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February 11, 2015

To: Members of the Revenue Committee

From: Aubrey Mancuso, Policy Coordinator

#### **Re: Support for LB 322**

Access to affordable child care helps keeps children safe so parents can work. Voices for Children supports LB 322 because of the high cost of child care and the importance of access to safe affordable child care for children and families.

Attached to my testimony are charts based on a report that we released last year called the *Family Bottom Line*. The report data show the minimum average amount a family with two young children would spend on child care in different regions of Nebraska and the portion of the family budget devoted to child care.

The regions are based on the USDA rurality codes. Metropolitan counties are the larger counties and counties adjacent to large counties (like Lancaster County). Non-Metropolitan Urban counties have a population of at least 2,500 (like Adams County) and the Rural counties are less than 2,500 in population (like Banner County). The first chart shows child care costs in a single parent family and the second shows a family with two working parents.

In every case, child care is the most significant expense in the budget for families with young children. Child care costs represent from 26-33% of the family budget and the monthly cost ranges from about \$970 per month in rural counties to about \$1370 per month in more urban areas of the state.

In addition, the child care assistance that the state does provide is currently very limited. Child care assistance is available through the child care subsidy program, but our eligibility level to qualify for assistance is the 42<sup>nd</sup> lowest in the country<sup>1</sup>, leaving many lower and middle income families with little to offset the high cost. A single parent with two kids would have to make less than about \$26K per year to qualify for child care assistance. The Child and Dependent Care Credit is one of the few resources available to families who don't qualify for assistance to offset the high cost of care.

The current income levels in statute fall far out of line with the reality of family income today. In 2013, the median household income in the state was just under \$52K.<sup>2</sup> This bill brings the income levels better in line with the current reality of today's working families and ensures that the tax credit is reaching our

<sup>1</sup> National Women's Law Center (2014) Turning the Corner: State Child Care Assistance Policies

<sup>2</sup> American Community Survey (2013)

middle income families who are unlikely to qualify for any other form of assistance in paying for child care.

Finally, there is a growing body of evidence that shows a relationship between family income and academic achievement. Increases in tax credits for working families like the Earned Income Tax credit and Child and Dependant Care Credit have been shown to positively impact test scores<sup>3</sup> and making improvements to this credit could have an impact that extends beyond the economic impact on families.

LB 322 makes improvements to our Child and Dependent Care Credit and will help defer the high cost of child care for families who are otherwise ineligible for child care assistance. We respectfully urge the committee to advance the bill.

Thank you.

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<sup>3</sup> Lynch (2015). Washington Center for Equitable Growth. The Economic and Fiscal Consequences of Improving U.S. Educational Outcomes

