

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

Arthur Phillips, Maine Center for Economic Policy  
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Good afternoon, Senator Baldacci, Representative Meyer, and members of the Committee on Health and Human Services. My name is Arthur Phillips, I am an analyst at the Maine Center for Economic Policy, and I am here to testify in support of LD 2199, An Act to Ensure Subsidy Reimbursements and Emergency Financial Assistance for Certain Child Care Providers.

The US Department of the Treasury has described our child care system as a market failure.<sup>i</sup> Many parents of young children do not have sufficient incomes to cover the high costs of child care; workers are paid too little to stay in or enter the occupation; and providers operating on razor-thin margins do not have sufficient resources to stay open.

Last year, legislators committed to making critical commitments that would begin to address these issues, by doubling our state's investments in wage supplements and expanding access to subsidies. But one important piece was left out – ensuring child care providers can afford to participate in the Child Care Affordability Program and can weather a storm when it comes. That is why this bill is so important.

We would not tolerate a system in which our school budgets fluctuate based on how many sick days or other absences students take. Similarly, child care providers generally do not allow private-paying families to pay only for the days they attend. We should not allow such a system only for providers that serve subsidy-receiving families. Neglecting to change the current policy of reimbursing providers based on attendance rather than enrollment would amount to adding to, rather than addressing, our system's market failures.

The state estimates the cost of reimbursing providers based on enrollment rather than attendance is nearly \$5 million per year. Put another way, child care providers who serve subsidy-eligible families are currently shouldering \$5 million in uncovered costs due to a backwards reimbursement system, at a time when they already struggle to stay open. The effect of this is to drive child care providers away from serving working families who need a subsidy to re-enter or remain in the work force.

Last year, we found around 24,000 Mainers cited a lack of available child care as the primary reason they aren't in the labor force.<sup>ii</sup> Last session's commitment to expand subsidy eligibility carries the promise of enabling more families to access the care they need and continue pursuing their careers. However, that is only possible when there are enough providers who remain open and continue accepting subsidized households.

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Already, families across our state struggle to find a center that accepts subsidized children; if this issue goes unchanged, the problem will grow even worse.

Thousands of families across Maine rely on our subsidy program that is teetering on the edge. I urge you to follow through on the commitments you made last session and pass this critical bill.

Thank you and I am happy to answer any questions you may have.

Contact: [aphillips@mecep.org](mailto:aphillips@mecep.org)

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<sup>i</sup> US Department of the Treasury, "The Economics of Child Care Supply in the United States," September 2021, available at <https://home.treasury.gov/system/files/136/The-Economics-of-Childcare-Supply-09-14-final.pdf>

<sup>ii</sup> MECEP analysis of US Census Bureau's Household Pulse Survey, February 2022 - February 2023.