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Senate District 2

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LD 1222, "An Act to Expand Child Care Services Through an Employer-supported Tax Credit"

Joint Standing Committee on Taxation

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Senator Grohoski, Representative Perry and Distinguished Members of the Joint Standing Committee on Taxation:

I am Senator Trey Stewart and I proudly represent District 2, which includes several communities in Aroostook and Penobscot Counties. Today I am here to present LD 1222, "An Act to Expand Child Care Services Through an Employer-supported Tax Credit."

As I am sure you would agree, child care is critical to Maine's economy; and, unfortunately, that care is both scarce and expensive in much of rural Maine. Without safe, affordable and local options, parents are faced with the tough choice of securing employment or caring for their children. These challenges have only become tougher since the pandemic caused a significant number of facilities to permanently close.

The child care shortage costs the United States $122 billion in lost earnings, productivity and revenue each year, according to ReadyNation, a consortium of business leaders under the umbrella of the Council for a Strong America, a bipartisan nonprofit that promotes workforce solutions. A December 2022 survey of working parents found that about two-thirds of parents of infants and toddlers reported being late to work or having to leave work early because of inadequate child care; and 85% of parents surveyed said problems with child care affected their work effort or their time available for work.

There are waitlists in child care businesses throughout the State. While there are more than 47,000 licensed child care slots in Maine, as of January 2023 there were only 38,009 child care slots available to parents. The inability to hire staff is due predominantly to low wages. More than affordability or location, 95% of Portland Regional Chamber of Commerce businesses stated that the biggest issue with child care in Maine is the fact in many places there just aren't enough providers. With one of the greatest barriers to our economy at this time being the lack of available workforce, it is particularly challenging for rural businesses where the services required to support a thriving workforce are lacking.

Now let's talk about affordability. Child care in Maine costs between $10,000-$15,000 per child per year. The 2017-20 average median household income in Maine was approximately $63,000. Maine DHHS guidelines for affordable child care is 10% of household income, so a family can afford roughly $6300 per year. This leaves approximately, on average, a $6000 gap in affordability.

This is where LD 1222 comes into play. Maine businesses can help meet the child care need for their employees by providing funds to defray child care costs, working with a child care provider to reserve available slots, supporting expanded child care facilities on-site or with a child care provider. The tax credit described in this measure will help Maine businesses meet the child care need. While families need $6000 on average to bring child care expenses into an affordable range, a tax credit of 50% (up to $3000) will share the costs between business and state to meet this need. This tax credit will help Maine families afford child care and stay in the workforce. It will help Maine employers recruit and retain qualified workers by increasing their access to reliable child care. And it will ensure Maine child care providers have a stable funding mechanism to maintain and expand their services.

There are others here who will follow my testimony and provide more information on the positive aspects of this legislation and I am sure they will be able to answer questions about the more intricate details of the proposal.

Thank you for your time and consideration.