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ALASKA STATE LEGISLATURE

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Sponsor Statement

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House Bill 89 is based on child care reform best practices developed in other states with bipartisan and business support. This bill will help families get back to work, help employers fill jobs essential for economic growth, and help ensure our children have safe care and are prepared to learn when they enter the public education system.

HB 89 strengthens the childcare system in several ways:

- Expands the number of families who can afford child care by making subsidies more inclusive.
- Aligns the assistance level to reflect the actual cost of care.
- Makes child care expenditures and cash or equipment accepted by child care facilities and payments to employees for the purpose of offsetting child care costs eligible for tax credits.
- Increases the maximum individual tax credit limit.
- Develops a sliding fee scale to make grants less generous for higher income families than lower income families.
- Provides grants for the highest performing and highest quality child care facilities.

Alaska's child care system is in crisis because of low wages, labor shortages, and a declining number of child care providers. For too long, child care subsidies (which are paid with federal dollars managed by the Child Care Program Office within the Department of Health) have not reflected the actual cost of providing care. Inadequate subsidy rates mean providers lose money by providing care to children of lower income parents and must raise rates on middle class parents to compensate. Inadequate subsidy rates also limit the number of providers accepting kids whose families depend on subsidies to afford care.

Historically, the state of Alaska has administered federal funds that support childcare subsidies, and to a lesser extent pay for development of child care training. However, federal regulations limit use of child care subsidy funds to families earning less than 105% of the state median wage, meaning that subsidies only assist with child care for single-income households earning approximately \$60,144 or less per year and two-income households earning approximately \$74,304 or less per year. This leaves many hard-working middle-class families unable to pay for care, which forces parents out of the workforce and is exacerbating labor shortages faced by employers.

I request the support of my colleagues on HB 89 and look forward to constructive conversations during the committee process.