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Maine Community Action Partnership Supports LD 258 An Act Making Unified Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2023, June 30, 2024 and June 30, 2025

May 17, 2023

Senator Rotundo, Representative Sachs, members of the Committee on Appropriations and Financial Affairs, I am Megan Hannan, Executive Director of the Maine Community Action Partnership and we support several items in the change package to LD 258 An Act Making Unified Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2023, June 30, 2024 and June 30, 2025.

Our state's greatest resource is our people, and our state's policies shape people's possibilities. In Community Action, we create conditions that invite children to learn and adults to apply their skills, tapping into the deep-rooted potential in our communities. Through our Whole Family approach, we build a family's capacity for sustained stability and economic growth. We invest in the family's well-being, we let them drive their own story, and we have tangible success.

PART YYY

We are heartened to see the inclusion of important provisions that will benefit low-income families and children in the proposed change package. We appreciate the recognition of the costs of raising a family through the proposed inclusion of \$4 million in ongoing funding to double the state's Credit for Childcare Expenses, so we want to highlight the ways in which that expansion alone does not address the needs of the families with the lowest income in our state, and could be complemented by an expansion of our state's Child Tax Credit (CTC) equivalent.

Increasing our state's childcare tax credit as proposed in YYY, while valuable, is not a replacement for an enhanced child tax credit. The childcare tax credit excludes many lower income families entirely. Because the federal childcare tax credit, on which the state credit is based, is nonrefundable, a low-income household without federal tax liability is not able to get any credit whatsoever.

To reach lower income families who are not able to benefit from the childcare tax credit, including many childcare workers themselves, the state should expand our state's child tax credit. The 2021 expanded federal Child Tax Credit cut Maine's child poverty rate nearly in half while it was in effect. Maine has an opportunity to build on the success of this

proven effective policy through LD 1544, which would improve our own state CTC equivalent by making it fully refundable. Recognizing the huge poverty reduction impact this proposal would have, it has been prioritized by our network of Community Action Agencies across the state.

A fully refundable state-level CTC would make our state's existing dependent exemption credit available to families with income below \$30 - \$42 thousand who are currently blocked from receiving the credit and increase the amount low, middle, and even higher income families receive from \$300 to \$350 per child. This policy is estimated to benefit 98 percent of children in the state (particularly those in rural areas) and is estimated to move 3,500 kids out of poverty. This credit also supports families with adult dependents.

As this committee makes decisions about tax provisions in Part 2 of the budget, we encourage you to consider the CTC and the ways it would complement the priorities addressed in the change package. Data on the CTC highlight the positive impacts of this smart, targeted policy that will help meet some of the unmet needs of low-income Mainers who are not able to benefit from the childcare tax credit:

- Investing in children in low-income families by expanding programs like the CTC has been shown to improve outcomes for those children over their whole lives, including higher educational attainment, better health, and higher earnings as adults.
- The expanded federal CTC has an estimated 1,000% return on investment per year (roughly \$10 for each dollar spent), pointing to the downstream benefits of investing in children through the CTC.
- The CTC allows people to afford things like childcare so they can work, take care of their family, and do their part to keep growing our economy.
- The CTC helps ease the burden of inflation, wage stagnation and rising housing costs, which are limiting families' abilities to pay for these basic necessities.
- The federal CTC increased work participation and boosted local economies.
- Finally, reduced stress in families results in reduced adverse childhood events, which can follow children for the rest of their lives, and it reduces abuse and neglect; this is the primary reason we are prioritizing our Whole Family approach to working with our customers and why this is a priority for my membership. It is also why we support the funds in Part A, Section 1 to begin work on the State's Child Safety and Family Well Being Plan.

A state-level CTC would build on the proven effective federal policy, providing targeted ongoing relief to Maine families of low, moderate, and even higher incomes. It would reduce child poverty; strengthen our current and future workforce; and boost our economy, reaping a high return on investment for the state.

Thank you for your time and attention.

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