



# HB 89 Child Care

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# Problem:

Lack of affordable, quality child care:

- Worsens labor shortages
- Endangers children
- Undermines families' economic security
- Decreases workforce participation



# Solution:



Strengthen child care sector  
to improve access for families  
and help parents return to the  
workforce

# HB 89 strengthens the child care system in a number ways:

Expands the number of families who can utilize daycare vouchers

Aligns the subsidy level to reflect the actual cost of care

Incentivizes tax breaks for employers to donate to daycare facilities

Increases the maximum tax credit

Eliminates sudden drop-off of subsidies for higher income families

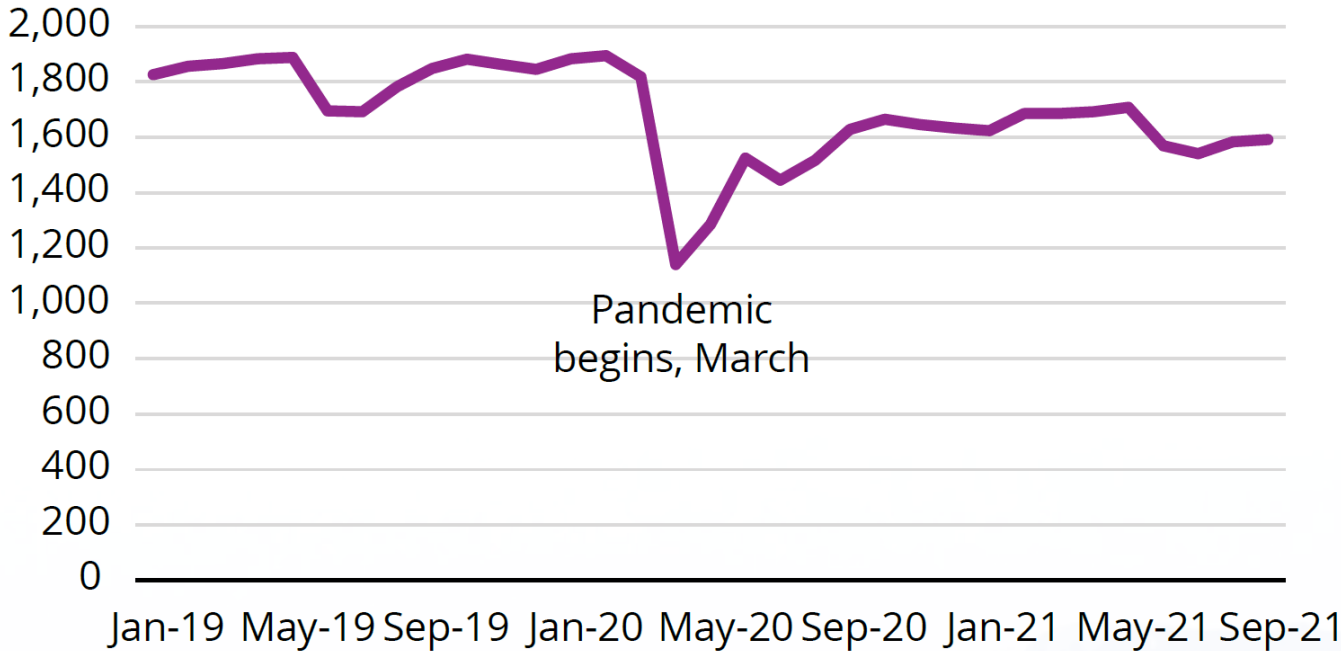
Provides grants to the highest performing/quality daycare facilities

# Alaska's child care is in crisis as a result of:

- Low wages
- Labor shortages
- A declining number of child care providers

# Falling Labor Force Participation Rate = Worker Shortages

## Total child care employment in Alaska by month, 2019-2021



## Child care subsidies are inadequate and do not reflect the actual cost of care

- Providers lose money when offering care to families who rely on a subsidy, and often providers are forced to raise rates on middle class parents to compensate
- Providers must limit the number of spots for kids with subsidies
- Many hard-working, middle-class families remain ineligible for subsidies, forcing young parents out of the job market to stay home and care for young children

# Who is eligible for subsidies?

## **Now:**

- Families up to 85% State Median Income: \$60,144 in Alaska for one earner
- Leaves most of middle class without affordable care
- Lack of affordable care = severe labor shortages in every industry

## **HB 89:**

- Raises eligibility threshold to 105% State Median Income: \$73,920 in Alaska for one earner
- Department will scale subsidy level based on need
- Expanded number of families who can afford care = more Alaskans going back to work



# How is subsidy rate calculated?

## **Now:**

- Subsidy is based on a “market survey” that under-estimates cost of care
- Inaccurate subsidy rate puts providers in greater financial risk
- Inadequate subsidies for kids from low income families forces providers to raise rates on middle class families...pricing even more families out of care

## **HB 89:**

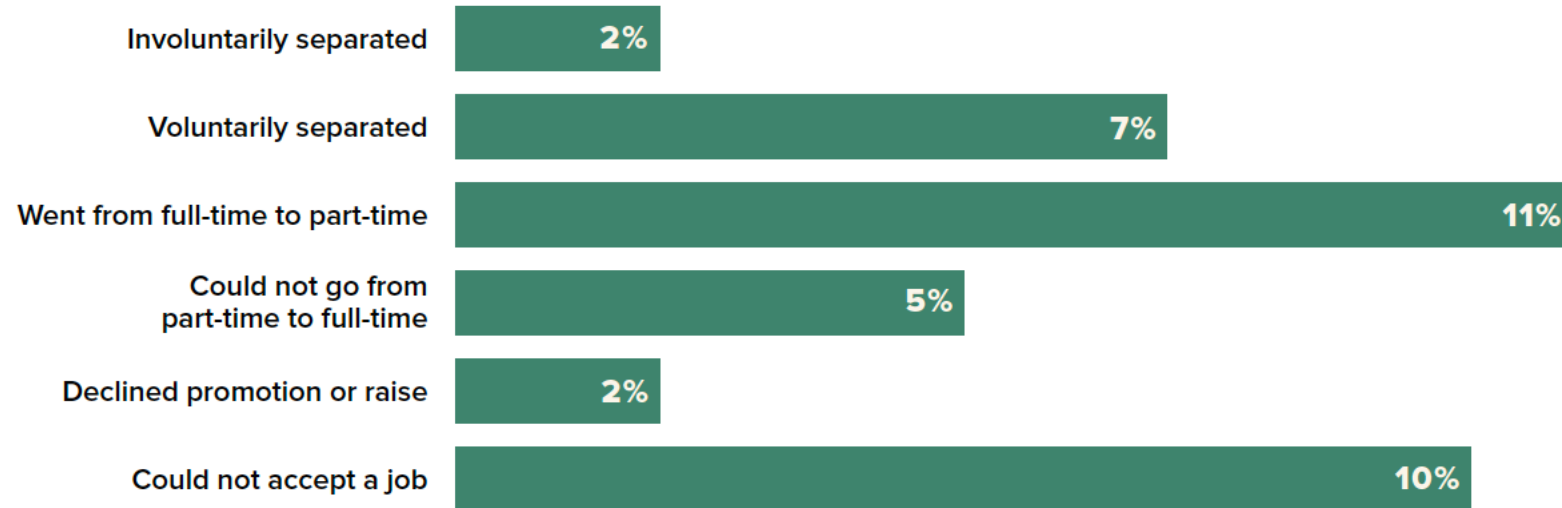
- Aligns subsidy rates with actual cost of care
- Improves provider financial stability and affordability for middle class families

## thread Alaska Policy Brief: Decrease Out-of-Pocket Child Care Costs for Families

- A family with a household income of \$60,000/year should not spend more than \$4,200/year on child care costs. Today they are spending \$6,600.

# U.S. Chamber of Commerce Foundation: Immediate Effects on Employment and Education

How parents said childcare issues impacted their employment



# Missouri (Case Study)

## GOVERNOR PARSON'S 2023 EARLY CHILDHOOD PROPOSALS

Proposal	Businesses/ Employers	Child Care Industry	Families
Three new tax credit programs	✓ Directly & Indirectly	✓ Directly	✓ Indirectly
Pre-kindergarten expansion	✓ Indirectly	✓ Indirectly	✓ Directly
Subsidy rate increase	✓ Indirectly	✓ Directly	✓ Indirectly

## PROPOSED CHILD CARE TAX CREDIT PROGRAMS

Program	Businesses/ Employers	Child Care Providers	Families
<b>Contribution Tax Credit</b> For corporations, charitable organizations, individuals, and partnerships for up to 75% of a verified contribution to a licensed child care facility to promote child care, including for the acquisition or improvement of facilities, equipment, or services, including the improvement of staff salaries, training, or the quality of child care.	✓ Directly	✓ Directly	✓ Indirectly
<b>Employer-Provided Tax Credit</b> For up to 30% of an employer's eligible child care expenditures. Could include costs for employer to provide on-site program or to contract with local provider.	✓ Directly	✓ Directly	✓ Indirectly
<b>Child Care Provider Tax Credit</b> For child care providers: - Eligible payroll tax withholdings for employees that work at least 10 hours a week for at least a 3 month period (provider must have a minimum of three employees); and - Up to 30% of eligible capital improvements to their child care facility.	✓ Indirectly	✓ Directly	✓ Indirectly

# North Dakota (Case Study)

Child care is a workforce solution that can make a difference for ND employers



## Affordability

Connect more working families to child care assistance to keep the cost of child care within 7% of household income

**\$27 million** | Helping lower income working parents with child care costs | Public private cost share for employer-provided child care benefit for employees



## Availability

Make it easier for working families to find child care when and where they need it

**\$22 million** | Payments for Infant and Toddler care | Supporting more sustainable operations for child care entrepreneurs | Care during non-traditional hours | Child care worker career pathways | Criminal background checks



## Quality

Help kids realize their potential by supporting quality early childhood experiences

**\$24 million** | Best in Class program | Scholarships and Incentives for child care worker professional development | Connecting child care payments to quality

# The solution

- Expand the number of families who are eligible for child care subsidies under the Child Care Program Office
- Help more parents afford child care and get back to work

# Sources

- Slide 6: Alaska Department of Labor and Workforce Development, Research and Analysis Section
- Slide 8:
  - Family Income and Contribution Schedule Revised February 21, 2022. State of Alaska Department of Health, Division of Public Assistance, Child Care Program Office
  - HHS Poverty Guidelines for 2023, Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services
- Slide 10: Policy Brief: Decrease Out-of-Pocket Child Care Costs for Families. thread Alaska
- Slide 11: How Childcare Impacts Alaska's Workforce Productivity and the State Economy. U.S. Chamber of Commerce Foundation
- Slide 12: Jamie Birch, Deputy Policy Director, Missouri Governor Michael Parson, Jamie.Birch@governor.mo.gov
- Slide 13: ND Child Care Proposal Resources, North Dakota Child Care Proposal, North Dakota Health & Human Services. <https://www.hhs.nd.gov/child-care-proposal>