

Thank you Mr. Chair and members of the committee for hearing HB 89.

My name is Nick Moe I'm the Public Policy Manager of thread- Alaska's Child Care Resource and Referral organization. thread is a 38-year-old nonprofit, providing services statewide to strengthen access to affordable and high-quality early childhood education, with focus on child care. We serve more than 10,000 families, 2,000 early educators, and over 400 early childhood education programs each year.

The child care sector is fragile. It's long been a sector with institutional deficiencies- for decades but has seen increased challenges over the last four years.

Since 2020, we have seen over 25% of the licensed child care programs close across the state and of those that are open, they are not able to serve all the children they would like due to staff shortages. thread anticipates more child care programs closing if we do not see sustainable and meaningful investment from the state for child care. The child care workforce is struggling due to low wages and few benefits at the same time when there is high competition for qualified workers in Alaska. Currently, fewer families can access affordable and quality child care services than ever before.

Mr. Chair, when we don't have a strong child care sector, we see our economic infrastructure struggle. Businesses are not able to recruit and retain quality employees and families are not able to participate in the workforce as they want. Our most recent research and data conducted in partnership with the Alaska Chamber and the McKinley Group has shown that businesses are greatly impacted by families struggling with child care- including poor attendance and loss in productivity. Child care challenges for working families resulting in absences and employee turnover cost businesses an estimated \$152M/annually. When Alaskans can't work, they don't have the financial security to support their families, they aren't able to achieve their self-sufficiency goals and aren't able to contribute to the economy. This not only stifles the quality of life for families, but this also stalls Alaska's growth.

HB 89 adds incentives for businesses to support child care and strengthens the child care assistance and subsidy programs. While there are many areas of the child care system that need support, HB89 aims to strengthen child care assistance by allowing more families to participate in the program and creating flexibility in child care resources with aim to support child care programs with the targeted supports they need.

Changes in child care assistance are needed. Currently, too few families participate in the program as they don't qualify or can't access resources under the current structure. Families utilizing child care assistance pay a co-pay for services in addition to the cost differential of tuition fees.

These and other barriers are impacting family's ability to participate in the workforce. Just over half of families (51%) report that household members' ability to be employed or work more hours was impacted by quality, availability, or cost of child care. This is a large change from the same survey conducted in 2019, where only 22% of families surveyed reported that child care barriers are impacting their ability to be employed or work as much as they would like. This is a 29% increase in families not able to work due

to child care. These findings underscore the need for child care change to strengthen our collective workforce and economy.

One lever of change is through HB89 and increasing Child Care Assistance access. This bill will allow more families to qualify and thus allow more families access to quality child care.

Additionally, child care businesses are currently reimbursed at child care assistance program rates set by a market rate survey that is based on the amount child care businesses charge for care, not what it actually costs to provide quality care and education. This creates an unstable foundation for the child care system. thread is encouraged to see current research underway to understand the true cost of care. We look forward to seeing that data and are encouraged to see that the bill includes the option for the cost of care to be used in conjunction with market rate prices in policy and fiscal planning for child care supports. Considering the true cost of providing child care in our policies will inform a more stable child care system.

As HB89 advances, I encourage the committee and all policy makers to also consider additional investment needed to support the supply of child care. As I stated, HB 89 is a great and necessary step for supporting family's affordability, but we also need to ensure families who qualify for assistance have a place to go for care and utilize the benefit.

thread is endorsing HB89 as it is a key step toward more affordable access to care for families. thread encourages legislators to consider and pass this bill this session. This positive change for the child care sector cannot come soon enough. I appreciate the sponsor for bringing this bill forward and thank the chair and committee for considering this bill.

Thank you for the opportunity to testify and thank you for your time and support for the young children and families in Alaska.