

Position Statement on House Bill 975, Printer's Number 995

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Position

The Pennsylvania Association for the Education of Young Children (PennAEYC), Trying Together, and First Up require additional information on the concept and impact of House Bill 975, PN 995 prior to determining a position on the legislation. We encourage a legislative hearing on the topic to learn about the implementation, outcomes and lessons learned from Michigan and/or other states which have implemented such initiatives. We appreciate the focus on child care affordability for working families, but encourage the General Assembly to address the most dire issue in the child care sector right now -- the low wages that are driving a child care teacher staffing crisis that is impacting parents' access to child care and ability to work. The staffing crisis must be addressed to ensure there is capacity in the sector to serve families.

Bill Summary

House Bill 975 amends the Human Services Code to establish an Employee Child-Care Public Private Partnership within the Department of Human Services (DHS).

In order to administer the partnership, DHS may coordinate and share information with other agencies and enter into contracts to administer the partnership or parts of the partnership. DHS must:

- Create and publish a standard contract to participate in the partnership.
- Review and process submitted contracts.
- Notify parties of the contract of their enrollment status in the partnership.
- Manage and administer the Employee Child-Care Public Private Partnership Fund.
- Verify eligibility for employee, employer or child care provider for participation in the partnership.
- Collect and verify household income information from eligible employees and determine the eligible match amount.
- Distribute educational materials about the partnership to employer, employees and child care providers.

An employer may participate in the partnership as a benefit of employment. Employers must enter into a contract with an employee and a child care provider. Employers must submit a contract and any additional information to DHS and contribute directly to the child care provider for the employee's costs. Employees are responsible for the balance if the employer payment and the DHS match do not cover the cost of child care.

DHS must review a contract within 20 business days. If eligibility requirements are met, DHS will become a party to the contract and distribute the match equal to the employer up to 100% of the employee's cost for child care out of the Employee Child-Care Public Private Partnership Fund. DHS must also maintain a waiting list of contracts submitted once available funds have been committed. DHS must issue the match directly to the child care provider or third party vendor.

When the Employee Child-Care Public Private Partnership Fund has a positive balance, DHS must promulgate regulations to administer the partnership and solicit vendor contracts, if needed. DHS can



begin to accept contracts April 1, 2025 and may not disperse matches for the next year until July 1. DHS can accept contracts for each fiscal year after the initial year, beginning April 1 for employers with existing contracts or May 15 for all others.

Reports must be submitted twice a year on the efficacy of the partnership to the chairs of the Senate Aging and Youth Committee, House Children and Youth Committee, Senate Health and Human Services Committee and House Human Services Committee. The report must include the appropriations made to the fund, the total contracts submitted, the total matches paid and by county, information on the employee, employers and child care providers that participated, the average cost for child care for those in the partnership and the total value of the contracts not approved.

The Employee Child-Care Public Private Partnership Fund is established in the State Treasury with funds appropriated from the General Assembly, contributions, gifts or grants. The fund is administered by DHS and funds are to be used for the partnership. Each fiscal year, at least 25% of the funds must be distributed to local businesses. Match payments cannot exceed 100% of the contribution made by the employer if the employee's household income is equal to or less than 100% of the state median income (SMI), cannot decrease by 10% for each 20% increase in household income over 100% and up to 180% of the SMI and must equal 50% for contracts in which the employee's household income exceeds 180% of the SMI.

Contracts between the employer, employee, child care provider and DHS can be automatically terminated, optionally terminated and employer or employee terminated under certain circumstances. An employer who participates in the partnership is eligible for a tax credit. There are civil penalties of up to \$500/per violation if a person intentionally registers false information with DHS.

The act would take effect immediately.

Background

This Employee Child-Care Public Private Partnership which would be administered by DHS, appears to be similar to [Michigan's Tri-Share](#), a cost-sharing program that offered working parents access to child care at a third of the cost. The cost of an employee's child care is shared equally among the employer, the employee and the state.

The price of child care for families with young children can be an overwhelming burden, particularly for families earning lower incomes and middle class families who do not qualify for subsidized child care. In Pennsylvania 75% (135,901) of children under 5 years of age do not have access to subsidized child care, that's 79% (83,426) of infants and toddlers. Some companies take an active role in helping their employees secure child care through subsidized child care, onsite child care and advocacy.

Recommendations and Rationale

PennAEYC, Trying Together, and First Up understands that child care is unaffordable for nearly all families and is a real challenge, particularly for a family earning a low income who does not have access to subsidized child care and for middle class families who do not qualify. A legislative hearing would allow for the General Assembly and others to understand the intent and impact of a partnership like this on a sector that is experiencing a child care staffing crisis. Understanding the success and

challenges of states that have implemented child care public private partnerships is important prior to creating a brand new program in Pennsylvania.

Pennsylvania parents with young children often have difficulty finding affordable, high-quality child care. This difficulty is compounded by the child care sector's struggle with the child care teacher staffing shortage with child care teachers earning below \$12.50/hour in Pennsylvania. State investments to increase child care teacher wages are needed to provide solutions for child care providers to address the low wages that have led to the workforce shortages. The child care staffing, crisis which impacts the supply of child care, is a direct result from an underpaid child care workforce.

Without addressing child care teacher wages through state investments programs will continue to have closed and dark classrooms and growing wait lists. A public private employee child care partnership will not be successful if wages are not increased and families continue to struggle to access child care. Chamber of commerce leaders also understand how the lack of accessible and affordable child care is hampering their members' ability to hire because "potential workers can either not find child care or afford it." In a recently signed letter more than 50 local chamber leaders, representing thousands of businesses across the commonwealth, and the Pennsylvania Economic Development Association raised the alarm about Pennsylvania's child care crisis that is plaguing working families and employers, identifying low wages as an issue.

A hearing would be very helpful to shed light on the implementation of public/private partnerships in other states, like Michigan. We have the following questions regarding such a program:

- 1) How does the program interact with / complement the subsidized child care program?
- 2) What were the startup costs of administering the program at the state level? How many staff or contractors are needed to maintain the program and what is the ongoing cost?
- 3) How many families and businesses have participated in the program?
- 4) How much time is allotted to families to find a program? How are families supported if they remain on a program wait list?
- 5) Did any businesses back out of the program mid-contract? How did that impact families?
- 6) Did advertising the program result in greater interest in the program and increase in contracts? What was the cost of these efforts? Was the child care subsidy program also advertised as an option for families?
- 7) What other efforts were implemented along with the program to improve the impact on the child care sector, such as raising child care teacher wages, educating the public on child care quality?
- 8) What are the strengths and weaknesses of the implementation of the program in other states from the perspectives of:
 - a. Employers
 - b. Employees
 - c. Child care providers
 - d. State government staff

Fiscal Impact to Child Care Provider Community

As written, this bill will not have a fiscal impact to the child care provider community.