FAMILY FORWARD OREGON

Smart policies for today's families.

February 20, 2017

Testimony in Opposition to SB 594: Child Care Tax Credits
Senate Human Services Committee

Submitted by Kate Newhall, Family Forward Oregon

Thank you for the opportunity to provide testimony on SB 594 and share our concerns with this concept. **While Family Forward Oregon typically supports proposals to make child care more affordable for working families, we have serious concerns about focusing on tax credits to address childcare affordability.** We appreciate the attention SB 594 gives to the issue, but see tax credits as a very limited approach that do little to help low-income families afford child care expenses month-to-month. We also know that tax credits are not free and we believe the same low-income families this bill targets would instead be better served by a significant investment in our childcare subsidy program, Employment Related Day Care (ERDC).

Family Forward Oregon is committed to advancing policies that support families and help them succeed, both in the workplace and at home. Our mission is to create a family-friendly Oregon where all families can be economically secure and have the time they need to take care of each other. Today, too many families are forced to sacrifice one for the other. **Family Forward supports policies that make economic stability and family caregiving more compatible. Ensuring more families have access to affordable childcare is central to this work.** We believe in systemic change that allows all families to access affordable and quality child care and that we need significant public investments in child care infrastructure to achieve this goal.

It is no surprise to any working parent that childcare is far too expensive and unaffordable for too many Oregonians. **A 2015 report from the Oregon State University found that the median cost of childcare can be nearly twice as much as college tuition at Oregon's public universities: $11,976 per year for a toddler versus $6,6831 annual college tuition.**[1] This same report found that childcare costs in Oregon increased 19% from 2004 to 2014 while household incomes declined by 5%. This is particularly challenging for households headed by single mothers who face the same prices but with median incomes that are only 43% of that of all households.

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[1] "Childcare and Education in Oregon and it's Counties: 2014," Oregon State University, 2015

We have long advocated for increased investment in our Employment Related Day Care program. ERDC is an effective program that actually helps families afford child care expenses each month by directing the subsidy straight to the care provider, while allowing families flexibility to choose the right arrangement for their child – whether that's a family member or a center-based care. Importantly, ERDC incentivizes quality care arrangements because it is based on reimbursement rates for providers that are linked to quality and training metrics. At present, families are eligible for the ERDC program up to 185% of FPL and are forced to exit the program at 250% of FPL. Unfortunately, while an estimated 40,000 families are eligible for the program, it is only budgeted to serve a small fraction of those eligible and it has been capped at 8,100 families. Until this program is fully funded for all eligible families, tax credits will do little to solve the problem low-income and middle class families face in accessing affordable, quality child care.

In addition, tax credits don't serve as economic drivers, whereas subsidies like ERDC do. In the U.S, two-thirds of families have women as the breadwinner or co-breadwinner. Thus, in order to encourage individual family financial stability alongside building a robust state-wide economy, we need an educated, stable workforce, which means investing in social infrastructure that allows women to work. The timely use of subsidy dollars, as opposed to delayed and often complicated tax credits (whether refundable or not) allow women, in particular to stay in the workforce. These economic drivers prevent women from being pushed out of the workforce because of unpaid caregiving responsibilities and can also serve as workforce development tools by link subsidies to quality and training. Return on investment in the short and long-term is higher when policy is focused on large-scale systems change and not tinkering at the margins.

On a technical note, we also have concerns with the way SB 594 is drafted. The bill revives an old working family child care tax credit that was replaced in 2015 with a new tax credit that combined the Working Family Child Care and the Child & Dependent Care tax credits into a single Working Family Child and Dependent Care tax credit (HB 2171, 2015). SB 594 brings back the old tax credit that has actually already been combined into the new tax credit and would create unhelpful duplication. If the Legislature wants to make quality childcare more accessible and affordable, they should expand and improve upon subsidy programs, like ERDC, instead of creating unnecessary duplication in Oregon's tax code.

We recognize that in order to make the kind of significant investment in child care that Oregon families need, we will also have to generate substantially more revenue in this state. The Legislature is currently contemplating significant cuts to critical programs like ERDC at a time when we should be looking to grow these valuable and life-changing programs. We are faced with an important choice this session and must either raise significant new revenue or make draconian cuts to the services families rely on. The fact that Oregon ranks dead last in what our businesses pay in taxes, while working families struggle to make ends meet, is unconscionable. We need significant and substantial new revenue in this state and it is time that corporations, who benefit greatly from state services, pay their fair share.

For these reasons Family Forward opposes SB 594. It is misguided policy and poorly drafted. Tax credits cost the state money and often don't help families meet monthly child care expenses. For long term, sustainable, investments that support all Oregon families, we must build the childcare infrastructure that truly leads to quality, affordability and accessibility. There are much more strategic investments that can be made in making child care more affordable for working families.