1999 HOUSE FINANCE AND TAXATION

HB 1320

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1320

House Finance and Taxation Committee

❑ Conference Committee

Hearing Date January 20, 1999

Tape Number	Side A	Side B	Meter #
1	x		#33
Committee Clerk Signature	Janice Stein		

Minutes:

REP. BELTER Opened the hearing.

REP. SCOT KELSH, DIST. 20,FARGO, Introduced the bill as a means to improve access to, and the quality of the child care in the state of North Dakota.

REP. BELTER This would be a direct benefit to those employees who are working for a company who kept children in a day care, what benefit would it be to an employee who worked for the company and one of the parents chooses to stay home, would they get any benefit out of this?

REP. KELSH This bill does not address that.

REP. GROSZ The fiscal note shows nothing, I am kind of curious, why do we need this bill.

REP. KELSH There are people here who can answer that.

REP. BRUCE ECKRE, DIST. 25, Testified in support of the bill. He stated there would be some amendments introduced.

SEN. TIM MATHERN, DIST. 11, FARGO, Testified in support of the bill. See written testimony.

REP. BELTER How do we, as a policy making branch of government, insure that we treat both families the same, in this bill, in a sense, will use tax dollars to benefit those who choose to work, how do we help benefit those who choose not to work and stay home with their children. Both families are deserving of equity.

SEN. MATHERN I think what this bill is trying to do is, let us help spread that burden and let us spread that public policy question as wide as possible. It is a burden that we all agree on. Being able to do it at the home is important. We create a tax exemption to make sure there are businesses that can pay that kind of wage, and so those people who do not have the choice to stay home, those kids have quality child care. It is not an either/or deal.

REP. GRANDE Questioned whether this exemption should go to the employers or to the families, so that there could be a parent at home with the children.

SEN. MATHERN This bill is an attempt to give to those situations where that isn't always possible. This is one way to have more businesses to have a good environment for their kids. It is not a matter of making a choice for in-home parenting or for day care for children.

REP. CLARK Asked whether there are limitations as to the size of the business, they are all entitled to the $25,000 tax credit?

SEN. MATHERN Yes.

REP. CLARK My wife and I run a bike shop, I could put my kids in day care and walk away with $25,000 income tax credit? If every business in the state was to do this, this could easily reach millions of dollars.

SEN. MATHERN We are talking about a child care program. It wouldn't permit individuals to take a tax credit for their child. It is for the business who will set up a child care program.

REP. RENNERFELDT Wouldn't you be discriminating between small businesses and large, it seems it would benefit large businesses much more.

SEN. MATHERN I think that is one of the reasons why the bill was drafted with a cap, so it wouldn't become just a benefit for the large businesses. The intent is to spread this, not to make it so costly that it really can't happen. I think a small business can participate in this. Small businesses in smaller towns, could go together to make a child care program.

REP. GROSZ If these corporations pay for child care today, that is tax deductible isn't it?

SEN. MATHERN I am not sure, I think it is more of a matter of the employee using it as an expense/deduction.

REP. GROSZ That is my concern, a lot of the big businesses do it already, so if these people are doing it already, we are going to end up allowing them $25,000. There is a zero on the fiscal note, do you know what the actual cost to the state is?

SEN. MATHERN In terms of people doing it already, we will thank them and encourage them to continue, and to get more people to do that. Regarding the fiscal note, we don't know how many people would participate in this. I think we can get a fiscal note, we could put some constraints on this to go only to a certain level.

REP. FROELICH Where did you come up with the figure of $25,000?

SEN. MATHERN I don't know where the prime sponsor got that, but I know our discussion was that it would be manageable. I think you will hear amendments to take that off. We wanted to make it possible to show there were some limits.

REP. GRANDE Referred to lines 13 to 15, regarding two or more employers to go together, I am assuming when you have a small business, it wouldn't be feasible to put up a day care type setting, so if several businesses went together to put up a day care, wouldn't that be defeating the issue of having the children close by so they communicate with them?

SEN. MATHERN Basically this is a bill trying to address all of these issues.

BARB ARNOLD-TENGESDAL, NORTH DAKOTA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, Testified in support of the bill. See written testimony.

JUDY MILAVETZ, NORTH DAKOTA ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, FARGO Submitted written testimony, see copies.

MIKE KAPALA, DIRECTOR OF HUMAN RESOURCES, PRIMEWAY, INC., DIV. OF WOODCRAFT INDUSTRIES, WAHPETON, ND, Testified in support of the bill. Gave a background of this business. They are the largest employer in the community, and have a licensed private day care, and unlicensed private day care. But they do not have twenty four hour child care, and that is a huge problem. They are working with the Chamber of Commerce and some outside profit sectors, to build a twenty four hour community child care facility. If a business could get a tax credit, it would be great. One of my primary jobs is to recruit and retain employees. In the last four weeks, I have interviewed twenty five people that could not come to work for us, because we are a twenty four hour operation, because they could not get child care. Those people are on welfare, and if you look at the tax dollars going into the welfare program, you will see a significant savings. If you look at your average wages in North Dakota, our economy dictates that we have two income parents. We have created markets that have forced two income parents. You can't buy a house on nine dollars per hour. If I had a twenty four hour facility, I would like to have it on site. My organization could fill a facility with one hundred sixty kids just with the people employed at my organization. The twenty five thousand dollars in the bill is not a lot of money.

REP. GRANDE Asked about the night shifts.

MIKE KAPALA My organization is a twenty four organization, six days a week, we have several schedules because of product line. Schedules are 7:00 to 3:00, 3:00 to 11:00 and 11:00 to 7:00. However, we have shifts, because of the lack to be able employee people, so if we can't work those eight hour sessions, we will have to work ten to twelve hour shifts. That means a parent gets off work at two in the morning.

REP. GRANDE You are looking at haveing a day care that gets picked up at two in the morning?

MIKE KAPALA The theory behind what we want to accomplish is that, because I cannot hire these people for this particular shift, if I can get those people hired and get them back to a 7:00 to 3:00, 3:00 to 11:00 or 11:00 to 7:00 shifts, I can't place those people because I don't have day care. Because I can't staff, we are forced to work alternate shifts.

REP. WINRICH Asked what percentage of the people hired were single parents.

MIKE KAPALA 54 percent.

JIM OLIVER, WAHPETON CHAMBER OF COMMERCE, Testified in support of the bill.

This is not a Wahpeton problem, it is a state-wide problem and nation-wide problem. Explained several problems which arise due to lack of child care in their area. Their goal is a community child care center.

RAE MOORE, FARGO, Testified in support of the bill. Gave an account of her successful 24 hour day care facility, which opened in 1982. Program has been a win/win situation for hospital and parents. Parents feel they are doing their job better because they are not worrying about their children. The day care center is operated at a deficit, but the business states the employee turn over is less so therefore, it is still worth it. It is essential that everyone works together on this.

REP. WINRICH You indicated your facility operates at a deficit and is subsidized by Merit Care, are you at liberty to share with us the magnitude of that?

RAE MOORE Our annual budget is about $800,000 per year. The Merit Care subsidizes about $150,000. It sounds like a huge amount of money, but we serve about 300 children. Our program is probably a little more expensive to operate because we deal with so many schedules.

LINDA REINICKE, PROGRAM DIRECTOR FOR CHILD CARE RESOURCE & REFERRAL WITH LUTHERN SOCIAL SERVICES, Testified in support of the bill. See written testimony. She also presented charts of North Dakota Child Care Statistics and child care strategies for employers.

VIVIAN SCHAFER, PRESIDENT OF CHILDREN'S CAUCUS, Testified in support of the bill. She felt we need incentives to have the child care centers.

With no further testimony, the hearing was closed.

COMMITTEE ACTION 1-20-99, Tape #2, Side A, Meter #26.2

Discussion was held regarding the bill. Questions were raised in regard to the $25,000 figure used in the bill as a tax credit. A question regarding depreciation of a day care facility arose. Committee members felt that someone from the Tax Department should come before the committee to answer questions.

The bill will be held until a later date.

COMMITTEE ACTION 2-8-99, Tape #1, Side B, Meter #48.1

Committee members reviewed the amendments which were prepared by the Tax Department.

REP. GRANDE Made a motion to adopt the amendments as presented.

REP. RENNER Second the motion. MOTION CARRIED BY VOICE VOTE.

REP. WINRICH Made a motion to adopt the amendments which were presented by Barb Tengesdal. REP. KROEBER Second the motion. MOTION FAILED BY VOICE VOTE.

REP. WARNER Made a motion for a DO PASS AS AMENDED.

REP. WINRICH Second the motion. MOTION FAILED 5 yes, 9 No 1 Absent

There was a lengthy discussion regarding the bill and the amendments. Committee members felt the government should not be getting involved in twenty four hour day care centers. Some members stated they didn't think there was a lack of day care, but that the day care providers were not making enough money to break even.

REP. GRANDE Made a motion for a DO NOT PASS.

REP. RENNERFELDT Second the motion. MOTION CARRIED

9 Yes 5 No 1 Absent

REP. GRANDE Was given the floor assignment.

FISCAL NOTE

(Return original and 14 copies)

Bill/Resolution No.: HB 1320　　Amendment to: ______

Requested by Legislative Council　　Date of Request: 1/13/99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts. Please provide breakdowns, if appropriate, showing salaries and wages, operating expenses, equipment, or other details to assist in the budget process. In a word processing format, add lines or space as needed or attach a supplemental sheet to adequately address the fiscal impact of the measure.

   Narrative: If enacted, HB 1320 would provide an income tax credit of up to $25,000 per year for employers who provide a child care program for children of employees. We cannot determine the fiscal effect of this bill.

2. **State** fiscal effect in dollar amounts:

	1997-99 Biennium		**1999-2001 Biennium**		**2001-03 Biennium**	
	General Fund	**Other Funds**	**General Fund**	**Other Funds**	**General Fund**	**Other Funds**
Revenues						
Expenditures						

3. What, if any, is the effect of this measure on the budget for your agency or department:
   a. For rest of 1997-99 biennium: ______
   (Indicate the portion of this amount included in the 1999-2001 executive budget:)
   b. For the 1999-2001 biennium: ______
   (Indicate the portion of this amount included in the 1999-2001 executive budget:)
   c. For the 2001-03 biennium: ______

4. **County, city, and school district** fiscal effect in dollar amounts:

1997-99 Biennium			**1999-2001 Biennium**			**2001-03 Biennium**		
Counties	**Cities**	**School Districts**	**Counties**	**Cities**	**School Districts**	**Counties**	**Cities**	**School Districts**

If additional space is needed attach a supplemental sheet.

Signed: Kathryn Strombeck

Typed Name: Kathryn L. Strombeck

Department: Tax

Date Prepared: January 18, 1999

Phone Number: 328-3402

Please type or use black pen to complete

Date 2-8-99

Roll call vote # 1

DO NOT USE HIGHLIGHTER ON ANY FORMS

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1320

House HOUSE FINANCE & TAX Committee

☐ Subcommittee on ______

☐ Conference Committee

} Identify or check where appropriate

Legislative Council Amendment Number ______

Action Taken D P as amended

Motion Made By Rep. Seconded By Rep.

Representatives	Yes	No	Representatives	Yes	No
BELTER		✓	WINRICH	✓	
RENNERFELDT		✓			
CLARK		✓			
FROELICH	✓				
GRANDE		✓			
GROSZ		✓			
HERBEL		✓			
KROEBER	✓				
MICKELSON		✓			
NICHOLAS	A				
RENNER		✓			
SCHMIDT	✓				
WARNER	✓				
WIKENHEISER		✓			

Total 5 (Yes) 9 (No)

Absent 1

Floor Assignment Rep

If the vote is on an amendment, briefly indicate intent:

Please type or use black pen to complete

Date 2-8-99

Roll call vote # 2

DO NOT USE HIGHLIGHTER ON ANY FORMS

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1320

House HOUSE FINANCE & TAX Committee

☐ Subcommittee on ______

☐ Conference Committee

} Identify or check where appropriate

Legislative Council Amendment Number ______

Action Taken Do Not Pass as amended

Motion Made By Rep. Grande Seconded By Rep. Rennerfeldt

Representatives	Yes	No	Representatives	Yes	No
BELTER	✓		WINRICH		✓
RENNERFELDT	✓				
CLARK	✓				
FROELICH		✓			
GRANDE	✓				
GROSZ	✓				
HERBEL	✓				
KROEBER		✓			
MICKELSON	✓				
NICHOLAS	A				
RENNER	✓				
SCHMIDT		✓			
WARNER		✓			
WIKENHEISER	✓				

Total 9 (Yes) 5 (No)

Absent 1

Floor Assignment Rep. Grande

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1320: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (9 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). HB 1320 was placed on the Sixth order on the calendar.

Page 1, line 18, remove "In addition to the credit allowed"

Page 1, remove lines 19 through 22

Renumber accordingly

1999 TESTIMONY

HB 1320

Testimony for House Finance and Taxation Senator Tim Mathern, January, 20 1999

Thank you Mr. Chairman and committee members. I'm hear today to express my support of HB 1320. HB 1320 is a good bipartisan bill that deserves your support.

As a society that states it values the younger generation, often we are not committing our full resources to a child's early years. Too often we hear about substandard and overcrowded child care facilities. It seems that only the well-to-do can afford to give the type of care that every child deserves during their formative years.

Many people work, but they are anxious because they cannot find quality child care at a decent price. Parents should never have to choose between working to provide for their family and providing the best care for their children. Good companies are not able to take advantage of quality workers because of the high cost of child care.

This bill is a win / win partnership between employers and employees. Data suggests that employers that invest in quality child care improve the recruitment, retention and morale of their workers, resulting in greater productivity and reduced absenteeism and tardiness.

HB 1320 provides flexibility to employers to provide the best plan that fits their situation. Not every company can provide on-site child care centers. This tax credit will allow companies to tailor a child care plan that best fits the companies and their employees needs.

I ask for your do pass recommendation on HB 1320. Thank you.

NDAEYC

North Dakota Association for
the Education of Young Children

PO Box 5797 • Fargo, ND 58105-5797

To: House Finance and Taxation Committee Date: January 19, 1999

From: Barb Arnold-Tengesdal
North Dakota Association for the Education of Young Children (NDAEYC)

Re: HB 1320
Testimony in support of HB 1320 with a proposed amendment attached.

The North Dakota Association for the Education of Young Children (NDAEYC) consist of 386 paid members and approximately 250 local chapter affiliate members. The local chapters are in Grand Forks, Fargo, Valley City, Jamestown, Minot, and Bismarck. Members represent a variety of jobs in the early childhood profession- family and group day care providers, day care center staff and directors, preschool staff, Head Start staff, Minot and Grand Forks Air Force Base Child Development Center staff, Child Care Resource & Referral agencies, lab schools from higher education institutions, elementary teachers and many other professionals within the field.

<u>We support HB 1320 in concept, but offer an amendment that we think strengthens the bill. It strengthens it by creating more incentive for rural economic development efforts and providing flexibility for small businesses needing to address employee child care needs.</u>

Many working men and women with children under the age of 12 experience child care breakdowns. It has been proven that good quality child care provides the stability a parent needs to be a productive employee in the work environment, combating absenteeism, tardiness and turnover. Reliable, affordable care for working families clearly benefits the current work force as well as affecting economic initiatives, productivity of workers and the success of North Dakota's welfare-to-work programs.

<u>The proposed amendment would:</u>

A. Allow communities to seek contributions from a variety of sources that would benefit many working families; not simply those employed by one business.

B. Provide flexibility in designing the type of support needed by working parents. An employer could look at the child care needs of their workers and the resources available in the local community, and then make informed decisions about the type of program that would best suit all involved.

C. Encourage small business owners to work collaboratively, pooling resources to address the child care needs of employees.

D. Increase the quality of child care available to parents by providing avenues to support, train, recruit and retain child care providers.

NDAEYC believes an investment by the State of North Dakota in supporting business/child care partnerships will far outweigh any revenue loss by encouraging work force development in rural communities, strengthening the support given to small business owners, and reassuring working parents that available, affordable and quality child care is a priority.

Barb Arnold Tengesdal

Suggested Amendment to House Bill N. 1320

failed

Fifty--sixth
Legislative Assembly of North Dakota

Line 1-4 (suggested changes in bold)
A BILL for an Act to create and enact a new section to chapter 57-38 and a new subsection to section 57-38-30.3 of the North Dakota Century Code, relating to an income tax credit for employers who **make a contribution to support child care in the state or** provide a child care program for children of employees; and to provide an effective date.

Line 8-9 (As written)
Credit for employee child care program. An employer is entitled to an income tax credit against taxes due and computed under section 57-38-29, 57-38-30, or 57-38-30.3 for the

Line 10-11 (suggested changes are in bold)
employer's net cost of operating a child care program used primarily by children of the taxpayer's employees **or an employer's net cost of any monetary or in kind contribution to support child care in the state. The type of contribution would include, but not be limited to:**

A. Donating money, real estate, or property for the establishment of a child care facility;

B. Donating money to establish a grant or voucher program for a parent or parents requiring financial assistance for child care;

C. Donating money for the training of child care providers;

D. Donating money or resources to support a family child care network

E. Purchasing slots at a local facility for use by employees;

F. Purchasing or providing resource and referral services to assist employees in obtaining child care.

Line 11-22 (continues as written with suggested changes in bold)
The amount of the credit allowed by this section for any child care program or contribution may not exceed twenty-five thousand dollars for any taxable year. If two or more employers share in the cost eligible for the credit provided by this section, each employer is eligible for the portion of the credit which equals that employer's share of the net cost of the **contribution or the** operation of the child care program. The amount of credit in any taxable year under this section is limited to the lesser of the taxpayer's tax liability under this chapter or the taxpayer's net cost of operating a child care program, an any excess may be carried over and applied against tax due under this chapter for up to three taxable years. In addition to the credit allowed under this section, the child care program is operated. The tax basis for any facility in which a child care program is operated must be reduced by the amount of the credits allowed under this section for use of the facility.

Section 2 and 3 as written.

Barb Arnold Tengesdal
HB 1320

This introduction provides a brief background about why state lawmakers should be concerned about child care issues, the increase in demand for child care services, concerns with the current supply of child care, what children and their families need from child care and the characteristics of good care. The remainder of the guide consists of four parts:

- **Expanding the supply of child care** through facilities development, public/private partnerships, loans and grants, resource and referral services, and expanding out-of-school time activities;
- **Improving the quality of child care** through regulations, accreditation and additional standards, training, career development and compensation, and quality early childhood education initiatives;
- **Funding for low-income child care**, including eligibility issues, parent fees and reimbursement rates and policies; and
- **Selected state experiences**: California, Colorado, Connecticut, Florida, Illinois, Minnesota, North Carolina, Ohio and Oregon.

Why State Legislators Are Concerned About Child Care

Good early care and education programs can have a significant, positive effect on both state economies and state spending. Such programs provide children with a solid foundation for later success in school and at work. They significantly enhance children's educational attainment, level of socialization and long-term earning potential by acting as a buffer between children and a variety of developmental risk factors. These benefits can translate into reduced state spending on social services and special education, increased tax revenues, a better prepared workforce and reduced crime rates.

Improvements in the supply and quality of child care also help families contribute more to state economies. The productivity of working parents suffers when there are problems with child care. Many families have multiple child care arrangements, which often are unreliable and unstable. One of four working mothers of a child under age 12 experienced child care breakdowns two to five times during a three-month period. These breakdowns were linked to higher absenteeism and tardiness at work.[4] According to Work/Family Directions, 83 percent of women and 71 percent of men with working wives missed work due to dependent care issues. Analysts estimate that businesses nationwide lose $3 billion every year due to child care-related absenteeism, turnover and lost productivity.[5] A child care subsidy that enables a parent in North Carolina to earn at least $15,000 per year will generate federal, state and local tax revenue in excess of the subsidy.[6]

States can improve the quality and supply of child care with carefully targeted investments of public funds in certain areas such as the education and compensation of caregivers. Investment can make a significant difference in future state costs. Recent research by the High/Scope Perry Preschool Project has determined that states can save $7.16 for every $1 spent on high-quality early childhood education services for at-risk children.[7]

The Growing Demand for Child Care

Women with young children are entering the workforce in ever-increasing numbers. Approximately 64 percent of married women with children under age 6 now work outside the home, compared with only 19 percent in 1960. It is estimated that by 2000, 70 percent of women with children under age 5 will be employed and in need of child care. Fifty-seven percent of single mothers currently are in the workforce. The increase in working women from both dual-earner and single-parent families is expected to continue well into the next century. In 1992, 75 percent of women age 25 to 54 were working. By 2005, it is projected that 83 percent of women will be in the work force.[9] The dramatic increase in the number of working mothers is attributable to several factors:

- Local planning councils to involve businesses in child care funding;
- Tax credits to encourage businesses to become involved in the development of child care facilities and to assist employees with child care costs;
- Public service announcements; and
- Community funds in which businesses may invest.

Public and Private Partnerships—Selected Strategies

- *Florida* established a state executive partnership to encourage local, employer and foundation support for child care for working families. The state's 1996 welfare reform law established a public-private partnership to fund child care subsidies to low-income working families. The Legislature appropriated $2 million to be matched by $2 million from businesses. Employers met the match and the Legislature doubled the state's share to $4 million in 1997. *Florida* also recognizes family-friendly employers through a program of awards and positive publicity.
- Seventeen *Indiana* counties participate in the Indiana Symposium on Child Care Financing. The symposium's goal in 1995 was to encourage private sector employers to become leaders on child care issues and to invest in improving the supply and quality of child care. As a result of the work of the symposium, the Indiana Donors Alliance, representing 70 community foundations, has agreed to house the Indiana Child Care Fund, which will raise corporate, foundation and individual contributions to improve child care throughout the state.
- *Colorado* established a Business Commission on Child Care Financing. Chaired by a bank president, the commission examined ways the state could expand and finance good child care. The commission recommended resource guides for businesses and consumers, a multi-bank community development corporation to provide loans and other financial assistance to child care providers, a child care check-off on state income tax returns, a child care income tax credit, a governor's statewide summit on business and child care, and policies to allow the use of public educational buildings for school-age child care.
- *Hawaii* created a nonprofit corporation governed by representatives from state government, businesses and foundations.
- *New Jersey* developed an employer approach to support parents with young children by providing partial wage replacement for parental leave through its temporary disability insurance (TDI) program. When combined with accumulated vacation and sick leave, this benefit can be an important source of support for working mothers because they can remain at home with their child during early infancy. Four other states—*California, Rhode Island, New York, and Hawaii*—and *Puerto Rico* also have TDI programs.
- *The Allegheny County Early Childhood Initiative, located in* Allegheny County, Pennsylvania, with the United Way and the philanthropic community is seeking funds for quality child care and education services for low-income children in the community. United Way is leading the campaign to raise $59 million from the private sector. Local businesses that contribute are asked to play a public advocacy role and to assist in public development efforts. After five years, government will replace private seed money with public funds. In this initiative, early childhood professionals set high standards for programs, and neighborhood groups design services to reflect local values.
- *The American Business Collaborative* (ABC) brings together more than 80 companies, including some of the nation's largest, to increase the supply and quality of dependent care services. From 1992 through 1994, the collaborative invested more than $27 million in a range of grants for child and elder care activities. About 50 percent of the funds were granted to early care and education programs, about 38 percent to school-age care and about 12 percent to elder care. Now in phase two, the ABC has committed to spend $100 million in a six-year initiative to increase its emphasis on quality improvement and to continue its strategy of planning at the community level.[43]

Employer Tax Incentives—State Initiatives
At least 18 states have enacted corporate tax credits or deductions to encourage businesses to give their employees more child care options.[44]

- *Arkansas* lawmakers established several tax incentives for companies that create or operate child care facilities. Companies can receive a corporate tax credit of 3.9 percent on the salaries of employees who work at child care facilities and are exempt from sales and use taxes for building construction and furnishings.
- *California* has a corporate tax credit for child care start-up costs, information and referral services, child care facility construction costs and contributions to a qualified care plan.
- *Connecticut* authorized a tax credit equal to 40 percent of the cost of providing parent education classes to employees, available once the state's employer child care tax credit is exhausted. Classes must provide certain child development information and referrals.
- *Florida* corporations may deduct 100 percent of the start-up costs of an on-site facility.
- *Maryland* established a child care tax credit for employers that hire welfare recipients. The tax credit ranges from 10 percent to 30 percent of wages and from $400 to $600 in child care costs. Maryland also has expanded tax credit legislation to a broader child care market with a law that exempts certain in-home family day care providers from local personal property taxes.
- *Oregon* created a 50 percent tax credit for corporations that provide funds for child care services. Under the flexible tax credit plan, employees select their provider, and corporations are allowed a credit of up to $2,500 per full-time employee.
- In *Rhode Island*, businesses with child care centers for employees must accept state-subsidized children in order to be eligible for the child care tax credit.[45]

Some surveys indicate that these tax credits are not being widely used and, therefore, have a minimal effect on the availability of child care. The possible reasons for underuse of tax credits are many, including:

- Credits do not benefit the many businesses that have no state tax liability.
- Tax credit programs have not been widely publicized in some cases.
- Employers may not trust the government's commitment to tax relief.
- Employers may have past experience with government "red tape."
- Tax incentives may not be relevant to the motivation of businesses' Human Resource decision makers.
- High administrative costs of using tax credits.
- Tax credits often are available only for child care center start-up costs, not for operating costs.[46]

Although tax credits involve some revenue loss, underuse has limited such losses in most states. In Arizona, for example, fewer than 10 corporations have taken advantage of the credit in one year. Approximate revenue loss in other states is approximately:

- Illinois: under $1 million in 1993;
- Oregon: $1 million in 1996-97;
- Montana: under $100,000 in 1993; and
- California: approximately $14 million in 1994.[47]

Other Initiatives

Other state initiatives to expand supply of child care include the following.

Changing or preempting local zoning laws
These changes can allow more family child care homes in residential areas. This strategy requires cooperation and communication between state and local government entities. *New York* successfully sued local zoning officials to establish that the state's goal of increasing the supply of child care took precedence over zoning ordinances.[48]

Assistance with obtaining or maintaining liability insurance
A recent *Oregon* law prohibits insurance companies from canceling or refusing to renew a liability policy solely because the policyholder operates a family child care home.[49]

Reforming the regulatory process
Options include:

- Consolidating and streamlining inspections by multiple agencies;
- Eliminating rules that are not necessary to reduce safety and health risks;
- Increasing licensing staff to cut down on start-up delays; and
- Increasing authorized capacity of child care homes for school-age children. This involves a trade-off between increased supply and better child-to-staff ratios, which are associated with higher quality.

NDAEYC

North Dakota Association for the Education of Young Children

PO Box 5797 • Fargo, ND 58105-5797

To: Wes Belter, Chairman, House Finance and Taxation Committee
From: Judy Milavetz, Member of NDAEYC Governing Board
Subject: HB 1320
Date: January 19, 1999

Judy Milavetz

I would like to offer testimony on behalf of HB 1320. North Dakota needs creative ways to provide child care services adequate for the demands of our state's workforce. While child care programs are very efficient in using available revenues, lack of necessary funding is creating a growing crisis in the field. It is a labor intensive industry in which the majority of budget goes to staff compensation. The largest portion of child care financing comes from parent fees, but the average family cannot afford to pay more. Consequently, public/private partnerships, such as the proposed HB 1320, offer realistic means to increase child care funding.

HB1320, however, would realize greater benefit if it were broadened to encompass a larger spectrum of business and child care needs. The proposed amendment to this bill offers the advantage of creating incentive for more employers to invest in child care, and the potential for more children to profit for the following reasons:

*A broad range of investment options for businesses would give greater flexibility in meeting the needs of their employees.

*The unique child care needs of individual communities and areas of the state could be targeted by offering more alternatives.

*Statewide collaboration to address pervasive child care challenges, such as training of providers, would be feasible.

*Small businesses, (comprising over 90% of the state's employers), would be able to accommodate their employees' child care needs.

*Rural areas where population is too spread out for child care centers would be able to enhance family child care options.

*The existing child care system, with its wealth of expertise, could be utilized in addressing the need for greater availability and quality of services.

*Communities would be encouraged to work together to strengthen their commitment to economic development and quality of life for children and families.

*Local agencies that have experience in dispersing donations within their regions (e.g. United Way, Children's Services Coordinating Committee,) could be utilized to allocate employer contributions.

Comments of Linda Reinicke
House Finance and Taxation Committee
Regarding House Bill No. 1320
January 20, 1999

Chairman Belter and Members of the Committee:

My name is Linda Reinicke, Program Director for Child Care Resource & Referral with Lutheran Social Services. I want to speak in support of HB 1320 and the amendments proposed by the North Dakota Association for the Education of Young Children.

I am aware of the thinking which suggests that market forces can produce child care programs when and where they are needed and at a price parents can afford. But in the child care world, it doesn't work that way. The supply of child care does not respond when demands increase because good child care is an expensive commodity. It is costly for the provider to operate a quality program, and it is costly for young families, a providers' primary source of revenue, to purchase child care.

Average Cost of Child Care in North Dakota			
Age Group	**Weekly**	**Monthly**	**Yearly**
0-2 years	$77.00	$333.00	$3,996.00
2-5 years	$74.00	$320.00	$3,840.00
6-12 years	$70.00	$303.00	$3636.00

CHILD CARE FAMILY SNAPSHOT A family of four (two children under age five) have a yearly income of $36,000. Child Care will cost $740 a month or 25% of the family's monthly income. This family is not eligible for child care assistance.

Child Care Resource & Referral (CCR&R) helps families find child care and assists child care providers with business start-up and program enhancements. Last year we helped 3,740 families find child care and had 11,577 phone conversations with child care providers. In addition to child care's high costs, our daily contact with parents and providers has identified the following challenges:

- **Odd-hour care is limited.** Of the state's 1,934 licensed providers, a limited number offer evening care (276), overnight care (190), and week-end care (164). Odd-hour care is particularly limited in rural communities. This bill would encourage employers to support the specific child care needs of their employees.
- **Infant-Toddler care is difficult to find.** A major factor contributing to quality infant care is low ratios (state law mandates that the ratio is four infants for one provider). Maintaining low ratios, however, reduces revenue for providers, an unfortunate but necessary trade-out when we are dealing with children. All this translates into lap time--the smaller the group size, the more lap time per child.
- **Provider turnover rate is high.** In 1998, 393 providers were licensed by the Department of Human Services—345 programs closed. Low wages are closely linked to rapid turnover. In 1996, Grand Forks providers earned an average gross income of $17,300. Once expenses (food, equipment, liability insurance, toys, utilities, etc.) were taken into account, providers were left with an average net income of $8,400. In 1994, 210 staff members (36%) of Fargo's child care centers left their jobs. In the business world, turnover may be just another fact to contend with. To the two-year old consumer, it means they experience a loss of continuity and stability.

These child care challenges obviously impact children and families, but also are concern for employers. In September, a state-wide Business and Child Care Summit was held to discuss child care as it relates to the business world. This diverse group of business, economic development, chamber, and child care professionals offered these suggestions:

- **Develop a Business consortium to bring small businesses together for the pooling of resources.**
- **Develop gap financing packages for child care.**
- **Create a funding pool for child care programs to access for wages and training.**
- **Create a tax incentive for business to develop child care programs.**

Maintaining the supply is an uphill effort. The child care system is already fragile. New businesses will continue to depend on a strong labor force. This will mean the continued support of approximately 75% of mothers with young children who presently work outside the home. This female-based work force impacts 121,500 of our state's children The existing 1,934 providers have space available for 22,000 children.

HB 1320 is another step to bringing more players into the child care field and offering win-win solutions for children who need good care, parents who need to be present and productive at work, or employers who need to recruit and retain employees. Child Care Resource & Referral will continue to work with parents, providers, and businesses providing consultation and support as needed.

North Dakota Child Care Statistics

County	Licensed Programs*	Current Vacancies*	Capacity*	Children 0-5 yrs^	Children 5-9 yrs^	% Working Mothers^ of 0-5 yrs	% Working Mothers^ of 6-17 yrs	Average Fulltime Monthly Rates* Infant 0-2	Toddlers	Preschool	Rate/Hour Schl-Age*	Total Programs open >6:00 pm*	Total Programs open Sat & Sun*
Adams	6	9	102	202	226	79.1	78.9	$276.47	$264.35	$264.35	$1.57	1	0
Barnes	35	11	440	789	851	67.2	78.9	$294.83	$290.33	$290.33	$1.58	2	1
Benson	7	7	106	719	734	44.7	69.5	$311.20	$311.20	$311.20	$1.65	0	0
Billings	0	0	0	80	106	49.3	51.6	$0.00	$0.00	$0.00	$0.00	0	0
Bottineau	26	55	343	472	565	70.2	82	$326.14	$322.11	$322.11	$1.76	7	3
Bowman	4	4	39	232	277	85	84	$296.61	$296.61	$284.44	$1.48	0	0
Burke	3	4	50	136	204	59.8	64.7	$313.93	$313.93	$313.93	$1.75	0	0
Burleigh	227	495	3242	4449	4892	76	86	$371.04	$363.50	$361.04	$1.98	30	13
Cass	416	594	6698	7481	7351	75.1	84.6	$368.22	$347.05	$339.91	$1.99	22	2
Cavalier	9	42	136	413	453	59.4	69.3	$357.40	$357.40	$357.40	$1.64	2	0
Dickey	15	4	185	337	435	60.1	83.2	$315.87	$300.24	$300.24	$1.58	1	1
Divide	2	16	36	177	184	83.1	76	$308.51	$308.51	$308.51	$1.57	0	0
Dunn	5	5	57	313	375	68.1	70.2	$296.17	$296.17	$296.17	$1.71	1	0
Eddy	8	0	103	162	206	75.5	78.5	$311.76	$307.60	$307.60	$1.58	2	0
Emmons	10	12	121	302	333	67.3	69.8	$284.44	$284.44	$284.44	$1.53	4	0
Foster	6	20	90	278	320	74.1	77.9	$345.58	$345.58	$345.58	$1.84	0	0
Golden Valley	9	14	120	139	179	69.6	80	$318.60	$318.60	$318.60	$1.79	0	1
Grand Forks	195	270	3747	5824	5269	67.5	79.2	$368.53	$351.94	$346.44	$1.81	31	6
Grant	5	6	57	213	268	75.7	73.8	$267.46	$267.46	$267.46	$1.42	0	1
Griggs	11	28	148	195	245	75	81.5	$313.10	$313.10	$313.10	$1.71	4	1
Hettinger	6	7	71	226	253	72.5	75.3	$296.39	$296.39	$296.39	$1.53	1	0
Kidder	4	5	66	202	251	62.5	83.8	$345.84	$345.84	$345.84	$1.85	0	0
LaMoure	10	2	117	327	401	56.4	74.9	$266.55	$266.55	$266.55	$1.46	3	2
Logan	7	1	73	168	180	65.5	73	$280.11	$280.11	$280.11	$1.50	3	0
McHenry	13	29	199	382	496	59.5	72.9	$309.34	$295.96	$295.96	$1.54	6	3
McIntosh	10	6	80	210	290	81.3	91.6	$317.30	$317.30	$317.30	$1.75	0	0
McKenzie	9	13	105	586	595	61.8	73.3	$343.76	$339.95	$339.95	$1.74	1	1
McLean	19	28	203	666	841	60.9	72.5	$327.04	$327.04	$327.04	$1.96	1	3
Mercer	15	40	275	854	947	57.2	73.2	$371.64	$360.39	$360.39	$1.92	1	0
Morton	80	168	1024	1666	2062	71.2	85	$343.11	$332.15	$329.56	$1.82	15	7
Mountrail	17	4	227	500	583	68.4	77.5	$321.68	$316.48	$342.46	$1.67	2	1
Nelson	11	6	149	229	291	79.1	75.1	$348.57	$342.98	$342.98	$1.81	2	1
Oliver	1	0	7	175	231	62.7	68.5	$340.99	$340.99	$340.99	$1.75	0	0

* Data compiled from the NDCCRR Network
^ Data from the State Data Center at NDSU

Statistics compiled by the North Dakota Child Care Resource and Referral Network.
9/1/98

North Dakota Child Care Statistics

County	Licensed Programs	Current Vacancies*	Capacity*	Children 0-5 yrs^	Children 5-9 yrs^	% Working Mothers^ of 0-5 yrs	6-17 yrs	Average Fulltime Monthly Rates*: Infant 0-2	Toddlers	Preschool	Rate/Hour Schl-Age*	Total Programs open > 6:00 pm*	Total Programs open Sat & Sun*
Pembina	26	44	455	623	736	68.3	74.9	$340.16	$331.63	$338.48	$1.70	6	2
Pierce	11	23	182	276	352	88.8	76.9	$358.57	$353.15	$353.15	$1.82	2	1
Ramsey	56	75	734	865	985	73.6	85.9	$345.01	$338.13	$337.65	$2.19	11	4
Ransom	16	20	170	355	443	73	71.6	$321.50	$311.76	$311.76	$1.58	1	0
Renville	1	3	18	177	266	61	77.8	$321.50	$321.50	$321.50	$1.65	0	0
Richland	59	42	701	1279	1418	65.1	77.9	$344.36	$335.32	$332.63	$1.73	7	1
Rolette	14	23	204	1411	1355	51	66.8	$321.24	$322.71	$320.29	$1.74	0	0
Sargent	7	0	84	285	323	70.2	83.1	$369.48	$369.48	$369.48	$1.52	0	0
Sheridan	0	0	0	130	147	36.6	63.1	$0.00	$0.00	$0.00	$0.00	0	0
Sioux	2	0	32	458	491	60.2	70.8	$330.16	$330.16	$330.16	$1.75	1	1
Slope	0	0	0	53	77	65.5	54	$0.00	$0.00	$0.00	$0.00	0	0
Stark	114	245	1369	1742	2029	66.5	75.2	$314.31	$305.05	$302.36	$1.78	14	7
Steele	1	0	7	157	166	67.9	76.6	$340.99	$340.99	$340.99	$1.75	0	0
Stutsman	80	84	1033	1452	1642	73.3	86.4	$337.09	$329.90	$329.69	$1.80	10	4
Towner	3	31	4	256	270	65.2	80.7	$298.77	$298.77	$298.77	$1.62	1	0
Traill	23	26	361	536	647	72.4	75.5	$395.42	$364.50	$364.50	$1.80	0	0
Walsh	21	48	339	975	1102	75.6	79.6	$347.44	$335.83	$331.89	$1.82	1	0
Ward	172	436	2697	4872	4494	64.9	75.6	$331.33	$324.27	$321.11	$1.82	21	2
Wells	12	11	180	346	407	70.2	75.8	$298.16	$283.14	$283.14	$1.55	2	0
Williams	53	196	713	1543	1992	67.6	78.3	$328.56	$315.14	$313.06	$1.70	15	9
TOTAL	1872	3212	27699	46895	50236	69.1	79.4					246	78

Capacity may be overstated because many providers do not choose to fill their program to capacity, but to maintain a smaller group of children.

While current vacancies may appear sufficient to meet the needs, the vacancy does not always meet the schedule, location and age group required by a family. A vacancy rate of 10% of capacity rate allows families minimal choices in choosing child care.

* Data compiled from the NDCCRR Network
^ Data from the State Data Center at NDSU

Statistics compiled by the North Dakota Child Care Resource and Referral Network.
9/1/98

Child Care Strategies for Employers

Strategies	Benefits	Hurdles
Easy, Low-cost Options – Information and Referral Services		
Work with CCR&R to provide referrals to employees to licensed child care providers which match the family's needs. CCR&R can also conduct workplace seminars on how to search for and evaluate child care.	Referral services available throughout the state. Immediate start-up. Limited company involvement. Accessible phone service. Maximizes use of existing child care. Community CCR&R links with national referral services to serve interstate companies.	Referral service cannot remedy all child care issues. If care is not available in the community, the referral service may not be effective. This is particularly true for evening, week-end and shift-work child care.
Allow parents time off to search for child care		
Recruit an employee as a child care representative to receive training by CCR&R on local child care resources to assist fellow employees.	Employee parents have an internal, trusted source to answer their child care questions. One contact for all child care issues presents a clear picture of employee needs.	Child care representative may find this task disruptive to their primary duties.
Cost Effective Options – Supporting Existing Child Care Programs		
Make contributions to existing community child care programs, such as accounting/legal services, space or equipment use, printing or postage costs, used office furniture, inclusion of child care staff in corporate health insurance plan, and monetary donations.	Improves quality and increases supply with minimal investment. Elevates company's public image. Assistance may leverage reserved spots for company employees' children.	Employer has limited control over the quality of programs other than to withdraw support.
Start a community-based scholarship fund to recruit providers, make training available, support facility improvements, or cover costs incurred when programs seek accreditation.	Promotion of quality is seen as an important investment. Quality care is more stable care for children and families.	Collaboration requires planning, firm commitment, and cooperation from diverse groups
Support a family child care network near the business site. Arrange to secure spaces in home child care programs for employees' children. In return, support training seminars, equipment and toy lending libraries, group purchasing, or back-up/substitute care.	Home child care providers tend to have less rigid hours and broader enrollment policies making available a variety of care for more families. Networks give families more options. Administration of networks can be channeled through local CCR&R offices.	Recruiting quality providers is sometimes difficult. Quality may vary significantly between providers. Liability issues must be carefully addressed.

Child Care Strategies for Employers

Strategies	Benefits	Hurdles
Cost Effective Options – Supporting Existing Child Care		
Make available information on state-funded child care assistance programs for low-income families	No cost to employer. Maximizes federal dollars set aside to support low-income working families. Increases employees' ability to secure high quality, stable child care.	Not effective if adequate child care is not available.
Establish a Flexible Spending Account/ Salary Reduction Plan	No cost to employer. May reduce employee costs. Social security and unemployment insurance payments are not made on salaries put in flexible spending accounts. Employees do not pay federal income tax on salary set-aside for child care.	Not effective if adequate child care is not available. A limit of $5,000 may be set aside each year. Employee must use money in account by year's end or forfeit it.
Implement a voucher plan which enhances state child care assistance programs to help employees pay the cost of child care. Usually implemented on a sliding fee scale which pays highest subsidies to lowest earners.	Increases employees' ability to secure high quality child care. Employer not involved in direct care. Voucher is used to purchase care in existing programs. Most flexible when combined with resource and referral service to help employees locate care.	Equity issues may arise. Not effective if adequate care is not available. Staff time needed to establish and maintain voucher program.
High Commitment/High Return – Direct Services		
Establish a consortium center. Partner with a group of employers to share the costs and benefits of establishing and operating a child care center.	Resources, liability and costs are shared. Small employers can participate. Large size of combined labor force protects the center from long-term underenrollment. Reduces turnover, absenteeism and recruiting problems more effectively than any other option.	Lengthy start-up timeframe. High start-up costs. May involve complicated negotiations among firms. Center may not be able to serve all employees' needs. Limited control over center management has implications for employer liability. On-going subsidy may be necessary to ensure fees remain affordable for all employees.
Establish on-site or near-site child care center operated by the employer or by a non-profit or for-profit child care provider.	Reduces turnover, absenteeism and recruiting problems more effectively than other options. Provides favorable public relations for the company Employer has control over center management reducing liability risks.	Most expensive child care option for employers. Lengthy start-up timeframe. Center may not be able to serve all employees' needs. On-going subsidy may be nece: affordable for all employees.