



Testimony of Heather Marden

On behalf of the Maine Association for the Education of Young Children

And the Family Child Care Association of Maine

In support of

**LD 2199: An Act to Ensure Subsidy Reimbursements and Emergency Financial Assistance for
Certain Child Care Providers**

2/20/024

**Senator Baldacci, Representative Meyer, and distinguished members of the Health and Human
Services Committee, my name is Heather Marden, Co-Executive Director of the Maine
Association for the Education of Young Children (MaineAEYC) and former early childhood
educator of 20 years.**

***MaineAEYC promotes high-quality early learning for each and every child, birth through age 8,
by connecting practice, policy, and research. We advance a diverse, dynamic early childhood
profession and support all who care for, educate, and work on behalf of young children.***

**The U.S. Treasury Department has determined that the existing child-care system in the country
is considered "unworkable" due to notable market failures that restrict access to quality care for
many families. Studies reveal that most for-profit providers in this \$60 billion industry work with
margins of less than 1%.**

(The-Economics-of-Childcare-Supply-09-14-final.pdf (treasury.gov))

**Maine currently has around 1458 licensed child care programs of which the majority are part of
our small business infrastructure in the state. Communities and families around the state know
all too well the devastating effects of when one of these small businesses succumbs to financial
hardships. LD 2199 will provide more stable funding for child care businesses through the Child
Care Affordability Program which helps lower-income families in Maine afford and access child
care. This legislation will change current reimbursement practices from only reimbursing for
certain "allowable" absences of children to instead reimbursing for the full enrolled hours of the
child.**

The language below cites how Maine structures current reimbursement practices in the state's Child Care Subsidy Program Rules 10-148 CODE OF MAINE RULES CHAPTER 6:

B. To maintain continuity of Child Care Services, in a twelve (12) month period (January to January), the Department will pay the Child Care Provider for: state holidays, up to forty (40) training hours, and up to fifty (50) hours of Child Care Provider vacation time as required by federal law (45 C.F.R. §98.45); CCSP Rules.pdf (maine.gov)

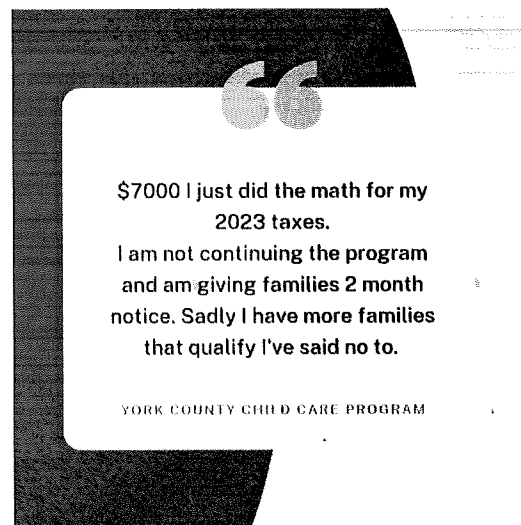
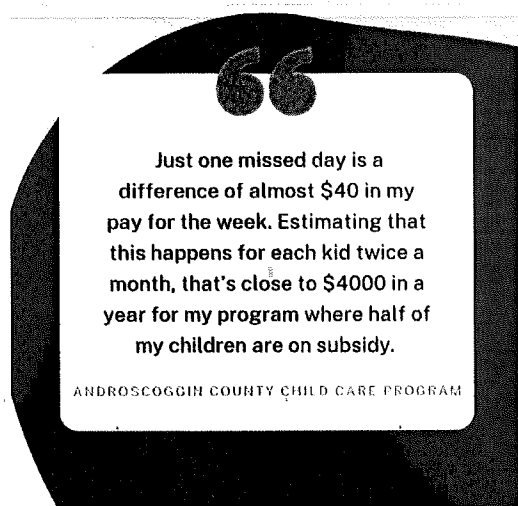
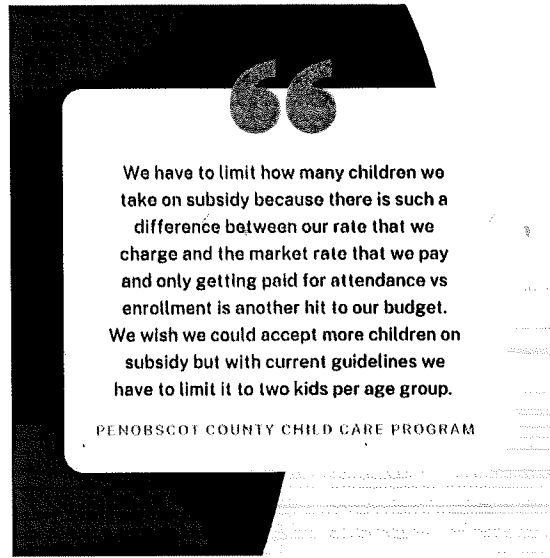
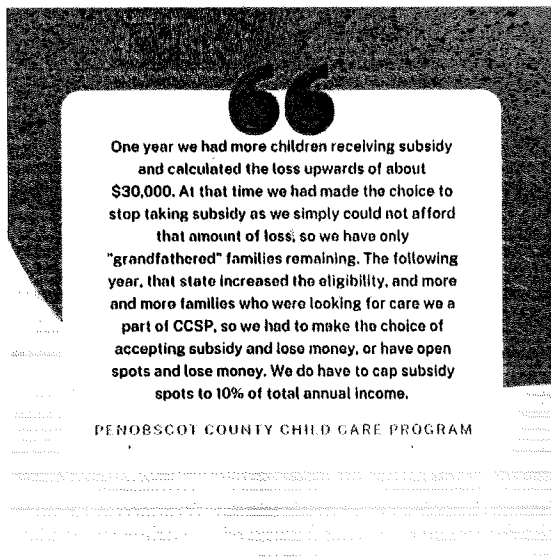
Due to the COVID-19 pandemic and allowable uses of relief funding, Maine was able to amend the federal Child Care and Development Fund plan and use part of those funds to provide reimbursement for children utilizing child care subsidies based on their enrollment and not just their approved attendance. This funding ended in the fall of 2023 and reimbursement practices have reverted to prior rules. The below language shares this temporary payment practice in the CCDF plan. Passage of LD 2199 could ensure that Maine makes permanent the reimbursement practices based on enrollment as recommended by the federal government. The new state plan will need to be submitted for 2025-2027.

b. To the extent practicable, support the fixed costs of providing child care services by delinking provider payments from a child's occasional absences by: (Note: The Lead Agency is to choose at least one of the following):

i. Paying based on a child's enrollment rather than attendance. Describe the policy or procedure.

Maine has utilized the CCDF COVID relief funds in the way of paying based on enrollment while funds are available. (stplan pdf 2022 ME.pdf (maine.gov))"

Fixing the inconsistency in reimbursement practices that are based currently on certain allowable absences, can have a significant impact on child care businesses and families they want to serve. One specific example is the allowable vacation time for the child care programs themselves. Currently, programs are reimbursed 50 hours of vacation which for most programs are the equivalent of one week closed. However, two weeks have become a standard amount of vacation time that programs utilize to reduce staff burnout, deep clean learning spaces, etc. While surveying child care programs on these effects the following examples were offered.

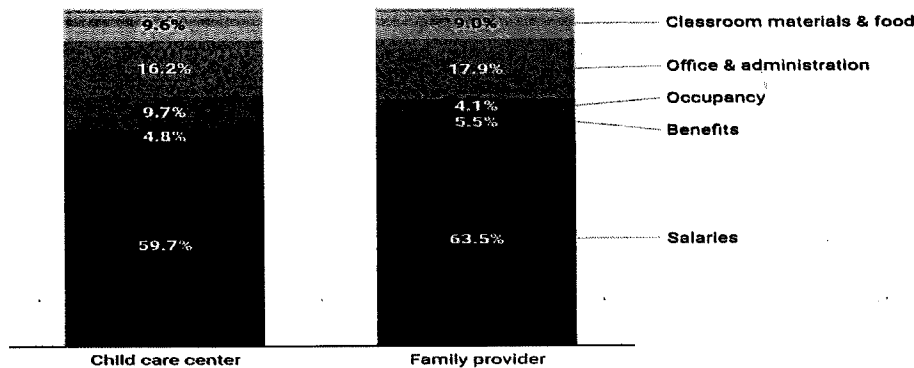


Child care programs across Maine are eager for the Child Care Affordability Program to be effective in order to cater to all families in their communities. With the anticipation of new market rates and the approval of LD 2199, there is optimism that the necessity for childcare businesses to reduce or cease their involvement in the CCAP can be reversed. Only 12% of eligible children in Maine currently benefit from CCAP, highlighting the need for improvements. These enhancements should focus on supporting small childcare businesses in Maine to ensure that CCAP aligns with their operational margins and is in harmony with private pay family tuition practices.

In conjunction with the provision of more secure funding via CCAP, it is recognized that the narrow profit margins within child care enterprises can render them vulnerable to closure in the face of a single substantial unforeseen expense. LD 2199 introduces a an initiative aimed at offering emergency funding to assist child care businesses when confronted with unexpected

financial burdens that could jeopardize their operations. This initiative not only offers financial aid but also includes technical guidance to bolster long-term viability.

Provider costs



National data for base quality scenario.

Chart: Joy Borkholder • Source: Center for American Progress • Created with Datawrapper

The chart provided illustrates a typical breakdown of a child care budget. The primary allocation within the budget is directed towards compensating staff with wages and benefits, representing the most substantial portion, typically ranging between 65% to 75% of the total budget. The remaining funds are usually earmarked for resources, rent/mortgage, utilities, and other related expenditures. Consequently, accumulating savings poses a significant challenge for small child care enterprises in Maine.

In instances where unexpected challenges such as malfunctioning sprinkler systems or broken sinks occur within educational settings, the resulting financial burdens can significantly impact operations. Conversations with proprietors of childcare establishments often reveal resorting to undesirable measures like securing expensive loans, resorting to high-interest credit cards, or even personal financial sacrifices to offset such financial setbacks. Clearly, these practices are not sustainable.

To address these issues effectively, it is proposed that financial aid be supplemented by technical guidance to assist programs in accessing state and federal resources and adopting more effective business strategies. This approach aims not only to address immediate needs but also to establish a framework for long-term sustainability. It is recommended that a specialized small business support entity be contracted to oversee the administration of this emergency fund and provide technical assistance.

The enactment of LD 2199 would underscore the significance of childcare programs as small businesses crucial to Maine's economic landscape. A robust and secure childcare system contributes to a more resilient economy. Enhancements in subsidy reimbursement procedures would ensure consistent and reliable financial support to childcare enterprises. The establishment of an emergency fund aims to shield programs from financial instability during unforeseen circumstances, safeguarding them against potential collapse due to precarious profit margins.