



House Finance Committee

Informational Meeting on HB1259 (Childcare Tax Credit)

Monday, June 5th, 2023 – 10:30am
515 Irvis Office Building

Good afternoon, Chairs Samuelson, Greiner, and other members of the House Finance Committee. My name is Laura Manion, and I am President of the Chester County Chamber of Business and Industry (CCCBI). I would like to thank Representative Melissa Shusterman of Chester County who has been a major champion on this issue and a great working partner of the Chamber. ((With me is Alex Rahn, Vice President of Wanner Associates, the Chamber's Government Affairs Consultant)).

As the largest Chamber in Chester County, we serve as the voice for business on local, state, and federal level issues that impact business. Today, I am here to enthusiastically support HB 1259 on behalf of CCCBI's 800 members. This legislation will expand the childcare tax credit that was passed as part of last year's annual budget. This bill will increase the Child & Dependent Care Tax Credit in Pennsylvania incrementally over several years ensuring that the credit keeps up with rising costs over time and helps working families return or stay within the workforce.

The childcare crisis is very much a personal issue for me. As a first-time mom, and as a working mom, to a 10-month-old, I have experienced the lack of accessible and affordable childcare firsthand. When I was 5 months pregnant, my husband and I began the daycare search, and when we were still on a waitlist 9 months later, I initiated my advocacy journey on behalf of parents everywhere.

When I first became pregnant, I paid little mind to friends and other mothers telling me I should begin my daycare search. I originally toured daycares in April 2022, and I never could have imagined that I would still be on a waitlist in January 2023. My son was born

on Aug. 12 and when I returned to work on Oct. 31 from my maternity leave, with no daycare option, I was forced to bring him along with me to the office in a new job.

When all three daycares my husband and I toured could not accommodate our son due to lack of capacity and staffing, I turned to a homecare option. Our son would go Monday through Thursday to a woman's home with six other children. Drop off is from 8 to 9 a.m. and pick-up is between 4 and 5 p.m. I am sure many of you would have difficulties with that schedule. My husband and I trade off Fridays at home with him, with one of us in a meeting while the other watches him. It is not an ideal situation, but when our local YMCA told us the room would be ready to accept Nolan in November, and then December, and then "most likely" January, until finally radio silence, it was our best option.

When I spoke in front of the Children and Youth Committee in April, I was a few days shy of providing testimony with my son on my lap because the woman who watches him went on vacation for a week and then came home with COVID-19, shutting down her options for 2 straight weeks.

In my role as Chamber President, I started bringing the topic to our board and government affairs meeting, from there, I penned an op-ed in our local paper. That opinion piece has been viewed hundreds of thousands of times and led to feedback from our employer members that the childcare crisis was impacting their workforce and ability to hire and grow. Developing our workforce and helping our businesses to succeed is at the heart of Chester County Chamber and in the three years since the COVID-19 pandemic triggered the most catastrophic workforce decline in history, men have returned to work at a higher rates than women. In April 2022, the U.S. Chamber published data citing one million women missing from the labor force compared to pre-pandemic numbers. Anecdotally, I have ivy-league educated friends who are leaving or downsizing their jobs to better accommodate their childcare schedule.

In the last month, I partnered with the Delaware County and Westmoreland Chambers of Commerce to collectively advocate for solutions. I am very proud to say that our efforts led to 55 Chambers of Commerce across the Commonwealth, as well as the PA Economic Development Association, signing on to a joint letter, which is attached to my testimony. On the list of those signed-on, you will find chambers from every region of our Commonwealth – every corner of the state. The lack of accessibility and affordability of childcare is an issue that affects every facet of society – from the home to the workplace. Regardless of your tax bracket and income level.

This letter went to each member of the Pennsylvania General Assembly and Governor Shapiro Administration asking them to recognize the severity of the childcare crisis and its impact on the business community through both the workforce and the economy.

Collectively, the chambers have worked with their respective employer-members to outline several solutions, including suggesting the extension of the Childcare Tax Credit for Parents, which is the goal of HB1259. The provisions in this legislation will be an important step in helping working families return to the workplace, benefiting employers and the economy, and for middle class employees to have extra income in their pocket after their taxes are filed.

The national average cost of childcare ranges from \$11,000 to \$29,000 annually. A table included in my testimony shows the average annual cost for certain types of childcare services in Chester County, as well as the cost reflected as a percentage of median family income in Chester County. These figures tend to be higher than the national average. (The Department of Labor has given the same numbers for at-home care for all ages.). Averages in high-cost areas like Washington DC or New York City can reach \$35,000 a year.

Care	Cost	% of median income
Infant, Center-Based	17,120	13.1%
Infant, Home-Based	11,583	8.8%
Toddler, Center-Based	15,318	11.7%
Toddler, Home-Based	11,583	8.8%
Pre-School, Center-Based	14,044	10.7%
Pre-School, Home-Based	11,583	8.8%
School-Age, Center-Based	13,900	10.6%
School-Age, Home-Based	11,583	8.8%

I'm here today to talk about the cost of childcare from an income tax bracket where the joint household income is at or above the median income rates for the region, and yet families are required to make impossible financial and career decisions to satisfy their need for childcare. I come from a very comfortable middle-class family. I went to Franklin & Marshall College, taking out a loan in 2009 at a very high interest rate. My pay-off date for my loan is March 2027, and that payment takes a large toll on my bank account every month. When I took my job as President of the Chamber in May 2022, it was the first time I felt my paycheck reflected the work I was doing. My husband and I had finally made it with two new jobs, where we could afford to buy a house and not stress about our bills every month. That being said, once you couple the mortgage, our childcare payment, car payments, my student loan, babysitting costs and the high cost of groceries and gas, we continue to find ourselves unable to move up from our position in the slightly upper middle class.

When we needed a new roof in January of this year due to a large leak, which we were unaware of, due to buying our house at a time when you could not be competitive in the market if you asked for an inspection, and then three months later, our air conditioning system broke, we were forced to cut two checks that cleared out a large portion of our savings account.

If this bill was enacted for this tax season, we would have seen an extra \$600 from the federal tax credit and \$180 for the state credit. That \$780 would have covered a car and a car insurance for the month at a time when money was tight.

This bill will hopefully allow more middle-income parents, such as myself, to benefit from having a little extra returned to their bank account during tax season.

According to the Bureau of Labor Statistics, in 2020, 60 percent of families with children under the age of six had both parents in the workforce. These statistics and my personal experience with childcare waiting lists show that accessibility compounded by affordability impacts everyone at each successive level of the socioeconomic ladder.

With that in mind, the other suggestions in the joint Chamber advocacy letter also include:

- Employee Childcare Public Private Partnership - Legislation to create a tax credit for employers who furnish employee childcare in the amount of the employer's cost in furnishing employee childcare. This will incentivize employers to fund childcare for

their employees by splitting the cost with the state, and providing tax credit incentives to employers who participate. I believe Representative Hanbridge has a bill in front of the Children and Youth Committee on P3's – and we strongly support initiatives that have the parent or guardian, their employer, and our government working together to address the issue.

- Retention and Recruitment – Proposals potentially being considered during the current state budget negotiation to offer rebates/incentives for nursing, teaching and policing jobs should be considered for the childcare community. Hiring incentives would be a great first step to address the ongoing issue of low wages (\$12.43/hour statewide average) currently paid to childcare workers being a disincentive to join this critical field.
- Regulatory Reform – The Chamber Community is also advocating that any future regulatory proposals must ensure proper stakeholder input from childcare providers with special consideration to infant care. In addition, any changes do not lead to increased costs for providers.

The recommendations I list are from feedback I received from the members of the Chester County Chamber, as well as the 55 other chambers across the state, representing tens of thousands of small businesses and large employers because childcare is truly an issue that impacts workers, employers, and our economy. This is an economics issue as much as it is a societal issue.

According to the U.S. Chamber, “in the last two years, 16,000 childcare centers were forced to close their doors and many more were operating at limited capacity. This diminished the accessibility and affordability of childcare across the nation. In many cases, parents — most often women — stayed home to care for their children. Half of all workers and nearly 60 percent of parents cite lack of childcare as their reason for leaving workforce.” Lack of access has resulted in millions of working families across the U.S. having to make the difficult decision between ensuring quality care for their children or pursuing a career. The issue is exacerbated by the fact that under the economies of the 21st Century, gone are the days where one parent could ‘choose’ to remain home with the children. Wage rates against inflation have skewed to the point where it is extremely difficult and near impossible for single income households to exist.

Thus, even if my family had more income, the lack of available childcare is still an impediment.

The childcare industry is also a significant contributor to the economy, with a market size of approximately \$63 billion in 2019 in the United States alone, .3% of U.S. GDP. The industry employs a large number of workers, including childcare providers, teachers, and support staff.

In addition, the lack of access to childcare does not just disrupt the family unit — it also affects the economy. Without a healthy childcare system, tax revenue declines, workers leave jobs, and economic production suffers. The U.S. Chamber's data further shows that not only does lack of childcare affect the productivity of employees, but it also affects their bottom line. Employee turnover costs companies on average 33% of a worker's total compensation to replace them while impacting the recruitment of skilled employees. Recruiting and retaining qualified employees continues to plague employers in 2022, with 10.7 million job openings in September – 5.6 million more than unemployed workers, according to recent job reports.

Absences and employee turnover costs employers anywhere from \$400 million to \$3 billion a year, according to a U.S. Chamber Foundation study.

- Sixty percent of all parents cite a lack of childcare as their primary reason for leaving the workforce
- Median annual wage for childcare workers is less than \$30,000 (BLS)
- Median hourly wage is \$13.22
- Ninety-six percent of childcare workers are women
- Women with children under the age of three have employment rates 28% lower than those of men the same age
- Fifty-eight percent of working parents reported leaving work because they were unable to find childcare solutions that met their needs
- Thirty-two percent of women cited the need to be home to care for family members as a barrier to returning to work

If the pandemic showed us anything, it is that the benefits of addressing the work-life needs of employees greatly outweigh any drawbacks. While there is no one-size-fits-all approach, the future economic viability of our communities depends on addressing the childcare shortage. It is an issue that uniquely affects all Pennsylvanians.

In closing, this economic challenge facing families merits the attention of policymakers and on behalf of the members of CCCBI and fellow working mothers across the commonwealth, thank you for holding this hearing on such an important topic in general

and HB 1259 in particular. We urge your support of this important piece of legislation as an important first step to address the childcare crisis.

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