



OHIO HOUSE OF REPRESENTATIVES

HB 576 Sponsor Testimony Representatives Andrea White and Cindy Abrams

Rep. Andrea White:

Chair Roemer, Vice Chair Lorenz, Ranking Member Troy, and members of the House Ways and Means Committee, thank you for allowing us to come and testify on House Bill 576, a bill that is designed to help incentivize and support more businesses with state tax credits as they seek to help solve Ohio's dualling workforce and child care crises.

You likely hear this almost everywhere you go – Ohio employers are facing staggering challenges as they seek to attract and retain employees, while sustaining economic growth. At the same time, our families in urban, suburban, small town and rural communities are facing unprecedented difficulties trying to access safe, affordable and convenient quality child care. We are seeing examples across Ohio where families who cannot afford child care are leaving the workforce altogether. Currently, the average cost of center-based child care for Ohio families ranges from \$8,580 to \$11,438 per year depending on the age of the child. For example, a mom with two young children – an infant and a preschooler – would spend almost \$10 an hour on child care alone, making a return to work unaffordable for many Ohioans.

Consider the following:

- 48% of small business owners say lack of available or affordable child care affected their ability to recruit and retain employees.
- 4 out of 10 parents have missed work, left early, or lost focus due to child care challenges.
- Sixty percent of Ohio parents cite lack of child care as their reason for leaving the workforce.
- 800,000 of Ohio's working parents have cut back on work hours due to child care barriers.
- 13% of Ohio kids under the age of six live in families where someone quit, changed, or refused a job because of problems with child care.
- And access to affordable, quality child care would prompt 2 of 3 nonworking Ohio mos with children under age 6 to return to work or work more hours.

We have lured thousands of new jobs to Ohio and many large economic development projects, including in areas that have not seen this type of opportunity in years. If we are going to have the workforce needed to fill these jobs and keep Ohio's economic engine driving and our families and communities thriving, we need a full court press from all sides – including educating and incentivizing our employers and supporting our working parents.

Close to 40% of our citizens are living in areas that have little to no access to child care – considered in essence, a child care "desert." Many of our neighbors travel considerable distances to drop their children off at a child care center or family home, only to head off in a different direction another 20 or more minutes to get to work. These child care "deserts" are most prevalent in our rural and urban areas – the same areas which also have lower literacy rates as well as higher poverty rates. Let's not forget, lack of access to quality child care and early learning impacts not only our workforce of

today, but the developing young workforce of tomorrow who need access to quality early learning. Only 35% of our children are entering kindergarten ready to learn. The population of Ohio children who are under the age of six is 826,058. 21.4% of those six-year-olds are currently living in poverty. As we expand access to sustainable, quality, early learning- we can make an impact on these Ohioans that need the help the most.

You may recall during the budget process of the 134th General Assembly, there were many conversations surrounding the topic of child care because we recognized that we had some significant problems in the state of Ohio in this area. This led to the creation of a year-long joint-legislative study committee that I co-chaired with Senator Jerry Cirino. The committee gathered input from dozens of stakeholders, including business leaders, child care partners, state administrators and families citing lack of access to quality, affordable child care and subsequently lack of workforce availability. The committee created a final analysis and this legislation is actually the result of those recommendations, along with others proposed recently such as House Bill 484 sponsored by Representative Bill Roemer and myself.

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Representative Abrams will give you more specifics now on HB 576.

Rep. Cindy Abrams:

As Rep. White mentioned, we've been working hard to spur economic development and create job opportunities throughout our state. This legislation will support our workforce and provide parents peace of mind that their kids are taken care of while they are working to provide for their families.

HB 576 will bring more employers to the table by offering a state tax credit for their investments in helping their employees access child care. Our proposed state tax credit is patterned in some ways after the federal employer provided child care credit, but it's a stronger incentive for more of our businesses. Under Internal Revenue Code Section 45F, participating businesses can provide child care on-site or contract with local child care facilities. By doing so, employers help to increase the number and affordability of child care slots available in their community.

Eligible expenses for the Federal credit include costs associated with acquiring, constructing, rehabilitating or expanding property used as the employer taxpayer's qualified child care facility; child care operating expenses made by the employer including amounts paid to support child care workers; and qualified resource and referral expenditures which include amounts paid or incurred under a contract with a qualified child care facility to provide child care services to employees of the taxpaying employer. However, the Federal credit covers 25% of total expenses, and up to 10% of resource and referral expenses, for a total credit of up to \$150,000. That means a business must spend at least \$600,000 to receive the maximum credit.

Ohio's small businesses, businesses with smaller profit margins and those without a federal tax liability (for example, nonprofits) are not incentivized to invest in this area with the tax credit in its current structure. HB 576 addresses these problems by allowing employers to deduct the full amount of their expenses up to \$500,000. It also expands eligible expenses to include not only those covered by 45F as mentioned above, but also direct contributions paid to an employee for the provision of child

care at a licensed child care program. While not refundable, this new state tax credit is designed to allow businesses to carry any unused credits over for five years.

Child care issues cost businesses in the United States an estimated \$122 billion in lost earnings, productivity, and revenue annually. Ohio's economy alone suffers an annual loss estimated at \$3.9 billion. Our business community and our families are counting on state lawmakers to do more to help make child care more accessible and affordable so that workers can go to work. We urge you to help us pass HB 576 and help Ohio join 16 other states in providing state tax credits to support our businesses and families.

Chair Roemer, Vice Chair Lorenz, Ranking member Troy, and members of the House Ways and Means Committee, thank you again for allowing us to testify and we are happy to answer any questions you may have.