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Testimony neither for nor against the Governor's 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."

May 17, 2023
Arthur Phillips, Economic Policy Analyst, Maine Center for Economic Policy

Good afternoon, Senator Rotundo, Representative Sachs, and members of the Joint Standing Committee on Appropriations and Financial Affairs. My name is Arthur Phillips, and I am an analyst at the Maine Center for Economic Policy. Thank you for the opportunity to testify on this important proposal.

I am here to testify on the Governor's change package regarding the proposal in Part YYY to increase the child and dependent care tax credit for families who pay for child care services. We applaud the Governor for her recognition, in this proposal and in recent years, of the challenges families face in trying to afford child care. However, we believe expanding the child care credit is not the optimal way to address the significant issues facing child care workers and consumers.

Maine's tax credit for child care expenses is based on a federal credit that is not refundable; therefore, a family that does not meet the minimum income requirements gets no benefit on either their state or federal taxes. Other Mainers with enough income to benefit still may not be able to claim the credit because they cannot afford or access child care in the first place. The administration asserts this proposal would double the average benefit to $360.[i] While this would be meaningful to many of the families who access it, this level of investment falls short of what is needed to address our state's significant child care challenges.

Recent years have taught us child care workers are truly essential. Without them, other workers are forced to leave their jobs to care for young children, costing them earnings they need now and the savings to retire with dignity. This burden is felt by families in every corner of our state, but it particularly impacts rural areas and overwhelmingly falls on women to sacrifice their economic autonomy.

Maine lawmakers are well aware of the critical role of child care workers, which is why last year legislators unanimously passed and the governor signed a bill to provide $200 monthly supplements to our child care workers.[ii] This and other investments helped stabilize a system in freefall, as many of Maine's family and center-based child care providers permanently closed their doors during the pandemic. Now, we need to focus our efforts on greater investment in our child care workers and expanding eligibility and funding for subsidies to help families afford the cost of care.

Caring for a family member is one of the primary reasons people who wish to enter the labor force are not working or looking for work. According to US Census Bureau data, 24,000 Mainers cite a lack of available child care as the primary reason they aren't in the labor force.[iii] And while many issues impact the availability of child care, the primary factors are low wages for child care workers and the high costs of child care services.

Data from the Bureau of Labor Statistics shows the median hourly wage for child care workers in Maine is lower than that of retail salespeople and food prep workers. Even though many child care workers hold early childhood education degrees and prepare young children for school, they earn on average just 60 percent of what kindergarten teachers make and just over half (53.5 percent) of what elementary school teachers earn.[iv] If we want to attract and retain more people in a career that gives workers in every corner of the state the chance to stay in their jobs, we must do better by them.

Low wages make it extremely difficult for child care centers to recruit and retain staff. A 2021 survey by the National Association for the Education of Young Children found 85 percent of child care centers in Maine were experiencing staffing shortages, with low wages overwhelmingly identified as the biggest barrier to recruitment.[v] A survey last year found the top challenges for Maine's child care centers were growing waitlists and staff shortages.[vi] And according to one analysis, by the end of 2022 Maine had 280 fewer child care centers than two years earlier.[vii]

While child care workers are paid low wages, for many parents the cost of child care is either out of reach or too high to justify staying in the workforce. In 2021, Maine Department of Health and Human Services found the market rate for full-time toddler care at a licensed center was more than $11,000 per year in Washington County and over $14,000 in Cumberland County.[viii] According to the US Department of Health and Human Services definition of child care affordability, infant care is affordable to only 11.9 percent of Maine families.[ix]

The combination of high costs and low wages is a market failure that demonstrates why our state must make deeper investments in child care. This session, LD 1726, An Act to Build Maine's Economy by Supporting Child Care for Working Families, would help these twin issues in several ways.

First, the bill would double the current wage supplements for child care workers from $200 to $400 per month — in communities throughout Maine, this extra money could make the difference between someone who loves her job leaving to make more money at a big box store or fast-food restaurant, and one who continues pursuing her passion as an early childhood educator.

Second, LD 1726 would expand eligibility to Maine's Child Care Subsidy Program (CCSP) from 85 percent to 125 percent of State Median Income, allowing more working families to afford the cost of child care and continue pursuing their careers. According to the US Department of Health and Human Services, the current state median income for a family of four is $98,914.[x] A young family with two working parents who earn this much and have two children in child care are currently ineligible for assistance, leaving them to pay around 25 percent of their income on child care. Faced with this reality, many workers, particularly women, choose to leave their jobs.

Third, LD 1726 would set a long-term course to stabilize the sector and assist more families. Efforts to raise workers' wages and expand access to subsidies are critical to helping workers and families, but even with these steps, the child care system will face instability. That is why the bill would establish a cost-of-care model that importantly involves the people most impacted by and knowledgeable about child care – including educators, parents, and advocates – to comprehensively assesses what it costs to offer high-quality early childhood education while paying workers a living wage. LD 1726 would use that robust cost-of-care study to set a course so that by 2030, low-income and working families spend no more than 7 percent of their income on child care.

While it was true before the pandemic, we are now acutely aware of the critical role child care workers play in our economy. If we want to make best use of our resources to support our child care system, we must invest in workers and families so they can thrive and our children can grow up with all the benefits of high-quality early education.

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[i] https://www.maine.gov/governor/mills/news/governor-mills-proposes-change-package-initiatives-tackle-housing-crunch-homelessness

[ii] Randy Billings, "Legislature unanimously approves $12 million boost for child care workforce," Portland Press Herald, March 31, 2022, https://www.pressherald.com/2022/03/31/legislature-unanimously-approves-12-million-boost-for-child-care-workforce/

[iii] MECEP analysis of US Census Bureau's Household Pulse Survey, February 2022 - February 2023.

[iv] May 2021 State Occupational Employment and Wage Estimates, https://www.bls.gov/oes/current/oes_me.htm

[v] National Association for the Education of Young Children, "State Survey Data: Child Care at a Time of Progress and Peril," September 2021, https://www.naeyc.org/sites/default/files/wysiwyg/user-74/statedata_july2021_gf_092321.pdf

[vi] Right from the Start, "Child Care in Maine, 2022: The Second Year in a Pandemic," https://static1.squarespace.com/static/5ab256f9fcf7fdd9320fc65c/t/6384214d2d73311e47cb4081/1669603662738/2022+State+of+Maine+Child+Care.pdf

[vii] Child Care Gap Assessment: Maine, Bipartisan Policy Center, January 2023, https://www.maine.gov/dhhs/sites/maine.gov.dhhs/files/inline-files/Maine-Child-Care-Gaps-January2023.pdf

[viii] Maine Department of Health and Human Services, Child Care Market Rates, July 3, 2021, https://www.maine.gov/dhhs/sites/maine.gov.dhhs/files/inline-files/2021%20Maine%20Market%20Rate%207-3-21.pdf

[ix] Economic Policy Institute, Child care costs in the United States, https://www.epi.org/child-care-costs-in-the-united-states/#/ME

[x] State Median Income (SMI) by Household Size for Optional Use in FFY 2022 and Mandatory Use in LIHEAP for FFY 2023, US DHHS, https://www.acf.hhs.gov/sites/default/files/documents/ocs/COMM_LIHEAP_Att1SMITable_FY2023.pdf