



# Joy Goeben

STATE REPRESENTATIVE • 5<sup>th</sup> ASSEMBLY DISTRICT

September 6, 2023

## **Testimony AB 389: Child Care Reimbursement Account**

Good morning and thank you Mr. Chairman and members of the committee for hearing my testimony on AB 389 on creating a child care reimbursement account.

Wisconsin workers are among the most highly taxed individuals in the country. Coupled with the additional financial burden of child care, this proposal provides meaningful relief. Families can take advantage of pre-state tax benefits, which lowers their state tax liability and increases the affordability of child care. There are a few key components to the bill which I will describe in further detail.

The child care reimbursement account:

- Operates similar to a healthcare flex spending account; withdrawals equal contributed amounts.
- There is a \$10,000 maximum in pre-state tax contributions and when you take money out to pay for child care expenses, the withdrawals are not taxed.
- There are no contributor exclusions. Interested parties may contribute on a state pre-tax basis, including and not limited to parents, guardians, grandparents, family members, and employers.
- This plan works in conjunction with the existing Wisconsin state child and dependent care credits. Expenses paid from the account cannot be used to calculate child or dependent care tax credits.

Under this legislation and beginning in 2024, parents or legal guardians may create a dependent child care account. While some parents have access to a dependent child care account to help offset the costs of child care through their employer, many hard working parents and parents who do not qualify for subsidies do not. This tax deferred program is not linked to an employer, so if you find yourself unemployed or you change jobs, the account follows you - you do not lose the account.

The account is tax deferred. Meaning a family with child care expenses may contribute up to \$10,000 per calendar year in pre-Wisconsin state income tax. Deposits are tax free and withdrawals are tax free. This allows for the benefit to be enjoyed by more families and better aligns with the average annual cost of \$10,980 per child for child care in Wisconsin.



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- Withdraws must equal contributed amounts. If you want to withdrawal \$350 dollars, then the account must have a minimum balance of \$350. You cannot over draw the account.

There are no contributor exclusions. Parents, employers and other interested parties, like God-parent, aunts or uncles may also contribute to the account on a pre-state tax basis. However, the account maximum is \$10,000 of combined deposits, regardless of how many individuals are depositing dollars into the account.

To be clear, each individual contributor cannot deduct \$10K in pre-state tax – although this might be nice, this is not how the program works. An employer may consider a partial contribution, or perhaps the whole \$10K to the account as a benefit of employment.

Please support AB 389 in providing a mechanism for parents and employers to ease the economic burden of child care in Wisconsin.

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**KAREN HURD**  
STATE REPRESENTATIVE • 68<sup>TH</sup> ASSEMBLY DISTRICT

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Assembly Bill 387  
Public Testimony  
Committee on Ways and Means  
September 6, 2023

Thank you, Chair Macco, Vice-Chair Brooks, and members of the committee for holding this hearing on Assembly Bill 387.

The child care industry for a number of years has been struggling due primarily to staffing issues. The use of federal funding given in direct subsidies to child care centers during the Covid-19 crisis, although providing temporary relief by allowing child care centers to raise salaries paid to workers, worsened the problem in the long-term as the funds were designated as only one-time relief. The federal monies will be exhausted by January 2024. This has created a steep fiscal cliff for our child care providers, driving the staffing problems that already existed into an even greater problem. The band aid of direct subsidies to temporarily address the problem is not a fix that can be sustained and most importantly does not address the root cause for the broken business model of the child care industry that existed prior to the Covid-19 crisis.

According to the Wisconsin Economic Development Institute's *Child Care in Wisconsin and Its Impact on Workforce and the Economy* report dated October 2022 to February 2023, the number of child care facilities in the state has been steadily declining for years. From 2013 to the Covid pandemic in 2020 child care facilities were lost at a rate ranging from 388 to 191 facilities each year. The influx of the federal dollars used for the Child Care Counts program stayed this steady loss of facilities. However, that loss may well begin again if we do not address the foundational issues of the faulty child care system.

Several measures have already been in place and have been strengthened. In the 2023-2025 biennial budget a total spend of 960 million dollars is included for child care. Ninety-three million of this is in new funding to help the child care industry. However, more work is needed to correct the pitfalls in the child care industry that have been in existence for far too long.

The package of Child Care bills brought forth before this committee today and the Committee of Children and Families are an outstanding way to address these issues. I believe that more work needs to be done in subsequent legislation on which I and my

colleagues will continue to work, but the package before us now is absolutely needed to make a huge dent in correcting the broken child care model.

It must be noted that many projections have been made estimating a massive closure of child care facilities once the Child Care Counts money runs out. However, these estimates have yet to be proven. For instance, the Department of Children and Families (DCF) noted that they had recorded 166 child care centers that had closed between January 1, 2023 to June 21, 2023. During that timeframe there was no reduction in the Child Care Counts subsidies that were being distributed. The first cut in Child Care Counts monies to child care facilities came in June of 2023. When questioning the number of closures, it came to light that there were many reasons for these closures that were not necessarily associated with Child Care Count dollars. Among these reasons were changes in location of the facility, change in status of licensing, children aging out of the facility, and facilities that came into being during Covid with more parents at home operating a Family Child care center having now moved back into other areas of the workforce once the Covid crisis ended. Other reasons are moves out-of-state and personal reasons. The threat of the loss of Child Care Counts may or may not be part of the reasons; however, that is unknown at this time.

In wanting to shed more light on the projections of child care facilities closing so that we can better address the problem, an inquiry was made of two of the Child Care Resource Referral (CCRR) agencies that service my district and the area surrounding and north of my district. These are mostly rural areas where the child care facility crunch hits the hardest. These two CCRRs of the nine such non-profit agencies that serve all 72 counties of our state reported that since Child Care Counts monies have been cut by half in June of 2023 that in their collective 20 county area that they have had only 6 child care facilities close. These six were Family Child care centers (home-based) and not group centers. The reasons from these closures were one had moved out of state, one changed to being a group facility, one had their children age out, and the other three gave reasons that had nothing to do with the lessening of Child Care Counts subsidies. Of course, it is early and the full data is yet to be collected. Of note, it is encouraging that in the ten-county area that my district Child Care Resource Referral agency services, they have had 28 new interested parties desiring to start a Family Child care facility and 3 interested parties in starting group facilities.

The child care industry does indeed need our help and attention, thus the bill before this committee today. AB 387, which establishes a pre-tax savings account for parents to use in paying for childcare will help families obtain the care that they need.

Mr. Chairman, this child care bill is good for our children, our parents, our workforce. It is good for Wisconsin.



## **Milwaukee Child Care Alliance Statement on Legislation Public Hearings: 9/6/2023**

The Milwaukee Child Care Alliance is a network of leaders in early care and education, including small and large providers and other stakeholders, who are committed to strengthening the lives of children and families through advocating to improve the quality of early care and education in the Greater Milwaukee Area.

The leaders of MCCA would very much like to be at the Capitol in person today to testify on the legislation. Unfortunately, the public hearings were scheduled at a time when many centers have just brought in new pupils during the first week of school. We are working directly in early care and education, and therefore cannot testify.

The bills being considered today fail to address the loudly communicated challenges and needs expressed by providers in this profession, both large and small businesses. These needs include the inevitable rising costs of quality care and the increased costs directly incurred to attract and retain quality early care and education teachers and out of school time educators. Not addressing these two key areas still results in an inability to meet the needs of the community and all in the workforce. Without continuation of the Child Care Counts program, or a similar funding program, centers will continue to close in Wisconsin and families will lose access to child care, thereby harming our economy.

Even though the bills will not address our needs, MCCA nevertheless supports two of the bills being considered. For one of the bills, MCCA is requesting a change, along with the Wisconsin Child Care Administrators Association (WCCAA).

Following are MCCA's positions on the bills being considered today.

### **Assembly Ways & Means Committee, 9/6/2023 Public Hearing**

**AB 387**, creating a child care reimbursement program, providing an income tax subtraction for certain contributions to a child care reimbursement account, and granting rule-making authority. **MCCA Position: Support.** MCCA supports initiatives to assist families with the cost of high quality, affordable and accessible early care and education and out of school time.

### **Assembly Children and Families Committee, 9/6/2023 Public Hearing**

**AB 388**, creating a child care center renovations loan program. **MCCA Position: Support with change requested by the Wisconsin Child Care Administrators Association (remove 60% in-home requirement).** MCCA is concerned about the repayment clause if the reason for the openings is a result of the high cost of care for

parents and/or the provider is unable to recruit and retain quality educators needed to fill the openings.

**AB 389**, relating to the regulation of large family child care centers. **MCCA Position: Neutral.** MCCA fails to understand why this would not be categorized as a small group center.

**AB 390**, modifying administrative rules relating to assistant child care teachers. **MCCA Position: Oppose.** MCCA agrees with WCCAA that most 16-year-olds are not prepared to work as assistant child care teachers. Along with WCCAA, we are open to the discussion of ways to allow certain, well-qualified 16-year-olds to work in centers.

**AB 391**, relating to modifying administrative rules regarding the number of child care workers and children in group child care centers. **MCCA Position: Strongly Oppose.** MCCA believes that increasing the adult-to-child ratio and maximum group size, or any combination thereof, directly negates all efforts to increase quality in all early care and education and out of school time programs. Furthermore, it decreases recruitment and retention efforts for teachers within this profession, which is already a significant challenge.

**AB 392**, relating to allowing certified child care operators to provide care to up to six children. **MCCA: No Position**, as this is not a significant portion of businesses within this profession.

Thank you for considering the views of the Milwaukee Child Care Alliance.



## **WCCAA Statement on Child Care Legislation:**

### **Public Hearings on 9/6/2023**

The Wisconsin Child Care Administrators Association (WCCAA) represents owners and administrators of child care centers across Wisconsin. WCCAA stands ready to work with all legislators and state officials who want to address the state's current child care crisis.

WCCAA would like to thank the legislators who have authored the bills being considered today. WCCAA fully supports one bill, supports another bill while requesting a change, opposes one bill, is neutral on one bill, and has no position on two bills because they do not relate to our businesses.

Unfortunately, the bills do not provide the funding that our centers desperately need. Without continuation of the Child Care Counts program, or a similar funding program, centers will continue to close in Wisconsin and families will lose access to child care, thereby harming our economy.

Following are WCCAA's positions on the bills being considered today.

#### **Assembly Ways & Means Committee, 9/6/2023 Public Hearing**

**AB 387**, creating a child care reimbursement program, providing an income tax subtraction for certain contributions to a child care reimbursement account, and granting rule-making authority. **WCCAA Position: Support.** WCCAA supports any initiative that will make it easier for families to afford child care.

#### **Assembly Children and Families Committee, 9/6/2023 Public Hearing**

**AB 388**, creating a child care center renovations loan program. **WCCAA Position: Support with Requested Change.** WCCAA asks that the language requiring that 60% of the loans go to in-home providers be removed from the bill. In-home providers do not have 60% of the child care market. We do not believe it makes sense to include this language. Otherwise, WCCAA supports any proposal that would provide new resources to child care centers.

**AB 389**, relating to the regulation of large family child care centers. **WCCAA: No Position**, as this bill does not relate to our businesses.

**AB 390**, modifying administrative rules relating to assistant child care teachers. **WCCAA Position: Oppose.** WCCAA does not believe that most 16-year-olds are prepared to work as

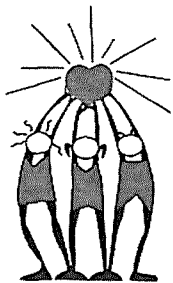
assistant child care teachers. We are open to the discussion of ways to allow certain, well-qualified 16-year-olds to work in centers.

**AB 391**, relating to modifying administrative rules regarding the number of child care workers and children in group child care centers. **WCCAA Position: Neutral.** We don't believe this bill will help our centers, but it could in some cases help families on wait lists to receive slots at centers.

**AB 392**, relating to allowing certified child care operators to provide care to up to six children. **WCCAA: No Position**, as this bill does not relate to our businesses.

Thank you for considering the views of the state's child care center owners and administrators.





# Northwest Connection Family Resources

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Dear Wisconsin Representatives & Senators,

Thank you for your continued work and the discussions you, and others, have been having with local Child Care Resource and Referral Agencies. The child care crisis is a multifaceted problem that requires complex solutions. I know you have heard from many about Child Care Counts, as the Director of Northwest Connection Family Resources (NCFR) I believe it is time to come together to work on all possible solutions, that fit both rural and urban areas. NCFR is the most northern Child Care Resource and Referral agency, serving rural child care providers and families in 14 counties and 7 tribal communities. Significant child care deserts exist throughout our service delivery area, making finding child care a real problem for families. It is encouraging to see child care being discussed at this level and bills being brought forward for discussion. The proposed bills could lay the groundwork for positive changes; if we come together to ensure research is thorough, and support is provided while guaranteeing that safety and best outcomes for Wisconsin's children are achievable.

**LRB-3528 / LRB-4243 relating to: creating a child care reimbursement account program, providing an income tax subtraction for certain contributions to a child care reimbursement account and granting rule-making authority.**

As child care expenses continue to rise for families in northern Wisconsin this bill has the potential, with education to families, providers and employers, to help families save on the cost of child care. Making child care more affordable to families is a great way to recruit and retain work force in Wisconsin. It could possibly support continuity of care for children, with children not asked to leave care due to non-payment if dependent care accounts are established.

**LRB-3161 relating to: creating a child care center renovations loan program**

A loan program could help expand or upgrade child care programs. I would have preferred a grant program, as many current rural child care programs/providers who are in need of additional support are not in the position to have a loan payment and with unsure futures may not take advantage of this loan program. I understand the loan program is sustainable and may be beneficial for new programs coming into regulation.

**LRB-4198 / LRB-4242 relating to: allowing certified care operators to provide care to up to six children.**

This bill will allow certified providers flexibility to care for more children, whether related or not. This could open up some slots in rural communities for families receiving Wisconsin Shares. It is difficult to know if this would encourage potential providers to become certified, as relatives caring for relative children is somewhat common in rural communities.

**LRB-3168 / LRB-4239 relating to: the regulation of large family child care centers.**

The implementation of this bill may encourage rural family child care providers to expand, offering additional slots for children. This could increase access and decrease driving time for families in rural communities. Family child care providers will need support in environments, guiding larger groups of children and operating a business with employees. In rural areas, family child care providers are essential to support children and families.

**LRB-3294 / LRB-4237 relating to: modifying administrative rules relating to assistant child care teachers.**

Some high school programs in Wisconsin prepare students to work in the field with no immediate path to work in child care unless they are 18. Eliminating the pause, with a direct pathway to employment could support the pipeline and increase the workforce in the future. As with any age applicant, directors should carefully screen applicants to assess their ability to care for young children. While simply achieving a certain age does not make someone a fit to care for children, a 16 or 17 year-old's ability to supervise children alone, administer medication/deal with injuries and have sole communication with parents at drop off and pick up regarding health, safety and education matters is concerning. I am in support 16 and 17 year-olds as assistants in programs just not in lead roles.

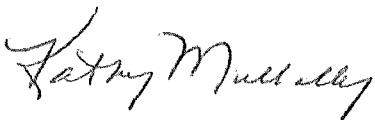
**LRB-4197 / LRB-4238 relating to: Modifying administrative rules regarding the number of child care workers and children in group child care centers.**

When adult to child ratio and group sizes are small, positive interactions increase and children experience a more nurturing environment with the capacity to build social emotional skills. Before moving forward with this proposal, more research is needed to ensure quality and best practices for Wisconsin's children.

I believe that child care programs in Wisconsin need significant financial support to help keep our critically important child care workers earning a livable wage and benefits. I believe families need additional support to keep child care costs affordable. I believe communities need reliable workers, making child care a key component to Wisconsin's overall economic health. Let's focus on keeping programs that work and making changes that bring about the best outcomes for everyone: children, families and communities.

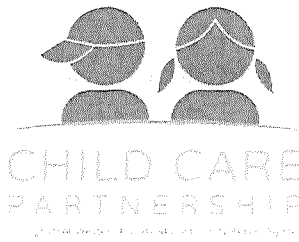
Thank you for doing the hard work needed and for allowing me to provide this feedback.

Sincerely,



Kathy Mullally  
Executive Director

*Supporting Children, Connecting Families, Strengthening Communities*



Greetings,

I am a Child Care Resource & Referral Center Director representing largely rural child care in Western Wisconsin. I have worked in child care for over 30 years as a child care provider and a CCR&R consultant in various positions, promoting positive outcomes for young children and their families.

Thank you for including your local Child Care Resource and Referral agency in this crucial conversation. We sincerely appreciate your continued work toward solving the child care crisis many families, child care providers and communities face today.

This is a pivotal time in our history, and we must come together to work on a solution that fits the state's rural and urban areas. The child care crisis is a multifaceted problem that requires complex solutions. It is encouraging that these bills are being proposed and that child care is seen as an economic driver for families and employers throughout the state. The proposed bills lay the groundwork for positive changes if implemented with sound support and research-based practices.

- **LRB-3528 / LRB-4243 relating to: creating a child care reimbursement account program, providing an income tax subtraction for certain contributions to a child care reimbursement account and granting rule-making authority.**

The implementation of this bill will help families save on the cost of child care. Making child care more affordable to families assists in the recruitment and retention of the workforce in Wisconsin, which benefits employers, employees, and the community.

- **LRB-3161 relating to: creating a child care center renovations loan program.**

The implementation of this bill would support the expansion and/or upgrading of child care programs. While this loan program could be a sustainable option, offering a grant program in addition would be beneficial for recruiting new programs in rural areas.

- **LRB-3168 / LRB-4239 relating to: the regulation of large family child care centers.**

The implementation of this bill may encourage rural family child care providers to expand offering additional slots for children. This could increase access and decrease driving time for families in rural communities. Family child care providers will need training in guiding larger groups of children and running a business with employees. Support for family child care providers is essential in rural areas where group centers cannot be sustained.

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& Trempealeau counties including the Ho-Chunk Nation

- **LRB-4198 / LRB-4242 relating to: allowing certified care operators to provide care to up to six children.**

The implementation of this bill will allow certified providers the flexibility needed to care for more children. This could open more slots in rural communities for WI Shares families. More children in certified care could also benefit from other programs such as the Child and Adult Care Food Program and additional quality initiatives.

- **LRB-4197 / LRB-4238 relating to: Modifying administrative rules regarding the number of child care workers and children in group child care centers.**

When adult to child ratio and group size are small, positive interactions increase and children experience a more nurturing environment and capacity to build social emotional skills. We have neighboring states that have different ratios than Wisconsin. What are the outcomes they are seeing? Do children have the social and emotional skills needed for school? More research is needed to ensure safe environments are provided for children.

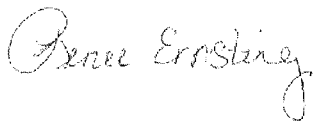
- **LRB-3294 / LRB-4237 relating to: modifying administrative rules relating to assistant child care teachers.**

Simply achieving a certain age does not make someone fit to care for children but is dependent on life experiences and support from other experienced adults. Many high school programs prepare students to work in the field with no immediate path to work in child care. This bill has the potential to eliminate the pause in a direct pathway to employment. However, a 16- or 17-year-olds ability to supervise children alone and be responsible for direct communication with parents as a lead teacher is concerning. A position as an assistant teacher may be more appropriate.

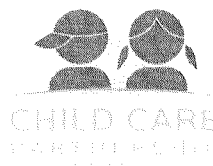
Any time we make changes, we can't lose sight of the children and what is best for their development.

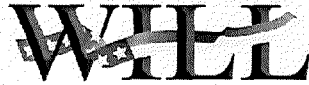
I am confident that we can work together to support child care programs, keep children safe, and provide best outcomes for our youngest citizens. Thank you for working hard to represent and support the interests of Wisconsin's children, families, and communities.

Sincerely,



*Director of Child Care Partnership Resource & Referral Center, Inc., a program of Western Dairyland EOC*





WISCONSIN INSTITUTE  
FOR LAW & LIBERTY

## TESTIMONY IN SUPPORT OF AB 387

September 5, 2023

Thank you, Chairman Macco, Vice Chairman Brooks, and members of the Assembly Committee on Ways and Means for accepting my testimony in support of AB 387.

According to the Wisconsin Department of Children and Families, the average annual cost for infant care in Milwaukee County is \$16,567, making up over 20% of the median family budget. The Department for Health and Human Services recommends that childcare should not exceed 7% of a family's budget—a metric that only 6.5% of Wisconsin families attain. It is imperative that we find solutions that will bring these costs down for Wisconsin families so that having children and raising a family in our state is a desirable and achievable goal.

AB 387 allows families and employers to deposit up to \$10,000 annually into an account on a pre-tax basis that can be exclusively used for childcare purposes. This utilizes a mechanism similar to health savings accounts, effectively exempting income taxes to pay for this growing expense for families. Currently, state employees enrolled can participate in a similar program through a pre-tax deduction and this bill will extend that option to all Wisconsinites. Employers will now have the ability to create matching programs to attract the best and brightest employees.

This legislation is in the best interest of Wisconsin families to better make ends meet as they raise their children. Thank you for your time.

**Kyle Koenen**

Policy Director

Wisconsin Institute for Law & Liberty