To: House Revenue Committee
From: Child Care Coalition & Dana Hepper, Children's Institute
Date: March 26, 2019
Re: HB 3237

Chair Nathanson, members of the committee:

My name is Dana Hepper, Director of Policy & Advocacy at Children's Institute. I am testifying on HB 3237 representing the Oregon Child Care Coalition. While we support increased investments in Oregon's child care workforce, the coalition feels strongly that tax credits are not the best mechanism for that investment.

Oregon has a child care crisis. All Oregon counties have been deemed a child care desert for many children, meaning there are more children than available child care slots.[1] Low pay for childcare providers keeps supply far below the need. Right now, average wages hover around $10/hour. Family child care providers' wages are substantially lower, with a median wage of around $5.60 an hour for the work in their own homes caring for children other than their own.[2] Child care workers are paid so poorly that 53% of them rely on one or more public benefits.[3] The state is an important actor in this market, both as a regulator and source of subsidies, and bears some responsibility for low pay in it.

Our state-managed child care assistance program sets standards for provider pay, and these standards are a means to move child care jobs toward being family wage jobs. A tax credit program, which offsets household costs, is an inefficient way to impact provider pay at scale. This tax credit for child care workers - which is a form of state spending on child care, albeit an inefficient one - doesn't increase their pay, rather provides a nonrefundable tax credit at the end of the year, likely too late to help with daily expenses. Nonrefundable tax credits have been shown time and again to be functionally inaccessible to low-income workers, including most child care providers. Low-income workers typically have little to no no tax liability, so the benefits of a non-refundable credit are equally small. If you are barely getting by every pay period, getting a small amount of your taxes returned at the end of the year is not timely or sufficient to change your family's economic circumstances.

Investing directly in the wages that our child care assistance program pays is a much more effective way to spend state resources, and can do so in ways that support provider training and adequate wages. The ultimate solution is to raise wages for child care workers to the level paid to preschool teachers and to implement a "true cost of care" model rather than using the "current market rate" that properly compensates providers for their costs to provide high-quality care - not just any care.

The result of current rate levels set at market rates is that child care providers lack the support and compensation they need to remain in the child care workforce, and often leave the field for higher

---

[1] https://www.americanprogress.org/issues/earlychildhood/reports/2018/12/06/461643/americas-child-care-deserts-2018/ & https://health.oregonstate.edu/sites/health.oregonstate.edu/files/early-learners/pdf/oregon-child-care-deserts-01-29-2019.pdf

[2] Care report

[3] http://cscce.berkeley.edu/early-childhood-workforce-2018-index/

paying jobs; contributing to the shortage of providers we see in most parts of our state and to a lack of stable care for our state's children and parents.

Tax credits are a form of state spending, as they change the amount of revenue collected by the state. But they are not an efficient approach to state spending on child care because they are poorly designed for low-income households and do not adequately address the day-to-day challenges faced by children, families, providers and employers in finding and affording high-quality care. In addition, tax credits decrease the amount of money available to fund direct investment in public services. We would rather see this investment be made on the front end - in direct investments in our state subsidy system - either in workforce supports or increased provider reimbursement rates.