

February 22, 2024

Dear Legislators,

**thread** is pleased to offer this letter endorsing HB 89, Day Care Assistance/Child Care Grant Program, sponsored by Representative Coulombe. HB 89 represents an historic opportunity to increase affordability and access for Child Care in Alaska and we urge support and speedy passage of this bill.

As Alaska's Child Care Resource and Referral nonprofit organization, **thread** offers services statewide to strengthen access to affordable and high-quality early childhood education, with a focus on child care. We serve more than 10,000 families, 2,000 early educators, and 400 early childhood programs annually. **thread** has offices in Fairbanks, Anchorage, and Juneau.

In **thread's** 39 years of serving the child care sector in Alaska, we have never faced a crisis like the one we are dealing with now – with COVID-19 relief funding gone, child care centers closing, a sector unable to maintain a stable workforce, and with families unable to afford the care they need.

Small businesses are the backbone of Alaska's child care sector and 148 of those businesses have closed in the last four years representing over 20% of programs. The impact has been even greater in some communities such as Ketchikan, who have seen half of their child care centers close.

When we don't have a strong child care sector, we see our economic infrastructure struggle. Businesses are not able to recruit and retain quality employees and families are not able to participate in the workforce as they want. Our most recent research and data, conducted in partnership with the Alaska Chamber and the McKinley Group, has shown that businesses are greatly impacted by families struggling with child care- including poor attendance and loss in productivity.

Child care challenges for working families result in absences and employee turnover that cost businesses an estimated \$152M/annually. When Alaskans can't work, they don't have the financial security to support their families, they aren't able to achieve their self-sufficiency goals and aren't able to contribute to the economy. This not only stifles the quality of life for families, but this also stalls Alaska's growth.

We are heartened to see the new version of HB 89 include changes that strengthen the bill and make it an even more effective policy for our child care sector.

HB 89 adds incentives for businesses to support child care and strengthens the child care assistance and subsidy programs. While many areas of the child care system need support, HB 89 aims to strengthen child care assistance by allowing more families to participate in the program and creating flexibility in child care resources with aim to support child care programs with the targeted supports they need.

Changes in child care assistance are needed. Currently, too few families participate in the program as they don't qualify or can't access resources under the current structure. Families utilizing child care assistance pay a co-pay for services in addition to the cost differential.

Last year, **thread** partnered with the McKinley Group to conduct a statewide household survey collecting information directly from families about child care. 585 families, with 1,032 children, were surveyed. The largest barrier to child care cited is lack of providers at (74%). Cost is the next most frequently cited barrier, at 60%. The cost is cited as a barrier to finding care for a larger proportion of families in urban areas, at 65%, compared to 49% in rural areas.

These and other barriers are impacting family's ability to participate in the workforce. Just over half of families (51%) report that household members' ability to be employed or work more hours was impacted by the quality, availability, or cost of child care. This represents 25,000 Alaskan parents who could be working. This percentage is a large change from the same survey conducted in 2019, where only 22% of families surveyed reported that child care barriers are impacting their ability to be employed or work as much as they would like.

Child care is expensive. Child care prices have risen and during the last three years have outpaced inflation. Quality child care is expensive to provide and for low- and middle-income families, expanded support is needed to afford the care and education services they need. The time is now for child care policy change. One lever of change is through HB 89 and increasing Child Care Assistance access. This bill will allow more families to qualify and thus allow more families access to quality child care.

Additionally, child care businesses are reimbursed at child care assistance program rates set by a market rate survey based on the amount providers charge for care, not what the actual costs are to provide quality care. **thread** is encouraged to see current research underway to understand the true cost of care. We look forward to seeing that data and how it can be used in conjunction with market rate prices in policy and fiscal planning for child care support. We are happy to see that the bill includes consideration of child care reimbursement rates based on a market rate survey and the true cost of care. Considering the true cost of providing child care in our policies will inform a more stable child care system.

**thread** is endorsing HB 89 because it is a key step toward more affordable access to child care for families. **thread** encourages legislators to consider this bill along with other policies that will reduce child care costs for parents and increase supports for child care small businesses.

We understand Alaska has never passed a bill that focuses on child care. We appreciate the sponsor, Representative Coulombe, and members of the legislature bringing this bill forward and making history for young children and families in Alaska.

Sincerely,



Stephanie Berglund  
CEO, **thread**