Kansas Children's Service League

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Testimony to the Kansas Special Committee on Economic Recovery
September 17, 2020

Chairperson Lynn and Members of the Committee:

I am Vicky Roper, Prevent Child Abuse Kansas Director for the Kansas Children's Service League. I appreciate this opportunity to provide information regarding the Business Case for Child Care. The mission of the Kansas Children's Service League (KCSL) is "to protect and promote the well-being of children." We are the Kansas chapter of Prevent Child Abuse America.

I am chair of the Kansas Power of the Positive, a collaborative with over 30 Kansas member agencies, funded by the Centers for Disease Control and Prevention (CDC) as part of their Essentials for Childhood Program. The Kansas Essentials Program has leadership from the Kansas Dept. of Health and Environment, Wichita State University Community Engagement Institute, and KCSL. Our coalition has been talking to business leaders about how they can be more family friendly. Family friendly refers to those workplace conditions that help families create safe, stable, nurturing environments for their children. These conditions help prevent childhood adversity, prevent child maltreatment and prepare children for success.

One of the researched family friendly workplace supports is to subsidize the cost of child care. Subsidized child care provides child care assistance through vouchers, lower cost child care, or cash transfers to low-income families to offset the cost of quality, full-time child care. Wichita State University Community Engagement Institute and KCSL have worked with our Kids Are Good Business Work Group to implement an Employee Survey based on research around 19 family friendly conditions. The one that resonated the most with our Kansas employees was subsidized child care costs as part of the employee benefits package. 66% said it was important to their ability to provide a safe, stable, nurturing environment for their children. We are measuring the number of Kansas homes with a child 0 – 5 years old, where someone in their family had to quit a job, not take a job, or greatly change their job because of problems with child care for the child during the past 12 months. We anticipate that increasing due to remote learning during COVID-19. We are seeing child care as an economic necessity. Analyses have shown that states meeting demand for child care assistance reported decreased rates of child abuse and neglect and studies have shown that higher child care subsidy expenditures significantly increase labor force participation and employment rates among low-income mothers.

The Kansas Child Death Review Board, the body charged by statute to review the circumstances surrounding child fatalities in Kansas, recommends that we as a state increase access to affordable, high-quality child care. The report states, "Homicides, particularly of children under the age of 3, continue to occur when children are left in the care of persons who are unprepared or unable to care for them...Having access to affordable, high quality child care would help decrease future child deaths."

Further, the US Chamber of Commerce Foundation in their 2019 document, "Creating Strong Partnerships for Early Childhood Education" say that "it is clear that high quality, affordable and accessible child care plays a significant role in ensuring our companies and our country remain competitive and contribute to our overall economic growth and development. Therefore, we are committed to improving and expanding access to every community and believe that businesses have a key part to play in achieving this goal... Today, many business leaders understand the connection between seeking ways to recruit and retain skilled employees to build a strong workforce, and an employee's ability to find and afford childcare..." They go on to say, "A 2018 report shows the US economy loses an astounding $57 billion per year in revenue, wages, and productivity as a result of issues related to childcare. Now more than ever, providing support for working parents with young children is key to attracting and retaining high-quality employees. Businesses that invest in high quality early education programs are both supporting the needs of the workforce today and strengthening the workforce of tomorrow... Business leaders don't need to solve these challenges alone. In fact, we have seen more success for businesses who partner with early childhood advocates. Many are eager to explore a wide range of solutions and find the right opportunities that match business needs and resources."

The State of Kansas currently encourages businesses to purchase child care for their employees' children by offering a refundable tax credit for businesses that pay for child care. During the first year of child day care service operation, 50% of the net amount spent (may not exceed $45,000) can be returned in a tax credit. Subsequent years allow for 30% of the net amount spent for child care services not to exceed $30,000. Total amount expended on credits for all employers is limited to $3 million. Many of the business leaders we talk with think 30% is not enough. They would like to see that increased to 50%.

A promising example from Patagonia who offers on-site child care for those that need it:

- 50% of the costs are recouped through tax credits
- 30% of the costs are recouped through savings on turnover – at Patagonia, 100% of moms return from maternity leave
- 11% of the costs are recouped in employee engagement based on performance studies
- That's 91% of calculable costs recouped annually

Right now the Child Day Care Assistance Credit through the Kansas Dept. of Revenue incentivizes three things:

- Providing a facility and the necessary equipment for child day care services for use primarily by its employees' children.
- Paying for or providing child day care services for its employees' children.
- Assisting in locating child care services for its employees' children.

However, the tax credit is only available to C Corporations and not other employers.

We've heard from employers that they might be interested in providing onsite child care but do not want to get into the business of child care. There is a promising model called a child care shared services alliance. A good example is in Chattanooga, TN where they have a network of "Micro-Centers." Micro-centers are small, one-room child centers located in workplace buildings where child care is needed. Multiple micro-centers are staffed and directed by a A Network Hub that manages licensing, provides administration, professional development, supervision, and more. This model addresses concerns about staffing workplace child care and also achieves cost savings through economy of scale and donated facility costs. We propose including employer contributions to a child care shared services alliance in the Child Day Care Assistance Credit.

In Wichita, we have a Child Care Work Group studying this. Wichita State University's Industry Engagement and Applied Learning Department is researching the feasibility of utilizing classrooms and students in child care deserts across the community. They have a child care program on their campus currently with a large waiting list. So far they have discovered that there are some regulation barriers that would need to be removed. Child Care Aware of Kansas and their member agencies are looking at this as well. Their new Executive Director shared, "This is top of list for Child Care Aware of Kansas on how to rebuild child care in Kansas. It's about local communities finding innovative solutions."

This concludes my testimony. I am available for questions whenever is appropriate.

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Corporate Child Care Tax Credits

Since 1981, 29 states have enacted one or more tax credits for employers providing child care benefits. Of those 29, only 16 states currently have them—the others let them expire or repealed their credits. Four states who currently offer credits repealed one or more of their credits, and in 2017 an additional 4 states introduced legislation to repeal their tax credits. Only one new state has enacted a tax credit for employers providing child care benefits since 2002—Louisiana. Twenty-one states have never enacted an employer child care tax credit.

Current corporate child care tax credits by state

States with Current Tax Credits	Start-up & Construction for Facility	Operating Costs	Third-Party Child Care Provider Costs	Subsidy & Voucher Costs	Resource & Referral Service Costs	Limits on Size of Credits
Arkansas Code Ann. §§ 26-51-507, 26-51-508, 26-52-516, 26-53-132 (effective beginning tax year 1995).	$5000 credit (regardless of costs) for first year only	3.9% of the annual salary of employees working exclusively in child care	-	-	-	$5,000 for start-up/construction costs
Colorado Rev. Stat. §§ 39-22-121, -517, -521	-	10% of the employer's investment during the tax year in qualified tangible personal property	-	20%	-	Credit for any income tax year shall not exceed the employer's actual tax liability for such taxable year. If the credit exceeds the employer's actual tax liability for any

						income tax year in which the credit is claimed, such excess shall be a tax credit carryover to each of the three income tax years following the unused credit year and shall be applied first to the earliest income tax years possible.
Connecticut Gen. Stat. §§ 12-217X, -634	40%	-	-	50%	-	$20,000 for start-up/construction costs; preference given to employers whose programs target low-income employees; total state amount expended on credits for all employers limited to $2 million
Georgia	-	50%	-	-	-	50% of tax liability

Code Ann. § 48-7-40.6						
Illinois 35 Comp. Stat. 5/210	5% limited to businesses primarily engaged in mfg.	5% limited to businesses primarily engaged in mfg.	-	-	-	-
Kansas Stat. Ann. § 79-32,190	50% in first year of operation only	50% in first year of operation; 30% thereafter	-	-	-	$45,000 for start-up/construction costs and operating costs in the first year; $30,000 for operating costs, purchasing costs, subsidy and voucher costs, and resource and referral costs thereafter; total amount expended on credits for all employers limited to $3 million; refundable
Louisiana Stat. Ann. § 47:6107	-	Percentage of reimbursement depends on star rating system of	Percentage of reimbursement depends on star rating system of	Percentage of reimbursement depends on star rating system of	$5,000 credit per year for payment by a business of fees and grants to child care	If the tax credit exceeds the amount of such taxes due, then the unused credit shall be refunded

Rev. Stat. Ann. § 47:6107(A); Rev. Stat. Ann. § 47:6107(B)		child care facility as follows: Five star 20% Four star 15% Three star 10% Two star 5% One star or nonparticipating facility 0%	child care facility as follows: Five star 20% Four star 15% Three star 10% Two star 5% One star or nonparticipating facility 0%	child care facility as follows: Five star 20% Four star 15% Three star 10% Two star 5% One star or nonparticipating facility 0%	resource and referral agencies.	as provided for in R.S. 47:6108.
Maryland* Code Ann., Educ. § 21-309; Code Ann., Ins. § 6-115; Code Ann., Tax – Gen. §§ 8-413, 8-216 (Partial repeal 2017) Code Ann., Tax – Gen. § 8-410 (2007), repealed by 2008 Md. Laws, ch. 391, § 1, Md. Code Ann., Ins. § 6-105.1 (2006), repealed by 2007 Md. Laws, ch. 370, § 4, Md. Code Ann., Tax –Gen. § 8-	-	-	-	-	-	Up to $600 per employee during first year of employment, $500 during second year

213 (2006), repealed by 2007 Md. Laws, ch. 370, § 2						
Mississippi Code Ann. § 57-73- 23	50%	50%	50%	50%	50%	-
Montana Code Ann. §§ 15-30-2373, -31-131, -31-133; (Partial Repeal 2017)	The lesser of: (a) $2,500, multiplied by the number of dependents that the day-care facility is designed to accommodate at the end of the first tax year for which credit is first claimed; (b) 15% of the cost of the acquisition, construction, reconstruction, renovation, or other improvement; or	20%	20%	20%	25% of the amount paid or incurred by the employer during the tax year, but the credit may not exceed $1,575 of day-care assistance actually provided to or on behalf of the employee.	$1,250 per employee (credit only applies to facilities built before 2006)

	(c) $50,000.					
New Mexico Stat. Ann. § 7-2A-14	-	30%	30%	30%	-	$30,000
Ohio Rev. Code Ann. § 5709.65 (Partial Repeal 2017) Rev. Code Ann. §§ 5733.36–.38; Rev. Code Ann. §§ 5747.34–.36 (2014), Repealed by 2015 Ohio Laws, File 30, § 2	50% in the first year	-	50%	50%	-	$100,000 for start-up/construction costs; $750 per child for purchasing and subsidy and voucher costs
Oregon Rev. Stat. §§ 315.204, .208, .213; Or. Rev. Stat. §§ 329A.703, .706 (Partial Repeal 2017)	50%	50%	50%	50%	50%	$2,500 per employee for start-up/construction costs, limited to $100,000 total; $2,500 per employee for operating, purchasing, and

						subsidy and voucher costs (credit only applies to facilities built before 2002)
Rhode Island Gen. Laws §§ 44-47-1, -3	30%	30%	30%	30%	-	$30,000 but credit cannot reduce tax liability below $250
South Carolina Code Ann. § 12-6-3440	50%	50%	50%	50%	-	$100,000 for start-up/construction and purchasing costs; $3,000 per participating employee for operating costs and subsidies; total cannot exceed 50% of tax liability
Virginia Code Ann. § 58.1-439.4	25%	-	-	-	-	$25,000; total state amount expended on credits for all

						employers limited to $100,000

*Maryland covers 100% of child care expenses for employees with disabilities or former recipients of TANF or the state Family Investment Program during the first two years of employment.

Previous corporate child care tax credits by state that have been repealed, expired or sunsetted

States with Previous Tax Credits	Year Repealed, Expired or Sunset	Start-up & Construction for Facility	Operating Costs	Third-Party Child care Provider Costs	Subsidy & Voucher Costs	Resource & Referral Service Costs	Limits on Size of Credits
Arizona Rev. Stat. §§ 43-1075, 43-1163 (2001) (effective tax years 1991-1994)	1995	50%	30%	30%	30%	30%	$15,000 for start-up/construction costs; $5,000 for other costs; total not to exceed $15,000
California Stat. ch. 712, §§ 1-2	2012	30%	30%	30%	30%	30%	$50,000 for start-up/construction costs and resource and referral costs; $360 per child

							for operating costs, purchasing costs, and subsidy and voucher costs
Florida Laws ch. 2009-20, §§ 5, 19; ch. 252, § 29	2009	50%	$50 per mo./child served	50%	-	-	$50,000; total state amount expended on credits for all employers limited to $2 million
Maine Laws ch. 390, § 6	2015	20%	20%	20%	20%	20%	Lesser of $5,000 total or $100 per enrolled child
Michigan** Comp. Laws § 208.39a(b)(4) (1991), repealed by 1993 Mich. Pub. Acts, no. 329, § 2	1982	-	-	-	-	-	-
Nebraska**	2007	-	-	-	-	-	-

Laws ch. 367, § 30							
New Jersey Laws, ch. 102; 1999 N.J. Laws, ch. 108	2001	15%	-	10%	10%	-	-
Nevada** Stat. ch. 5, § 186	2003	-	-	-	-	-	-
Oklahoma Sess. Laws ch. 363, § 7	2014	20% of expenditures to provide nationally accredited care	20% of expenditure s to provide nationally accredited care	20% of expenditures to provide nationally accredited care	20% of expenditures to provide nationally accredited care	20% of expenditure s to provide nationally accredited care	No credit allowed for expenses for which an employee takes a deduction, credit, or exemption
Pennsylvani a Laws 116	2009	-	-	Each eligible employee reimbursemen t may not exceed eight hundred dollars ($800)	Each eligible employee reimbursemen t may not exceed eight hundred dollars ($800)	-	Employment incentive payments unused as a tax credit in a taxable year may be carried

				during the first year of employment, six hundred dollars ($600) during the second year of employment or four hundred dollars ($400) during the third year of employment.	during the first year of employment, six hundred dollars ($600) during the second year of employment or four hundred dollars ($400) during the third year of employment.		over against a qualified tax liability in the ten immediately subsequent taxable years.
Tennessee Pub. Acts, ch. 530, §2	2009	25%	-	-	-	-	$25,000 per facility; $100,000 total
Texas** Gen. Laws 79th Leg. 3rd C.S., ch. 1, §18(a)(3)	2008	-	-	-	-	-	-
Wisconsin Stat. § 71.07(2dd) (1996), repealed	1997	-	-	-	-	-	Up to $1,200 for each qualifying individual

by 1997 Wis. Sess. Laws, Act 27, § 2261h.							

** No pre-repeal data was available for MI, NB, NV or TX.

Sources:

Christina Smith FitzPatrick and Nancy Duff Campbell, "The Little Engine That Hasn't: The Poor Performance of Employer Tax Credits for Child Care," National Women's Law Center, November 2002. Accessed from: https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2015/08/TheLittleEngine2002.pdf

National Women's Law Center, "Employer Child Care Tax Credits are Ineffective at All Levels," Fact Sheet, March 2018. Accessed from: https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2018/03/Employer-Child care-Tax-Credit.pdf