

Testimony of Rita Furlow  
Maine Children's Alliance  
Before the Joint Standing Committee on Taxation  
LD 1891  
An Act to Support Maine Businesses Through a Child Care Tax Credit  
and a Pass-through Entity Tax  
January 24, 2024

Good afternoon, Senator Grohoski and Representative Perry, and esteemed members of the Joint Standing Committee on Taxation, my name is Rita Furlow. I am the Senior Policy Analyst at the Maine Children's Alliance. I am providing testimony neither for nor against on LD 1891, *An Act to Support Maine Businesses Through a Child Care Tax Credit and a Pass-through Entity Tax*. The Maine Children's Alliance is a statewide non-partisan, non-profit research and advocacy organization whose mission is to promote sound public policies to improve the lives of children, youth, and families in Maine.

We know from research on developmental science of the crucial importance of the first five years of brain development.<sup>1</sup> This period is critical in establishing the neural functions and connections that shape future cognitive, social, emotional, and health outcomes. There is clear evidence from neuroscience that demonstrates the importance of what is called "serve-and-return" interactions.<sup>2</sup> These interactions help build child-adult relationships that are responsive and attentive and ultimately build a strong foundation in a child's brain for all future learning and development.

With approximately 72 percent of Maine children under the age of six having both parents working to make ends meet, we estimate that 51,000 children and families need early care and education so parents can go to work.<sup>3</sup> A high quality system of child care that meets the needs of children and families is essential to not only the healthy development of young children but to the Maine economy.

Early childhood programs are made up of a mix of public and private entities, ranging from large centers to small home-based programs, to informal family, friend, and neighbor care. They are structured as sole proprietorships, small businesses, or nonprofit organizations. In

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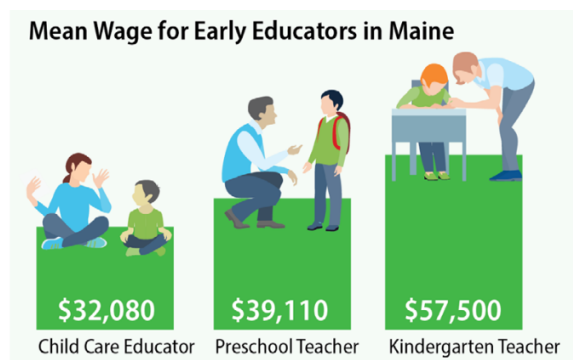
<sup>1</sup> National Scientific Council on the Developing Child (2004). *Children's Emotional Development Is Built into the Architecture of Their Brains: Working Paper No. 2*. Retrieved from: <https://46y5eh11fhgw3ve3ytpwxt9r-wpengine.netdna-ssl.com/wp-content/uploads/2004/04/Childrens-Emotional-Development-Is-Built-into-the-Architecture-of-Their-Brains.pdf>

<sup>2</sup> National Scientific Council on the Developing Child. (2004). *Young children develop in an environment of relationships*. Working Paper No. 1. Retrieved from: <https://46y5eh11fhgw3ve3ytpwxt9r-wpengine.netdna-ssl.com/wp-content/uploads/2004/04/Young-Children-Develop-in-an-Environment-of-Relationships.pdf>

<sup>3</sup> The Annie E. Casey Foundation, KIDS COUNT Data Center, Children under age 6 with all available parents in labor force in Maine, retrieved from: <https://datacenter.aecf.org/data/tables/5057-children-under-age-6-with-all-available-parents-in-the-labor-force?loc=21&loc=2#detailed/2/21/false/1095,2048,1729,37,871,870,573,869,36,868/any/11472,11473>

Maine, according to a 2019 report, 76 percent of providers were sole proprietors.<sup>4</sup> What these different models have in common is that they are financed by their customers, unlike our public preschool-grade 12 education system. Families pay “tuition” for their children to attend. The average tuition for an infant in center-based care is \$11,960,<sup>5</sup> similar to the annual cost of tuition at the University of Maine at \$12,000.<sup>6</sup> Of course, this is extremely challenging for parents during a time in their lives when they are just beginning their careers.

Unfortunately, the high cost of care does not equate to profitable businesses, well-paid staff, or high-quality experiences for children. Regarding salaries, the average (mean) annual income for child care workers in Maine is significantly lower than preschool or Kindergarten teachers in Maine (see chart below). In addition to low wages, early care educators and staff rarely receive health insurance or paid time off, in stark contrast to their public-school counterparts. A college graduate with a bachelor's degree in early childhood education has the lowest projected life-time earnings of any college major.<sup>7</sup>



**Source:** U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics, 2022 State Occupational Employment and Wage Estimates Maine [https://www.bls.gov/oes/current/oes\\_me.htm#top](https://www.bls.gov/oes/current/oes_me.htm#top)

The low wages in this field have caused many child care programs to struggle to hire staff. This has caused early childhood programs across the state to close classrooms and has resulted in many parents struggling to access child care for their young children in Maine. The individuals running early childhood programs recognize that they cannot increase wages on the back of parents, who can't afford to pay more for child care.

<sup>4</sup> Committee for Economic Development of The Conference Board. Child Care in State Economies: (2019). Maine. [https://www.ced.org/assets/reports/childcareimpact/fact\\_sheets/ revised/Maine%20Fact%20Sheet%201312019.pdf](https://www.ced.org/assets/reports/childcareimpact/fact_sheets/ revised/Maine%20Fact%20Sheet%201312019.pdf)

<sup>5</sup> Price of Child Care in Maine. Child Care Aware. (2022). <https://info.childcareaware.org/hubfs/2022%20Price%20of%20Care%20State%20Fact%20Sheets/Maine%202022%20 -Price%20Fact%20Sheet.pdf>

<sup>6</sup> University of Maine at Orono. Costs at UMaine. Costs at UMaine, <https://umaine.edu/stuaid/aid-basics/costs-at-umaine/> (2023).

<sup>7</sup> Broady, Kristen E. and Hershbein, Brad J. (2020). "Major Decisions: What Graduates Earn Over Their Lifetimes." The Hamilton Project, October 8, 2020 <https://www.hamiltonproject.org/publication/post/major-decisions-what-graduates-earn-over-their-lifetimes/>

We would suggest that the best and most direct policy solutions relating to improving child care are to support initiatives that will: 1) improve wages to attract staff; 2) make child care affordable for families; 3) increase access to child care, particularly for infants, and 3) support quality programming for children.

We are concerned that tax policy is not the best vehicle to accomplish these goals. A previous tax credit for businesses in Maine to invest in child care was seldom used and was ultimately repealed. The committee may benefit from reviewing a recent document that was created for the IDEA Committee as a result of LD 103, *Resolve, Directing the Maine Children's Cabinet Early Childhood Advisory Council to Study Incentives for the Provision of Child Care in Maine*. In particular, the report focuses on incentives for employers to support child care.

We appreciate the sponsor and the committee's interest in improving access to child care in Maine. Should the committee move forward on a child tax credit plan, we urge you to consider tax benefits that will improve or provide incentives related to wages, access, affordability, and quality of child care.

A possible child care tax credit that could support child care in Maine would be to create a credit that would support regional child care hubs, or child care "resource and referral" organizations.<sup>8</sup> Prior to 2013, Maine supported regional resource centers that helped to connect parents to local child care, supported them in navigating the state's child care subsidy system, and supported local providers with technical and business supports. Maine is currently one of only two or three states in the country that does not provide local and regional supports to families and providers.<sup>9</sup>

A business tax credit that would support child care for infants and toddlers could be particularly beneficial to families who struggle, regardless of their income, to find a facility that accepts infants. The market-based child care system fails to account for the fact that infants are much more expensive to care for than older children. Research shows that healthy development in infancy is facilitated by a lot of one-on-one interaction,<sup>10</sup> so programs need more staff, which increases costs. Older children can learn and play in groups with peers, so adult-to-child ratios are higher for infants and toddlers. This results in many programs making a financial decision to not offer any care for infants because they can't afford to support the higher costs.

We would also urge you to examine how funding to support facilities such as Educare Central Maine, which is a model early child care center located in Waterville was accomplished. New

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<sup>8</sup> <https://childcareta.acf.hhs.gov/ccdf-fundamentals/coordination-child-care-resource-and-referral-systems> and Child Care Resource and Referral. <https://www.childcareaware.org/about/child-care-resource-referral/>

<sup>9</sup> <https://www.childcareaware.org/wp-content/uploads/2017/04/CCRR-Network-Model.pdf>

<sup>10</sup> National Scientific Council on the Developing Child (2004). Young Children Develop in an Environment of Relationships: Working Paper No. 1. [www.developingchild.harvard.edu](http://www.developingchild.harvard.edu)

Market Tax Credits were provided to support the physical building.<sup>11</sup> Perhaps a credit could be developed to support community facilities/hubs across the state that could increase access by lowering rental or facility costs for providers. The child care provider could utilize savings from rent to support higher wages.

We would also suggest that you review Maine's existing child care tax credit for families and consider making it fully refundable. However, it is important to recognize that many parents simply can't afford the monthly payment for child care. Waiting to receive a once-a-year tax credit simply doesn't work for many families who need immediate relief from the high costs of care.

The committee may also consider reviewing child care tax policy that has been developed in Louisiana and Colorado that has been designed to provide income supports to child care staff.<sup>12</sup>

I would be happy to participate in a work session on the bill. Thank you for your attention and consideration.

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<sup>11</sup> NTMC financing funded Educare Central Maine, the first Educare site in New England.  
<https://nmtccoalition.org/project/educare-central-maine/>

<sup>12</sup> Colo. Rev. Stat. § 39-22-547; La. Rev. Stat. § 47:6106.