The Economic
Progress Institute

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Testimony in support of Representative Diaz's Child Care is Essential Act, H5672
House Finance Committee
April 8, 2021

Dear Chairman Abney and members of the Committee,

The Economic Progress Institute writes in strong support of Rep Diaz's bill, The Child Care is Essential bill, H5672. This bill has four important pieces – two that will work to shore up the child care system in Rhode Island as it reels from the impacts of the COVID-19 Pandemic and two that will support families with low-incomes that are struggling to access affordable, quality child care.

As the COVID-19 pandemic has shone a spotlight on, child care IS essential for families to work and for our economy to function. It is also an extremely important educational support for our youngest children. The impact of losing child care as a work support and educational building block for over a year are yet unknown. The state, and we all, should we do what we can to ensure that parents are able to send their children back to child care and that child care providers are open to care for them.

Sadly, beginning in 2007, the state reduced its investment in the child care infrastructure, and since then Rhode Island has spent only the bare minimum to support this critical industry. As a result, even before the pandemic, families were struggling to afford child care and our child care providers were struggling to make ends meet. It is time to make up for these years of disinvestment.

Supports for child care providers and the child care system

Rhode Island's Child Care Assistance Program (CCAP) helps working families with low incomes pay for child care. The state pays providers based on a tiered quality rating system that seeks to incentive providers to work toward improving the quality of their care.
Prior to the COVID pandemic, rates for providers were significantly below the rate that providers charge higher income parents, or the market rate. They were also far below what the providers spend to provide care.

Thanks to the leadership of the Department of Human Services and Governor Raimondo during the pandemic, rates were significantly increased to help ensure providers were able to stay open. These rates must be made permanent as proposed in H5672.

As you will hear from providers, their costs during the pandemic have increased while their revenues have gone down. If the state returns to the prior inadequate rates, providers will not be able to stay open.

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This bill also includes an important extra $20 for infant care. Infant care is the most expensive to provide because it requires more individualized care. Currently, infant rates are combined with toddler care, which has led providers to lose money on infant care. Many providers have decided to stop providing infant care completely. This impacts the abilities of families with new babies to return to work. It is time to reverse that trend and incentive providers to care for our youngest Rhode Islanders.

Supports for families

It is also the right time for the state to support struggling families. Currently, only families earning less than 180% of the federal level, or $39,096 for a family of 3[1], are eligible for support from the CCAP program. As our 2020 RI Standard of Need (RISN) shows, families earning just a dollar over this amount will struggle significantly to make ends meet.

Take for example, "Daniella", who works as an automobile services technician earning $39,313 per year. She has two sons, Lucas, age 3, and Alex, age 9. Daniella is enrolled in the health insurance plan offered by her employer, but cannot afford the family plan, and her sons are enrolled in RIte Care. An early learning program for Lucas and after-school care for Alex would cost $1,502 per month. If she were to pay this amount out-of-pocket so she could enroll her children in high-quality early learning and after-school care, her monthly budget would be over $600 in the red, despite Daniella's qualifying for SNAP and WIC to help offset her family's monthly food costs (See Table)[2]. This bill will ensure that parents like Daniella are able to benefit from the CCAP program and reduce their child care expenses by 90%, allowing families to meet their families' basic needs.

WITHOUT CHILD CARE ASSISTANCE LOW-INCOME FAMILIES CANNOT MAKE ENDS MEET

Daniella, a parent with two children earning $39,313.

EXPENSES	Without Child Care Subsidies
Housing	$1,101
Food	$739
Transportation	$429
Child Care	$1,502
Health Care	$216
Miscellaneous	$438
Total Expenses	$4,425
INCOME	
Net Earnings*	$3,322
SNAP	$425
WIC	$45
Total Income	$3,792
Difference	- $632

* Net earnings includes yearly earnings and tax credits shows as a monthly amount

The RISN shows other examples of families who are struggling to make ends meet, especially during this COVID pandemic. Many workers simply are not making ends meet even as they put their health on the line to go to work. These workers need to have relief. The provision in this bill that caps co-payments at 7% of income will be crucial to providing relief and allowing workers to access quality care for the children.

Child care IS essential. This bill will give the CCAP program the support it needs to support both families and the providers who provide this essential care. We urge your swift passage.

[1] Using 2020 Federal Poverty Level data

[2] The Economic Progress Institute, The 2020 Rhode Island Standard of Need: COVID Edition, 2020, https://www.economicprogressri.org/wp-content/uploads/2020/12/RISN-2020-FINAL.pdf