



To: Joint Standing Committee on Health and Human Services

Re: Testimony in support of LD 2199, An Act to Ensure Subsidy Reimbursements and Emergency Financial Assistance for Certain Child Care Providers

From: Amy Winston, State Policy Director

2/20/24

Sen. Baldacci, Representative Meyer, and Members of the Health and Human Services committee: My name is Amy Winston and I live in Edgecomb. I am submitting this testimony today on behalf of Coastal Enterprises, Inc. (CEI), where I am director of state policy. [CEI](#) is a community development corporation (CDC) and community development financial institution (CDFI) based in Brunswick. CEI's mission is to build a just, vibrant, and climate-resilient future to make the economy more equitable for people and communities in Maine and rural regions. We do this by integrating finance, business expertise, and policy solutions.

Since its founding in 1977, CEI has intentionally and deliberately invested in child care businesses. We have loaned \$13 million to over 200 center- and family-based child care businesses that have created over 7,200 openings. To address the shortage of childcare across the State, our "[Child Care Business Lab](#)" provides no-cost assistance with business planning and implementation, including licensing and insurance, facility location, fee structure, workforce recruitment/retention, hiring and job training, bookkeeping, financing and other aspects critical to operational efficiency, sustainability and success. With cohorts established across the State in the rim counties, western mountains, and bilingual programs in Lewiston and Downeast, this program has helped 28 Mainers open financially sustainable child care businesses serving over 580 children.

We strongly support LD 2199, An Act to Ensure Subsidy Reimbursements and Emergency Financial Assistance for Certain Child Care Providers. This bill continues the efforts of a broad-based coalition of childcare providers, workforce advocates, and employers working with the legislature and executive branch to expand access to quality childcare in Maine by making more daycare options available. This will enable parents to join, rejoin, or participate more fully in the workforce; and growing the workforce is central to the State's economic development strategy.

Section 1 of this bill makes a key change to the reimbursement process for the income-based, DHHS-administered Child Care and Development Fund (CCDF) childcare assistance program. Reimbursing childcare providers for CCDF-funded families based on enrollment instead of attendance, as is currently the case, will help to stabilize childcare businesses. This will create a predictable income for business owners and encourage more childcare providers to participate in this program and to increase the number of slots they reserve for families on subsidy. This will make affordable child care more available and accessible statewide.

A recent change expanded eligibility for this program by increasing the income threshold for families to qualify for assistance. With more families qualifying for support, more child care openings are needed. Without enough businesses in existence there will be even longer waitlists, exacerbating an existing issue. According to the [First Five Years Fund](#) (2023), 22% of Maine residents live in a "child care desert." Parents who want to be in the labor force are unable to participate without child care options. The lack of options means that only about 26% of the state's children aged 0-14 are enrolled



in licensed child care, and only 12% of eligible children aged 0-5 are served by the CCDF. Therefore, it is crucial that the state intervene to help stabilize and support businesses.

Section 2 of this bill establishes a special Fund that pairs one-time emergency assistance to support short-term facility or operational costs, with business technical assistance to support the financial planning, capacity, and stability of child care businesses. A revolving no- or very low-cost fund for childcare business owners is needed to provide financing for small business owners who are faced with a boiler that quits, roof that is taken by a storm, or next-size septic requirements.

An effective fund will offer flexible terms and provisions based on loan size with repayment scheduled to recycle and replenish the fund for ongoing use. With affordable financing, a thoughtful business owner can find a silver lining and turn an unexpected challenge into an opportunity to, for example, weatherize a facility, invest in clean energy, an energy efficient appliance, or otherwise update and replace failed equipment and reduce energy and other costs with more efficient systems. Money saved can then be reinvested in workforce and students. This fund has the potential to keep the doors open and the lights on. Many child care businesses have shuttered because they lack access to capital – or they are one emergency away from closing. They don't have the credit or collateral or simply can't afford conventional financing for businesses that can't cover the cost of care and as a result are not financially viable.

CEI would be happy to advise or otherwise assist in structuring an equitable fund and cost-effective technical assistance component. We recommend Fund parameters that increase participation in the CCDF program and direct funds to communities with the most need. Grants may be warranted in certain circumstances. Our Child Care Business Lab has developed a financial model for childcare that provides high-quality care; is profitable for businesses; and includes a set-aside of 20% of openings for families in the CCDF program. We partner with DHHS to administer the Child Care Infrastructure Grant Program and provide customized business assistance in Maine and we are sharing this approach nationally as part of a community of practice that is growing a viable childcare economy.

LD 2199 improves the CCDF program and pairs financial support with technical assistance to help child care businesses stay afloat. The workforce behind the workforce, these businesses prop up our economy. They enable parents to work while preparing our youngest citizens to be lifelong learners and community leaders. The lack of childcare costs the state approximately \$403 million in lost earnings, productivity, and revenue ([Council for Strong America, 2023](#)). For Maine to grow its economy, quality affordable child care is needed. Enrollment-based reimbursement will streamline and encourage businesses to participate in the CCDF – without which childcare remains unaffordable for most families. Until a model is developed that compensates providers for the true cost of the care they deliver, a more efficient, consistent method of reimbursement will benefit Maine's childcare businesses, families, and arguably, CCDF program personnel. For these reasons, we urge you to vote Ought-to-Pass on LD 2199. Thank you for considering our testimony.