

May 10, 2023

Dear House Finance Committee Members,

Thank you for the opportunity to share about the current challenges facing child care and how House Bill 89 can help address some of those challenges.

As you have heard through the session, child care has been struggling. While this is not a new struggle - it has always been challenging to find and afford quality child care - it is a struggle that is increasing as early educators continue to leave the workforce and child care programs continue to close. This continued decline in child care availability is having a significant impact on the workforce challenges in other sectors and broader economic impacts as well.

Historically, the gap between availability within all early education settings (pre-k, Head Start and child care) and the need in Alaska has been about 20%. Since the pandemic, the challenges facing the child care sector have increased, primarily related to attracting and retaining workforce. We are working to update our data regarding the current gap in early education, but the self-reporting we are hearing from various programs and communities across the state indicate some are experiencing declines in their enrolled capacity as high as 40% due to workforce shortages. This has resulted in classroom and program closures further restricting the supply of available child care.

Federal stabilization funds during the pandemic provided support to child care providers. These funds were delivered in three phases, with the most recent phase, Phase 3, being distributed in April. Data on the impact of the Phase 2 funds has been gathered and will be shared soon, but the preliminary analysis demonstrates that the \$50 million in stabilization funds that went directly to child care providers and programs kept child care businesses open that would have otherwise closed. But we also know that investment alone was not enough to keep all programs open or all early educators in the field.

While thread is advocating for additional direct support for both early educators and child care programs during this coming fiscal year, we also believe that creating a more stable child care sector will require shifts in the current policies around Alaska's child care assistance programs. House Bill 89 addresses two of these policy shifts - increasing eligibility for the child care assistance program and including a cost of care model in the determination of provider reimbursements.

Currently, the income eligibility limit for participating in child care assistance is 85% of state median income. Increasing this eligibility limit would allow more families to participate in the child care assistance program reducing their child care costs. This change has the potential to increase workforce participation across multiple sectors.

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Additionally, child care providers are currently reimbursed at rates set by a market price survey that is based on the amount providers charge for care, not what it actually costs child care programs to provide quality care. When systems base child care policies, including child care reimbursement rates, on a market price survey that does not consider the true cost of care it creates an unstable foundation for the child care system, a foundation that - as we've witnessed - will struggle to weather economic and societal pressures. Including cost of care analysis in policy and fiscal planning for child care provides a foundation for a more stable system.

thread believes stabilizing Alaska's child care system and supporting Alaska's workforce requires policies that reduce costs for parents and increase support for child care providers. These policies are the foundation of HB89. We appreciate the sponsor for bringing this bill forward and continuing the conversation around child care policy. While we were not able to testify before the committee today due to other commitments, if members have questions or need additional information as they consider this bill please don't hesitate to reach out. Thank you for your continued support for Alaska's children and families.

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