growth because they believe continued growth at the current pace will exacerbate inflation by pushing demand for workers beyond the supply of labor.

So, actions by Congress to fail to make investments in early childhood education goes beyond failing our children. It also goes directly to how we set economic policy, the rate of growth we can have and the size of our economy. An economy that is larger benefits us all. And as future growth paths are exponential, a smaller economy today compounds a disadvantage in the future. Which as in the current situation ignites a debate to slow growth, perhaps prematurely.

But there is also the issue of addressing the depths of the issues in addressing the continued crisis in childcare that has been developing this century. The current crisis has made clear the low pay and low working conditions of childcare workers makes it difficult for the industry to compete for good workers, or any workers. This must be addressed to keep turnover rates low, and the industry's ability to recruit and retain the best workers.

A large share of workers do not work standard 9-to-5 jobs. While close to 75 percent of workers start their work between 6 a.m. and 10 a.m., the rest have hours that make finding childcare difficult. And helping working parents on these alternate schedules can add to the flexibility of workers.

In our construction infrastructure, it is key to make jobs available for working women, too. Ensuring that large shares of positions are open to apprenticeships will help increase the supply of construction workers and ease labor bottlenecks now and for the future. But that would also mean ensuring designing childcare into construction infrastructure projects.

The United States has a lot of fiscal space to make proper investments. The investment in our children is always the best, wisest and most long running investment we can make as a Nation. But it is also important, that America make the investment in labor force infrastructure, create pathways to get to a larger workforce and larger economy. As we age as a Nation, the sustainability of Social Security and Medicare depend on the worker to dependent ratio. As we age, we need to make investments to increase the number of workers. And to ensure our economic expansions can last longer we need to maximize our labor force. In 2000, we showed we can have a much higher share of workers. We should not lose that vision for lack of foresight to make the right investments.

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PREPARED STATEMENT OF MELISSA COLAGROSSO

OWNER AND DIRECTOR, A PLACE TO GROW CHILDREN'S CENTER

APRIL 26, 2022

Thank you, Senator Warren and the Senate Banking Committee for inviting me to share my story today.

I am the owner and director of A Place To Grow Children's Center in Fayette County, WV. My husband and I opened A Place To Grow in 1995. We had an infant and a toddler. We both needed to work to provide for our children. I had worked during my college years in several childcare centers, and I knew the difference a high-quality early education program could make in our children's lives. No such programs existed in our rural community. So, our adventure began.

The challenges of opening a childcare business began with the reality that the math does not always add up. Projections were not always enough to convince loan officers and potential business funders to invest. We secured a 2nd mortgage on our home and continued to pursue our goal of providing a safe, educational place for our children to grow.

The reality is the provider payments or subsidies funded through the Child Care and Development–Block Grant (CCDBG) for low income, working families are not sufficient to cover the full cost of high-quality childcare. And if the prices charged to families outside of subsidy are too high and out of reach in our community, our revenue falls short.

Let me give you a basic example of the challenges we face:

The subsidy rate for the care for infants is $36 per day.

The ratio for safe infant care is 1 teacher for every 4 infants, and 3 is the best practice.

That means that we receive $144 per day in subsidy payments.

If we pay the teacher only $10/hour, which is already below a fair wage, we are likely facing a personnel cost of $120, with taxes included.

Wait . . . do we need to pay rent? How about utilities? Insurance? An additional teacher for breaks or long shifts?

Quite simply, the math does not add up.

Our business did indeed show a significant loss 23 out of the first 25 years in business. But our business also continued to grow to meet the needs of the community.

- We increased our original license capacity from 30 to 100 children.
- We achieved accreditation from the National Association for the Education of Young Children.
- We built a strong staff with a commitment to serve families.

Yet, we struggled to make payroll and often had to borrow for things like building repairs or equipment. We keep going because working families in our community depend on our center.

When the pandemic hit, we immediately felt panic. I was met with parents in tears, pleading with us to stay open. Parents needed to work. Our community needed them to work. Our staff made a commitment to take all precautions but continue to care for our children.

Fortunately, some help came quickly from the Small Business Administration. We used the SBA Economic Injury Disaster loans to pay off our high interest debt and cover utilities and our building mortgage. Then, the Payroll Protection Program came. We were able to stay open so those essential workers could rely on us, and our staff could rely on their paychecks. Then businesses stepped in. We had 4 businesses contact us to arrange to pay us directly for their employee's children to attend. Finally, longer term relief came in the form of relief funding to stabilize families and childcare programs. This made it possible for us to reassure families that we would not be closing.

Working together made the math add up.

The American Rescue Plan Act or ARP Act funds passed directly to childcare have enabled me to stay open. I've been able to maintain my commitment to high-quality childcare by supporting our educators, maintaining our facilities, and meeting the social and emotional needs of our children. I am currently able to fund continuing education for our teachers, retention bonuses for all staff, as well as paid sick leave—something that is smart for health reasons during an ongoing pandemic. I have been able to reduce caseloads and add additional assistant teachers to provide a higher level of care for the abundance of children who have suffered trauma due to the Opioid crisis, the COVID–19 pandemic, as well as a vast array of special educational needs.

In addition, the ARP Act funds that the State has used to subsidize family's childcare have allowed more parents access childcare and then go back to work. This is how the childcare system should work.

As our parents have learned of my travels here today, several asked that I share their stories. I have time for one.

One grateful mom expressed "Having the subsidy help is a major blessing. Without it I am not sure that I could send both of my kids full time. Childcare is expensive and necessary. We would sometimes have to choose between paying our childcare bill or utilities or groceries. Parents must work. Most need both parents working to make ends meet. We have wonderful jobs and we still struggle. The kids love their teachers, and they are constantly learning and growing from their relationships with their teachers and friends."

As you can hear, childcare keeps our economy moving.

A Place To Grow's current enrollment consists of children being raised by grandparents, foster children, children with special needs, low-income families, working class families, as well as upper income professionals. This village works together to help each other when there is a need. Right now, they need our elected officials to recognize the value of childcare which gives them the ability to work. The business of childcare is necessary for all other businesses. The shortage of workers being experienced by businesses nationwide is connected to the shortage of childcare programs.

In addition, this is an urgent need. We cannot wait to invest in childcare. The relief funding is there today, but with a looming, quickly approaching end. Without collaborative work, and Federal investment now, our village may collapse.

Please help us make the math add up.

Thank you for your time and consideration.

PREPARED STATEMENT OF BRIAN RIEDL

SENIOR FELLOW, THE MANHATTAN INSTITUTE

APRIL 26, 2022

Good afternoon, Chairwoman Warren, Ranking Member Kennedy, and Members of the Subcommittee. Thank you for inviting me to participate in today's hearing.

Inflation is currently creating significant economic pain for American families and businesses. With the inflation rate soaring to 8.5 percent—the highest rate in 41 years—real wages have fallen 2.7 percent. Moody's Analytics and Penn-Wharton estimate that inflation is costing the average household $300 per month. A Harris poll reveals that 84 percent of Americans are cutting back on key purchases. And the problem is deepening every month.

Inflation has been driven by numerous factors, but fiscal and monetary policy are the lead causes. Since the beginning of the pandemic, the Federal Reserve has pumped $4.8 trillion into the economy, more than doubling its balance sheet. Some of this was necessary to keep the economy afloat, but it was excessive, as the Fed was still buying mortgage-backed securities as recently as last month.

The Fed's actions have worked in tandem with overly aggressive fiscal policy providing more than $2 trillion in new benefits—an average of $16,000 per household. Again, a healthy portion of this spending was justified by the pandemic and the economy. But policies such as $11,400 in relief checks for a typical family of four, a child credit expansion as high as $1,600 per child, a $600 per week enhancement of unemployment benefits, and a continued student loan payment pause were often excessive and poorly targeted.

The Federal Reserve notes that consumer spending (annualized) has leaped by $2 trillion since the pandemic began and $1 trillion since last summer. No wonder supply chains are overwhelmed. Families also have $2.7 trillion in savings exceeding what would have been expected without the pandemic, yet the economy has not produced trillions more in goods and services for them to purchase. And as families spend those savings, consumer spending will surge even higher—and drive even more inflation.

A major culprit is last year's $1.9 trillion American Rescue Plan. At the time, the Congressional Budget Office estimated that the baseline economy would operate $420 billion below capacity in 2021, and then gradually close that output gap by 2025. While some stimulus was justified, lawmakers shot a $1.9 trillion bazooka at a $420 billion output gap. And this was just weeks after the December 2020 stimulus law poured in $900 billion. Economists on the left and right, such as Lawrence Summers, warned this excessive stimulus would bring inflation. They were right.

Yet other actions have also worsened inflation. The Biden administration has hiked tariffs on Canadian lumber, and added tariffs on other building materials. It renewed President Trump's tariffs on solar panels, extended the tariffs on Chinese imports, and imposed tariff quotas on steel. It imposed Buy America provisions raising the cost of infrastructure, and is working to expand Davis-Bacon policies that raise the cost of Government contracts. The White House is defending the Jones Act that raises shipping costs, and allowing a higher ethanol blend in gasoline that will raise food prices. It has also deferred student loan payments well past the point justified by the unemployment rate.

Many of these policies can be defended as achieving other important policy goals. But cumulatively, they significantly worsen an inflation problem that is already sinking under the weight of fiscal policy, monetary policy, supply chain disruptions, and the war in Ukraine. The Peterson Institute for International Economics calculates that even a 2-percentage point reduction in tariffs could lower inflation 1.3 percent and save $800 per household.

Current economic factors show that inflation will not likely recede by itself and may even accelerate in the near-term. There is no easy path to bringing down inflation, but the first rule should be to do no harm. That means resisting calls for more aggressive Federal spending as well as ensuring that businesses can operate efficiently without expensive tariffs and overregulation. Because if inflation persists and real wages continue to fall, it will soon cost jobs and create economic chaos that endanger all the good things you want Government to do.

Thank you.

PREPARED STATEMENT OF WALT ROWEN

PRESIDENT OF SUSQUEHANNA GLASS COMPANY, AND COCHAIR, SMALL BUSINESS FOR AMERICA'S FUTURE

APRIL 26, 2022

My name is Walt Rowen, owner of Susquehanna Glass in Columbia, PA, and Cochair of Small Business for America's Future—a national coalition of small business owners and leaders working to provide small businesses a voice at every level of Government. We're committed to ensuring policymakers prioritize Main Street by advancing a just and equitable economic framework that works for small business owners, their employees, and their communities.

Susquehanna Glass is a family owned glass decorating business that has been in operation for 111 years. We employ 60 people, 50 percent of whom are women. The cascade of problems prompted by COVID–19 affected most small business owners, myself included. One pressing issue in particular that has been underscored by the pandemic is how reliant small businesses are on their employees having predictable schedules—and how dire the need is for affordable and accessible childcare. Women, especially, have been forced out of the labor pool due to the lack of access to affordable childcare. I know from firsthand experience that until there is access to adequate childcare for workers, small businesses, and the country as a whole, will struggle to recover from the economic challenges presented by the pandemic.

I see the impacts of inadequate childcare options at Susquehanna Glass all the time. Many of our workers have to stay home with their children on every school snow day and school holiday because they can't afford daycare, or don't have childcare options. The pandemic, however, truly shone a light on just how dependent our employees are on care providers and schools to earn a living. For example, one of my key employees, Alexis, lost 2 weeks without pay during our peak season last year when her primary childcare provider, her father-in-law, was exposed to COVID and had to quarantine. Alexis had to stay home because there were not affordable or available childcare options. This happened multiple times with many of our key employees. This is a reality that plays out in Main Street small businesses across the country all the time. It hurts employees financially and hampers small business success.

The impact of the lack of affordable childcare on Main Street is real. In a national survey of 1,060 small business owners by Small Business for America's Future, 55 percent of small business owners said the lack of affordable, high-quality childcare for employees has had a negative impact on their business. Fifty-two percent said they experienced employee turnover as a result of a lack of affordable childcare; 56 percent said they've lost business income as a result of childcare issues; and 45 percent said they've avoided hiring an employee due to scheduling complications. These numbers, combined with recent U.S. Bureau of Labor report showing that just 39,000 additional women participated in the workforce in January compared to 1 million men—highlight the need for a bipartisan solution to help support the backbone of our Nation's economy—Main Street entrepreneurs. It's no wonder 66 percent of small business owners said they believe the Federal Government has a role in supporting universal access to affordable, high-quality childcare.

Indeed, my business continues to see the impact of inadequate childcare. At the beginning of the pandemic, we shut down from the middle of March until June of 2020, when we gradually began to bring folks back. While we were able to make due with a smaller workforce for a short period of time, we needed to hire to address our backlog of orders. But we couldn't get all of our people back for a number of reasons—one of the main ones being childcare. During the holidays, for instance, I could have used 10–15 more people to maximize production and income, but couldn't find all the people we needed because of childcare and other issues. The stress COVID put on the system clearly demonstrated how interconnected the success of my business is with my employees' access to affordable, reliable childcare.

One step we've had to take is to increase prices on our products for the first time in 5 years because of supply-chain disruptions and reduced production capacity. Part of the reason for this is because we simply have had a hard time finding people to fill positions due to the lack of affordable childcare options.

As the father of three and a small business owner, I understand the challenges that come from running a business and taking care of a family. And as one of four children growing up in a small community, I personally witnessed the importance of good childcare. When I was young, my mother stopped working to take care of my siblings and I until we were in school. She ultimately spent 10 years out of the workforce. This experience made her a passionate advocate for providing families with affordable childcare. She banded together with community leaders to open the Columbia Day Care Center—a nonprofit organization that offered subsidized childcare based on a family's income. Some Susquehanna Glass employees took advantage of the program, but after decades of providing affordable and accessible daycare, the organization lost its funding and had to close in 2005—a demonstration that we need ongoing investment to ensure our communities have well resourced and affordable childcare options for families.

The bottom line is that employees, Main Street businesses, and communities all require affordable, accessible, and reliable childcare to thrive. Small business owners like me recognize this, and as multiple Small Business for America's Future small business surveys have shown, they see and support the Federal Government taking a role in helping to provide it. We know this would be a smart investment in our Nation's economic success. Small businesses create two-thirds of all new jobs and employ half of all workers. Advancing legislation to create affordable childcare would bolster America's Main Street businesses and their workers and enable them to lead us all to prosperity.

I'd like to thank each of you for the opportunity to testify today on such a critical issue for hard working small business owners across the country.

PREPARED STATEMENT OF KATHLEEN SGAMMA

PRESIDENT, WESTERN ENERGY ALLIANCE

APRIL 26, 2022

Since day one, President Biden has pursued a climate change agenda meant to constrain American oil and natural gas production and consumption. Starting with the cancelation of the KeystoneXL pipeline followed a week later by the leasing ban, the President was intent on restricting American oil and natural gas. On Federal lands and waters where the Federal Government has the most control, he has pledged eliminating it altogether.

But a funny thing happened. Climate change policies meant to make energy prices "necessarily skyrocket" achieved their intentions. Energy prices started to rise last year, and the Administration started to really feel the heat last summer. The first reaction was to ask Russia and OPEC to increase their production in June. The policies meant to overregulate American oil and natural gas production continued.

When Russia and OPEC failed to heed that request, we in the American oil and natural gas industry made the case that we would be happy to increase production, but for policies specifically designed to prevent us from doing so. Still the policies continued.

Fast forward to February of this year when Russian tanks rolled across the border of Ukraine and prices jumped even higher. The reality of Europe's and the United States' reliance on the stable sources of reliable, 24/7 energy that oil and natural gas provide became crystal clear. The fallacy of an agenda meant to constrain American energy was exposed. Rather than backing down on policies purposefully meant to hinder American oil and natural gas, the White House pivoted to blaming my industry for high energy prices.

The President could help ease inflation by backing off these policies and even encouraging American production. However, we have seen few meaningful signs, other than rhetorical, that a reversal is in the cards. Just last week, lease sales were announced for the first time in the 15 months, but it was the most begrudging announcement possible. The Interior Department was at pains to emphasize that the sales are only happening because of a court order last June. Ten months later, the department has whittled the acreage down by 80 percent and increased the cost by 50 percent. Limiting access and increasing the royalty rate by such a substantial percentage will have the intended effect: when you tax something more, you get less of it. The Administration continues to show it is not serious about increasing production, reducing energy prices, and controlling inflation.

Energy prices are fundamental to all facets of the economy. Very few goods and services, if any, are made and provided to consumers without the use of oil and natural gas. Anything manufactured requires oil and natural gas for materials and component feedstock, industrial energy, electricity, and transportation. Online ordering, processing, and delivery of any good or service and the entire supply chain relies on a vast information technology network based on the computer chip, itself made from petroleum. Nearly every business that claims to use 100 percent renewable electricity, besides those in places like the Pacific Northwest or Western New York were there is sufficient hydropower, is engaged in greenwashing and at best pays renewable energy credits as dispensation for using reliable energy from oil, natural gas, coal, and nuclear to keep operations running.

Because oil and natural gas are so fundamental to the economy, when prices for them are high it creates inflationary pressures throughout the economy. One of the most basic ways the President could curb inflation is to encourage American oil and natural gas production. Even if you ignore a year of steadily rising oil prices and blame Putin for today's high prices, what better way to bring them down than by increasing American production and displacing lost Russian imports?

Currently, American oil production is down about 800,000 barrels of oil per day (bopd) to 11.5 million from the high point of 12.3 million in 2019. [1] My industry is doing its part to bring down gasoline prices by increasing production. The Energy Information Administration (EIA) forecasts American producers will increase production by nearly 12.5 million bopd by the end of 2022. We could reach that goal and even help replace the 670,000 bopd we previously imported from Russia if the Administration could reverse course, such as:

- *Move forward with leasing and permitting on Federal lands.* There are currently 4,579 permits to drill awaiting approval. While there are also 9,000 outstanding approved permits to drill, there are many factors that cause companies to wait to drill those wells, if at all. The biggest factor is the uncertainty in the permitting process which compels the acquisition of permits often years before they are needed. A stable system that isn't beset by litigation and bureaucratic delays would reduce the need to build up large inventories.
- *Approve timely Rights of Way (ROW) for natural gas gathering lines.* A drilling permit is not the only Government approval required before a well can be drilled. ROWs can take years to acquire before companies can put in natural gas gathering systems. With the pressure not to flare from regulators and investors, most companies cannot drill before gathering lines are in place. Timely approvals of ROWs would enable companies to develop sooner.

[1] "Short-Term Energy Outlook", EIA, Table 4a, April 2022. 2019 data from EIA historical production statistics.

- *Call off efforts to deny capital and lending to the oil and natural gas industry.* Activist investors, encouraged by an Administration intent on expanding its financial regulatory powers, have worked to debank and decapitalize the industry. Many companies, particularly the small independents who drill the majority of wells, are having difficulty acquiring the credit and capital necessary to develop. By rescinding the Security and Exchange Commission's overreaching climate change disclosure rule and calling off other bureaucratic efforts to deny financing to the industry the President could send a strong signal to the market that investments in oil and natural gas are safe and new production would move forward.
- *Approve pipelines such as the KeystoneXL and natural gas pipelines that supply Liquefied Natural Gas (LNG) terminals.* The Administration has worked with anti-oil-and-gas activists to slow pipeline infrastructure. Without pipelines to move the oil and natural gas produced, wells cannot be developed. Ensure the rescinded Federal Energy Regulatory Commission (FERC) natural gas pipeline certification policy is not resurrected through rulemaking.
- *Back off the regulatory overreach agenda which is intended to increase costs and reduce production.* For example, the Department of the Interior is planning regulation to increase leasing costs and royalty rates and EPA is undergoing methane regulation that would shut down potentially hundreds of thousands of the low-producing wells that provide 8 percent of American production.[2] The uncertainty of all the new red tape puts a damper on new investment and development today, especially on Federal lands where the burden is highest.
- *Desist with the Social Cost of Carbon (SCC).* There is no legal mandate for it and It is specifically meant to increase the cost of reliable energy. A SCC can be used to make regulation that is otherwise upside down in a cost/benefit analysis and make it seem like it is beneficial, even if it increases the cost of the energy that meets 80 percent of Americans' energy needs.
- *Congress should do its part too by not advancing legislation to tax methane emissions.* The methane fees that have been proposed would amount to a tax on natural gas, as measuring the small leakages targeted by the fee is technically infeasible and hence, the tax would necessarily be levied on production volumes or basin leak-rate averages. Further, the fee would be unprecedented, as emissions are already controlled by EPA regulation designed to identify leaks, fix them, and remove the emissions from the atmosphere, not attempt to measure and create a revenue stream out of them.

Western Energy Alliance encourages the Administration and Congress to work together with my industry to reverse many of these policies. Together we can increase American production and help control inflation.

[2] "Percentage Depletion: Economic Impact of Its Elimination", Energy and Industrial Advisory Partners on behalf of the National Stripper Well Association, 2021.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR KENNEDY FROM BRIAN RIEDL

Q.1. The Biden's COVID relief bill, the American Rescue Plan, included $2 trillion in Federal stimulus. Economists, left and right, agreed that this stimulus would accelerate inflation. As you know, the Federal Reserve is doing all that in can to cool down this economy by raising interest rates.

What should Congress and the Administration do to do their part to combat inflation?

A.1. The first rule is do no harm. That means avoiding big spending bills, such as Build Back Better, that would worsen inflation. It is also another reason to stop the student loan payment moratorium that is inflationary and no longer justified by the unemployment rate. From there, Congress should address the Biden (and Trump) administration's price-hiking tariffs, as well as the Buy America, Davis-Bacon, and Project Labor Agreement regulations that are raising prices in the economy and hiking costs for the Federal Government.

Q.2. Would you consider the BBB emergency spending? Will the BBB help tamp down the rate of inflation Americans are witnessing? Or ease supply chain bottlenecks? Expand Government?

A.2. There is nothing in Build Back Better that meets the legal standard of emergency spending (which is that it be "necessary, sudden, urgent, unforeseen, and temporary"). Rather, its proposals are drawn from the longstanding liberal wish list. And BBB would of course worsen inflation, as evidenced by the $791 billion net cost in the first 5 years as scored by CBO. Build Back Better would theoretically be modestly disinflationary after the fifth year when the legislation runs surpluses, but that unrealistically assumes that Congress would just let the benefit provisions expire within a few years. In fact, the economists at Penn-Wharton calculate that Build Back Better would—if extended—lead to a significant (and permanent) increase in the price level. The bill expands Government by trillions of dollars when Washington already faces $112 trillion in baseline deficits over the next three decades, and does nothing to ease supply chain bottlenecks.

Q.3. The Democrats have proposed a one-size-fits-all approach to childcare. They have overregulated childcare small businesses, forcing them to jump through hoops or close their doors to meet their standards.

Do these proposals increase the supply of childcare services to working families?

A.3. Advocates claim that this proposal will increase the supply of childcare services for families through Government subsidies. However, the Democratic plan limits which providers will be eligible for subsidies (such as excluding most churches), which may drive non-subsidized providers out of business. Furthermore, the expensive compliance and "living wage" regulations would raise costs for providers and make it more difficult to stay afloat.

Q.4. Do these proposals make childcare more affordable?

A.4. They absolutely do not make childcare more affordable. The large family subsidies will increase demand, pushing up prices. On the supply side, the proposal would limit the type of childcare providers who are eligible for subsidies (such as preventing church-based providers) which will push up prices. The statutes, rules, and certifications will require extra compliance staff, and those costs will be passed on to families through higher prices. Most importantly, the "living wage" regulations on staff pay would raise childcare costs by 80 percent. Overall, economist Casey Mulligan estimates that the Democrats' childcare proposal would raise prices by 120 percent, or $27,000 for a family with an infant and 4-year-old. Similarly, the left-wing People's Policy Project estimates that prices for the middle class would rise by $13,000 per child. And using taxpayer subsidies to cover these rising costs does not reduce the inflationary effects, but merely transfers the costs to other taxpayers.

Furthermore, during the hearing the majority repeatedly asserted that a key way to reduce inflation would be to increase the labor force participation rate (through childcare subsidies to help more parents work). Yet standard economics teaches no such relationship between the labor force participation rate and inflation. Yes, higher workforce participation pushes out the economy's supply curve, lowering the price level. Yet the income these new workers earn and spend pushes out the demand curve and raises prices. These simultaneous supply and demand expansions together raise output, but the price effects cancel each other out, leaving inflation roughly unchanged. For proof, look no further than the 1965–1980 period that produced a rapid increase in female labor force participation without any disinflationary effects (in fact, inflation soared over that period for multiple reasons). Increasing workforce participation is economically positive and raises output, but almost any economist will confirm that it does not necessarily reduce inflation.

RESPONSES TO WRITTEN QUESTIONS OF SENATOR KENNEDY FROM KATHLEEN SGAMMA

Q.1. Rising energy prices hurt rural families the most as they are the ones who drive farther distances. This Administration has been at war with domestic energy production by canceling the Keystone XL Pipeline, banning new oil and gas leases on Federal lands and waters, and appointing bank regulators who try to shame and limit financing to oil and gas companies, all while begging OPEC to increase its oil production to lower our gas prices.

Can you elaborate on how these actions are making life, especially for rural families, less affordable?

A.1. I agree that high gasoline prices are a real hardship to most Americans, but may particularly harm those in rural communities who generally travel longer distances. I would add that the President's ban on leasing is hurting rural Americans in particular, since the vast majority of Federal onshore development occurs in rural areas. There are oil and natural gas communities like Duchesne and Uintah counties in Utah and Rio Blanco County in Colorado where over 80 percent of the land is Federal. Federal policies like the leasing ban wreck havoc on the economies of these rural counties. The Wyoming Energy Authority commissioned a study from a University of Wyoming professor who finds that the ban on leasing killed 32,719 jobs and just under $5 billion in GDP in eight Western States last year.

Q.2. Without a 5-year lease plan, Louisiana is set to lose over $1 billion in State revenue, cost 14,000 Louisiana jobs, and result in a 20 percent reduction in energy produced, over that time period. That doesn't sound like a plan to decrease inflation for Louisiaians.

Simply, can you explain the benefits these lease sales will have for all Americans not just the people in my home State?

A.2. According to a study from API and NOIA, continued offshore lease sales would support 372,000 jobs, $31.4 billion in GDP, and $7.4 billion in Government revenues annually. By producing 2.62 million barrels of oil a day, that offshore production helps bring down prices at the pump for consumers. However, since this Administration has not even proposed a new 5-year leasing plan, offshore production will decline by an annual average of 500,000 barrels per day, decreasing employment by 115,942 jobs and reducing GDP by $10 billion. Of course, this decrease in supply will put upward pressure on energy prices, which will drive inflation in the economy overall.

Q.3. As you stated in your opening statement, the Biden administration has begged some of America's biggest enemies to increase their oil production (OPEC, Iran, Russia, Venezuela). Many of whom have significantly less environmental standards for energy production. America's oil and gas industry produces significantly cleaner energy and has the ability to fill this production gap. Yet the Biden administration continues to add additional layers of regulation on the American energy industry.

Can you explain how these regulations continue to drive energy prices higher and production down?

A.3. The Biden administration has pursued several policies that are making it more difficult to develop oil and natural gas in this country. One example is overturning the modest reform to the National Environmental Policy Act (NEPA) from the Trump administration that would have helped to reduce the time to complete environmental analysis under NEPA. Long NEPA timeframes have for decades made building roads, bridges, pipelines, and other infrastructure considerably more expensive. NEPA is often used to delay oil and natural gas projects for years, making it more difficult to bring new production online. NEPA litigation continues to delay projects on Federal lands. NEPA regulations that further delay infrastructure projects put upward pressure on inflation.

Another example is the SEC's proposed climate change disclosure rule. Although not yet finalized, it creates uncertainty among financial institutions as their investments in oil and natural gas could be eroded by SEC, which seeks to use its regulatory powers to drive down production. Proposed EPA methane regulations could result in the premature abandonment of many of the 760,000 marginal wells that together provide about 8 percent of American oil and natural gas production.

Q.4. Increased energy prices are being felt in every corner of America and every step of our supply chain. Farmers are paying more money to fuel their tractors to harvest the fields, truck drivers are paying more money to deliver these good, all the way down to fueling your car to go buy groceries. These increased gas prices are being passed down to the consumer at every turn. The oil and gas industry plays a fundamental role in how our economy functions. When those prices increase, our economy suffers the consequences.

How will addressing these record high energy prices help drive down inflation and supply chain issues?

A.4. Energy prices are fundamental to all facets of the economy. Very few goods and services, if any, are made and provided to consumers without the use of oil and natural gas. Anything manufactured requires oil and natural gas for materials and component feedstock, industrial energy, electricity, and transportation. Online ordering, processing, and delivery of any good or service and the entire supply chain relies on a vast information technology network based on the computer chip, itself made from petroleum. Increasing oil and natural gas production in the United States would bring down energy prices and hence, the energy input costs for just about every good and service.