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The Honorable Dave Pinto
Chair, Early Childhood Finance & Policy Committee
503 State Office Building
Saint Paul, MN 55155

Dear Mr. Chairman:

As the Minnesota Director of First Children's Finance, a multi-state nonprofit organization based in Minnesota, I am writing in support of HF 1125, authored by Representative Pryor, to establish a refundable tax credit for qualified child care professionals.

Many states, including Minnesota, are looking at ways to expand high-quality child care. The primary reason for the focus on high-quality child care is that research has shown strong links to child outcomes – particularly for low-income children. During a child's earliest years, brain research has shown that the foundation for all future learning is formed.ⁱ For practical purposes, the earliest years can help determine whether a child will enter school with the skills to succeed. As a result, there has been an increased focus on the experiences that children have and the settings they are in prior to kindergarten entry and in particular, the settings in which low-income children spend their time.

For many children under age five, their early learning setting occurs in child care. Minnesota has the highest percentage of children under age five in paid child care at 54.4 percent compared to all other states.ⁱⁱ This means that the quality of care in which children are spending their time is of critical importance to the gains that we hope they will make across child developmental domains (e.g., social, emotional, cognitive, and physical development). School readiness doesn't just happen. High-quality child care settings with high-quality staff that interact with children in an age appropriate and stimulating manner lead to the social-emotional and critical thinking skills needed for later school success. Decades of research have found this to be true.ⁱⁱⁱ

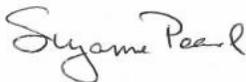
The challenge is coming up with public policy strategies to incent high-quality child care. Incentives are necessary because high-quality child care is more expensive to operate. Most child care program budgets are based on parent fees and a program's operating budget is the framework for the types of staff they can hire and the wages they can pay staff. For many program directors who struggle to set fees at a rate that they think parents can pay, the incentive is to hire the least educated and lowest paid individuals as staff. That's just the simple economics of operating a child care program to maintain balance with the operating budget. This shows the importance of a refundable tax credit for individuals in the child care workforce who earn early childhood credentials (CDA) or an A.A. or a B.A. because the refundable credit acts to increase their wages – a supplement that provides an incentive for higher education whereas the current market does not. Early childhood certifications and higher education can help ensure that child care center staff or those who operate a home-based child care business have the knowledge and competencies necessary to best promote child outcomes.

The tax credit has been constructed in an accountable manner. The credit is linked to the Parent Aware quality rating and improvement system. Parent Aware is voluntary. No program is required to participate. Parent Aware operates statewide – in urban and rural areas. Free support for programs is available for those that wish help to participate. In addition, Parent Aware has been validated by a comprehensive study completed by a national nonprofit research-based organization, Child Trends, in 2016. The study found that valid, research-based measures had been used, that the framework is fair and reliable, and that the ratings measure indicators related to child outcomes.^{iv}

We do have a shortage of child care in Minnesota and additional strategies are needed to expand the supply of child care generally. This legislation is a strategy to increase the availability of high-quality child care, which is what matters most in terms of child development and closing the achievement gap by income and race that is currently a challenge in elementary school. The credit would not be available for programs that merely meet the licensing standard because little is known about the quality of those programs until they participate in Parent Aware to see how they are rated on research-based indicators (which is far beyond the licensing standards that focus primarily on health and safety). Health and safety is of critical importance. However, operating a program designed to promote child developmental outcomes is a higher bar to meet.

I urge you to give every consideration possible for strategies to incent high-quality child care and to adopt HF 1125, which will help expand the supply of care that research shows leads to greater gains for participating children.

Sincerely,



Suzanne Pearl
Minnesota Director
First Children's Finance

ⁱ Harvard University, Center on the Developing Child. <https://developingchild.harvard.edu/>

ⁱⁱ Committee for Economic Development (CED) of the Conference Board, Child Care in State Economies: 2019 Update. January 2019. <https://www.ced.org/childcareimpact>

ⁱⁱⁱ Harvard University, Impacts of Early Childhood Education on Medium- and Long-Term Educational Outcomes. 2017. <https://journals.sagepub.com/doi/pdf/10.3102/0013189X17737739>

^{iv} Child Trends, Parent Aware: Minnesota's Quality Rating and Improvement System Validation Study, 2016. <https://www.childtrends.org/publications/parent-aware-minnesotas-quality-rating-and-improvement-system-initial-validation-report>