

ALASKA STATE LEGISLATURE
SENATE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE

March 21, 2024

3:32 p.m.

MEMBERS PRESENT

Senator David Wilson, Chair
Senator James Kaufman, Vice Chair
Senator Löki Tobin
Senator Forrest Dunbar
Senator Cathy Giessel

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 89 (FIN)

"An Act relating to education tax credits for certain payments and contributions for child care and child care facilities; relating to the insurance tax education credit, the income tax education credit, the oil or gas producer education credit, the property tax education credit, the mining business education credit, the fisheries business education credit, and the fisheries resource landing tax education credit; renaming the day care assistance program the child care assistance program; relating to the child care assistance program and the child care grant program; providing for an effective date by amending the effective date of secs. 1, 2, and 21, ch. 61, SLA 2014; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 89

SHORT TITLE: CHILD CARE: TAX CREDITS/ASSISTANCE/GRANTS

SPONSOR(S): REPRESENTATIVE(S) COULOMBE

02/27/23	(H)	READ THE FIRST TIME - REFERRALS
02/27/23	(H)	HSS, FIN
03/14/23	(H)	HSS AT 3:00 PM DAVIS 106
03/14/23	(H)	Heard & Held
03/14/23	(H)	MINUTE (HSS)

04/25/23 (H) HSS AT 3:00 PM DAVIS 106
 04/25/23 (H) Moved CSHB 89(HSS) Out of Committee
 04/25/23 (H) MINUTE(HSS)
 05/01/23 (H) HSS RPT CS(HSS) NEW TITLE 7DP
 05/01/23 (H) DP: FIELDS, SUMNER, RUFFRIDGE,
 MCCORMICK, MINA, SADDLER, PRAX
 05/10/23 (H) FIN AT 1:30 PM ADAMS 519
 05/10/23 (H) -- MEETING CANCELED --
 05/11/23 (H) FIN AT 1:30 PM ADAMS 519
 05/11/23 (H) Heard & Held
 05/11/23 (H) MINUTE(FIN)
 05/12/23 (H) FIN AT 8:00 AM ADAMS 519
 05/12/23 (H) -- MEETING CANCELED --
 01/25/24 (H) FIN AT 1:30 PM ADAMS 519
 01/25/24 (H) Heard & Held
 01/25/24 (H) MINUTE(FIN)
 02/08/24 (H) FIN AT 1:30 PM ADAMS 519
 02/08/24 (H) Moved CSHB 89(FIN) Out of Committee
 02/08/24 (H) MINUTE(FIN)
 02/12/24 (H) FIN RPT CS(FIN) NEW TITLE 7DP 3NR 1AM
 02/12/24 (H) DP: GALVIN, COULOMBE, CRONK,
 TOMASZEWSKI, FOSTER, D.JOHNSON, EDGMON
 02/12/24 (H) NR: STAPP, HANNAN, JOSEPHSON
 02/12/24 (H) AM: ORTIZ
 02/28/24 (H) FIN CS ADOPTED Y39 N1
 02/29/24 (H) TRANSMITTED TO (S)
 02/29/24 (H) VERSION: CSHB 89(FIN)
 03/01/24 (S) READ THE FIRST TIME - REFERRALS
 03/01/24 (S) HSS, FIN
 03/21/24 (S) HSS AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

REPRESENTATIVE JULIE COULOMBE, District 11
 Alaska State Legislature
 Juneau, Alaska
POSITION STATEMENT: Sponsor of HB 89.

ELEILIA PRESTON, Staff
 Representative Coulombe
 Alaska State Legislature
 Juneau, Alaska
POSITION STATEMENT: Offered a presentation on HB 89.

BRANDON SPANOS, Acting Tax Director
 Tax Division
 Department of Revenue

Anchorage, Alaska

POSITION STATEMENT: Answered questions on HB 89.

JESSICA PARKER, Superintendent

Little Mountain Movers

Anchorage, Alaska

POSITION STATEMENT: Invited testimony for HB 89.

STEPHANIE BERGLUND, CEO

Thread

Anchorage, Alaska

POSITION STATEMENT: Invited testimony for HB 89.

JEN GRIFFIS, Vice President

Policy and Advocacy, Alaska Children's Trust

Anchorage, Alaska

POSITION STATEMENT: Invited testimony for HB 89.

BRYANA GARCIA DELACRUZ, Member

Alaska Early Childhood Advocacy Group

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 89.

HILARY PORTER, Deputy Director

Division of Public Assistance

Department of Health

Juneau, Alaska

POSITION STATEMENT: Invited testimony for HB 89.

ACTION NARRATIVE

[3:32:11 PM](#)

CHAIR DAVID WILSON called the Senate Health and Social Services Standing Committee meeting to order at 3:32 p.m. Present at the call to order were Senators Dunbar, Tobin, Kaufman, and Chair Wilson. Senator Giessel arrived thereafter.

HB 89-CHILD CARE: TAX CREDITS/ASSISTANCE/GRANTS

[3:32:40 PM](#)

CHAIR WILSON announced the consideration of CS FOR HOUSE BILL NO. 89(FIN) "An Act relating to education tax credits for certain payments and contributions for child care and child care facilities; relating to the insurance tax education credit, the income tax education credit, the oil or gas producer education credit, the property tax education credit, the mining business education credit, the fisheries business education credit, and

the fisheries resource landing tax education credit; renaming the day care assistance program the child care assistance program; relating to the child care assistance program and the child care grant program; providing for an effective date by amending the effective date of secs. 1, 2, and 21, ch. 61, SLA 2014; and providing for an effective date."

CHAIR WILSON stated that the sectional analysis for HB 89 would not be shared in committee due to its length and members could review it on their own.

3:33:27 PM

REPRESENTATIVE JULIE COULOMBE, District 11, Alaska State Legislature, Juneau, Alaska, sponsor of HB 89 gave the following introduction:

House Bill 89 is designed to help make Alaska more affordable for families. Part of that vision for Alaska is making child care more affordable, more accessible, and higher quality. Child care is a workforce issue. Many Alaskans would return to work, take on more work, and become more reliable workers if we had more quality, affordable care. We are all aware of our workforce shortages and the outward migration of our young working families. The jobs are here, but for many reasons, including housing, education, training, and certainly the availability of child care, we face a workforce shortage. It's estimated that the lack of child care costs Alaskan employers \$152 million in employee absences and turnover per year. This is an issue we can help solve. HB 89 is a call to the private sector to look at child care as an employee benefit, and to the public sector to update the way we support families and regulate the industry.

As a member of the governor's task force on child care, I've heard the problems that surround the child care sector. I've talked with private businesses that are open to and willing to help their employees with child care, but don't know where or how to even start. I've talked with child care facilities, both large and small, that have shared with me how cumbersome regulations have weighed them down, and paperwork can keep their businesses from thriving.

Recommendations that came from the task force address these issues. HB 89 moves the industry in the same

direction as the task force recommendations. Our economy is desperate for workers and our children are struggling to be ready to learn when they enter kindergarten. So, what can government do to help these problems? From my perspective, it's not the government's responsibility to provide child care. However, it is my belief that government can create an environment that encourages businesses to offer child care benefits. Government can remove burdensome and unnecessary regulations to make it easier for those who want to, to start a child care business, and also can encourage communities to create innovative choices for different kinds of care. Government can also assist parents who want access to child care. For those who want or need assistance to grow their household income. My bill does not propose to spend a lot of short-term money, but to provide a long-term incentive for our communities to solve the problem. It strengthens the child care system in several ways:

[3:36:24 PM](#)

REPRESENTATIVE COULOMBE continued:

It creates a tax exemption for businesses for child care expenditures.

Expands the number of families who can access assistance by raising the income level to qualify and raises the cap on the percentage of income a family spends on child care.

Provides an opportunity to align the assistance level to reflect the actual cost of care, instead of using a market study.

Offers an option for the child care program office to give grants to high performing, high quality child care providers.

It provides that the department will develop a sliding fee scale for families who increase their household income without losing all the child care assistance all at once.

So, in wrap up, HB 89 will make Alaska more affordable for families by helping to create affordable, quality child care that is accessible to families. It also is

a call to the private sector to look at child care as an employee benefit and encourage people to open child care facilities. As long as Alaska's energy, housing, and groceries keep increasing in price, parents will have to work to keep up. It's time for us to provide a smart solution, to engage our partners in the private sector, to help Alaskans in that effort.

[3:37:44 PM](#)

ELEILIA PRESTON, Staff to Representative Coulombe, Alaska State Legislature, Juneau, Alaska, said she would give a presentation on HB 89. She moved to slide 2 discussed the problem HB 89 seeks to solve:

[Original punctuation provided.]

What is the Problem?

Lack of affordable, quality child care

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

[3:38:27 PM](#)

MS. PRESTON moved to slide 3 and said HB 89 provides a solution to strengthen the child care sector to improve access for families and help parents return to the workforce.

[3:38:39 PM](#)

MS. PRESTON moved to slide 4 and said Alaska's child care is in crisis as a result of labor shortages, a declining number of child care providers, and low wages.

[3:38:57 PM](#)

MS. PRESTON moved to slide 5 and said HB 89 provides a multiple approach to solve these problems:

[Original punctuation provided.]

HB 89 Solution

- Expands the number of families who can use child care assistance Incentivizes tax breaks for employers to donate to child care facilities
- Increases the maximum tax credit

- Aligns the assistance level to reflect the actual cost of care

[3:39:30 PM](#)

CHAIR WILSON asked if expanding the number of families eligible for child care assistance would increase demand without a corresponding increase in the supply of child care providers.

[3:39:49 PM](#)

REPRESENTATIVE COULOMBE replied that if capital is infused from the private sector, it could lead to the creation of more child care centers. She noted that many existing centers already have the capacity to serve more children but are unable to do so due to staffing shortages. By engaging the private sector as a partner, she hopes to first fill the vacant spots in current child care centers and then expand further.

MS. PRESTON added that one of the invited testifiers will share how she plans to double the size of her center.

[3:40:45 PM](#)

MS. PRESTON moved to slide 6 and stated that, according to the U.S. Chamber of Commerce, Alaska is losing \$152 million annually due to employee turnover and absences related to child care issues. She said in doing research for HB 89, they visited various child care facilities, including those located within businesses. She mentioned a bank with an on-site child care facility and noted that the benefit extended beyond just the parents using the service; the entire organization experienced positive effects, demonstrating that it was profitable for everyone.

[3:41:23 PM](#)

MS. PRESTON moved to slide 7 and added that during research for HB 89, they discovered that child care assistance needed to be tied to the actual cost of care. Currently, the state's rate is based on a market rate study. The Alaska Department of Health is contracting with the McKinley Group to complete this study by July 31, 2024, but the results will still require approval from the federal government.

[3:41:49 PM](#)

SENATOR TOBIN asked whether the Department of Health is currently conducting a market rate study or a cost of care study.

[3:42:04 PM](#)

MS. PRESTON replied it is doing a cost of care study.

[3:42:07 PM](#)

SENATOR TOBIN asked if the legislation would be impacted by the cost of care study.

[3:42:23 PM](#)

REPRESENTATIVE COULOMBE confirmed that the legislation will be impacted by the cost of care study. She explained that the market rate study reflects what is currently being charged for child care, while the cost of care study examines the actual expenses involved in providing care. She said originally, she had money for the cost of care study, but the Department of Health absorbed the cost and initiated the study, which is expected to be completed by July 31. She noted that if the legislation passes, the impact of this study will need to be discussed, as the current subsidy is based on the market rate study. Transitioning to the cost of care model would require federal approval of the methodology, and the state would then need to decide whether to continue using the market rate or shift to the cost of care for subsidies.

[3:42:55 PM](#)

SENATOR GIESSEL joined the meeting.

[3:43:28 PM](#)

CHAIR WILSON asked if there is current information about the market rate for child care or if any invited testifiers can speak to the going rate and demand in Anchorage or other areas. He also inquired how this compares to what the state is paying.

[3:43:28 PM](#)

REPRESENTATIVE COULOMBE replied that the Department of Health (DOH) could probably speak to the question later.

[3:44:04 PM](#)

MS. PRESTON moved to slide 8 and explained how HB 89 will help solve the child care problem in Alaska by comparing the situation now to the changes HB 89 would create:

[Original punctuation provided.]

Who is eligible for assistance?

Now:

- Families up to 85 percent 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
- There is a 9 percent cap

HB 89

- Raises eligibility threshold to 105 percent State Median Income: \$73 ,920 in Alaska for one earner
- Departments will scale subsidy level based on need
- Expands number of families who can afford care = more Alaskans going back to work
- Will change cap to 7 percent of family income

[3:45:29 PM](#)

SENATOR DUNBAR asked for more detail on what is being capped.

[3:45:23 PM](#)

REPRESENTATIVE COULOMBE explained that the current cap is set at 9 percent of a family's income, meaning the cost of child care cannot exceed that percentage. However, only about 7 percent of eligible families are using the subsidy. She stated her belief that this is partly because when families have multiple children or the child care costs exceed the subsidy, their copay becomes too large. She mentioned that by working with the department and hopefully lowering the cap it will encourage more families to participate in the subsidy program. She said by raising the threshold and lowering the cap, she hopes to see an increase from the current 7 percent participation rate, which she described as very low.

[3:46:28 PM](#)

SENATOR DUNBAR inquired whether a 7 percent cap means that the state covers 93 percent of the child care cost or if there is a combination of other payers covering the remaining amount. He also asked if the 7 percent cap applies per child, wondering if that means a family with three children would receive a larger subsidy compared to a family with just one child.

[3:46:28 PM](#)

REPRESENTATIVE COULOMBE explained that the current child care subsidy is around \$500 per month on average, though the exact amount varies depending on the family's income. For example, if a child care center cost is \$1,000 a month, a family might receive \$500 to \$600 in subsidy, leaving them responsible for

the remaining amount. However, as child care costs have increased, families are now paying a larger portion of the difference, which includes the copay and any additional costs above what the state covers. For instance, if the state allows \$900 per month per child and pays \$500, the family must cover the remaining \$400. This financial burden, especially for families with multiple children, has made the copay difficult to manage, leading to a decline in participation in the subsidy program. Participation rates have dropped to single digits, with only about 7 percent of eligible families currently using the program.

[3:48:44 PM](#)

SENATOR DUNBAR acknowledged his misunderstanding and stated he now recognizes it is not 7 percent of the cost of child care but rather the cost cannot exceed 7 percent of an individual's income. Therefore, whatever the difference is the state will make it up.

[3:49:10 PM](#)

SENATOR TOBIN asked for clarification about how the child care subsidy program works. She specifically wanted to understand how it would impact low-income families, particularly those with no income, who are trying to find employment. She asked how unemployed families would access the subsidy to place their children in child care while they search for work or secure a job.

[3:49:43 PM](#)

REPRESENTATIVE COULOMBE deferred to the department, but said it is her understanding that individuals need to have employment or look for work to receive the subsidy.

[3:50:20 PM](#)

MS. PRESTON moved to slide 9 -10 and highlighted another key component of HB 89 is a child tax credit. She explained that the child tax credits in HB 89 mirrors those from House Bill 223, allowing the corporations listed on the slide to participate:

[Original punctuation provided.]

Credits offset taxes

State net income tax (Corporate)

Mining License tax

Fisheries Business Tax

Fishery Resource Landing Tax

Oil and Gas Production tax
Oil and Gas Property tax and Insurance tax

MS. PRESTON stated that since HB 89 is an innovative bill, the exact economic impact is uncertain, but they expect the credits to function similarly to those in House Bill 223.

[3:51:02 PM](#)

REPRESENTATIVE COULOMBE moved to slide 11 and provided background on House Bill 223, which involves the educational tax credit. She explained that the child care tax credits in HB 89 were modeled after the educational tax credit, maintaining the same 50/50/50 split. While the cap for the educational tax credit is currently \$1 million, she raised it to \$3 million for the child care tax credit after consulting with the Department of Revenue. Businesses would be able to combine both educational and child care credits up to this cap. She emphasized that her intent was not to reduce educational investments, which is why she increased the cap to \$3 million.

[3:51:55 PM](#)

MS. PRESTON highlighted a few items from the sectional analysis [CS for HB 89 (RLS), version U] that were not specifically mentioned in the presentation:

[Original punctuation provided.]

Section 22: Amends AS 47.05.030(a) is conforming language to change "day care" to "child care."

Section 33: Adds new subsection AS 47.25.071(i) to allow the department to award grants to child care facilities that are the highest performing and highest quality.

Section 39: Amends session laws SLA, chapter 61, 2014 and 2018 SLA chapter 40 to change the effective date of January 1, 2028. Fisheries education tax credit expired but was extended in section 39 in the bill.

Section 40: Its it an effective date clause that takes effective on the day after the date the United States Department of Health and Human Services approves the plan.

Section 41: Effective date effective immediately

[3:53:15 PM](#)

SENATOR GIESSEL referred to Section 33 and said "highest performing" and "highest quality" are vague terms. She asked how they are measured.

[3:53:28 PM](#)

REPRESENTATIVE COULOMBE deferred to Thread stating the organization has standards based on educational activities, nutrition, and safety.

[3:53:58 PM](#)

SENATOR DUNBAR expressed confusion about the fiscal note, which indicates a \$4.8 million reduction in tax revenue. He sought clarification, noting that with the increase in the cap from \$1 million to \$3 million for a company's tax write-off, and assuming it applies to multiple companies, the reduction in revenue seemed relatively small. He questioned why the projected reduction in corporate tax income was not larger, asking if it was because only a few companies in the state would take advantage of the provision. He expected that if multiple companies participated, the reduction would be more significant.

[3:55:00 PM](#)

BRANDON SPANOS, Acting Tax Director, Tax Division, Department of Revenue, Anchorage, Alaska, directed attention to page two of the fiscal note, which includes a table with three components to the analysis. The first component involves expanding the credit to cover child care facilities, which is marked as "indeterminate" because there is not enough data on how many taxpayers are already paying for child care services or contributing towards their employees' child care. This lack of data makes it difficult to estimate the additional revenue deduction. The second component is the increase in the annual credit from \$1 million to \$3 million, and the third is the extension of the repeal date beyond January 25.

[3:56:15 PM](#)

SENATOR DUNBAR expressed concern that the first change might result in the state paying more for things that are already happening, questioning whether it would truly lead to an increase in the number of people accessing the benefit. He acknowledged the fiscal note's "indeterminate" status but asked for a sense of the potential scale. He inquired whether the impact would be in the hundreds of thousands, millions, or tens of millions of dollars, seeking a better understanding of the overall fiscal impact.

[3:56:50 PM](#)

MR. SPANOS explained that there is a \$3 million cap per taxpayer, which limits the amount that can be used. The estimates provided are based on historical use of the education tax credit, which this proposal essentially expands. He expressed confidence in the figures for raising the credit cap from \$1 million to \$3 million and extending the credit beyond the repeal date. However, when it comes to the expansion into child care, it would still be subject to the \$3 million cap per taxpayer.

MR. SPANOS offered to provide the committee with additional analysis, such as what the impact would be if 100 percent of the credit were used, based on historical use of the education tax credit. Additionally, they could estimate the effect if every C corporation filing a tax return were to use the credit to its full capacity, keeping in mind that the amount of credit each company could use depends on the tax they owe.

[3:58:22 PM](#)

SENATOR DUNBAR expressed interest in receiving more data and requested information on how many companies in Alaska currently pay \$3 million in corporate income taxes. He estimated that the number is likely fewer than 100, but asked for confirmation and would appreciate having that data.

[3:58:49 PM](#)

REPRESENTATIVE COULOMBE explained that the sunset date for the tax credit was set three years out, specifically to address the uncertainty regarding its actual cost. Since the impact is indeterminate, the sunset provision allows the legislature to revisit the issue in 2028 and evaluate its effectiveness. She acknowledged that it would be up to the legislature to decide on the final sunset date.

REPRESENTATIVE COULOMBE noted that they had gathered information on the number of companies paying corporate income tax but did not have the list at the moment. She mentioned that taxes eligible for the deduction include corporate income tax, mining license tax, fishery business tax, fishery resource tax, and oil and gas tax. She agreed that large corporations would likely benefit most, reaching the \$3 million cap, but emphasized that many companies pay corporate income taxes. She suggested that the Department of Revenue could provide more detailed data on this and reiterated that setting the shorter sunset date was her way of addressing concerns about the potential cost.

[4:00:13 PM](#)

SENATOR TOBIN expressed difficulty understanding the relationship between the education tax credit and the proposed changes, noting that other bills are being considered to revert the tax credit to pre-2018 numbers, while some aim to abolish the sunset date altogether. She asked for further clarification on how these different pieces are intended to fit together.

[4:00:41 PM](#)

REPRESENTATIVE COULOMBE acknowledged that there are several pieces of legislation related to the education tax credit and noted that this creates some uncertainty. She mentioned that she has seen discussions in committees about how different bills might interact, with questions like "What if this passes before that?" Ultimately, she suggested it will depend on which bill crosses the finish line first. She explained that Representative Ruffridge is proposing to eliminate the sunset date while keeping the \$1 million cap, whereas the Senate bill aims to extend the sunset date and increase the cap. She clarified that if HB 89 passes first, it might make the need for the other two bills unnecessary, with the primary remaining question being whether to eliminate the sunset date entirely. However, she expressed that there may be reluctance to fully eliminate the sunset date due to the uncertainty of the cost.

[4:01:53 PM](#)

CHAIR WILSON agreed and opined that it is an ongoing conversation with a combination of ideations.

[4:02:09 PM](#)

SENATOR KAUFMAN stated his understanding that certain requirements hinder a robust business climate for child care. He asked whether HB 89 includes provisions to remove impediments. He noted other states seem to have strong freelance child care networks, for instance small daycares in neighborhoods. He asked for thoughts on how HB 89 addresses this area.

[4:02:52 PM](#)

REPRESENTATIVE COULOMBE explained that during her time on the child care task force, she learned about many of the issues involving paperwork and regulations, including background checks, licensing, and other administrative hurdles. She noted that after multiple meetings with Commissioner Hedberg, they concluded that many of these problems could be addressed at the departmental level. She said she intentionally paused the bill last year, knowing the task force would meet and potentially uncover areas that needed to be added or changed.

[4:03:30 PM](#)

REPRESENTATIVE COULOMBE highlighted that the main issues centered on cumbersome processes like background checks and the need to print, fill out, and mail forms, which creates barriers for both rural and urban areas. One feature of HB 89 is the introduction of a liaison in the department's child care office to help businesses navigate offering child care benefits. This role would guide businesses on options other than building a child care center, such as assisting employees with subsidies or developing other child care benefits.

REPRESENTATIVE COULOMBE clarified that the HB 89 doesn't address regulatory burdens, which are being worked on by the commissioner as part of the task force recommendations. These include efforts to streamline paperwork, improve child care center ratios, and address other factors that impact the financial survival of child care centers. She also mentioned that she has been collaborating with the Anchorage child care office on potential solutions specific to Anchorage, which is the only location that licenses child care separately from the state. However, those initiatives are separate from what is included in HB 89.

[4:05:27 PM](#)

SENATOR TOBIN noted that, from her understanding, only a few organizations are currently able to utilize and apply the education tax credit. She mentioned that there have been discussions with legislative legal about expanding the credit to include additional organizations, such as nonprofits, and asked if similar challenges had been encountered with the changes outlined in HB 89. She wanted to know if there had been similar difficulties in opening up the child care tax credit for broader use.

[4:06:15 PM](#)

REPRESENTATIVE COULOMBE asked if the question is what organizations can apply for the tax credit.

[4:06:27 PM](#)

SENATOR TOBIN replied she is asking what organizations can use the tax credit and what the tax credit can be applied to.

[4:06:38 PM](#)

REPRESENTATIVE COULOMBE responded that it's difficult to predict specific challenges as the department has not tried to implement the changes in HB 89 yet. She noted that HB 89 outlines specific deductions but acknowledged that adjustments might be necessary

over time to make it easier to use. She pointed out that the educational tax credit has been in place for a while and has evolved, and she anticipates similar developments with the child care tax credit.

[4:07:11 PM](#)

CHAIR WILSON announced invited testimony.

[4:07:31 PM](#)

DR. JESSICA PARKER, Superintendent, Little Mountain Movers, Anchorage, Alaska, who oversees Little Mountain Movers Academy and Mountain City Christian Academy in Anchorage, expressed enthusiastic support for HB 89. She explained that her organization is deeply involved in child care and educational services. The demand for daycare, especially for infants, is skyrocketing, leaving the center with a long year and a half waitlist. Despite receiving approval to increase its capacity to 300 kids, regulations are hindering its ability to fully open. Currently, it serves fewer than 120 children, while nearly 100 are on the waitlist, half of whom are infants.

MS. PARKER noted that staffing and space requirements for infant care are particularly high, making it the most challenging area to expand despite being the most in demand. However, she is encouraged by the work the legislature and department are doing to address the challenges and sees HB 89 as a potential game changer. By tweaking the daycare assistance and Child Care Grant Program, HB 89 will ease pressures by raising the income threshold for families and adjusting grants to reflect actual costs and local needs. She praised HB 89 for recognizing the diverse needs of different regions, especially in a unique place like Anchorage, and for offering real solutions. She expressed her strong support for the legislation and encouraged more initiatives like it.

[4:09:52 PM](#)

STEPHANIE BERGLUND, CEO, Thread, Anchorage, Alaska, said Thread is Alaska's Child Care Resource and Referral organization. She explained that Thread works to strengthen access to affordable, high-quality early childhood education with a focus on child care, serving over 10,000 families, 2,000 early educators, and more than 400 programs annually. She emphasized that the child care sector is fragile, with long-standing institutional deficiencies, and that the challenges have increased over the last four years. Since 2020, more than 25 percent of licensed child care programs have closed across Alaska, and those that remain open face staffing shortages, preventing them from

serving all the children they could. She warned that without sustainable investment and policies, more programs are likely to close. The child care workforce struggles with low wages and few benefits, which is particularly challenging in Alaska's highly competitive labor market. Fewer families can access affordable, quality child care, and this negatively impacts the state's economic infrastructure. Businesses struggle to recruit and retain employees, and families face obstacles to workforce participation. Research, in partnership with the Alaska Chamber and the McKinley Group, shows that child care challenges lead to employee absences and turnover, costing businesses an estimated \$152 million annually. She further explained that when Alaskans cannot work due to child care issues, they lack financial security, hindering their ability to support their families and contribute to the economy. This cycle affects quality of life and stalls Alaska's economic growth.

[4:12:05 PM](#)

MS. BERGLUND said she supported HB 89, which incentivizes businesses to support child care and strengthens child care assistance and subsidy programs. By allowing more families to participate in child care assistance and creating flexibility in resources, HB 89 aims to address many issues facing the sector. She noted that too few families currently participate in the child care assistance program, due to eligibility barriers and the financial burden of copays and tuition differentials. She pointed out that 51 percent of families in a recent survey reported that the availability, quality, or cost of child care affects their ability to work, a significant increase from 22 percent in 2019. This underscores the need for policy changes like HB 89 to strengthen the workforce and economy. Additionally, she highlighted that child care businesses are reimbursed at rates based on the market rate survey, which reflects the amount charged for care, not the actual cost of providing quality care and education. This creates an unstable foundation for the child care system. She expressed support for current research on the true cost of care and was encouraged by HB 89's inclusion of using cost-of-care data alongside market rates in policy and fiscal planning. While endorsing HB 89 as a critical step for improving affordability and access for families, she also urged policymakers to consider further investments to ensure families who qualify for assistance have access to child care facilities. She encouraged the committee to pass HB 89 this session, stressing that positive change for the child care sector cannot come soon enough.

[4:15:21 PM](#)

CHAIR WILSON asked what percentage of child care facilities accept clients using child care assistance, specifically in terms of their overall payer mix within the facilities.

[4:15:40 PM](#)

BERGLUND replied that she did not know the exact number but suggested that most facilities accept child care assistance. She estimated that approximately 80 to 90 percent of programs enroll children who use the child care assistance subsidy system. She added that accepting the subsidy also provides access to the Child Care Grant Program, offering additional benefits and resources for providers.

[4:16:15 PM](#)

CHAIR WILSON mentioned that he was hoping to get a quantifiable number but noted that he would follow up with the department later to see if they have the specific data.

[4:16:23 PM](#)

SENATOR TOBIN expressed curiosity about how HB 89 addresses the issue of living wages for child care providers, who often struggle with low compensation despite the important and specialized work they do. She emphasized the need for providers to be paid fairly and have the necessary training to care for vulnerable children. She asked how HB 89 intersects with the need for better wages and training within the child care community.

[4:16:57 PM](#)

MS. BERGLUND explained that the bill allows for increased support for quality child care by expanding the child care assistance program to help offset costs for families. She noted that with more stable income, child care businesses can provide better support for their personnel, which is typically the largest expense in the child care business model, including wages and benefits. She referenced how, during the COVID-19 relief efforts, most child care businesses used the additional funds to support their staff. She emphasized that when programs receive additional financial support, they can direct it where it's needed most—often toward improving wages and benefits—without necessarily increasing costs for families, which is a key goal of HB 89.

[4:18:21 PM](#)

JEN GRIFFIS, Vice President, Policy and Advocacy, Alaska Children's Trust, Anchorage, Alaska, gave the following testimony:

Alaska Children's Trust is pleased to offer our strong support for House Bill 89 which would expand access to child care assistance for parents. As the statewide lead organization focused on the prevention of child abuse and neglect, we support policies that increase economic security for families and provide foundational early education support for children. HB 89 does both by increasing access to quality, affordable child care for Alaska's families. Currently, the average family in Alaska is paying 15 to 35 percent of their income for child care, and 51 percent of families say they can't participate in the workforce to the extent they would prefer due to child care issues. According to Kids Count 2023, Alaska ranks 44th in the nation for economic well being and 34 percent of Alaska children have parents that lack secure employment. HB 89 would increase the eligibility limits for child care assistance, allowing more Alaska families access to affordable child care, and providing more parents the opportunity to participate in the workforce. Parents who are able to access the child care they need report reduced stress and increased economic stability, both important societal factors for decreasing the risk of child abuse and neglect, and quality child care allows children to grow and develop to their full potential, increasing their readiness for school and eventually the workforce. While HB 89 does not solve all of the challenges currently facing Alaska's child care system, it is an important step towards revitalizing our child care sector in a way that supports our children, families, communities, and businesses. We encourage your support for HB 89.

[4:20:34 PM](#)

CHAIR WILSON opened public testimony for HB 89.

[4:20:57 PM](#)

BRYANA GARCIA DELACRUZ, Member, Alaska Early Childhood Advocacy Group, Fairbanks, Alaska, testified on behalf of the Alaska Early Childhood Advocacy Group in support of House Bill 89. The group, consisting of nine nonprofits, advocates for increased investment and improved policies for Alaska's child care sector. Over 51 percent of families cannot fully participate in the workforce due to the lack of child care, and workers in the sector earn an average of \$29,500 annually. The average Alaska

family pays 15 to 35 percent of their annual income to child care costs. Child care programs are closing, impacting children, families, and the economy. While HB 89 doesn't solve all issues, it expands eligibility for child care assistance and encourages business investment through tax credits. The group urges support for the bill to strengthen child care and benefit Alaska's economy.

[4:23:02 PM](#)

CHAIR WILSON closed public testimony on HB 89.

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SENATOR TOBIN asked about the qualifications for a quality child care program, including the curricula requirements, the classroom environment, developmentally appropriate expectations, and the necessary training. She sought clarification on what is meant by "quality child care."

[4:24:06 PM](#)

HILARY PORTER, Deputy Director, Division of Public Assistance, Department of Health, Juneau, Alaska, stated that she would provide a detailed explanation in writing to the committee in response to the question.

[4:24:21 PM](#)

SENATOR TOBIN mentioned one of her favorite programs is the Multnomah County "Preschool for All" model, which sets a benchmark for high-quality programs to receive additional funding. This ensures that public funds are used effectively to prepare young children for preschool and kindergarten.

[4:24:42 PM](#)

SENATOR TOBIN asked what the intersection is between child care and Head Start access.

[4:24:59 PM](#)

MS. PORTER replied she get back to the committee with an answer.

[4:25:11 PM](#)

SENATOR TOBIN praised the Portland program for ensuring that all children have access to child care regardless of socio-economic status, ethnicity, or disability. She asked whether Alaska's use of state funds for child care programs would ensure the same level of accessibility and inclusivity, or if the current child care assistance program already provides that level of access.

[4:25:42 PM](#)

MS. PORTER stated that the Governor's Task Force on Child Care is focused on increasing access to child care and exploring how the state and the department can support that effort. She added that she would provide further information to the committee.

[4:25:42 PM](#)

SENATOR TOBIN said she just wants to ensure that when the public's funds are used everyone in the public can access the programs.

[4:26:08 PM](#)

SENATOR DUNBAR referenced art. VII, sec. 1, Constitution of the State of Alaska, which says no public funds shall be used for the direct benefit of religious or private educational institutions. He asked how the state ensures that public funds are not being directed toward religious instruction in early child care programs, given that some are run by religious organizations.

[4:26:48 PM](#)

MS. PORTER said she was unsure and would get back to the committee with her response.

[4:26:48 PM](#)

SENATOR DUNBAR noted that his question was asked out of curiosity about the existing program and recognized that HB 89 does not change the fundamental nature of the program.

[4:27:11 PM](#)

CHAIR WILSON asked about the percentage of child care assistance enrollees relative to the total clientele in child care facilities to understand the payer mix. He sought to determine whether the state is the primary payer in many child care facilities and questioned why there is such a high demand for child care while facilities are closing. He speculated whether more than 60 to 70 percent of payments come from the state and if the market rates paid by the state are lower than fair market rates. He also asked whether the market study will show the upper bounds of what average families who don't qualify for assistance are willing to pay. He inquired whether the task force was examining the economic landscape of child care facilities in Alaska to better understand the business aspects of the sector.

[4:28:41 PM](#)

MS. PORTER stated that the hope is that the cost of care study, conducted by the McKinley Group, will provide some of that data

and analysis. The study aims to look beyond just the rates charged to families and should address some of the broader economic questions around child care. However, the final report is still a couple months away, and she expressed optimism that these questions could be better answered once the study is complete.

[4:29:07 PM](#)

CHAIR WILSON asked if there is data on the payer mix for child care facilities, specifically what percentage of enrollees are covered by the state of Alaska. He mentioned that, given licensing and capacity information, the state should understand how many enrollees are in these programs and how much of the cost the state is paying for.

[4:29:31 PM](#)

REPRESENTATIVE COULOMBE apologized that the department representative knowledgeable in that area was unavailable but assured that the department would respond to all the committee's questions. She shared her observations from visiting many child care centers, noting that the payer mix varied and no distinct pattern emerged, although area seemed to play a role. She mentioned that center owners are aware of subsidies and assist parents with applying, which helps create stability in their operations. While it's not a formal cost of care study, she estimated that approximately 25 percent of children in the centers she visited were receiving some kind of subsidy.

[4:31:10 PM](#)

CHAIR WILSON explained that the rationale behind the line of questioning is to better understand the business models of child care centers and how various factors, including the state's role, impact their success or failure. He emphasized the need to see how reliant these centers are on state support and subsidies and how that interplay affects their overall operations.

[4:31:37 PM](#)

REPRESENTATIVE COULOMBE mentioned that the child care grants were discussed extensively, particularly the \$7.5 million allocated last year along with remaining COVID funds. She explained that there has been debate within the task force about whether to use the grants to subsidize wages. She shared her preference not to subsidize wages, based on her field visits where she learned that many child care centers did not use COVID-related grants for wages. Instead, funds were used for other needs such as buying vans, fixing roofs, or purchasing equipment. While some centers did use the grants for training or

wages, she noted that it's difficult to ensure that grant money is spent as intended. However, the grants were crucial for keeping many centers open during COVID, even if they weren't always directed toward wages or parental assistance as originally intended.

[4:33:19 PM](#)

CHAIR WILSON brought up a question regarding recent meetings with independent caretakers, noting that rates had been raised twice. The caretakers had hoped these increases would go toward wages. He mentioned pending federal legislation that would require 80 percent of payments to go toward wages, up from the current 50 percent rule. He asked whether the department is considering any regulatory or statutory changes to ensure a certain percentage of child care payments would be directed toward wages.

[4:33:56 PM](#)

MS. PORTER confirmed that the department is looking at amending both licensing regulations and child care assistance regulations, and they are currently in that process.

[4:34:20 PM](#)

REPRESENTATIVE COULOMBE acknowledged that many want to address all the issues facing child care right now but emphasized that HB 89 is just one piece of the solution. It aims to involve the private sector and improve the subsidy system. She expressed confidence that the Commissioner of Health is addressing concerns with licensing regulations. She stated her belief that several key changes will help move things forward.

[4:34:56 PM](#)

CHAIR WILSON held HB 89 in committee.

[4:35:31 PM](#)

There being no further business to come before the committee, Chair Wilson adjourned the Senate Health and Social Services Standing Committee meeting at 4:35 p.m.