

CHILDCARE & THE WORKFORCE

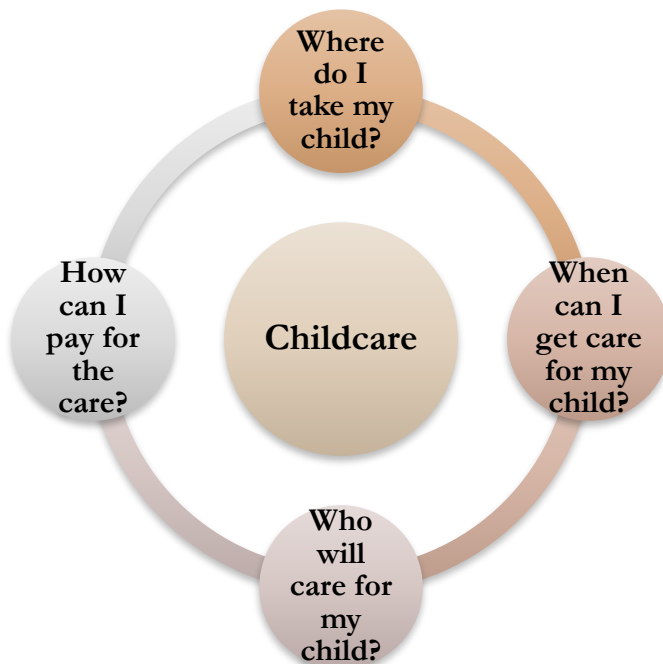
ECONOMIC AFFAIRS INTERIM COMMITTEE
ERIN SULLIVAN - NOVEMBER 2023

Many workers around Montana are struggling to find childcare for a variety of reasons. Several other areas across the country are facing similar challenges. According to a report from the National Conference of State Legislatures (NCSL), “Despite lengthy waitlists, many early learning classrooms sit empty due to a shortage of childcare professionals. Rural communities, low-income families, families with infants and toddlers, and parents who work outside the typical 9-to-5 schedule face the biggest challenges in accessing child care.”¹



WHAT'S THE PROBLEM?

Childcare and the workforce is a multifaceted issue with challenges from every angle. Parents across the state are asking one or more of these questions and struggling to find the answers:



WHERE DO I TAKE MY CHILD?

Lack of availability:

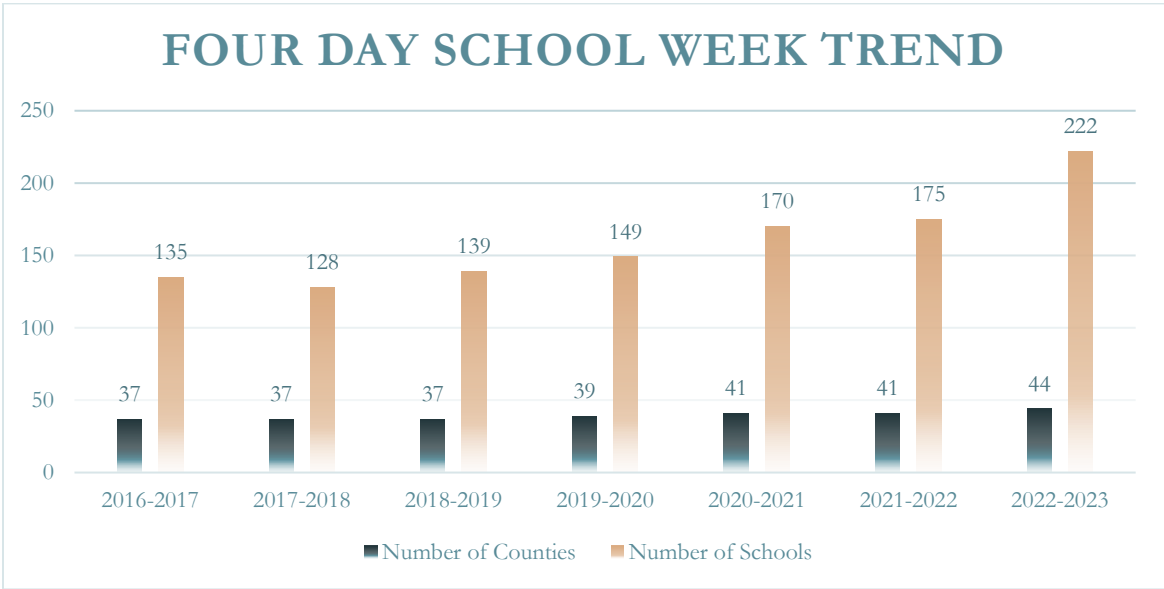
According to a recent report by the Montana Department of Labor and Industry, childcare shortages exist in every county in the state. “Childcare deserts” – defined as an area where supply meets less than a third of estimated demand – exist in 33 of the 56 counties in the state.² See Appendix A.

¹ [Housing, Child Care Workers and Adoption Emerge as Priorities](#); NCSL, December 2022

² [Childcare Supply and Demand in Montana](#); Amy Watson, DLI, February 2023

WHEN CAN I GET CARE FOR MY CHILD?

Lack of nontraditional hours or after school care: Most licensed childcare centers cater to the traditional 9-to-5 worker, leaving out those who may need childcare in the evenings and/or on weekends. There is also a need for before and after school care for children once they reach elementary school and even into middle school for some families. A growing trend in some rural school districts, in an effort to save costs on transportation and utilities, has been to move to four-day school weeks, leaving those districts’ children alone on Fridays when parents are at work.³ See Appendix A.



WHO WILL CARE FOR MY CHILD?

Lack of workers in the field: Early childhood educators are essential to meet the demand for childcare, but historically have been among the lowest paid occupations⁴ and, combined with limited access to benefits and stressful working conditions, have consistently high turnover rates. “Child care business owners, many of whom are self-employed women working out of their homes, have long struggled to cover the cost of doing business and pay themselves an adequate wage.”⁵

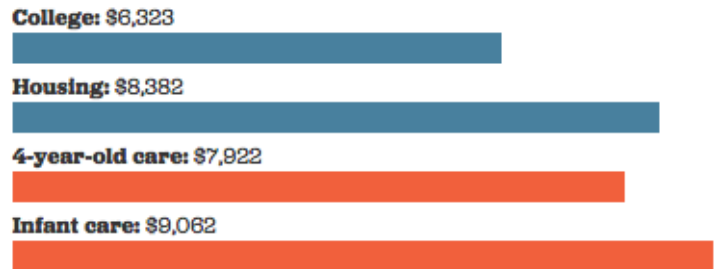
Early childhood educators are one of the most in-demand occupations in Montana for the next decade, yet it is one of the lowest paid occupations in the state.

³ [Four Day School Week Listings](#); Office of Public Instruction, accessed 10/18/23
⁴ [Montana Informational Wage Rates by Occupation](#); DLI, May 2023
⁵ [Housing, Child Care Workers and Adoption Emerge as Priorities](#); NCSL, December 2022

HOW CAN I PAY FOR THE CARE?

Lack of affordability: If a family is able to secure a spot at a childcare facility, the high cost of childcare may still pose a challenge. According to research conducted by the Economic Policy Institute in 2020, the average annual cost of infant care in Montana is \$9,518, or \$793 per month, and the average annual cost for a 4-year-old is \$8,365, or \$697 per month. Comparatively, childcare is one of the biggest expenses families face, with infant care costing 40.3% more per year than in-state tuition.

Annual cost in Montana



Source: Economic Policy Institute: *The cost of child care in the United States*

Looking at the cost of childcare compared to income, lower income workers appear to be priced out of the market. “Child care is affordable if it costs no more than 7% of a family’s income. By this standard, only 12% of Montana families can afford infant care.”⁶

How big a bite does child care take? *Infant care costs as a share of income in Montana*



Average cost of infant care in Montana: \$9,062/year (\$755/month)

According to the U.S. Department of Health and Human Services, child care is affordable if it costs no more than 10% of a family’s income. By this standard, only **28.0%** of Montana families can afford infant care.

Source: Economic Policy Institute: *The cost of child care in the United States*

Note: The caption in the infographic above cites a different statistic from the US Dept. of Health than its accompanying report. The correct statistic is 7%.

⁶ [Child care costs in the United States](#); Economic Policy Institute

LEGISLATIVE EFFORTS

During the 2023 Legislative session, several bills were introduced in an effort to address the availability and affordability issues for childcare. The following is a summary of legislation that passed and failed during the session.

ENACTED LEGISLATION

Childcare licensing

Four bills passed in 2023 that loosened restrictions on licensing of childcare facilities, primarily for in-home childcare. [HB187](#) and [HB918](#), both sponsored by Representative Alice Buckley (D – Bozeman) dealt with zoning for in-home day care facilities and registration requirements. HB187 clarified that child care is a residential use of property, and HB918 eliminated a registration requirement by the Department of Public Health and Human Services (DPHHS) for an in-home day care in order to qualify as a residential use of property for zoning purposes. Another bill, [HB556](#), sponsored by Representative Jennifer Carlson (R – Manhattan) excluded a private residence from the requirement to obtain a family day-care home registration certificate if the care being provided is for six or fewer children, and if the provider does not receive payments as provided in 52-2-713. Finally, [HB336](#), sponsored by Representative Ed Buttrey (R – Great Falls) requires the DPHHS to recognize the status of, and may not require a state license for, a day care facility that is licensed as a family child care provider or child care facility by any branch of the United States Armed Forces.

Childcare staffing

One bill passed related to staffing requirements for childcare facilities. [HB422](#), sponsored by Representative Terry Falk (R – Kalispell) directs DPHHS to amend ARM 27.95.623 to revise the child-to-staff ratios and maximum group sizes for child care centers and to provide for a higher child-to-staff ratio during nap times under certain conditions.

Childcare affordability

Finally, one bill passed related to the Best Beginnings Program to address childcare affordability. [HB648](#), sponsored by Representative Alice Buckley (D – Bozeman), codified the long-running Best Beginnings Program administered by the DPHHS. The bill's purpose is to provide scholarships to qualified low-income families whose child receives care provided by a licensed or registered childcare provider or daycare facility. The income eligibility requirements are no less than 185% of the federal poverty level for each family size, and there is a maximum qualifying income level that is no higher than allowed by the federal child care and development block grant. Participating families must make copayments; however the copayments are based on a sliding fee scale and cannot exceed 9% of monthly income. The Legislature appropriated \$7 million from the general fund in each year of the biennium beginning July 1, 2023 for the program. The appropriation is not statutory, and there is no reporting requirement for the program to any legislative oversight committee written into the bill.

FAILED LEGISLATION

Income tax credits for taxpayers

Two bills were introduced that would have established a child tax credit for resident taxpayers:

- [HB249](#), introduced by Representative Ed Stafman (D – Bozeman), created a child tax credit for resident taxpayers who were eligible for the federal child tax credit. The refundable credit was \$1,200 for each child 5 or younger and \$600 for each child 6 or older. The credit would reduce based on the taxpayer's federal adjusted gross income. The fiscal note estimated the net impact on the general fund balance of -\$20 million in FY2024 and -\$96 million in subsequent fiscal years. The bill was tabled in House Taxation.
- [HB268](#), introduced by Representative Josh Kassmier (R – Fort Benton), created a child tax credit for eligible resident taxpayers. As amended in House Taxation, the refundable tax credit was \$1,200 for each child 5 years or younger if the taxpayers adjusted gross income was less than \$56,000 and had investment income of less than \$10,300. The credit would reduce by \$90 for each \$1,000 of federal adjusted gross income between \$50,000-\$56,000. The fiscal note estimated the net impact on the general fund balance of -\$33 million in each fiscal year starting in FY2025. The bill was tabled in House Appropriations.

Income tax credits for child care workers

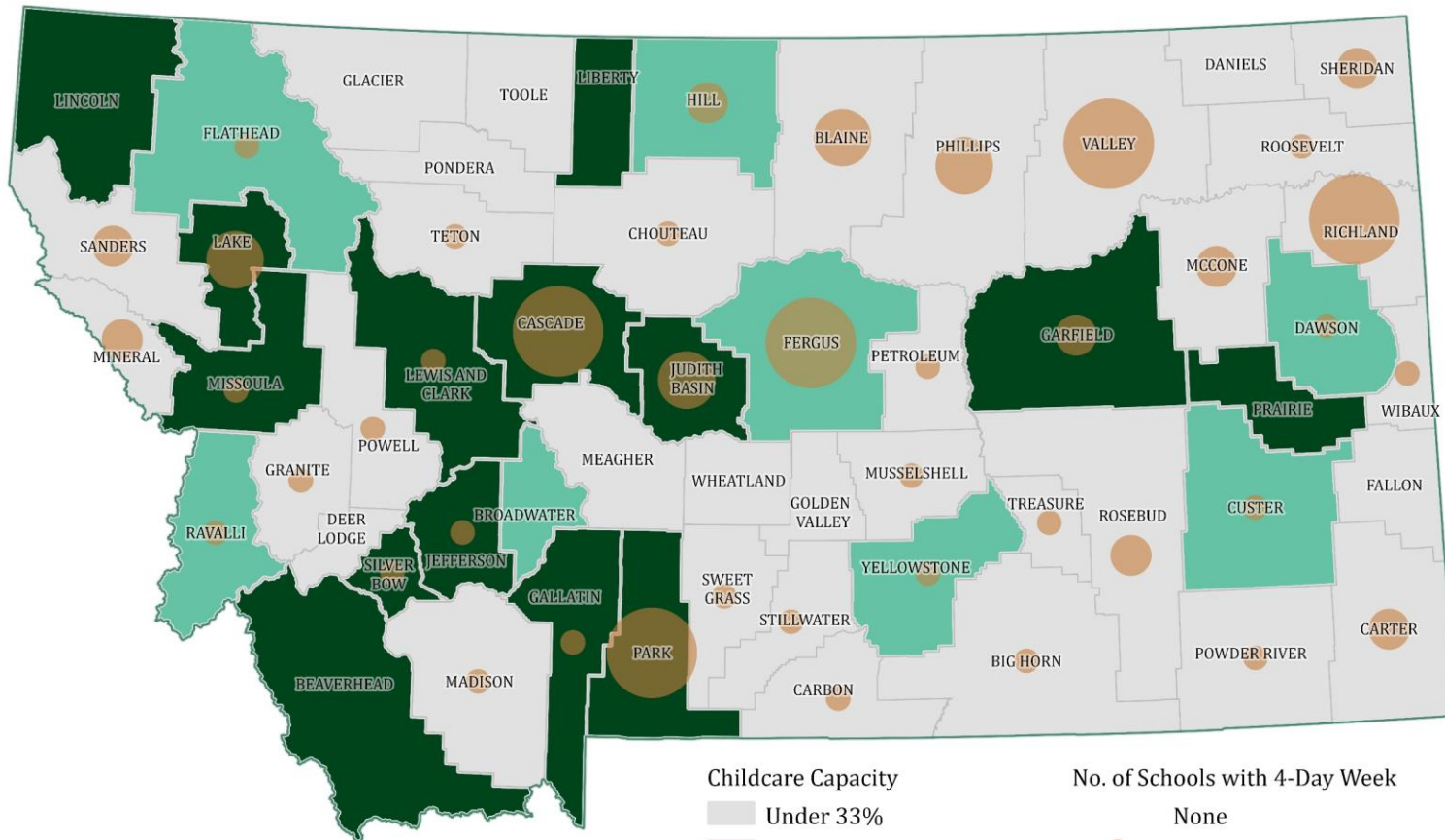
Another income tax credit bill, [HB832](#), was introduced by Representative Melissa Romano (D – Helena) and created a tax credit for child care workers equal to \$1,600 against income taxes. The refundable credit was for workers employed in childcare at least 6 months of the tax year and working a minimum of 20 hours per week. The bill provided for annual inflation adjustments and included persons listed in the early childhood project workforce registry. The fiscal note estimated the net impact to the general fund balance to be -\$4.3 million in FY2025, and due to the inflation factor, the decrease to the general fund was estimated to increase roughly \$300,000 each subsequent fiscal year. The bill was tabled in House Taxation.

Childcare Trust Account

A final bill was introduced regarding the creation of a state trust account specific to childcare. [HB967](#), introduced by Representative Alice Buckley (D – Bozeman), established a childcare sub-trust in the coal severance tax trust fund to be administered by the DPHHS. The funds were to be used for programs within DPHHS that provide scholarships or grants for childcare expenses. The bill called for statutory appropriations of \$150 million from the general fund. The fiscal note estimated about \$6 million in interest revenue generation annually, to be deposited into the child care state special revenue fund, with a net impact of -\$150 million in fiscal year 2023 and no net impact in subsequent years. The bill was tabled in House Taxation.

APPENDIX A

The map below categorizes counties by both childcare capacity and by the number of schools with a 4-day week. A lighter colored county indicates a childcare desert, and a larger circle indicates more schools in the county with 4-day weeks, creating a potential for additional strain on childcare needs.



Date: 11/03/2023
 Creator: D. Kayser, Data Analyst

Data Sources:
 (1) Childcare capacity rates, Montana Department of Labor's Childcare Supply and Demand in Montana Report, Feb 2023;
 (2) 2022-2023 listing of schools with Four Day School Week, Montana Department of Public Instruction;
 (3) GIS Base layers, Montana State Library.



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