

P. MICHAEL STURLA, CHAIRMAN
414 MAIN CAPITOL BUILDING
P.O. BOX 202096
HARRISBURG, PENNSYLVANIA 17120-2096
PHONE: (717) 787-3555
FAX: (717) 705-1923



HOUSE DEMOCRATIC POLICY COMMITTEE

www.pahouse.com/PolicyCommittee

Policy@pahouse.net

Twitter: @RepMikeSturla

House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

HOUSE DEMOCRATIC POLICY COMMITTEE ROUNDTABLE

Topic: Child Care

West Goshen Township Building – West Chester, PA

January 30, 2018

AGENDA

2:00 p.m. Welcome and Opening Remarks

2:10 p.m. Discussion with Panelists:

- Andrea Youndt
Senior Vice President and Chief Operating Officer
YMCA of Greater Brandywine
- Bill Shoffler
Bucks County Coordinator
PreK for PA Campaign and Campaign for Fair Education Funding
Public Citizens for Children and Youth (PCCY)

3:30 p.m. Closing Remarks

[Home](#) / House Co-Sponsorship Memoranda

House Co-Sponsorship Memoranda

House of Representatives Session of 2017 - 2018 Regular Session

MEMORANDUM

Posted: December 1, 2017 11:37 AM

From: [Representative Carolyn T. Comitta](#)

To: All House members

Subject: Family Childcare Tax Deduction

Currently, one of the greatest financial burdens on our working families is the rising cost of child care. A disproportionate amount of annual income goes to childcare, leaving these families struggling to make ends meet.

That is why in the near future I plan to introduce legislation that will provide a childcare tax deduction from the state income tax. My simple proposal is a dollar for dollar tax deduction up to \$10,000 annually to help offset the cost of child care. While this deduction will not eliminate the cost of childcare, it will be a step toward helping families meet their financial obligations and possibly even save for higher education and retirement.

According to a survey conducted by the Office of Child Development and Early Learning at the Department of Human Services, the median cost of day care for an infant is \$210 per week. We can, and should, do more to help working families get ahead. I believe a tax deduction for childcare is one thing we can do to help.

Please join me in introducing this legislation to help our commonwealth's working families.



Introduced as [HB2035](#)

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2035 Session of
2018

INTRODUCED BY COMITTA, FRANKEL, SCHLOSSBERG, DEAN, PASHINSKI,
SOLOMON, HILL-EVANS, KINSEY, CHARLTON, KIRKLAND, BARRAR,
SCHWEYER, LONGIETTI, D. MILLER, MADDEN, DERMODY, C. QUINN,
SNYDER, McCARTER, KRUEGER-BRANEKY, BERNSTINE, D. COSTA AND
BRADFORD, JANUARY 25, 2018

REFERRED TO COMMITTEE ON FINANCE, JANUARY 25, 2018

AN ACT

1 Amending the act of March 4, 1971 (P.L.6, No.2), entitled "An
2 act relating to tax reform and State taxation by codifying
3 and enumerating certain subjects of taxation and imposing
4 taxes thereon; providing procedures for the payment,
5 collection, administration and enforcement thereof; providing
6 for tax credits in certain cases; conferring powers and
7 imposing duties upon the Department of Revenue, certain
8 employers, fiduciaries, individuals, persons, corporations
9 and other entities; prescribing crimes, offenses and
10 penalties," in personal income tax, providing for a deduction
11 for child care costs.

12 The General Assembly of the Commonwealth of Pennsylvania
13 hereby enacts as follows:

14 Section 1. Section 303 of the act of March 4, 1971 (P.L.6,
15 No.2), known as the Tax Reform Code of 1971, is amended by
16 adding a subsection to read:

17 Section 303. Classes of Income.--* * *

18 (a.10) The following apply:

19 (1) An amount paid for child care shall be deductible from
20 taxable income on the annual personal income tax return. The
21 amount paid for child care allowable as a deduction under this

1 subsection shall be subject to an annual limitation not to
2 exceed ten thousand dollars (\$10,000). The deduction shall not
3 result in taxable income being less than zero.

4 (2) For purposes of this subsection, the term "child care"
5 shall mean care in lieu of parental care given for part of the
6 24-hour day to children under 16 years of age, away from their
7 own homes. The term does not include care furnished in places of
8 worship during religions services.

9 * * *

10 Section 2. The addition of section 303(a.10) of the act
11 shall apply to taxable years beginning after December 31, 2016.

12 Section 3. This act shall take effect immediately.

Testimony on Access to High-Quality Child Care in Pennsylvania

Suzann Morris

Deputy Secretary of the Office of Childhood Development and Early Learning

Pennsylvania Department of Human Services

House Democratic Policy Committee Hearing

January 30, 2018



pennsylvania
DEPARTMENT OF HUMAN SERVICES

Thank you for the opportunity to submit written testimony on the Office of Childhood Development and Early Learning (OCDEL) and access to quality child care in Pennsylvania.

OCDEL, a dual deputate of the Pennsylvania Department of Human Services and the Department of Education, works to create high-quality early learning opportunities for the commonwealth's children. Families, child care providers, private academic preschool staff, Early Intervention specialists, Head Start programs, K-12 school administrators and teachers, librarians, community organizations, and stakeholders join with OCDEL to provide high-quality early childhood programs and effective early learning prevention strategies to address challenges faced by children and families that affect school readiness, academic success, and positive life outcomes.

High-quality, stable child care is a critical support for our commonwealth's workforce infrastructure, and provides a safe and developmentally appropriate environment for children while their families work or pursue educational opportunities. The dual benefit of supporting both working parents and caregivers while children experience supportive early learning environments means investments in high-quality child care pay dividends to Pennsylvania's economy.

Recent research from Nobel Laureate economist Dr. James Heckman finds a 13 percent return on investment for comprehensive, high-quality, birth-to-five early education¹. This research analyzed a wide variety of life outcomes, such as health, crime, income, IQ, schooling, and the increase in a mother's income after returning to work due to child care. Data was collected on the

¹ <https://heckmanequation.org/resource/13-roi-toolbox/>

participants throughout childhood and well into adulthood, allowing for an in-depth analysis of long-term effects in multiple dimensions of human development.

Research also shows that early childhood education can bring more and better jobs to a state, and can thereby promote higher per-capita earnings². Investments in high-quality early childhood programs benefit children today and Pennsylvania tomorrow. When most adults spend their careers in their home state, we will see a return on investment in young children as they succeed as adults. A Pew Research Center survey found that with the exception of college or military service, 37 percent of Americans had never lived outside their hometown, and 57 percent had never lived outside their home state³. According to the 2010 American Community Survey, 74 percent of Pennsylvania's residents were born here⁴.

Yet even with decades of research backing the economic and societal benefits of high-quality early learning, child care remains financially out of reach for too many families. Child care is often one of the largest household expenses for many families. The gap between the cost of high-quality child care and the ability for a family to meet those costs is daunting.

In 2016, the U.S. Department of Health and Human Services recommended that child care should cost a household no more than 7 percent of a family's average income. Anything higher would be considered unaffordable. In response to that recommendation, Child Care Aware of America, a national nonprofit organization that has worked to advance affordability, accessibility, development, and the learning of children in child care for more than 30 years,

² Timothy J. Bartik, Ph.D., Senior Economist at the W.E. Upjohn Institute for Employment Research, presentation on the Economic Case for Preschool, 2013 <http://www.youtube.com/watch?v=P1pD6zi-lbU>

³ Pew Study, 2008 - Who Moves? Who Stays Put? Where's Home?, <http://www.pewsocialtrends.org/2008/12/17/who-moves-who-stays-put-wheres-home/>

⁴ Lifetime Mobility in the United States: 2010: American Community Survey Briefs, November 2011, <https://www.census.gov/prod/2011pubs/acsbr10-07.pdf>

examined the cost and affordability of quality child care state by state. Their findings are outlined in the recently published “Parents and the High Cost of Child Care: 2017”⁵. For Pennsylvania, the report cited the annual cost of high-quality, center-based care for an infant at \$12,129. Add to that care for a preschooler and the annual cost becomes \$21,363, a figure that represents greater than 12 percent of the state’s median income for a family of that size.

In an analysis of data from state fiscal year 2015-16 data, 60 percent of all children under the age of 5, or 430,453 children, were living at or below 300 percent of the Federal Poverty Income Guidelines (FPIG) or \$73,800 (\$6,150 pre-tax a month) for a family of four. Research shows that children in families earning up to 300 percent of FPIG are at risk of school failure and their families do not have the resources to purchase quality early childhood services⁶. With monthly expenses such as housing, food, utilities, and transportation, little if any income remains to meet the cost of high-quality child care for families falling in this income range.

Pennsylvania’s child care subsidy program, Child Care Works (CCW), aims to increase access to high-quality child care by supporting low-income families engaged in work or job training and currently supports almost 113,00 children and 58,000 working families each month. Governor Wolf’s fiscal year (FY) 2017-18 budget initiative, passed by the General Assembly with the FY 2017-18 budget, included a \$10M increase to provide an additional 1,800 children with child care services. Eligibility requirements require low-income families to meet an income limit of

⁵ <https://usa.childcareaware.org/2017/12/child-care-unaffordable-across-nation/>

⁶ [According to the National Institute for Early Education Research’s \(NIEER\) analysis of data from the Early Childhood Longitudinal Study \(ECLS-K\), children living in families earning up to 300% of the federal poverty level are significantly underperforming compared to their peers with family incomes above 300% of the federal poverty line.](#)

200 percent or below the FPIG (\$40,230 for a family of 3) while working or enrolled in job training. Families who receive child care subsidy are required to pay a co-pay.

Child care providers who provide care for subsidized children are paid directly for their services. The gap between the rate paid for subsidized children and the market rate is challenging for providers, and particularly difficult for programs that serve infants and toddlers in high-quality settings. On average, a provider would need to increase their subsidy rate by 56 percent to achieve the nationally recognized best practice child-teacher ratio and compensate those teachers at a rate comparable with their local school district⁷. High-quality providers must depend on private-pay families paying a rate that exceeds the market rate in order to offer high-quality child care services for all children. This system restricts access to high-quality for all but the highest-income families, creates deep inequity to access across socioeconomic status, and does little to support the efforts to ensure all children enter kindergarten ready to learn.

In order to improve, support, and recognize the continuous quality improvement efforts of early learning programs in Pennsylvania, OCDEL oversees the Keystone STARS program – an initiative that supports child care providers in stretching beyond regulation towards best practices to improve the outcomes for the children and families they serve.

Keystone STARS is a four-level quality rating and improvement system that measures certification compliance, quality standards, staff qualifications and development, and partnerships with families and the community. STAR 3 and 4 are the highest level of quality a program can achieve. Children with access to high-quality learning experiences as infants,

⁷ <https://8rri53pm0cs22jk3vvqna1ub-wpengine.netdna-ssl.com/wp-content/uploads/2017/06/Child-Care-Funding-Finance-in-Pennsylvania-Full-Report-June-2017.pdf>

toddlers, and preschoolers enter the K-12 system ready to learn. Currently, about 70 percent of children receiving subsidized child care are served in a no-STAR, STAR 1, or STAR 2 program.

By creating a level floor from which all programs must increase their quality, the Wolf Administration is able to target child care programs serving the most vulnerable children and enforce continuous quality improvement plans so that children benefit. In addition to increased access to Child Care Works, the FY 2017-18 budget investment helped lift a 10-year rate freeze that impacted the subsidy base rate for STAR 3 and 4 child care providers. This lift helps to level the playing field for high-quality child care programs that serve subsidized children and puts the base rate paid to these providers closer to what the market demands. As of January 1, 2018, all STAR 3 and 4 child care providers serving subsidized children who are paid less than their public rates can receive a rate increase up to the set state ceiling rate for their region.

With strategic policy decisions and by maximizing the federal and state dollars that support access to high-quality child care, the administration and OCDEL are creating a system that increases opportunities for children to be in quality settings while working families are able to focus on their employment. Even with these important measures in place, there is still a significant need in many communities in Pennsylvania.

Thank you again for the opportunity to share information on OCDEL's initiatives to increase access to high quality child care in Pennsylvania. We look forward to continuing this work and developing solutions to address affordability and quality with the legislature, child care providers, advocates, and families.